

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

**COMBINING FINANCIAL STATEMENTS**

**October 31, 2020  
(With Comparative Totals for 2019)**

## 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, 2020, and the related combining statements of activities, functional expenses 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, 2020, 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 2019 combining financial statements, and our report dated January 25, 2020, 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, 2019, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

January 23, 2021

  
Pulakos CPAs, PC

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

**COMBINING STATEMENTS OF FINANCIAL POSITION**

**October 31, 2020**

**(With Comparative Totals for 2019)**

<u>Assets</u>	<b>2020</b>			<b>2019</b>
	<u>Festival</u>	<u>Foundation</u>	<u>Combined</u>	<u>Combined</u>
Current assets				
Cash	\$ 440,936	\$ 3,414	\$ 444,350	\$ 329,650
Grants and pledges receivable, current	24,179	663,333	687,512	1,250,005
Prepaid expenses	53,852	-	53,852	62,453
Total current assets	518,967	666,747	1,185,714	1,642,108
Non-current assets				
Investments	-	9,507,195	9,507,195	8,863,619
Grants and pledges receivable, net	-	1,387,053	1,387,053	1,519,752
Equipment	133,730	-	133,730	147,093
Other assets	22,400	-	22,400	22,400
Inter-organization receivable (payable)	328,756	(328,756)	-	-
Total non-current assets	484,886	10,565,492	11,050,378	10,552,864
Total assets	<u>\$ 1,003,853</u>	<u>\$ 11,232,239</u>	<u>\$ 12,236,092</u>	<u>\$ 12,194,972</u>
 <b><u>Liabilities and Net Assets</u></b>				
Current liabilities				
Accrued expenses	\$ 27,627	\$ -	\$ 27,627	\$ 57,823
Accounts payable	24,539	-	24,539	8,559
Deferred revenue	65,882	-	65,882	86,476
Notes payable, current	12,088	-	12,088	-
Other liabilities	2,028	-	2,028	-
Total current liabilities	132,164	-	132,164	152,858
Non-current liabilities				
Notes payable	222,967	-	222,967	-
Total liabilities	355,131	-	355,131	152,858
Net assets				
Without donor restrictions	624,543	9,137,961	9,762,504	9,272,357
With donor restrictions	24,179	2,094,278	2,118,457	2,769,757
Total net assets	648,722	11,232,239	11,880,961	12,042,114
Total liabilities and net assets	<u>\$ 1,003,853</u>	<u>\$ 11,232,239</u>	<u>\$ 12,236,092</u>	<u>\$ 12,194,972</u>

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

**COMBINING STATEMENTS OF ACTIVITIES**

**Year Ended October 31, 2020  
(With Comparative Totals for 2019)**

	Festival			Foundation			2020 Combined	2019 Combined
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenues and support								
Program income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 809,345
Contributions and grants	1,317,663	161,500	1,479,163	-	106,050	106,050	1,585,213	4,370,529
Inter-organization contributions/ distributions	260,000	-	260,000	(260,000)	-	(260,000)	-	-
Investment income	2,866	-	2,866	191,450	-	191,450	194,316	219,906
Realized/unrealized (loss) gain on investments	-	-	-	(55,331)	-	(55,331)	(55,331)	560,368
Special events	-	-	-	-	-	-	-	328,339
Appreciation for long-term pledges	-	-	-	-	-	-	-	12,634
Other income	57,959	-	57,959	-	-	-	57,959	-
Net assets released from restrictions	253,993	(253,993)	-	664,857	(664,857)	-	-	-
Total revenues and support	1,892,481	(92,493)	1,799,988	540,976	(558,807)	(17,831)	1,782,157	6,301,121
Expenses								
Program	1,423,864	-	1,423,864	-	-	-	1,423,864	2,052,875
Fundraising	267,616	-	267,616	92,294	-	92,294	359,910	683,542
Management and general	130,448	-	130,448	29,088	-	29,088	159,536	165,148
Total expenses	1,821,928	-	1,821,928	121,382	-	121,382	1,943,310	2,901,565
Changes in net assets	70,553	(92,493)	(21,940)	419,594	(558,807)	(139,213)	(161,153)	3,399,556
Net assets, beginning of year	553,990	116,672	670,662	8,718,367	2,653,085	11,371,452	12,042,114	8,642,558
Net assets, end of year	<u>\$ 624,543</u>	<u>\$ 24,179</u>	<u>\$ 648,722</u>	<u>\$ 9,137,961</u>	<u>\$ 2,094,278</u>	<u>\$ 11,232,239</u>	<u>\$ 11,880,961</u>	<u>\$ 12,042,114</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 FUNCTIONAL EXPENSES**

