
Swallow Hill Music Association

**Financial Report
December 31, 2020**

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Independent Auditor's Report

To the Board of Directors
Swallow Hill Music Association

We have audited the accompanying financial statements of Swallow Hill Music Association (the "Organization"), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Swallow Hill Music Association as of December 31, 2020 and the results of its changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements and Report on Summarized Comparative Information

We have previously audited Swallow Hill Music Association's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
Swallow Hill Music Association

Emphasis of Matter

As described in Note 2 to the financial statements, the COVID-19 pandemic had an effect on the operations of the Organization. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

June 11, 2021

Swallow Hill Music Association

Statement of Financial Position

December 31, 2020

(with summarized comparative totals for 2019)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 494,755	\$ 245,420
Accounts receivable	18,534	162,638
Pledges receivable	62,681	-
SCFD receivable	228,601	229,090
Other assets	29,859	38,534
Total current assets	834,430	675,682
Investments	724,501	596,899
Property and Equipment - Net	762,708	869,070
Construction in Progress	286,238	275,757
Beneficial Interest in Assets Held by Others	63,749	59,622
Total noncurrent assets	1,837,196	1,801,348
Total assets	\$ 2,671,626	\$ 2,477,030
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 12,105	\$ 89,495
Deferred concert and class revenue	246,863	246,733
Accrued benefits	104,779	121,669
Current portion of notes payable	34,617	33,099
Current portion of Paycheck Protection Program loan	323,580	-
Total current liabilities	721,944	490,996
Notes Payable - Net of current portion	176,269	199,980
Paycheck Protection Program Loan - Net of current portion	216,620	-
Total liabilities	1,114,833	690,976
Net Assets		
Without donor restrictions	947,845	1,262,224
With donor restrictions	608,948	523,830
Total net assets	1,556,793	1,786,054
Total liabilities and net assets	\$ 2,671,626	\$ 2,477,030

Swallow Hill Music Association

Statement of Activities

Year Ended December 31, 2020
(with summarized comparative totals for 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Ticket sales - Net	\$ 188,558	\$ -	\$ 188,558	\$ 3,119,825
Music class tuition	526,571	-	526,571	1,443,739
SCFD support	768,162	-	768,162	782,382
Grants and contributions	598,992	185,211	784,203	724,408
Retail - Net of cost of sales of \$24,486 (2020) and \$184,565 (2019)	22,148	-	22,148	198,358
Other revenue	5,873	-	5,873	140,653
Membership fees	80,649	-	80,649	115,286
In-kind donations	27,633	-	27,633	76,355
Rental income	26,418	-	26,418	41,185
Investment income - Net	22,324	33,284	55,608	73,503
Loss on disposal of property and equipment	(44,989)	-	(44,989)	-
Net assets released from restrictions	133,377	(133,377)	-	-
Total revenue, gains, and other support	2,355,716	85,118	2,440,834	6,715,694
Expenses				
Program services	1,929,548	-	1,929,548	5,209,529
Support services:				
Management and general	523,719	-	523,719	981,203
Fundraising	216,828	-	216,828	384,831
Total support services	740,547	-	740,547	1,366,034
Total expenses	2,670,095	-	2,670,095	6,575,563
(Decrease) Increase in Net Assets	(314,379)	85,118	(229,261)	140,131
Net Assets - Beginning of year	1,262,224	523,830	1,786,054	1,645,923
Net Assets - End of year	\$ 947,845	\$ 608,948	\$ 1,556,793	\$ 1,786,054

Swallow Hill Music Association

Statement of Functional Expenses

Year Ended December 31, 2020

(with summarized comparative totals for 2019)

	Program Services	Management and General	Fundraising	Total	2019
Salaries	\$ 1,137,939	\$ 346,329	\$ 164,919	\$ 1,649,187	\$ 2,416,576
Payroll taxes and benefits	158,575	48,262	22,982	229,819	311,388
Total salaries and related expenses	1,296,514	394,591	187,901	1,879,006	2,727,964
Contract - Performers	144,291	-	-	144,291	1,222,530
Facility rental	63,286	-	-	63,286	858,968
Software	-	-	-	-	277,128
Professional services	160,231	40,058	-	200,289	285,820
Contract - Other	25,330	-	-	25,330	273,620
Advertising	-	36,891	-	36,891	270,319
Cost of sales	24,486	-	-	24,486	184,565
Merchant and bank fees	30,521	-	-	30,521	136,275
Depreciation	46,100	14,666	9,079	69,845	83,060
Printing	8,841	-	982	9,823	51,038
Insurance	31,052	9,881	6,116	47,049	82,977
Repairs and maintenance	11,738	3,735	2,312	17,785	46,781
Supplies	8,950	2,848	1,763	13,561	51,990
Other expenses	6,846	2,178	1,348	10,372	26,199
Utilities	14,985	4,768	2,952	22,705	29,275
Dues and licenses	42,345	-	-	42,345	33,302
Small instruments	10,118	-	-	10,118	42,484
Telephone	11,519	4,025	1,821	17,365	19,956
Interest	7,013	2,231	1,381	10,625	12,491
Postage	1,355	431	267	2,053	17,730
Travel	6,450	521	52	7,023	3,125
Meals and entertainment	1,184	377	233	1,794	9,198
Conferences and workshops	879	-	-	879	10,414
Capital campaign expenses	-	-	621	621	2,119
Bad debt expense	-	6,518	-	6,518	800
Total functional expenses	\$ 1,954,034	\$ 523,719	\$ 216,828	\$ 2,694,581	\$ 6,760,128

