

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival Endowment Foundation, Inc.

We have audited the accompanying combining financial statements of Santa Fe Chamber Music Festival, Ltd. (the Festival) and Santa Fe Chamber Music Festival Endowment Foundation, Inc. (the Foundation), which comprise the combining statements of financial position as of October 31, 2017, and the related combining statements of activities and cash flows for the years then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Combining Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Festival's and Foundation's preparation and fair presentation of the combining 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 Festival's and Foundation'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 combining 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 combining financial statements referred to above present fairly, in all material respects, the financial position of the Festival and Foundation as of October 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Festival's and Foundation's 2016 combining financial statements, and our report dated March 12, 2017, expressed an unmodified opinion on those audited combining financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2016, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

March 13, 2018


Pulakos CPAs, PC

Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.

COMBINING STATEMENTS OF FINANCIAL POSITION

October 31, 2017
(With Comparative Totals for 2016)

<u>Assets</u>	<u>2017</u>			<u>2016</u>
	<u>Festival</u>	<u>Foundation</u>	<u>Combined</u>	<u>Combined</u>
Cash	\$ 266,550	\$ 21,900	\$ 288,450	\$ 273,412
Investments	-	7,044,458	7,044,458	6,473,418
Accounts receivable	1,225	-	1,225	822
Grants and pledges receivable, net	159,490	234,497	393,987	445,244
Prepaid expenses	52,046	-	52,046	72,079
Equipment	134,888	-	134,888	108,333
Other assets	22,400	-	22,400	22,400
Inter-organization receivable (payable)	173,250	(173,250)	-	-
Total assets	<u>\$ 809,849</u>	<u>\$ 7,127,605</u>	<u>\$ 7,937,454</u>	<u>\$ 7,395,708</u>
<u>Liabilities and Net Assets</u>				
Accrued expenses	\$ 27,555	\$ -	\$ 27,555	\$ 13,836
Accounts payable	4,621	5,000	9,621	9,746
Deferred revenue	108,767	-	108,767	86,838
Total liabilities	140,943	5,000	145,943	110,420
Net assets				
Unrestricted	509,416	6,888,108	7,397,524	6,840,044
Temporarily restricted	159,490	234,497	393,987	445,244
Total net assets	<u>668,906</u>	<u>7,122,605</u>	<u>7,791,511</u>	<u>7,285,288</u>
	<u>\$ 809,849</u>	<u>\$ 7,127,605</u>	<u>\$ 7,937,454</u>	<u>\$ 7,395,708</u>

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

COMBINING STATEMENTS OF ACTIVITIES

**Year Ended October 31, 2017
(With Comparative Totals for 2016)**

	<u>Festival</u>			<u>Foundation</u>			<u>2017 Combined</u>	<u>2016 Combined</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>		
Revenues and support								
Program income	\$ 730,465	\$ -	\$ 730,465	\$ -	\$ -	\$ -	\$ 730,465	\$ 661,843
Contributions and grants	1,130,344	-	1,130,344	-	-	-	1,130,344	1,104,699
Inter-organization contributions/ distributions	315,000	-	315,000	(315,000)	-	(315,000)	-	-
Investment income	400	-	400	156,363	-	156,363	156,763	172,505
Realized/unrealized gain on investments	18,950	-	18,950	673,909	-	673,909	692,859	60,577
Special events	305,570	-	305,570	-	-	-	305,570	217,335
Appreciation/(depreciation) for long-term pledges	-	-	-	26,673	27,912	54,585	54,585	(10,403)
Release from restrictions	5,111	(5,111)	-	74,058	(74,058)	-	-	-
Total revenues and support	2,505,840	(5,111)	2,500,729	616,003	(46,146)	569,857	3,070,586	2,206,556
Expenses								
Program	1,897,061	-	1,897,061	-	-	-	1,897,061	1,704,946
Fundraising	333,928	-	333,928	-	-	-	333,928	323,992
Support	129,573	-	129,573	80,300	-	80,300	209,873	209,253
Special events	123,501	-	123,501	-	-	-	123,501	63,205
Total expenses	2,484,063	-	2,484,063	80,300	-	80,300	2,564,363	2,301,396
Changes in net assets	21,777	(5,111)	16,666	535,703	(46,146)	489,557	506,223	(94,840)
Net assets, beginning of year	487,639	164,601	652,240	6,352,405	280,643	6,633,048	7,285,288	7,380,128
Net assets, end of year	<u>\$ 509,416</u>	<u>\$ 159,490</u>	<u>\$ 668,906</u>	<u>\$ 6,888,108</u>	<u>\$ 234,497</u>	<u>\$ 7,122,605</u>	<u>\$ 7,791,511</u>	<u>\$ 7,285,288</u>

Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.