**Year Ended October 31, 2020**  
**(With Comparative Totals for 2019)**

	Festival			Total
	Program Services	Fundraising	Management and General	
Artistic department	\$ 184,845	\$ -	\$ -	\$ 184,845
Development	-	45,439	-	45,439
General & administrative				
General	-	-	35,819	35,819
Accounting	-	-	18,231	18,231
Computer maintence	15,871	3,174	2,116	21,161
Banking and credit card fees	8,795	8,795	-	17,590
Insurance	9,071	1,814	1,210	12,095
Interest	42	8	6	56
Legal	4,568	914	609	6,091
Payroll service	2,831	566	378	3,775
Postage	1,093	2,733	1,640	5,466
Printing	530	1,325	795	2,650
Telephone	8,047	1,609	1,073	10,729
Facility	64,435	12,887	8,591	85,913
Education	91,475	-	-	91,475
Marketing	105,593	11,733	-	117,326
Fundraising	-	-	-	-
Administrative salary	346,601	173,300	57,767	577,668
Artistic salary	563,471	-	-	563,471
Total expenses before depreciation	1,407,268	264,297	128,235	1,799,800
Depreciation and amortization	16,596	3,319	2,213	22,128
	\$ 1,423,864	\$ 267,616	\$ 130,448	\$ 1,821,928

Program Services	Foundation			2020 Combined Total	2019 Combined Total
	Fundraising	Management and General	Total		
\$ -	\$ -	\$ -	\$ -	\$ 184,845	\$ 710,554
-	-	-	-	45,439	119,098
-	-	-	-	35,819	28,796
-	-	29,088	29,088	47,319	45,296
-	-	-	-	21,161	32,036
-	56,771	-	56,771	74,361	88,189
-	-	-	-	12,095	15,368
-	-	-	-	56	-
-	-	-	-	6,091	-
-	-	-	-	3,775	6,998
-	-	-	-	5,466	4,578
-	-	-	-	2,650	3,214
-	-	-	-	10,729	2,542
-	-	-	-	85,913	93,333
-	-	-	-	91,475	123,445
-	-	-	-	117,326	237,667
-	35,523	-	35,523	35,523	228,286
-	-	-	-	577,668	717,572
-	-	-	-	563,471	425,265
-	92,294	29,088	121,382	1,921,182	2,882,237
-	-	-	-	22,128	19,328
<u>\$ -</u>	<u>\$ 92,294</u>	<u>\$ 29,088</u>	<u>\$ 121,382</u>	<u>\$ 1,943,310</u>	<u>\$ 2,901,565</u>

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

**COMBINING STATEMENTS OF CASH FLOWS**

**Year Ended October 31, 2020**  
**(With Comparative Totals for 2019)**

	<b>2020</b>			<b>2019</b>
	<b>Festival</b>	<b>Foundation</b>	<b>Combined</b>	<b>Combined</b>
Operating activities				
Change in net assets	\$ (21,940)	\$ (139,213)	\$ (161,153)	\$ 3,399,556
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:				
Depreciation	22,128	-	22,128	19,328
Realized/unrealized gain on investments	-	55,331	55,331	(560,368)
Depreciation of long-term				
Depreciation of long-term pledges	-	-	-	13,213
Changes in certain operating assets and liabilities:				
Accounts and inter-organization receivables	(162,771)	-	(162,771)	8,160
Grants and pledges receivable	92,493	602,699	695,192	(1,200,913)
Inter-organization receivable (payable)	2,028	162,771	164,799	(8,365)
Prepaid expenses	8,601	-	8,601	(26,827)
Accrued expenses	(30,196)	-	(30,196)	24,247
Accounts payable	15,980	-	15,980	(46,505)
Deferred revenue	(20,594)	-	(20,594)	(1,563)
Net cash (used) provided by operating activities	(94,271)	681,588	587,317	1,619,963
Investing activities				
Purchase of equipment	(8,765)	-	(8,765)	(39,004)
Purchase of investments	-	(1,626,429)	(1,626,429)	(3,007,806)
Proceeds from sale of investments	-	927,522	927,522	1,490,480
Net cash used by investing activities	(8,765)	(698,907)	(707,672)	(1,556,330)
Financing activities - borrowing on notes payable	235,055	-	235,055	-
Changes in cash	132,019	(17,319)	114,700	63,633
Cash, beginning of year	308,917	20,733	329,650	266,017
Cash, end of year	\$ 440,936	\$ 3,414	\$ 444,350	\$ 329,650



**Santa Fe Chamber Music Festival, Ltd.**  
**Santa Fe Chamber Music Festival**  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020**  
**(With Comparative Totals for 2019)**

**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.

In March of 2020 the Secretary for the New Mexico Department of Health mandated temporary closing of businesses that were deemed non-essential and requested citizens to adopt certain behavioral changes in response to the worldwide COVID-19 pandemic. At a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the world markets.

