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# Swallow Hill Music Association

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**Financial Report**  
**December 31, 2022**

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## Independent Auditor's Report

To the Board of Directors  
Swallow Hill Music Association

### ***Opinion***

We have audited the financial statements of Swallow Hill Music Association (the "Organization"), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and the changes in its 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Swallow Hill Music Association

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Plante & Moran, PLLC*

June 5, 2023

## Swallow Hill Music Association

## Statement of Financial Position

December 31, 2022  
(with summarized comparative totals for 2021)

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,385,682	\$ 3,940,221
Accounts receivable	29,385	30,108
Pledges receivable	72,872	85,500
SCFD receivable	289,652	273,606
Other assets	11,204	13,909
Total current assets	3,788,795	4,343,344
<b>Investments</b>	690,396	786,773
<b>Property and Equipment - Net</b>	799,924	732,962
<b>Construction in Progress</b>	327,812	286,238
<b>Beneficial Interest in Assets Held by Others</b>	51,954	66,467
Total noncurrent assets	1,870,086	1,872,440
Total assets	<b>\$ 5,658,881</b>	<b>\$ 6,215,784</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 74,396	\$ 39,915
Deferred concert and class revenue	102,323	144,496
Accrued benefits	69,516	94,846
Current portion of notes payable	40,842	36,175
Total current liabilities	287,077	315,432
<b>Notes Payable - Net of current portion</b>	103,294	140,585
Total liabilities	390,371	456,017
<b>Net Assets</b>		
Without donor restrictions	4,695,200	5,056,864
With donor restrictions	573,310	702,903
Total net assets	5,268,510	5,759,767
Total liabilities and net assets	<b>\$ 5,658,881</b>	<b>\$ 6,215,784</b>

# Swallow Hill Music Association

## Statement of Activities

Year Ended December 31, 2022  
(with summarized comparative totals for 2021)

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, Gains, and Other Support</b>				
Ticket sales - Net	\$ 1,607,776	\$ -	\$ 1,607,776	\$ 389,859
Music class tuition	677,847	-	677,847	460,972
SCFD support	1,036,875	-	1,036,875	926,875
Grants and contributions	251,409	109,298	360,707	534,102
Nonfinancial donations	29,897	-	29,897	5,781
Membership fees	86,197	-	86,197	66,274
Rental income	50,008	-	50,008	48,198
Retail - Net of cost of sales of \$62,365 (2022) and \$12,246 (2021)	9,076	-	9,076	12,806
Other revenue	9,979	-	9,979	40
Special event revenue - Net of expenses of \$74,762 (2022) and \$0 (2021)	7,845	-	7,845	-
Net investment return	(95,801)	(11,349)	(107,150)	68,608
Loss on disposal of property and equipment	-	-	-	(2,671)
Gain on debt forgiveness	-	-	-	468,954
Shuttered Venue Operators Grant	-	-	-	3,461,619
Net assets released from restrictions	227,542	(227,542)	-	-
Total revenue, gains, and other support	3,898,650	(129,593)	3,769,057	6,441,417
<b>Expenses</b>				
Program services	3,126,755	-	3,126,755	1,619,653
Support services:				
Management and general	739,932	-	739,932	443,585
Fundraising	393,627	-	393,627	175,205
Total support services	1,133,559	-	1,133,559	618,790
Total expenses	4,260,314	-	4,260,314	2,238,443
<b>(Decrease) Increase in Net Assets</b>	(361,664)	(129,593)	(491,257)	4,202,974
<b>Net Assets - Beginning of year</b>	5,056,864	702,903	5,759,767	1,556,793
<b>Net Assets - End of year</b>	<b>\$ 4,695,200</b>	<b>\$ 573,310</b>	<b>\$ 5,268,510</b>	<b>\$ 5,759,767</b>