COMBINING STATEMENTS OF CASH FLOWS

Year Ended October 31, 2017
(With Comparative Totals for 2016)

	2017			2016
	Festival	Foundation	Combined	Combined
Operating activities				
Change in net assets	\$ 16,666	\$ 489,557	\$ 506,223	\$ (94,840)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	14,666	-	14,666	15,459
Realized/unrealized gain on investments	(18,950)	(673,909)	(692,859)	(60,577)
Donated securities	(33,018)	-	(33,018)	(2,552)
Appreciation of long-term pledges	-	(54,585)	(54,585)	-
Changes in operating assets and liabilities:				
Accounts receivable	(33,714)	-	(33,714)	10,142
Grants and contributions receivable	5,111	100,731	105,842	(754)
Prepaid expenses	20,033	-	20,033	(28,763)
Accounts payable	(5,125)	-	(5,125)	1,849
Accrued liabilities	13,719	-	13,719	2,371
Deferred revenue	21,929	-	21,929	(25,119)
Inter-organization paid	-	38,311	38,311	(10,561)
Net cash provided (used) by operating activities	1,317	(99,895)	(98,578)	(193,345)
Investing activities				
Purchase of equipment	(41,221)	-	(41,221)	(6,871)
Purchase of investments	-	(126,455)	(126,455)	(1,456,568)
Proceeds from sale of investments	54,520	226,772	281,292	1,551,479
Net cash provided by investing activities	13,299	100,317	113,616	88,040
Changes in cash	14,616	422	15,038	(105,305)
Cash, beginning of year	251,934	21,478	273,412	378,717
Cash, end of year	\$ 266,550	\$ 21,900	\$ 288,450	\$ 273,412

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Santa Fe Chamber Music Festival, Ltd. (the Festival) is a nonprofit New Mexico corporation. The Festival is organized and operates exclusively for charitable and educational purposes, including the promotion of chamber music and related arts. The Festival’s significant program services and number of programs during the twelve-month period ended October 31, 2017 are listed below:

Performances-		Educational Programming-	
Music of Masters	33	Free Youth Concerts	4
Baroque	5	Other Events-	
Modern Music	1	Free Community Concerts	2

Santa Fe Chamber Music Festival Endowment Foundation, Inc. (the Foundation) is a nonprofit New Mexico corporation. The Foundation is an educational and charitable organization operating under the control or supervision of the Festival for the purpose of investing funds and property, constituting an endowment fund, the principal and income of which shall be used solely and exclusively for the benefit and support of the Festival.

The Festival and the Foundation are co-dependent entities and rely on continued support from the community for their future success and contribution to the community. The Festival is dependent upon income from the endowment of the Foundation and the Foundation exists to support the Festival. At the discretion of the Foundation Board, subject to a distribution policy it has established which incorporates a formulaic approach, the Foundation will typically distribute between 4% and 6% of its net assets each year to the Festival.

Estimates

The preparation of combining financial statements in conformity with accounting principles generally accepted in the United States of America 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 combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments.

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Presentation

The combining financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the combining financial statements for the year ended October 31, 2016, from which the summarized information was derived.

Investments

Investments are stated at fair market value. Investment income, including gains and losses on investments are reported in the combining statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

Receivables

Receivables consist of accounts receivable, grants receivable and contributions receivable. Contributions receivable are unconditional promises to give that are expected to be collected within one year and 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 as restricted support. Conditional promises to give are not included as support until the conditions are substantially met.

Management reviews the collectability of its receivables and records a reserve for its estimate of uncollectible accounts. Current facts and circumstances are the primary bases for the estimate. When an account is deemed uncollectible, it is charged off against the reserve. In the current year, bequest receivables are held off-books and therefore, no allowance was deemed necessary. As of October 31, 2017 and 2016, there was no allowance recorded.

Equipment

Equipment is recorded at cost. The Festival depreciates its assets over their estimated useful lives, which range from three to twenty years, using the straight-line basis. When assets are sold or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in the combining statements of activities. Expenditures for maintenance and repairs are charged to expense as incurred. The Festival capitalizes asset acquisitions over \$600.

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Assets

An individual donated a life insurance policy by transferring ownership to the Foundation. As the Foundation's intent is to keep the policy until the donor is deceased, the policy was booked at the net present value of the future payment using a 3.25% discount rate and the estimated life expectancy of the donor. The proceeds of the policy were fully collected in 2017.

