



Report of Independent Auditors  
and Combined Financial Statements

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

October 31, 2022  
(with Comparative Totals for 2021)

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## **Report of Independent Auditors**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the combined financial statements of Santa Fe Chamber Music Festival, Ltd. and Santa Fe Chamber Music Festival Endowment Foundation, Inc., which comprise the combined statements of financial position as of October 31, 2022, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Santa Fe Chamber Music Festival, Ltd. and Santa Fe Chamber Music Festival Endowment Foundation, Inc. as of October 31, 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Other Matter***

##### ***2021 Financial Statements***

The financial statements of the Festival as of October 31, 2021, were audited by other auditors whose report, dated March 17, 2022, expressed an unmodified opinion on those statements.

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

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Fe Chamber Music Festival, Ltd. and Santa Fe Chamber Music Festival Endowment Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Santa Fe Chamber Music Festival, Ltd. and Santa Fe Chamber Music Festival Endowment Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Fe Chamber Music Festival, Ltd. and Santa Fe Chamber Music Festival Endowment Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

***Report on Summarized Comparative Information***

The Festival's and Foundation's 2021 combining financial statements were previously audited by other auditors whose report dated March 17, 2022, 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, 2021, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

*Moss Adams LLP*

Albuquerque, New Mexico  
January 23, 2023

## **Combined Financial Statements**

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**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.  
Combined Statements of Financial Position  
October 31, 2022 (with Comparative Totals for 2021)**

	2022			Summarized 2021
	Festival	Foundation	Combined	Combined
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 208,777	\$ 204,803	\$ 413,580	\$ 419,739
Grants and pledges receivable, current	48,966	971,949	1,020,915	1,352,127
Investments	-	9,982,440	9,982,440	10,274,165
Prepaid expenses	59,894	-	59,894	29,863
Total current assets	<u>317,637</u>	<u>11,159,192</u>	<u>11,476,829</u>	<u>12,075,894</u>
<b>NONCURRENT ASSETS</b>				
Investments	-	1,500,544	1,500,544	2,477,665
Grants and pledges receivable, net	83,000	283,500	366,500	897,003
Property and equipment, net accumulated depreciation of \$226,396	189,704	-	189,704	111,054
Other assets	-	-	-	22,400
Inter-organization receivable (payable)	700,711	(700,711)	-	-
Total noncurrent assets	<u>973,415</u>	<u>1,083,333</u>	<u>2,056,748</u>	<u>3,508,122</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,291,052</u></u>	<u><u>\$ 12,242,525</u></u>	<u><u>\$ 13,533,577</u></u>	<u><u>\$ 15,584,016</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 77,313	\$ -	\$ 77,313	\$ 1,074
Accrued expenses	41,058	-	41,058	32,350
Deferred revenue	84,909	-	84,909	21,097
Notes payable, current	3,272	-	3,272	-
Other liabilities	1,429	-	1,429	1,429
Total current liabilities	<u>207,981</u>	<u>-</u>	<u>207,981</u>	<u>55,950</u>
<b>NONCURRENT LIABILITIES</b>				
Notes payable	146,447	-	146,447	225,000
Total liabilities	<u>354,428</u>	<u>-</u>	<u>354,428</u>	<u>280,950</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 10)</b>				
<b>NET ASSETS</b>				
Without donor restrictions	425,288	11,537,409	11,962,697	13,430,730
With donor restrictions	511,336	705,116	1,216,452	1,872,336
Total net assets	<u>936,624</u>	<u>12,242,525</u>	<u>13,179,149</u>	<u>15,303,066</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 1,291,052</u></u>	<u><u>\$ 12,242,525</u></u>	<u><u>\$ 13,533,577</u></u>	<u><u>\$ 15,584,016</u></u>

See accompanying notes to these combined financial statements.

**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.  
Combined Statements of Activities and Changes in Net Assets  
October 31, 2022 (with Comparative Totals for 2021)**