## Swallow Hill Music Association

### Statement of Functional Expenses

**Year Ended December 31, 2022**  
**(with summarized comparative totals for 2021)**

	Program Services	Management and General	Fundraising	Total	2021
Salaries	\$ 1,114,328	\$ 464,303	\$ 278,582	\$ 1,857,213	\$ 1,328,680
Payroll taxes and benefits	174,704	72,793	43,676	291,173	182,907
<b>Total salaries and related expenses</b>	<b>1,289,032</b>	<b>537,096</b>	<b>322,258</b>	<b>2,148,386</b>	<b>1,511,587</b>
Contract - Performers	542,601	-	-	542,601	148,564
Facility rental	389,911	-	-	389,911	34,269
Software	128,506	-	32,126	160,632	-
Professional services	242,952	60,738	-	303,690	184,556
Contract - Other	99,292	-	-	99,292	10,172
Advertising	-	79,354	-	79,354	14,214
Cost of sales	62,365	-	-	62,365	12,246
Merchant and bank fees	94,729	-	-	94,729	29,405
Depreciation	48,049	15,286	9,463	72,798	69,100
Printing	8,187	-	910	9,097	98
Insurance	44,706	14,225	8,806	67,737	25,062
Repairs and maintenance	27,926	8,886	5,501	42,313	18,906
Supplies	28,172	8,964	5,548	42,684	18,565
Other expenses	13,701	4,359	2,699	20,759	8,332
Utilities	19,175	6,101	3,777	29,053	21,788
Dues and licenses	109,639	-	-	109,639	81,027
Small instruments	18,267	-	-	18,267	2,388
Telephone	5,042	1,604	993	7,639	6,138
Interest	4,673	1,487	920	7,080	13,673
Postage	1,304	414	257	1,975	2,909
Travel	8,697	977	98	9,772	85
Meals and entertainment	1,380	441	271	2,092	422
Conferences and workshops	814	-	-	814	992
Bad debt expense	-	-	-	-	36,191
Special event expenses	-	-	74,762	74,762	-
<b>Total functional expenses</b>	<b>\$ 3,189,120</b>	<b>\$ 739,932</b>	<b>\$ 468,389</b>	<b>\$ 4,397,441</b>	<b>\$ 2,250,689</b>

## Swallow Hill Music Association

## Statement of Cash Flows

Year Ended December 31, 2022  
(with summarized comparative totals for 2021)

	2022	2021
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (491,257)	\$ 4,202,974
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	72,798	69,100
Investment loss (return)	96,377	(45,091)
Net change in beneficial interest in assets held by others	14,513	(2,718)
Loss on disposal of property and equipment	-	2,671
Bad debt expense	-	36,191
Gain on debt forgiveness	-	(468,954)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts and pledges receivable	13,351	(70,584)
SCFD receivable	(16,046)	(45,005)
Other assets	2,705	15,950
Accounts payable and accrued benefits	9,151	17,877
Deferred concert and class revenue	<u>(42,173)</u>	<u>(102,367)</u>
Net cash and cash equivalents (used in) provided by operating activities	(340,581)	3,610,044
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment and additions to CIP	(181,334)	(42,025)
Sales of investments	<u>-</u>	<u>(17,181)</u>
Net cash and cash equivalents used in investing activities	(181,334)	(59,206)
<b>Cash Flows Used in Financing Activities - Payments on notes payable</b>	<u>(32,624)</u>	<u>(105,372)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(554,539)	3,445,466
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>3,940,221</u>	<u>494,755</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 3,385,682</b></u>	<u><b>\$ 3,940,221</b></u>
<b>Supplemental Cash Flow Information</b> - Cash paid for interest	\$ 7,080	\$ 13,673

**December 31, 2022****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 or the "District") 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.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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***

In 2022, Swallow Hill continued to rebuild from the COVID-19 pandemic and faced associated challenges.

To address staffing and operational needs surrounding reopening and expansion, the Organization invested in team growth by rehiring staff; however, the patron base was slow to return at pre-pandemic levels. Although the Organization is still currently not operating at full capacity, reinvesting in a full staff and program expansion was pertinent to ensure that the Organization was ready to serve the community again, despite slower than hoped for return and participation rates.

Costs for production and services were impacted and consequently exceeded the Organization's expense forecasts. Additionally, pandemic-related donor fatigue and a return to pre-pandemic giving levels during reopening resulted in lower-than-expected donation levels.

The Organization is focused on broader city-wide brand marketing and has returned to tried-and-true pre-pandemic marketing tactics including monthly mailers and print ads. Program by program business model reviews have taken place to identify break-even points more accurately with associated modifications to operating methods. New funding sources are being explored to address general operations and program specific needs, and increased attention is being given to member and donor retention, cultivation, and prospect identification.

As described further in Note 3, the Organization has sufficient financial assets to meet its current obligations.

**December 31, 2022****Note 2 - Significant Accounting Policies (Continued)*****Summarized Comparative Information***

The financial information presented for comparative purposes as of and for the year ended December 31, 2021 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 2021 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). The amount of deposits above the uninsured amount is approximately \$3,088,000.

***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, 2022 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 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***

Investment securities are classified based on the Organization's intent with respect to holding securities.

Investments are recorded at fair value in the statement of financial position and are composed of mutual funds, index funds, and beneficial interest in assets held by others. Gains and losses are reported as increases or decreases in net assets and are reflected as changes in net assets with donor restrictions and net assets without donor restrictions, as appropriate.

The Organization's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of the investments will occur in the near term and could materially affect the amounts reported in the financial statements. The Organization places its investments with high-quality institutions and, accordingly, limits its credit exposure.

**December 31, 2022****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, 2022****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, 2022, no allowance was deemed necessary.