Net Assets

Net assets and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed stipulations. Restricted revenues whose restrictions are met in the same period are classified as unrestricted revenues.

Temporarily restricted net assets have donor-imposed stipulations which have not yet been met. Such restrictions are specific to the purpose for which the net assets are to be spent, and time limitations imposed by donors or imposed by the nature of the gift (capital projects, unconditional promises to give to be paid in the future, life income funds).

Permanently restricted net assets include the historical dollar amounts of gifts (including unconditional promises to give, trust and remainder interests, and investments earnings required by donors to be permanently retained). The Festival and Foundation do not have any permanently restricted net assets.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combining statements of activities as net assets released from restriction. When restrictions are met in the same period as the contribution is received, the contribution and the expense are recorded as unrestricted.

Fair Value Measurements

Accounting Standards Codification Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Festival and Foundation has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full-term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Deferred Revenue

Deferred revenue represents ticket sales for future performances, gift certificates and trip deposits.

In-Kind Contributions

In-kind contributions of gala auction items and contributed professional services have been recognized as revenue and expenses when used. Donations of assets other than cash are recorded at their estimated fair value.

Donated Tickets

At times, tickets are donated back to the Festival for resale prior to the performance.

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tax-Exempt Status

The Festival and Foundation are exempt from payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code and have been determined to be organizations that are not private foundations. The tax-exempt status is subject to revision should the Festival or Foundation change its purpose or operations.

The Festival and Foundation have adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current in the Festival's and the Foundation's combining financial statements. Currently, the 2014, 2015, and 2016 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, the Festival and Foundation are not currently under audit nor has the Festival and Foundation been contacted by any of these jurisdictions. Management believes that the activities of the Festival and Foundation are within their tax-exempt purpose and that there are no uncertain tax positions.

Advertising

Advertising costs are expensed as incurred. Total advertising costs during were \$186,492 and \$162,180 in 2017 and 2016, respectively.

Allocation of Expenses

The expenses of the Festival's various programs and supporting services have been allocated between program, supporting and fundraising services based on estimates by management.

Subsequent Events

The Festival and Foundation have evaluated all events occurring subsequent to October 31, 2017 and through March 13, 2018, which is the date that the combining financial statements were issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying combining financial statements.

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 2 – UNRESTRICTED BOARD DESIGNATED ASSETS

In 2005, the Festival Board of Trustees designated \$150,000 for a cash reserve. The \$150,000 will remain intact; however, the Festival may borrow from the cash reserve for normal yearly cash flow needs provided that any borrowings are repaid within two years from the date of borrowing.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are recorded at the net present value of estimated future cash flows. The Festival and Foundation believe that all pledges receivable will be fully collectible when due and therefore, has not recorded an allowance on pledges receivable. All pledges to the Festival are expected to be collected within one year of the pledge, unless the nature of the pledge suggests otherwise.

Pledges receivable consist of the following as of October 31, 2017 and 2016:

	2017	2016
Receivables due in less than one year	\$ 159,490	\$ 164,601
Receivables due in one to five years	-	-
Receivables due in more than five years	290,536	360,167
	450,026	524,768
Less unamortized discount to net present value	(56,039)	(79,524)
Total pledges receivable	\$ 393,987	\$ 445,244

The long-term contributions receivable is composed of an awarded interest in a Charitable Remainder Trust (the Trust). The Foundation is irrevocably entitled to 25% of the remaining net assets upon termination. The Foundation's interest in the Trust's assets is recorded at fair market value with adjustments made annually for increases or decreases in value. The present value of the Foundation's 25% interest at termination was estimated based on the current market value of the trust, discounted at a rate of 3.25%. The estimated present value of the Foundation's interest in the Trust at October 31, 2017 and 2016 was \$234,497 and \$280,643, respectively.