Swallow Hill Music Association

Statement of Cash Flows

Year Ended December 31, 2020
(with summarized comparative totals for 2019)

	2020	2019
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (229,261)	\$ 140,131
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	69,845	83,060
Investment returns	(52,570)	(73,503)
Net change in beneficial interest in assets held by others	(4,127)	(5,694)
Loss on disposal of property and equipment	44,989	-
Bad debt expense	6,518	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts and pledges receivable	74,905	(131,336)
SCFD receivable	489	2,979
Prepaid expenses and other assets	8,675	9,556
Accounts payable and accrued benefits	(94,280)	5,838
Deferred concert and class revenue	130	7,392
Net cash and cash equivalents (used in) provided by operating activities	(174,687)	38,423
Cash Flows from Investing Activities		
Purchase of property and equipment	(18,953)	(124,897)
Purchases of investments	(76,700)	(87,304)
Sales of investments	1,668	283,422
Net cash and cash equivalents (used in) provided by investing activities	(93,985)	71,221
Cash Flows from Financing Activities		
Borrowings on Paycheck Protection Program loan	540,200	-
Payments on line of credit	-	(45,000)
Payments on notes payable	(22,193)	(31,701)
Net cash and cash equivalents provided by (used in) financing activities	518,007	(76,701)
Net Increase in Cash and Cash Equivalents	249,335	32,943
Cash and Cash Equivalents - Beginning of year	245,420	212,477
Cash and Cash Equivalents - End of year	\$ 494,755	\$ 245,420
Supplemental Cash Flow Information - Cash paid for interest	\$ 10,625	\$ 12,491

December 31, 2020

Note 1 - Nature of Business

Swallow Hill Music Association (the "Organization"), a nonprofit corporation, was incorporated in the State of Colorado in 1979 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization serves as a local, regional, and national resource for the teaching, presentation, and preservation of roots, folk, and acoustic music and to make enjoyment of and participation in live performance a vital part of the community's cultural life. The Organization is funded primarily by ticket sales, music class tuition, Scientific and Cultural Facilities District (SCFD) support, and other grants and contributions.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As a result, the Organization canceled all in-person school programming and concerts beginning in mid-March 2020 and does not anticipate the capability of resuming in-person activities until September 2021.

Since March 2020, the Organization has been operating with a small number of employees after laying off a significant portion of its staff. Beginning in May 2020, the Organization started offering online classes and hosting online musical performances. All of the 2020 concerts were rescheduled to 2021 or 2022. Summer 2021 will include a modified in-person concert series at both Denver Botanic Gardens and Four Mile Historic Park. The Organization anticipates in-person concerts at its Yale location starting in September 2021.

The Organization is currently offering online school programming and serves between 500 to 700 students per session. The Organization has rehired 37 teachers since online classes began, and it expects to continue online programming after it opens to in-person programming. The Organization anticipates operating at 60 percent to 85 percent capacity when the school reopens for in-person classes in September 2021. A marketing plan is being built to support growth in both the online and in-person schools.

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Organization received \$540,200 as a Paycheck Protection Program (PPP) loan that enabled the Organization to retain some of its instructors. Even with the reduction of revenue-generating classes and concerts, the Organization has been able to operate without using its restricted reserves or accessing its line of credit. No impairments were recorded as of the statement of financial position date, as no triggering events or changes in circumstances had occurred as of year end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's results of operations, cash flows, and financial position could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 2 - Significant Accounting Policies (Continued)

Subsequent to year end, the Organization received forgiveness for approximately \$469,000 of the PPP loan and repaid the remaining outstanding balance.

Summarized Comparative Information

The financial information presented for comparative purposes as of and for the year ended December 31, 2019 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2019 financial statements, from which the summarized information was derived.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents unless held for reinvestment as part of the investment portfolio or otherwise encumbered. Periodically throughout the year, the total amount of bank deposits exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management has reviewed accounts receivable as of December 31, 2020 and determined that an allowance would be insignificant to the financial statements as a whole; therefore, an allowance was not recorded.