***Nonfinancial Donations***

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 fair values.

As described in Note 9, the amount of donated services and assets recognized as nonfinancial donations and support in the statement of activities during the year ended December 31, 2022 was \$29,897.

***Advertising Expense***

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2022 was \$79,354.

***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 more than one program or supporting function. Therefore, these expenses require 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, 2022****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.

***Adoption of New Accounting Pronouncement***

In September 2020, the Financial Accounting Standards Board (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 that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). The ASU requires that contributed nonfinancial assets are reported by category within the financial statements and additional disclosures for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The standard was adopted retrospectively as of January 1, 2022 and had no impact on net assets.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including June 5, 2023, which is the date the financial statements were available to be issued.

**Note 3 - Liquidity and Availability of Resources**

The Organization has \$3,777,591 of financial assets available within one year of December 31, 2022 to meet cash needs for general expenditure, consisting of cash and cash equivalents of \$3,385,682, accounts receivable of \$29,385, pledges receivable of \$72,872, and SCFD receivable of \$289,652. 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.

**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.

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.

# Swallow Hill Music Association

## Notes to Financial Statements

December 31, 2022

### Note 4 - Fair Value Measurements (Continued)

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.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at December 31, 2022 and the valuation techniques used by the Organization to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at December 31, 2022				
	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, 2022
<b>Assets</b>				
Cash held for investment	\$ 6,671	\$ -	\$ -	\$ 6,671
Mutual funds	360,088	-	-	360,088
Index funds	323,637	-	-	323,637
Beneficial interest in assets held by others	-	-	51,954	51,954
<b>Total assets</b>	<b>\$ 690,396</b>	<b>\$ -</b>	<b>\$ 51,954</b>	<b>\$ 742,350</b>

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

#### ***Mutual Funds and Index Funds***

These are 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.

#### ***Investment Returns***

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

Dividends and interest income	\$ 21,106
Net realized and unrealized losses on investments	(125,319)
Management fees	(2,937)
<b>Total</b>	<b>\$ (107,150)</b>

**December 31, 2022**

**Note 5 - Property and Equipment**

Property and equipment are summarized as follows:

Land	\$ 115,192
Building and building improvements	1,227,806
Furniture and equipment	<u>591,263</u>
 Total cost	1,934,261
Accumulated depreciation	<u>1,134,337</u>
 Net property and equipment	<u>\$ 799,924</u>

Depreciation expense for the year ended December 31, 2022 was \$72,798.

Construction in progress relating to renovations to the Organization's headquarters includes any small projects relating to required upgrades. The overall headquarters renovations is on hold currently and there is no set financial commitment or expected day of completion.

**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, 2022, the Organization's beneficial interest had a fair value of \$51,954.

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 66,467	\$ 66,467
Investment return:			
Investment income	-	1,032	1,032
Net depreciation - Including fees	-	(12,381)	(12,381)
Total investment return	-	(11,349)	(11,349)
Appropriation of endowment assets for expenditure	-	(3,164)	(3,164)
Endowment net assets - End of year	\$ -	\$ 51,954	\$ 51,954

# Swallow Hill Music Association

## Notes to Financial Statements

December 31, 2022

### Note 7 - 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, 2022, the outstanding balance on the loan totaled \$144,136. The balance of the above debt matures as follows:

	Years Ending	Amount
	2023	\$ 40,842
	2024	39,494
	2025	41,282
	2026	22,518
	Total	\$ <u>144,136</u>

Interest expense for the year ended December 31, 2022 was \$7,080.

### Note 8 - Net Assets

Net assets with donor restrictions consist of the following as of December 31, 2022:

Net assets with donor restrictions:	
Capital improvements	\$ 415,181
Outreach	89,196
Endowment	51,954
Scholarships	10,738
Other	6,241
Total net assets with donor restrictions	\$ <u>573,310</u>

### Note 9 - Nonfinancial Donations

Nonfinancial donations recognized by the Organization for the year ended December 31, 2022 are as follows:

	2022	Usage in Programs/ Activities	Donor-imposed Restrictions	Valuation Technologies and Inputs
Donated instruments	\$ 11,760	Program	None	Estimated fair value on the basis of estimates of values that would be received for selling similar products in the U.S.
Professional services	7,106	Program	None	Estimated fair value on the basis of estimates of values that would be received for providing similar services in the U.S.
Supplies	9,920	Fundraising	None	Estimated fair value on the basis of estimates of values that would be received for selling similar products in the U.S.
Food and beverage	1,111	Fundraising	None	Estimated fair value on the basis of estimates of values that would be received for selling similar products in the U.S.
Total	\$ <u>29,897</u>			

**December 31, 2022**

**Note 9 - Nonfinancial Donations (Continued)**

The Organization received over 1,651 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.