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 4 – FAIR VALUE MEASUREMENT

The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of October 31, 2017:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Equities				
Large cap blend	\$ 2,279,284	\$ 2,279,284	\$ -	\$ -
Large cap growth	527,878	527,878	-	-
Large cap value	511,259	511,259	-	-
Mid cap blend	682,857	682,857	-	-
Small cap blend	<u>274,323</u>	<u>274,323</u>	-	-
Total equities	4,275,601	4,275,601	-	-
Fixed income				
Intermediate-term bond	1,086,431	1,086,431	-	-
Multisector bond	<u>460,146</u>	<u>460,146</u>	-	-
Total fixed income	1,546,577	1,546,577	-	-
Real estate investments	613,920	-	613,920	-
Energy fund	<u>608,360</u>	<u>-</u>	<u>608,360</u>	<u>-</u>
Total investments	7,044,458	5,822,178	1,222,280	-
Other assets	<u>22,400</u>	<u>-</u>	<u>22,400</u>	<u>-</u>
	<u>\$ 7,066,858</u>	<u>\$ 5,822,178</u>	<u>\$ 1,244,680</u>	<u>\$ -</u>

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

The following table presents the fair value hierarchy for assets that are measured at fair value on a recurring basis as of October 31, 2016:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Equities				
Large cap blend	\$ 2,070,228	\$ 2,070,228	\$ -	\$ -
Large cap growth	422,524	422,524	-	-
Large cap value	437,163	437,163	-	-
Mid cap blend	657,092	657,092	-	-
Small cap blend	219,021	219,021	-	-
Total equities	3,806,028	3,806,028	-	-
Fixed income				
Intermediate-term bond	989,954	989,954	-	-
Multisector bond	447,324	447,324	-	-
Total fixed income	1,437,278	1,437,278	-	-
Real estate investments	600,000	-	600,000	-
Energy fund	630,112	-	630,112	-
Total investments	6,473,418	5,243,306	1,230,112	-
Other assets	22,400	-	22,400	-
	<u>\$ 6,495,818</u>	<u>\$ 5,243,306</u>	<u>\$ 1,252,512</u>	<u>\$ -</u>

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

The classifications of different types of investments in the preceding tables are determined by evaluating each fund or investment within parameters established by Morningstar investment resource provider.

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

Investments: Valued at the net asset value (NAV) of the shares held by the Festival and Foundation at the end of the year.

Other assets: Valued at the fair market value of similar items net of selling costs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 – INVESTMENTS

Spending Policy

The spending policy of the Foundation results in an annual discretionary grant to the Festival and applies to the investable, liquid assets portion of the Foundation's net worth "endowment value". The Foundation's Board emphasizes meeting its programmed distribution goals. In general, annual distributions will be no more than 5% of the annual endowment value, although the policy allows the Foundation Board discretion in setting distributions and generally provides a range of 4% to 6% of the endowment value as a guide.

Investment Objective

The investment policy establishes a return objective through diversification of asset classes. The current long-term return objective is, at a minimum, the CPI plus 4.5%, net of investment fees. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 6 – EQUIPMENT

	<u>2017</u>	<u>2016</u>
Musical equipment	\$ 152,102	\$ 111,902
Computers and peripherals	51,773	50,752
Furniture and fixtures	36,770	36,770
Library	11,195	11,195
Leasehold improvements	6,399	6,399
Website	<u>2,912</u>	<u>2,912</u>
	261,151	219,930
Less accumulated depreciation	<u>126,263</u>	<u>111,597</u>
Total equipment	<u>\$ 134,888</u>	<u>\$ 108,333</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Time restrictions on pledges receivable	<u>\$ 393,987</u>	<u>\$ 445,244</u>

The release represents restricted pledges collected in the current year.

NOTE 8 – OPERATING LEASES

Leases

The Festival leases its office building under an operating lease agreement that expires in May 2018. The Festival also leases various office equipment that expire at various times through 2017. Lease expense was \$63,051 and \$65,605 in 2017 and 2016, respectively. The future minimum lease payment for office space and office equipment is:

2018	\$ 32,452
------	-----------

**Santa Fe Chamber Music Festival, Ltd.
Santa Fe Chamber Music Festival
Endowment Foundation, Inc.**

NOTES TO COMBINING FINANCIAL STATEMENTS

**October 31, 2017
(With Comparative Totals for 2016)**

NOTE 9 – ALLOCATION OF JOINT COSTS

The Festival conducts activities that include requests for contributions, as well as program components. These activities include direct mailings and special events. These joint costs were allocated as follows:

	<u>2017</u>	<u>2016</u>
Programs	\$ 226,674	\$ 216,158
Fundraising	<u>25,186</u>	<u>24,018</u>
	<u>\$ 251,860</u>	<u>\$ 240,176</u>

NOTE 10 – EMPLOYEE BENEFIT PLAN

In 2011, the Festival established a 401(k) Plan covering all employees. The Festival contributes 3% of employee compensation. Participants vest immediately in employer contributions. Contributions to the plans were \$19,572 and \$19,953 in 2017 and 2016, respectively.