

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

**COMBINING FINANCIAL STATEMENTS**

**October 31, 2018  
(With Comparative Totals for 2017)**

## **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, 2018, 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, 2018, 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 2017 combining financial statements, and our report dated March 13, 2018, 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, 2017, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

April 10, 2019

  
Pulakos CPAs, PC

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

**COMBINING STATEMENTS OF FINANCIAL POSITION**

**October 31, 2018**  
**(With Comparative Totals for 2017)**

<u>Assets</u>	<b>2018</b>			<b>2017</b>
	<b>Festival</b>	<b>Foundation</b>	<b>Combined</b>	<b>Combined</b>
Cash	\$ 264,302	\$ 1,715	\$ 266,017	\$ 288,450
Investments	-	6,785,925	6,785,925	7,044,458
Accounts receivable	20	-	20	1,225
Grants and pledges receivable, net	180,773	1,401,284	1,582,057	393,987
Prepaid expenses	35,401	-	35,401	52,046
Equipment	127,417	-	127,417	134,888
Other assets	22,400	-	22,400	22,400
Inter-organization receivable (payable)	174,350	(174,350)	-	-
Total assets	\$ 804,663	\$ 8,014,574	\$ 8,819,237	\$ 7,937,454
<b><u>Liabilities and Net Assets</u></b>				
Accrued expenses	\$ 33,576	\$ -	\$ 33,576	\$ 27,555
Accounts payable	12,664	42,400	55,064	9,621
Deferred revenue	88,039	-	88,039	108,767
Total liabilities	134,279	42,400	176,679	145,943
Net assets				
Unrestricted	489,611	6,570,890	7,060,501	7,397,524
Temporarily restricted	180,773	1,401,284	1,582,057	393,987
Total net assets	670,384	7,972,174	8,642,558	7,791,511
	\$ 804,663	\$ 8,014,574	\$ 8,819,237	\$ 7,937,454

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

**COMBINING STATEMENTS OF ACTIVITIES**

**Year Ended October 31, 2018  
(With Comparative Totals for 2017)**

	<u>Festival</u>			<u>Foundation</u>			<b>2018 Combined</b>	<b>2017 Combined</b>
	<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	\$ 805,920	\$ -	\$ 805,920	\$ -	\$ -	\$ -	\$ 805,920	\$ 730,465
Contributions and grants	938,840	180,773	1,119,613	132,550	1,188,000	1,320,550	2,440,163	1,130,344
Inter-organization contributions/ distributions	312,000	-	312,000	(312,000)	-	(312,000)	-	-
Investment (loss) income	(7)	-	(7)	195,096	-	195,096	195,089	156,763
Realized/unrealized gain (loss) on investments	658	-	658	(194,852)	-	(194,852)	(194,194)	692,859
Special events	360,433	-	360,433	-	-	-	360,433	305,570
Appreciation (depreciation) for long-term pledges	-	-	-	-	(13,213)	(13,213)	(13,213)	54,585
Release from restrictions	159,490	(159,490)	-	8,000	(8,000)	-	-	-
<b>Total revenues and support</b>	<b>2,577,334</b>	<b>21,283</b>	<b>2,598,617</b>	<b>(171,206)</b>	<b>1,166,787</b>	<b>995,581</b>	<b>3,594,198</b>	<b>3,070,586</b>
Expenses								
Program	1,930,741	-	1,930,741	-	-	-	1,930,741	1,897,061
Fundraising	373,475	-	373,475	76,141	-	76,141	449,616	333,928
Support	128,947	-	128,947	69,871	-	69,871	198,818	209,873
Special events	163,976	-	163,976	-	-	-	163,976	123,501
<b>Total expenses</b>	<b>2,597,139</b>	<b>-</b>	<b>2,597,139</b>	<b>146,012</b>	<b>-</b>	<b>146,012</b>	<b>2,743,151</b>	<b>2,564,363</b>
Changes in net assets	(19,805)	21,283	1,478	(317,218)	1,166,787	849,569	851,047	506,223
Net assets, beginning of year	509,416	159,490	668,906	6,888,108	234,497	7,122,605	7,791,511	7,285,288
Net assets, end of year	<u>\$ 489,611</u>	<u>\$ 180,773</u>	<u>\$ 670,384</u>	<u>\$ 6,570,890</u>	<u>\$ 1,401,284</u>	<u>\$ 7,972,174</u>	<u>\$ 8,642,558</u>	<u>\$ 7,791,511</u>

See Notes to Combining Financial Statements and Independent Auditors' Report.

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

**COMBINING STATEMENTS OF CASH FLOWS**

**Year Ended October 31, 2018**  
**(With Comparative Totals for 2017)**

	<b>2018</b>			<b>2017</b>
	<b>Festival</b>	<b>Foundation</b>	<b>Combined</b>	<b>Combined</b>
Operating activities				
Change in net assets	\$ 1,478	\$ 849,569	\$ 851,047	\$ 506,223
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	15,001	-	15,001	14,666
Realized/unrealized gain on investments	(658)	194,852	194,194	(692,859)
Donated securities	-	-	-	(33,018)
Depreciation (appreciation) of long-term pledges	-	13,213	13,213	(54,585)
Changes in certain operating assets and liabilities:				
Accounts receivable	105	-	105	(33,714)
Grants and contributions receivable	(21,283)	(1,180,000)	(1,201,283)	105,842
Prepaid expenses	16,645	-	16,645	20,033
Accounts payable	8,043	-	8,043	(5,125)
Accrued liabilities	6,021	-	6,021	13,719
Deferred revenue	(20,728)	-	(20,728)	21,929
Inter-organization paid	-	38,500	38,500	38,311
Net cash provided (used) by operating activities	4,624	(83,866)	(79,242)	(98,578)
Investing activities				
Purchase of equipment	(7,530)	-	(7,530)	(41,221)
Purchase of investments	39,371	(868,232)	(828,861)	(126,455)
Proceeds from sale of investments	(38,713)	931,913	893,200	281,292
Net cash (used) provided by investing activities	(6,872)	63,681	56,809	113,616
Changes in cash	(2,248)	(20,185)	(22,433)	15,038
Cash, beginning of year	266,550	21,900	288,450	273,412
Cash, end of year	\$ 264,302	\$ 1,715	\$ 266,017	\$ 288,450

