

Seagle Music Colony, Inc.
Comparative Financial Statements
December 31, 2019 and 2018

Judith L. Klingebiel CPA
128 Main Street
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May 15, 2020

Seagle Music Colony, Inc.
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December 31, 2019 and 2018

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Judith L. Klingebiel

Independent Auditor's Report

May 15, 2020

To the Board of Directors
Seagle Music Colony, Inc.
PO Box 366
Schroon Lake, New York 12870

CERTIFIED PUBLIC ACCOUNTANT
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I have audited the accompanying financial statements of the Seagle Music Colony, Inc. (a non-profit organization) as of December 31, 2019 and 2018, which are comprised of the statements of financial position, and the related statements of activities and changes in net assets, cash flows, and statement of functional expenses for the years then ended, and the related notes to 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements referred to above, present fairly, in all material respects, the financial position of the Seagle Music Colony, Inc. as of December 31, 2018 and 2017 and its

activities, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Note 18, Subsequent Events, includes information regarding the possible effect on the organization of the coronavirus pandemic. My opinion expressed in the preceding paragraph is not modified with respect to the matter emphasized.


Judith L. Klingebiel

Seagle Music Colony, Inc.
 Statements of Financial Position
 As of December 31, 2019 and 2018
 (With Comparative Totals for December 31, 2018)

Exhibit A

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2019</u>	<u>TOTAL 2018</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash in Glens Falls National Bank (Note 1, 2)	\$317,774	\$66,410	\$384,184	\$292,941
Glens Falls National Bank Managed Investments (Note 1,3)	510,941	415,458	926,399	724,240
Deposit with Adirondack Community Trust (Note 5)	36,709		36,709	32,962
Unconditional Promises to Give-Current (Note 6)	133,488		133,488	144,238
Accounts Receivable (Note 6)	4,200		4,200	9,950
Prepaid Expenses (Note 7)	6,861		6,861	13,230
Inventory (Note 8)	5,646		5,646	6,841
Total Current Assets	\$1,015,619	\$481,868	\$1,497,487	\$1,224,402
<u>Fixed and Other Assets (Note 9)</u>				
Land, Buildings, and Improvements	2,163,501		2,163,501	2,156,529
Pianos	63,205		63,205	63,205
Kitchen, Office and Miscellaneous Equipment	150,694		150,694	149,310
Lighting, Seating, and Costumes	66,726		66,726	66,726
Less: Accumulated Depreciation	(749,672)		(749,672)	(669,532)
Total Fixed Assets and Other Assets	\$1,694,454	\$0	\$1,694,454	\$1,766,238
TOTAL ASSETS	\$2,710,073	\$481,868	\$3,191,941	\$2,990,640
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$4,677		\$4,677	\$2,789
Sales Tax Payable	98		98	109
Mortgage Payable, Due Within One Year (Note 10)	10,792		10,792	10,335
Total Current Liabilities	\$15,567	\$0	\$15,567	\$13,233
<u>Other Liabilities</u>				
Mortgage Payable, Due After One Year (Note 10)	282,259		282,259	293,001
Total Other Liabilities	\$282,259	\$0	\$282,259	\$293,001
TOTAL LIABILITIES	\$297,826	\$0	\$297,826	\$306,234
<u>NET ASSETS (Note 1)</u>				
Without Donor Restrictions	\$2,412,247		\$2,412,247	\$2,318,570
With Donor Restrictions (Note 3, 11)		\$481,868	481,868	365,836
	\$2,412,247	\$481,868	\$2,894,115	\$2,684,406
TOTAL LIABILITIES AND NET ASSETS	\$2,710,073	\$481,868	\$3,191,941	\$2,990,640

See accompanying notes to financial statements

Seagle Music Colony, Inc.
Statement of Activities and Net Assets
As of December 31, 2019 and 2018
(With Comparative Totals for December 31, 2018)