SCFD Support and Receivable

Scientific and Cultural Facilities District (SCFD or the "District") support and receivable represents the Organization's share of proceeds from a tax assessed by the Scientific and Cultural Facilities District. The tax was first implemented in 1989, and the proceeds are distributed by the District to various Colorado cultural arts organizations. The amount distributed to these Tier II organizations (including the Organization) is based on the revenue and paid attendance of each eligible organization. The Organization considers the SCFD receivable to be fully collectible based on past history; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments are recorded at fair value. Fair value is determined as more fully described in Note 4.

Investments in marketable equity and fixed-income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. The market value of the Organization's beneficial interest in assets held by others is based on information reported by Community First Foundation, which holds the funds. Investment income consists of the Organization's distributive share of any interest, dividends, and capital gains and losses generated from its investments. Realized gains and losses attributable to the Organization's investments are reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the statement of activities.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. Donated fixed assets are capitalized at fair value at the date of the donation. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Construction in progress is not depreciated until construction is complete and the assets are placed in service. Costs of maintenance and repairs are charged to expense when incurred.

	Depreciable Life - Years
Building and building improvements	10 to 40
Furniture and equipment	3 to 7

Deferred Concert and Class Revenue

Revenue from ticket sales and tuition receipts is deferred and recognized as income over the period when the services are provided or when the event occurs and the related expenses are incurred. Ticket sales are recorded net of any seat and sales tax.

Revenue Recognition

The Organization's revenue from contracts with customers primarily consists of membership fees, ticket sales, class tuition, and retail sales. These revenue contracts generally have single or multiple performance obligations. Revenue is reported net of variable consideration and consideration payable to customers, including applicable discounts, returns, unsalable product, and other costs. Amounts billed and due from customers are classified as receivables and require payment on a short-term basis; therefore, the Organization does not have any significant financing components.

Membership Fees

This revenue represents annual membership fees to join the Organization. Members receive access to discounts for class tuition and concerts over a defined annual membership period. Revenue is deferred at payment and is recognized over the membership term, and the discounts are recognized at a point in time as the member uses the discount.

Ticket Sales

This revenue represents tickets to concerts and events sponsored by the Organization. Revenue is deferred at payment and is recognized in the month of the concert or event.

Class Tuition

This revenue represents course registration to classes sponsored by the Organization. Revenue is deferred at payment and is recognized over the course term or the single day class or workshop.

Retail

This revenue represents merchandise and food and beverage sales at concerts and events sponsored by the Organization. Revenue is recognized at the point of sale.

December 31, 2020

Note 2 - Significant Accounting Policies (Continued)

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. The gifts are reported as either contributions without restrictions or contributions with restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions that have restrictions met in the year in which the contributions are received are reported as without donor contributions in the accompanying financial statements.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. As of December 31, 2020, no allowance was deemed necessary.

Donated Services and Assets

Donated services that create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not provided by donation are reflected in the financial statements. The value of those services is determined based on their estimated fair value. Other donated services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America. Donated assets are reflected in the financial statements at their estimated values.

As described in Note 11, the amount of donated services and assets recognized as in-kind contributions and support in the statement of activities during the year ended December 31, 2020 was \$27,633.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2020 was \$36,891.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to one program or supporting functions. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the program and support services on several bases and estimates. Certain wages and benefits have been allocated based on time and effort. Certain supplies, postage, shipping, and insurance expenses have been allocated based on usage. Maintenance and facility expenses have been allocated based on square footage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

December 31, 2020

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

During 2020, the Organization adopted Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* (ASU No. 2018-13). As a result of the adoption of ASU No. 2018-13, the Organization primarily removed and modified certain Level 3 fair value disclosure requirements on fair value measurements. This standard was adopted retrospectively. The adoption of this ASU did not have an impact on the Organization's net assets or changes in net assets.

Upcoming Accounting Pronouncement

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using the retrospective method.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 11, 2021, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Organization has \$804,571 of financial assets available within one year of December 31, 2020 to meet cash needs for general expenditure, consisting of cash of \$494,755, accounts receivable of \$18,534, pledges receivable of \$62,681, and SCFD receivable of \$228,601. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 30 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. The Organization also has a line of credit for \$50,000, which is available for any short-term credit needs.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

December 31, 2020

Note 4 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2020 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
Cash held for investment	\$ 4,499	\$ -	\$ -	\$ 4,499
Mutual funds	356,897	-	-	356,897
Index funds	363,105	-	-	363,105
Beneficial interest in assets held by others	-	-	63,749	63,749
Total assets	\$ 724,501	\$ -	\$ 63,749	\$ 788,250

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds and Index Funds

Valued at the closing price reported on the active market on which the mutual funds or individual securities are traded.