The mandates described above caused the Festival to cancel the 2020 season. Festival personnel continued to work to meet patron and administrative needs, plan for the 2021 and 2022 seasons and continue the education and outreach efforts in the local community. While the Department of Health mandates are expected to continue into 2021, there is uncertainty around the extent and duration and ultimate financial impact of these mandates.

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.

**Santa Fe Chamber Music Festival, Ltd.**  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020**  
**(With Comparative Totals for 2019)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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.

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, 2019, 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 net assets without donor restrictions 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, 2020 and 2019, 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.  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020  
(With Comparative Totals for 2019)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Presentation

The financial statements of the Festival and Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Festival and Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Festival and Foundation. These net assets may be used at the discretion of the Festival and Foundation's management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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:

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.

**Santa Fe Chamber Music Festival, Ltd.  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020  
(With Comparative Totals for 2019)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fair Value Measurements – Continued

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 and gift certificates.

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.

Income Taxes

The Festival and Foundation are nonprofit charitable organizations and have been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Festival and Foundation have adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated their tax positions taken for open tax years. Management believes that the activities of the Festival and Foundation are within their tax-exempt purposes, and that there are no uncertain tax positions.

Advertising

Advertising costs are expensed as incurred. Total advertising costs during were \$78,506 and \$177,807 in 2020 and 2019, 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.

**Santa Fe Chamber Music Festival, Ltd.  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020  
(With Comparative Totals for 2019)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

New Accounting Pronouncements

*Revenue from Contracts with Customers* – The Festival and Foundation have adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers* (Topic 606), as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Festival or Foundation recognizes revenue and therefore, no changes to the previously issued audited combining financial statements were required on a retrospective basis.

*Contributions Received and Contributions Made* – The Festival and Foundation have adopted Accounting Standards Update (ASU) No. 2018-08 – *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). The standard is applied prospectively. There were no changes to previously unrecognized promises to give as a result of this new standard.

Subsequent Events

The Festival and Foundation have evaluated all events occurring subsequent to October 31, 2020 and through January 23, 2021, 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.

**NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Festival’s financial assets as October 31, 2020 and 2019 available for general expenditure within one year of the balance sheet date:

	<b>2020</b>	<b>2019</b>
Cash	\$ 444,350	\$ 329,650
Grants and pledge receivables	2,118,457	2,769,757
Investments	9,507,195	8,863,619
Total financial assets	12,070,002	11,963,026
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,118,457	2,769,757
Financial assets available to meet cash needs for general expenditure within one year from October 31, 2020 and 2019	\$ 9,951,545	\$ 9,193,269

**Santa Fe Chamber Music Festival, Ltd.  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020  
(With Comparative Totals for 2019)**

**NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - CONTINUED**

The Festival manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. As part of its liquidity plan, the Festival is continuously evaluating the amount of cash on hand and expected collections, against current financial obligations.

**NOTE 3 – BOARD DESIGNATED NET 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 4 – 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Receivables due in less than one year	\$ 687,512	\$ 1,250,005
Receivables due in one to five years	1,158,836	1,285,834
Receivables due in more than five years	<u>282,498</u>	<u>282,498</u>
	2,128,846	2,818,337
Less unamortized discount to net present value	<u>(54,282)</u>	<u>(48,580)</u>
Total pledges receivable	<u>\$ 2,074,565</u>	<u>\$ 2,769,757</u>

**Santa Fe Chamber Music Festival, Ltd.  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020  
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**NOTE 4 – PLEDGES RECEIVABLE – CONTINUED**

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, 2020 and 2019 was \$228,216 and \$233,918, respectively.

**NOTE 5 – 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, 2020:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Equities				
Large cap blend	\$ 3,141,809	\$ 3,141,809	\$ -	\$ -
Mid cap blend	974,648	974,648	-	-
Large cap growth	924,776	924,776	-	-
Large cap value	690,654	690,654	-	-
Small cap blend	302,514	302,514	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total equities	6,034,401	6,034,401	-	-
Fixed income				
Intermediate term bond	1,457,346	1,457,346	-	-
Multisector bond	563,095	563,095	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fixed income	2,020,441	2,020,441	-	-

**Santa Fe Chamber Music Festival, Ltd.  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2020  
(With Comparative Totals for 2019)**

**NOTE 5 – FAIR VALUE MEASUREMENT – CONTINUED**

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate investments	962,325	-	962,325	-
Energy fund	490,028	-	490,028	-
 Total investments	 9,507,195	 8,054,842	 1,452,353	 -
 Other assets	 22,400	 -	 22,400	 -
	<u>\$ 9,529,595</u>	<u>\$ 8,054,842</u>	<u>\$ 1,474,753</u>	<u>\$ -</u>