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES				
PUBLIC SUPPORT AND REVENUE				
Contributions	326,873	\$230,501	\$557,374	\$650,563
Foundation and Government Grants	14,035	32,500	46,535	41,850
SMC Guild Activities	8,321	15,000	23,321	24,644
Gala				
Underwriting and Contributions	113,885		113,885	88,295
Auction	9,100		9,100	9,000
Tickets	25,550		25,550	26,250
Less: Direct Benefit to Attendees	(30,882)		(30,882)	(29,387)
Total Gala	\$117,653		\$117,653	\$94,158
Program				
Artist Tuition, Housing Fees	101,645		101,645	88,239
Ticket Sales	99,474	9,058	108,532	87,959
Tour Fees	3,700		3,700	4,500
Advertising	6,575		6,575	8,860
Fall Season	30,215		30,215	30,156
Total Program	\$241,609	9,058	\$250,667	\$219,714
Store Sales, net of Costs	348		348	488
Special Events	1,000		1,000	3,068
Investment Income	20,844		20,844	23,088
In-Kind Donations (Note 15)	13,800		13,800	33,800
Net Assets Released from Restrictions	171,027	(171,027)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$915,510	\$116,032	\$1,031,542	\$1,091,373
EXPENDITURES				
Program Related	\$657,593		\$657,593	\$665,032
Administrative and General	188,315		188,315	203,630
Gala and Other Fund Raising	125,494		125,494	116,198
Pledge and Inventory Adjustments	11,480		11,480	1,573
TOTAL EXPENDITURES	\$982,882	\$0	\$982,882	\$986,433
NONOPERATING ACTIVITIES				
Realized Gains (Losses) on Investments	\$60,186		60,186	\$10,447
Unrealized Gains (Losses) on Investments	107,031		107,031	(\$92,209)
Less: Investment Management Fees	(6,168)		(6,168)	(\$5,188)
NONOPERATING CHANGE IN NET ASSETS	\$161,049		\$161,049	(\$86,950)
CHANGE IN NET ASSETS	\$93,677	\$116,032	\$209,709	\$17,990
NET ASSETS JANUARY 1	\$2,318,570	\$365,836	\$2,684,406	\$2,666,416
NET ASSETS, DECEMBER 31 (Note 1,3,11)	\$2,412,247	\$481,868	\$2,894,115	\$2,684,406

See accompanying notes to financial statements

Seagle Music Colony, Inc.
Comparative Statement of Expenditures
For Years Ended December 31, 2019 and 2018
(with comparative totals only for December 31, 2018)

<u>Program Related</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
Program Related Management	\$52,842		52,842	\$51,471
Other Faculty and Staff	129,637		129,637	121,923
Payroll Taxes and Benefits	27,360		27,360	23,581
Travel, Mileage, Per Diem	10,165		10,165	10,500
Artist Housing and Meals	61,571		61,571	59,377
Artist Scholarships (Note 14)	24,225		24,225	27,000
Production Expense	85,443		85,443	75,879
Pre-Season and Summer Tour	2,959		2,959	2,886
Fall Season	43,470		43,470	83,606
Publicity/Website	15,658		15,658	16,626
Office, Postage, Telephone and Printing	19,076		19,076	17,719
Insurance	37,564		37,564	27,325
Guild Activities	7,501		7,501	7,560
Special Events	-		-	3,381
Renaissance Campaign Expense	649		649	12,838
Professional Fees, Dues	4,395		4,395	4,125
Credit Card Fees	8,796		8,796	8,049
Depreciation (Note 9)	78,553		78,553	76,979
Fixed Facilities Operation and Maintenance	47,729		47,729	34,207
Total Program Related	\$657,593	\$0	\$657,593	\$665,032
<u>Administrative and General</u>				
Administrative Staff	\$95,784		\$95,784	\$ 85,068
Payroll Taxes and Benefits	19,571		19,571	16,401
Office, Postage, Telephone, Printing	19,472		19,472	19,883
Office Rent (Note 13)	7,200		7,200	7,200
Miscellaneous	895		895	275
Travel, Mileage	13,561		13,561	10,919
Professional Fees, Dues	8,844		8,844	8,265
Filing Fees	275		275	275
Utilities	943		943	748
Interest Expense	12,869		12,869	10,108
Insurance-Director's and Officers	1,028		1,028	1,028
Strategic Planning	2,788		2,788	40,000
Rent, Property Taxes	3,498		3,498	2,467
Depreciation (Note 9)	1,587		1,587	993
Total Administrative and General	\$188,315	\$0	\$188,315	\$ 203,630
<u>Development</u>				
Development Director	78,795		78,795	76,500
Payroll Taxes and Benefits	16,804		16,804	15,116
Office, Postage, Telephone, Printing	4,283		4,283	
Gala Expense	14,583		14,583	13,927
Administration, Solicitation, Stewardship	11,029		11,029	10,657
Total Development	125,494		125,494	116,198
TOTAL EXPENDITURES	\$971,402	\$0	\$971,402	\$984,860