Beneficial Interest in Assets Held by Others

The carrying amounts of financial assets required to be measured at fair value on a recurring basis include investments held by The Community First Foundation (CFF or the "Foundation"), the fair value of which is based upon information determined and reported by CFF and corroborated with CFF's audited financial statements by management. The fair value of investments held at CFF include Level 1, 2, and 3 classifications; however, the Organization's pro rata share of the pooled investments does not have an active market and is, therefore, classified under Level 3 in the fair value hierarchy.

There were no changes in the valuation methodologies during the year.

December 31, 2020

Note 4 - Fair Value Measurements (Continued)

Investment return in the statement of activities consists of the following:

Dividends and interest income	\$ 1,367
Net realized and unrealized gains on investments	54,821
Management fees	<u>(580)</u>
Total	<u>\$ 55,608</u>

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

Land	\$ 115,192
Building and building improvements	1,158,092
Furniture and equipment	<u>488,618</u>
Total cost	1,761,902
Accumulated depreciation	<u>999,194</u>
Net property and equipment	<u>\$ 762,708</u>

Depreciation expense for the year ended December 31, 2020 was \$69,845.

Note 6 - Beneficial Interest in Assets Held by Others

The Organization's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2013, the Organization established an endowment fund with the Community First Foundation for operational purposes. The Foundation has variance power over the funds. Under the terms of the endowment, the contributions are held in perpetuity. Amounts appropriated for expenditure are calculated using 5 percent of the average of the net fair market values of three preceding calendar years. As of December 31, 2020, the Organization's beneficial interest had a fair value of \$63,749.

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - Beginning of year	\$ -	\$ 59,622	\$ 59,622
Investment return:			
Investment income	-	1,222	1,222
Net appreciation - Net of fees	<u>-</u>	<u>5,800</u>	<u>5,800</u>
Total investment return	-	7,022	7,022
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(2,895)</u>	<u>(2,895)</u>
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 63,749</u>	<u>\$ 63,749</u>

Note 7 - Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization received a Paycheck Protection Program loan in the amount of \$540,200. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Organization may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years, with interest accruing at a rate of 1.00 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would be \$54,268 during the repayment period, which begins in July 2021. The note payable matures in April 2022.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels.

Under ASC 470, the Company elected to account for these funds as a financial liability until they are repaid or legal notice of forgiveness is received. As of December 31, 2020, the outstanding balance on the PPP loan is \$540,200, which is classified as debt on the statement of financial position.

Principal payments are due on the note payable as follows:

Years Ending	Amount
2021	\$ 323,580
2022	216,620
Total	<u>\$ 540,200</u>

Subsequent to December 31, 2020, the Organization received notice of forgiveness on approximately \$469,000 of the note, and the Organization immediately paid back the remaining unforgiven balance.

Note 8 - Line of Credit

Under a line of credit agreement with a bank, the Organization has available borrowings of \$50,000. Interest is payable at the prime rate (an effective rate of 4.75 percent at December 31, 2020). There was no balance outstanding as of December 31, 2020.

Note 9 - Long-term Debt

The Organization has a note payable with a bank, which accrues interest at 4.35 percent annually. Payments of principal are due monthly through the maturity date in March 2026. The note is secured by a deed of trust on the Organization's real property. At December 31, 2020, the outstanding balance on the loan totaled \$210,886. The balance of the above debt matures as follows:

Years Ending	Amount
2021	\$ 34,617
2022	36,175
2023	37,803
2024	39,494
2025	41,282
Thereafter	21,515
Total	<u>\$ 210,886</u>

Interest expense for the year ended December 31, 2020 was \$9,863.

December 31, 2020

Note 10 - Net Assets

Net assets with donor restrictions consist of the following as of December 31, 2020:

Net assets with donor restrictions:	
Capital improvements	\$ 448,263
Outreach	78,554
Endowment	63,749
Scholarships	<u>18,382</u>
Total net assets with donor restrictions	<u>\$ 608,948</u>

Note 11 - In-kind Contributions

In-kind donations recognized by the Organization for the year ended December 31, 2020 are as follows:

Donated instruments	\$ 10,905
Donated equipment	7,848
Legal	4,860
Advertising	3,520
Other	<u>500</u>
Total in-kind donations	<u>\$ 27,633</u>

The Organization received over 1,200 hours of volunteer services that are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed since no objective basis is available to measure the value of such services.

Note 12 - Operating Leases

The Organization is obligated under operating leases primarily for facilities, expiring at various dates through May 3, 2024. Total rent expense under these leases was \$45,780 for 2020.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2021	\$ 4,781
2022	2,190
2023	339
2024	<u>141</u>
Total	<u>\$ 7,451</u>