The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of October 31, 2019:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Equities				
Large cap blend	\$ 2,945,147	\$ 2,945,147	\$ -	\$ -
Mid cap blend	877,540	877,540	-	-
Large cap value	626,173	626,173	-	-
Large cap growth	614,167	614,167	-	-
Small cap blend	283,716	283,716	-	-
 Total equities	 5,346,743	 5,346,743	 -	 -
Fixed income				
Intermediate term bond	1,337,646	1,337,646	-	-
Multisector bond	576,452	576,452	-	-
 Total fixed income	 1,914,098	 1,914,098	 -	 -



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**NOTE 5 – FAIR VALUE MEASUREMENT – CONTINUED**

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate investments	803,006	-	803,006	-
Energy fund	<u>799,772</u>	<u>-</u>	<u>799,772</u>	<u>-</u>
Total investments	8,863,619	7,260,841	1,602,778	-
Other assets	<u>22,400</u>	<u>-</u>	<u>22,400</u>	<u>-</u>
	<u>\$ 8,886,019</u>	<u>\$ 7,260,841</u>	<u>\$ 1,625,178</u>	<u>\$ -</u>

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.

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**NOTE 6 – 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.

**NOTE 7 – EQUIPMENT**

	<b>2020</b>	<b>2019</b>
Musical equipment	\$ 153,794	\$ 153,794
Computers and peripherals	95,710	91,848
Furniture and fixtures	46,440	41,537
Library	11,195	11,195
Leasehold improvements	6,399	6,399
Website	2,912	2,912
	316,450	307,685
Less accumulated depreciation	182,720	160,592
Total equipment	\$ 133,730	\$ 147,093

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**NOTE 8 – NOTES PAYABLE**

In response to various government restrictions and behavioral changes required by the NM Department of Health (more fully described in footnote #1 to the combined financial statements) and the related financial impact to the Festival management of the Festival pursued available federal and state government loan programs. The Festival received funding as follows: (1) a U.S. Small Business Administration (SBA) Payroll Protection Plan (PPP) loan of \$194,927; (2) a SBA Economic Injury and Disaster Loan in the amount of \$150,000; and (3) a New Mexico Finance Authority loan in the amount of \$75,000. The loan terms and repayment details are described more fully below:

	<b>2020</b>	<b>2019</b>
SBA Economic Injury and Disaster Loan, 2.75% interest rate, secured by property and equipment; monthly payments of principal and interest of \$641 beginning June 2021; all remaining unpaid principal and interest due May 2051.	\$ 150,000	\$ -
New Mexico Finance Authority Loan, 1.625% interest rate, annual interest payments due beginning in September 2021, unsecured; principal due upon maturity in September 2023.	75,000	-
SBA PPP Loan, 1.00% interest rate, monthly payments of principal and interest of \$194 beginning December 2020; all outstanding balance was fully repaid in December 2020.	10,055	-
	235,055	-
Less current maturities:	12,088	-
	<b>\$ 222,967</b>	<b>\$ -</b>

Maturities of debt are as follows:

2021	\$ 12,088
2022	3,562
2023	78,662
2024	3,764
2025	3,868
Thereafter	133,111

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**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes:

	<b>2020</b>	<b>2019</b>
Time restrictions on pledges receivable	\$ 2,074,565	\$ 2,769,757
Other purpose restrictions	43,982	-
Total	\$ 2,118,457	\$ 2,769,757

The release represents restricted pledges collected in the current year.

**NOTE 10 – COMMITMENTS**

Operating Lease

The Festival leases its office building under an operating lease agreement that expires in May 2024. The Festival also leases office equipment that expire in June 2023. Lease expense was \$78,954 and \$68,407 in 2020 and 2019, respectively.

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

2021	\$ 63,238	
2022	64,260	
2023	62,605	
2024	35,168	
Total	\$ 225,271	

Concentrations of Risk

The Festival maintains cash balances in financial institutions, which at times exceed federally insured limits.

Major Contributor

The Festival and Foundation had contribution income of \$200,681 from two major donors in 2020 and the Foundation had contribution income of \$2,504,503 from one major donor in 2019.

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**NOTE 11 – 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>2020</u>	<u>2019</u>
Programs	\$ -	\$ 213,899
Fundraising	<u>-</u>	<u>23,767</u>
	<u>\$ -</u>	<u>\$ 237,666</u>

**NOTE 12 – 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 \$23,716 and \$21,307 in 2020 and 2019, respectively.

**NOTE 13 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

Effective for its annual combining financial statements for 2022, the Festival and Foundation are subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Festival and Foundation are lessees. Upon adoption, among other effects, the Festival and Foundation will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Festival and Foundation's future combining financial statements of these changes and related retrospective adjustments have not yet been determined.