See accompanying notes to financial statements

Seagle Music Colony, Inc.
 Comparative Statements of Cash Flows-Unrestricted and Restricted
 For Years Ended December 31, 2019 and 2018

Exhibit D

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Increase in Net Assets	<u>\$209,709</u>	<u>\$17,990</u>
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	<u>80,140</u>	<u>77,972</u>
Unrealized (Gains)/Losses on Securities	<u>(107,031)</u>	<u>92,427</u>
Decrease (Increase) in Deposit with Adirondack Community Trust	<u>(3,747)</u>	<u>4,627</u>
Decrease (Increase) in Unconditional Promises to Give	<u>10,750</u>	<u>120,840</u>
Decrease(Increase) in Accounts Receivable	<u>5,750</u>	<u>5,095</u>
Decrease (Increase) in Prepaid Expenses	<u>6,369</u>	<u>(5,671)</u>
Decrease(Increase) in Inventory	<u>1,195</u>	<u>(2,507)</u>
(Decrease) Increase in Accounts Payable	<u>7,466</u>	<u>(1,546)</u>
(Decrease) Increase in Taxes Payable	<u>(11)</u>	<u>15</u>
(Decrease) Increase in Accrued Interest	<u>-</u>	<u>662</u>
Net Cash Provided (Used) by Operating Activities	<u>\$210,590</u>	<u>\$309,904</u>
<u>Cash Flows from Investing Activities</u>		
Transfer to Managed Investments	<u>(197,840)</u>	<u>(273,070)</u>
Transfer from Managed Investments	<u>97,134</u>	<u>-</u>
Purchase of Equipment and Major Renovations	<u>(8,356)</u>	<u>(83,378)</u>
Net Cash Provided (Used) by Investing Activities	<u>(\$109,062)</u>	<u>(\$356,448)</u>
<u>Cash Flows from Financing Activities</u>		
Mortgage Payable Repayments, (Treger Property)	<u>-</u>	<u>(86,775)</u>
Bank Mortgage Financing Obtained	<u>-</u>	<u>310,000</u>
Bank Mortgage Financing Retired	<u>(\$10,285)</u>	<u>(6,664)</u>
Net Cash Provided (Used) by Financing Activities	<u>(\$10,285)</u>	<u>\$216,561</u>
Net Increase (Decrease) in Cash	<u>\$91,243</u>	<u>\$170,017</u>
Cash at Beginning of Year	<u>292,941</u>	<u>122,924</u>
Cash at End of Year	<u>\$384,184</u>	<u>\$292,941</u>

See accompanying notes to financial statements

Seagle Music Colony, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

Organization: The Seagle Music Colony, Inc. is an organization governed by New York State not-for-profit law and applicable federal laws. It is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Business Activity: The organization was originally formed in 1915 under the name Oscar Seagle Association, Inc. for the purpose of raising money and granting scholarships to worthy students of The Seagle Colony, a summer music school located in Schroon Lake, New York. During 1997, The Oscar Seagle Association amended its charter to change the organizational purpose. The amendment was approved by the Internal Revenue Service. The name was officially changed to the Seagle Music Colony, Inc. in 2008.

The organization now operates the music camp itself, as well as raises money for scholarship grants to worthy students, and for other purposes.

Income Tax: The organization has no unrelated business income subject to income tax.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents: For purposes of the statements of cash flows, the organization considers all highly liquid investment with an initial maturity of three months or less to be cash equivalents.

Investments: Investments in marketable securities with readily determinable fair values are reported at fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions. When the restrictions are met in the reporting period or subsequent reporting period, they are reflected as net assets released from restrictions. At December 31, 2019 and 2018 all investments were considered Level 1 investments since fair values were obtained from quoted market prices for identical assets in active markets.