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

**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2018  
(With Comparative Totals for 2017)**

**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, 2018 are listed below:

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

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, 2018**  
**(With Comparative Totals for 2017)**

**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, 2017, 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, 2018 and 2017, 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, 2018  
(With Comparative Totals for 2017)**

**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, 2018  
(With Comparative Totals for 2017)**

**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, 2018  
(With Comparative Totals for 2017)**

**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 2015, 2016, and 2017 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 \$183,973 and \$186,492 in 2018 and 2017, 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, 2018 and through April 10, 2019, 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, 2018  
(With Comparative Totals for 2017)**

**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, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Receivables due in less than one year	\$ 1,360,773	\$ 159,490
Receivables due in one to five years	-	-
Receivables due in more than five years	270,681	290,536
	1,631,454	450,026
Less unamortized discount to net present value	(49,397)	(56,039)
Total pledges receivable	\$ 1,582,057	\$ 393,987

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, 2018 and 2017 was \$221,284 and \$234,497, respectively.

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

**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2018  
(With Comparative Totals for 2017)**

**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, 2018:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Equities				
Large cap blend	\$ 2,152,241	\$ 2,152,241	\$ -	\$ -
Mid cap blend	675,855	675,855	-	-
Large cap value	456,028	456,028	-	-
Large cap growth	439,292	439,292	-	-
Small cap blend	<u>256,926</u>	<u>256,926</u>	<u>-</u>	<u>-</u>
Total equities	3,980,342	3,980,342	-	-
Fixed income				
Intermediate-term bond	1,076,174	1,076,174	-	-
Multisector bond	<u>448,795</u>	<u>448,795</u>	<u>-</u>	<u>-</u>
Total fixed income	1,524,969	1,524,969	-	-
Real estate investments	656,333	-	656,333	-
Energy fund	<u>624,281</u>	<u>-</u>	<u>624,281</u>	<u>-</u>
Total investments	6,785,925	5,505,311	1,280,614	-
Other assets	<u>22,400</u>	<u>-</u>	<u>22,400</u>	<u>-</u>
	<u>\$ 6,808,325</u>	<u>\$ 5,505,311</u>	<u>\$ 1,303,014</u>	<u>\$ -</u>

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

**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2018  
(With Comparative Totals for 2017)**

**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, 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>	<u>-</u>	<u>-</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>	<u>-</u>	<u>-</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, 2018  
(With Comparative Totals for 2017)**

**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, 2018  
(With Comparative Totals for 2017)**

**NOTE 6 – EQUIPMENT**

	<u>2018</u>	<u>2017</u>
Musical equipment	\$ 153,794	\$ 152,102
Computers and peripherals	55,949	51,773
Furniture and fixtures	38,432	36,770
Library	11,195	11,195
Leasehold improvements	6,399	6,399
Website	<u>2,912</u>	<u>2,912</u>
	268,681	261,151
Less accumulated depreciation	<u>141,264</u>	<u>126,263</u>
Total equipment	<u>\$ 127,417</u>	<u>\$ 134,888</u>

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Time restrictions on pledges receivable	<u>\$ 1,582,057</u>	<u>\$ 393,987</u>

The release represents restricted pledges collected in the current year.

**NOTE 8 – OPERATING LEASES**

The Festival leases its office building under an operating lease agreement that expires in May 2023. The Festival also leases various office equipment that expire at various times through 2023. Lease expense was \$64,919 and \$63,051 in 2018 and 2017, respectively.



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

**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2018  
(With Comparative Totals for 2017)**

**NOTE 8 – OPERATING LEASES – CONTINUED**

The future minimum lease payment for office space and office equipment is:

2019	\$	62,508
2020		62,508
2021		62,508
2022		62,508
2023		<u>38,118</u>
Total	\$	<u>288,150</u>

**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:

	<b>2018</b>	<b>2017</b>
Programs	\$ 261,437	\$ 255,241
Fundraising	<u>29,049</u>	<u>28,360</u>
	<u>\$ 290,485</u>	<u>\$ 283,601</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 \$19,391 and \$19,572 in 2018 and 2017, respectively.

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

**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2018  
(With Comparative Totals for 2017)**

**NOTE 11 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS – NOT-FOR-PROFIT REPORTING FRAMEWORK**

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) - Presentation of Financial Statements for Not-for-Profit Entities. The main provisions of the ASU require a not-for-profit entity to present two asset classes (with and without donor restrictions), requires a classified balance sheet, requires additional qualitative and quantitative information regarding how the entity manages its liquid resources including the restrictions that affect the use of those resources, requires disclosure of expenses by both their natural classification and their functional classification, methods used to allocate costs among program and supporting functions, as well as other various additional disclosure requirements. The ASU is effective for the Festival and Foundation's year end October 31, 2019. Management has evaluated the impact of the ASU and has determined that the accounting information systems are sufficient to implement the effects of this ASU.