Promises to Give: Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions received are recorded as with donor restricted or without donor restricted support depending on the existence and or nature of any donor restrictions. Contributions received for a subsequent period are classified as with donor restrictions subject to the passage of time. Grants received in 2019 and 2018 for use during 2020 and 2019 are reflected in restricted net assets at December 31, 2019 and 2018.

Financial Statement Presentation: The assets, liabilities and net assets of the organization are reported as follows: See Note 10.

Net Assets Without Donor Restrictions - Expendable funds available for general support of organization operations.

Net Assets With Donor Restrictions – Funds available only for the purpose or period specified by the donor.

Contributed Services: Contributed volunteer services are not reflected in the statements either as contributions or as a corresponding expense because of the absence of clearly measurable criteria for recognition. Actual donated services, other than board members, were approximately 6,000 hours and 4,562 hours in 2019 and 2018 with an estimated value of \$152,580 and \$116,010.

Seagle Music Colony, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Property, Plant and Equipment: Property, plant, and equipment acquired prior to January 1, 1995 are recorded at estimated fair market value. Assets with a cost in excess of \$1,000 acquired subsequent to that date are recorded at cost, or if donated, at fair market value at the date of donation. Depreciation is recorded using the straight line method over the estimated useful life of the asset.

Note 2. Cash and Equivalent

Cash and equivalent consists of the following:	2019	2018
Cash in Bank, Checking	\$103,443	\$149,866
Cash in Bank, Savings	<u>280,741</u>	<u>143,075</u>
Total	<u>\$384,184</u>	<u>\$292,941</u>
Without donor restrictions	\$208,438	\$114,755
With donor restrictions	66,410	128,186
With board designations	<u>109,336</u>	<u>50,000</u>
Total	<u>\$384,184</u>	<u>\$292,941</u>

Deposits up to \$250,000 as of December 31, 2019 and 2018 are insured by the Federal Deposit Insurance Corporation (FDIC). Bank Statement balances in excess of \$250,000 represent a credit risk, which is the risk that a bank fails to continue as a business and cannot cover all of the deposits. The balances in organization accounts temporarily exceed FDIC limits by \$134,184 at December 31, 2019 and \$42,941 at December 31, 2018

Note 3. Investment Accounts

With Donor Restrictions:

Darren K. Woods Scholarship Fund

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and Equivalents	\$ 2,492	\$2,492	\$ 2,218	\$ 2,218
Fixed Income	4,654	4,727	4,405	4,277
Equities	<u>23,399</u>	<u>30,900</u>	<u>22,821</u>	<u>26,059</u>
Total	<u>\$30,545</u>	<u>\$ 38,119</u>	<u>\$29,444</u>	<u>\$32,554</u>

The original principal of \$25,000 is donor restricted for scholarships. The income and fund growth are to be used to fund some or all of the tuition for young artists. Transfers of \$1,621 and \$1,750 were made in 2019 and 2018. See Note 11.

Janet & Moe Friedman Scholarship Fund

Cash and Equivalents	\$ 6,985	\$ 6,985	\$ 4,533	\$ 4,533
Fixed Income	15,679	15,910	14,980	14,480
Equities	<u>80,425</u>	<u>103,998</u>	<u>78,121</u>	<u>89,449</u>
Total	<u>\$103,089</u>	<u>\$126,893</u>	<u>\$ 97,634</u>	<u>\$108,462</u>

The original principal of \$80,000 is donor restricted for scholarships. The income and fund growth are to be used to fund some or all of the tuition for young artists, one of whom shall be designated as the Janet & Moe Friedman Scholar. Transfers of \$5,403 and \$5,850 were made in 2019 and 2018.

Seagle Music Colony, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

The donors have agreed that upon authorization of 2/3 of the board of directors, 50% of the principal of this fund may be used on a temporary basis for cash flow needs of the organization. However, only one transfer can occur within a twelve month period and the draw must be repaid within nine months. No such transfers occurred in 2019 or 2018. See Note 11.

Jim & Eileen Carnahan Endowment Fund

Cash and Equivalents	\$ 4,531	\$ 4,531	\$ 5,229	\$ 5,229
Fixed Income	14,933	15,394	12,600	12,483
Equities	<u>96,381</u>	<u>108,663</u>	<u>86,439</u>	<u>78,922</u>
Total Carnahan Endowment Fund	<u>\$115,845</u>	<u>\$128,588</u>	<u>\$104,268</u>	<u>\$96,634</u>

This endowment fund was established in December, 2018. At the end of 2018, fair value of the assets of this fund fell below the level of the original gifts due to unfavorable market fluctuations shortly after donor contributions.

Distributions from the fund may be made only for charitable or educational purposes. Distributions may not be made from original gifts. Distributions of \$5,153 were made in 2019.

Erica and John Foster Endowment Fund

Cash and Equivalents	\$ 3,753	\$ 3,753	\$110,000	\$110,000
Fixed Income	13,871	14,442	-0-	-0-
Equities	<u>91,755</u>	<u>103,663</u>	<u>-0-</u>	<u>-0-</u>
Total Foster Endowment Fund	<u>\$109,379</u>	<u>\$121,858</u>	<u>\$110,000</u>	<u>\$110,000</u>

This endowment fund was established late in 2018. Distributions from the fund may be made for charitable or educational purposes from the total income of the fund. Distributions may not be made from the original gift. Each year distributions shall first be made to fund the Erica & John Foster Scholar. At December 31, 2018 the assets of the fund were held in a savings account. An investment account was established in 2019. Distributions of \$5,300 were made in 2019.

Total Investments with Donor Restrictions	<u>\$358,858</u>	<u>\$415,458</u>	<u>\$341,346</u>	<u>\$347,650</u>
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Investments with Board Designations:

Ruth H. Pelmas Fund

Cash and Equivalents	\$ 5,828	\$ 5,828	\$ 7,097	\$ 7,097
Fixed Income	13,632	13,811	12,656	12,183
Equities	<u>70,535</u>	<u>89,840</u>	<u>67,134</u>	<u>74,354</u>
Total Ruth H. Pelmas Fund	<u>\$89,995</u>	<u>\$109,479</u>	<u>\$86,887</u>	<u>\$ 93,634</u>

The Ruth H. Pelmas bequest was not restricted, but the board has designated that only earnings may be expended. A transfer from earnings of \$4,657 was made in 2019.

SMC Renaissance Fund

Cash and Equivalents	\$ 17,378	\$ 17,378	\$ 18,248	\$ 18,248
Fixed Income	118,297	120,960		
Equities	<u>221,783</u>	<u>263,124</u>	<u>385,403</u>	<u>374,708</u>
Total SMC Renaissance Fund	<u>\$357,458</u>	<u>\$401,462</u>	<u>\$403,651</u>	<u>\$392,956</u>

Seagle Music Colony, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Additional donations to the Renaissance Project in the amount of \$150,000 were added to the fund in 2018. Distributions from the fund of \$75,000 were made in 2019. This fund was established by the board to set aside unexpended funds of the renaissance project.

Total with Board Designations:	<u>\$447,453</u>	<u>\$510,941</u>	<u>\$490,538</u>	<u>\$486,590</u>
Total all Investments	<u>\$806,311</u>	<u>\$926,399</u>	<u>\$831,884</u>	<u>\$834,240</u>

Note 4. Availability and Liquidity

Financial assets at year-end:

Cash and equivalents	\$384,184
Support Receivable	137,688
Investments, including cash in investment accounts	<u>926,399</u>

Total financial assets \$1,448,271

Less amounts not available to be used within one year:

Net assets with donor restrictions: 415,458

Financial assets available to meet general expenditures
over the next twelve months \$1,032,813

Note 5. Adirondack Community Trust

The organization has assets on deposit with the Adirondack Foundation (formerly the Adirondack Community Trust). The reporting of those assets is determined by *Financial Standards Board, Statement of Financial Accounting Standard No. 136, Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. These assets are reported as an asset on the financial statements of the Seagle Music Colony, Inc, but the legal ownership of the assets remains with the Adirondack Foundation.

The Board of Trustees of the Adirondack Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Adirondack Foundation, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The market value of the investment in Adirondack Foundation was \$36,709 and \$32,962 as of December 31, 2019 and 2018.

Note 6. Unconditional Promises to Give

	2019	2018
<u>Pledges, Other than Campaign</u>	\$ 4,200	\$ 9,950

Campaign Pledges

In 2011, in recognition of the one hundredth anniversary of the Seagle Music Colony, the organization embarked on a capital campaign, the current goal of which is to raise \$8-\$10,000,000 for the purpose of building a new performance space, growing an endowment, and establishing operating reserves. The project was been expanded to include new faculty housing, completed in 2017, and other facility improvements. Total amount pledged through December 31, 2019 was \$1,646,500. See Note 17.

Discounted projected pledge payments are \$133,488, all of which are past due.

Seagle Music Colony, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Generally accepted accounting principles require that pledges dues after one year be discounted. The current discount rate is 2.5%. The discount on past due pledges is \$1,562 at December 31, 2019 and 2018.

Pledges deemed uncollectible in the amount of \$10,750 were written off in 2019.

Note 7. Prepaid Expenses

Prepaid expenses at December 31, 2019 and 2018 represent deposits for future events and expenses paid in advance for auditions totaling \$6,861 and \$13,230 are properly allocable to 2020 and 2019.

Note 8. Inventory

Inventory, valued at cost, consists of audio of previous Vespers performances and promotional items displaying the Seagle Music Colony logo. Balance at December 31, 2019 and 2018 is \$5,646 and \$6,841. Obsolete merchandise of \$731 was written off in 2019.

Note 9. Property, Plant and Equipment

As of December 31, 2019 and 2018, property, plant and equipment, at cost or estimated fair market value at the date of donation, consist of the following:

	2019	2018
Land and Buildings (Donated)	\$ 251,453	\$ 251,453
Land, Purchased	163,831	160,953
Building Rights, Adjoining Property	105,000	105,000
Rehearsal Building	577,898	577,898
New Men's Housing	278,126	278,126
New Faculty Housing	610,323	610,323
Improvements-Women's Housing	38,274	38,274
Water Building	28,316	28,316
Other Capital Improvements	67,826	63,732
Renaissance Project	47,950	47,950
Site Improvements	47,451	47,451
Shed	13,600	13,600
Pianos	63,205	63,205
Lighting	51,497	51,497
Kitchen, Office and Misc. Equipment	84,144	82,760
Theater Seating	13,232	13,232
Costumes	<u>2,000</u>	<u>2,000</u>
Total	<u>\$2,444,126</u>	<u>\$2,435,770</u>

Donated land and buildings was decreased by the accumulated depreciation of the building demolished on donated land and increased by the in-kind donation of adjoining land.

Assets are depreciated using the straight line method over estimated useful life. Depreciation of \$80,140 and \$77,972 was recorded for the years ended December 31, 2019 and 2018. Accumulated depreciation was \$749,672 and \$669,532 as of December 31, 2019 and 2018.

Note 10. Mortgages and Loans Payable

During 2005, the organization financed the purchase of adjacent property through seller financing. In April, 2018 the organization obtained bank financing of \$310,000 at 4.25% in order to retire the previous seller-financed mortgage.

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Bank financing, Current, due 2021	Principal	\$10,792
	Interest	12,244

Amortization of long term portion is as follows:

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
2022	11,747	11,288
2023	12,256	10,779
2024	12,788	10,248
2025	13,342	9,694
Beyond	<u>232,126</u>	<u>75,064</u>
Total	<u>\$282,259</u>	<u>\$117,073</u>

Note 11. Net Assets with Donor Restrictions

Subject to expenditure for specific purpose, other than restricted investment accounts:

	2019	2018
Scholarships	\$ 3,875	\$ -0-
Alumni Scholarships	5,875	1,550
Endowment	5,366	-0-
Chairs	500	500
Composer/Librettist Fellowship	6,000	6,000
Piano Fund	2,900	2,800
Archival	500	500
Lighting	<u>1,836</u>	<u>1,836</u>
Total	<u>\$ 26,852</u>	<u>\$ 13,186</u>

Subject to the passage of time:

For periods after December 31	<u>\$ 39,558</u>	<u>\$ 5,000</u>
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Subject to appropriation and expenditure for when specified event occurs:

The Darren K. Woods Scholarship Fund, the original principal of \$25,000, is donor restricted for scholarships. The income and fund growth are to be used to fund some or all of the tuition for young artists. See Note 3.

The Janet & Moe Friedman Scholarship Fund, the original principal of \$80,000, is donor restricted for scholarships. The income and fund growth are to be used to fund some or all of the tuition for young artists, one of whom shall be designated as the Janet & Moe Friedman Scholar. The donors have agreed that upon authorization of 2/3 of the board of directors, 50% of the principal of this fund may be used on a temporary basis for cash flow needs of the organization. However, only one transfer can occur within a twelve month period and the draw must be repaid within nine months. See Note 3.

The Jim & Eileen Carnahan Endowment Fund was established in 2018. Distributions from the fund may be made for charitable or educational purposes from the total income of the fund. Distributions may not be made from the original gifts. See Note 3.

The Erica & John Foster Memorial Fund, also an endowment, was established late in 2018. Distributions from the fund may be made for charitable or educational purposes from the total income of the fund. Distributions may not be made from the original gift. Each year distributions shall first be made to fund the Erica & John Foster Scholar. At December 31, 2018 the assets of the fund were held in a savings account. An investment account was established in 2019.

Total fair value subject to appropriation and expenditure for when specified event occurs:

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	2019	2018
Darren K. Woods Scholarship Fund	\$ 38,119	\$ 32,554
Janet & Moe Friedman Scholarship Fund	126,893	108,462
Jim & Eileen Carnahan Endowment Fund	128,588	96,634
Erica & John Foster Endowment Fund	<u>121,858</u>	<u>110,000</u>
Total Subject to Expenditure upon Specific Event	<u>\$415,458</u>	<u>\$347,650</u>

Note 12. Governing Board Designations (Fair Value)

SMC Renaissance Fund	\$401,462	\$392,956
Bequest board designated for future purposes	109,336	50,000
H. Pelmas Fund	<u>109,479</u>	<u>93,634</u>
Total Board Designations	<u>\$620,277</u>	<u>\$536,590</u>

Note 13. Leased Facilities

The organization leases office and meeting space for use during the Winter. Total payments were \$7,200 for 2019 and 2018.

Note 14. Tuition Scholarships

The board of directors awards tuition scholarships to worthy students based on their ability to pay. Such scholarships were \$24,225 and \$26,000 for 2019 and 2018. Scholarships are funded by current year operations, and income from the scholarship endowment may also be used for this purpose. These scholarships are in addition to current contributions restricted for that purpose which were \$84,450 and \$82,700 for 2019 and 2018.

Note 15. In-Kind Donations

The organization received the following in-kind donations in 2019 and 2018:

	2019	2018
Piano Tuning Services	\$ 3,000	\$ 3,000
Professional Fees	800	800
Grand Piano		19,000
Program Expense		1,000
Wigs	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 13,800</u>	<u>\$ 33,800</u>

The organization also received in-kind auction items of \$5,300 and \$7,909 in 2019 and 2018 which are not included with gala contributions and sponsorships.

Note 16. Related Party Transactions

The only related party transactions are the purchase of tickets at published prices and contributions by officers and directors. It is not practical to determine the total amount of such transactions.

Note 17. Other Information

Overall, the Renaissance Campaign has had a moving goal since inception. Of the eventual goal of \$8-10,000,000, about \$1,646,500 has been raised. See also Note 5.

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The organization is beneficiary of a donor advised fund held at the United Jewish Endowment Fund of The Jewish Federation of Greater Washington. The organization is designated to receive an annual distribution of 5% of the rolling 12 quarter average of the fund's June 30 year end value. The organization received \$2,000 in both 2019 and 2018, which was designated for scholarships.

Note 18. Subsequent Events

Subsequent to year end, United States and global markets experienced significant declines in value resulting from uncertainty caused by the coronavirus pandemic. The organization is closely monitoring its investment portfolios and its liquidity, and is actively working to minimize the impact of these declines. The organization's financial statements do not include adjustments to fair value that have resulted from these declines.

Plans are underway to minimize the current and future impact of events surrounding the pandemic. The organization applied for and received a loan in the amount of \$42,400 under the Paycheck Protection Program. Final regulations as to the process for forgiveness of these loans have not been issued as of the date of this report. As of the date of this report, the 2020 Summer season has been cancelled.

The organization has evaluated subsequent events through May 15, 2020, the date which the financial statements were available to be issued.