	Festival		Foundation		Summarized 2021 Combined
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
<b>REVENUES AND SUPPORT</b>					
Program income	\$ 623,811	\$ -	\$ -	\$ -	\$ 623,811
Contributions and grants	1,400,233	6,500	16,318	-	1,423,051
COVID-19 related contributions and grants	15,635	-	-	-	15,635
Investment income (loss), net of fees	(30,946)	-	522,062	-	491,116
Realized/unrealized gain (loss) on investments	-	-	(2,067,952)	-	(2,067,952)
Special events	254,150	-	-	-	254,150
Appreciation for long-term pledges	-	-	-	-	-
Other income	18,261	-	-	-	18,261
Inter-organization income (expense)	463,000	-	(463,000)	-	-
Net assets released from restrictions	57,000	(57,000)	605,384	(605,384)	-
Total revenues and support	2,801,144	(50,500)	(1,387,188)	(605,384)	758,072
<b>EXPENSES</b>					
Program	2,064,864	-	45,586	-	2,110,450
Fundraising	472,213	-	26,772	-	498,985
Management and general	233,945	-	38,609	-	272,554
Total expenses	2,771,022	-	110,967	-	2,881,989
<b>CHANGES IN NET ASSETS</b>					
NET ASSETS, beginning of year	30,122	(50,500)	(1,498,155)	(605,384)	(2,123,917)
NET ASSETS, end of year	395,166	561,836	13,035,564	1,310,500	15,303,066
NET ASSETS, beginning of year	\$ 425,288	\$ 511,336	\$ 11,537,409	\$ 705,116	\$ 13,179,149
NET ASSETS, end of year	\$ 425,288	\$ 511,336	\$ 11,537,409	\$ 705,116	\$ 15,303,066

See accompanying notes to these combined financial statements.



**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festivals Endowment Foundation, Inc.  
Combined Statements of Functional Expenses  
October 31, 2022 (with Comparative Totals for 2021)**

	Festival			Foundation			2022 Combined Total	Summarized 2021 Combined Total
	Program Services	Fundraising	Management and General	Total	Program Services	Fundraising		
Artistic department	\$ 742,321	-	\$ -	\$ 742,321	-	\$ -	\$ -	\$ 778,516
Artistic salary	307,099	-	-	307,099	-	-	-	601,090
Development	-	146,899	-	146,899	-	-	-	106,932
General and administrative	-	-	-	-	-	-	-	-
General	-	-	51,503	51,503	-	-	9,372	29,673
Accounting	-	-	19,633	19,633	-	-	29,237	43,971
Computer maintenance	5,848	1,170	780	7,798	-	-	-	9,587
Banking and credit card fees	23,506	13,746	-	37,252	45,586	26,772	109,610	89,682
Insurance	9,304	1,861	1,241	12,406	-	-	12,406	11,529
Interest	-	-	2,108	2,108	-	-	-	-
Legal	-	-	508	508	-	-	-	423
Payroll service	2,309	462	308	3,079	-	-	-	4,128
Postage	1,287	3,219	1,931	6,437	-	-	-	5,810
Printing	1,002	2,504	1,503	5,009	-	-	-	2,358
Telephone	8,679	1,736	1,157	11,572	-	-	-	11,349
Facility	67,339	13,468	8,978	89,785	-	-	-	84,762
Education	126,955	-	-	126,955	-	-	-	96,798
Marketing	235,603	26,178	-	261,781	-	-	-	104,300
Fundraising	-	74,005	-	74,005	-	-	-	61,455
Administrative salary	71,106	35,553	11,851	118,510	-	-	-	153,301
Key and highly compensated staff	446,756	148,262	130,344	725,362	-	-	-	357,702
Bad debt expense	-	-	-	-	-	-	-	71,000
Total expenses before depreciation	2,049,114	469,063	231,845	2,750,022	45,586	26,772	110,967	2,624,366
Depreciation	15,750	3,150	2,100	21,000	-	-	-	22,676
Total	\$ 2,064,864	\$ 472,213	\$ 233,945	\$ 2,771,022	\$ 45,586	\$ 26,772	\$ 110,967	\$ 2,647,042

See accompanying notes to these combined financial statements.

**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.  
Combined Statements of Cash Flows  
October 31, 2022 (with Comparative Totals for 2021)**

	2022			Summarized 2021
	Festival	Foundation	Combined	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Changes in net assets	\$ (20,378)	\$ (2,103,539)	\$ (2,123,917)	\$ 3,422,105
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation	21,000	-	21,000	22,676
Realized/unrealized (gain) loss on investments	-	1,519,044	1,519,044	(2,410,699)
Appreciation of long-term pledges	-	-	-	(9,406)
Changes in certain operating assets and liabilities				
Grants and pledges receivable	219,828	641,887	861,715	(165,159)
Inter-organization (payable) receivable	(394,122)	394,122	-	(22,766)
Prepaid expenses	(30,031)	-	(30,031)	23,989
Other assets	22,400	-	22,400	22,167
Accounts payable	76,239	-	76,239	(23,465)
Accrued expenses	8,708	-	8,708	4,723
Deferred revenue	63,812	-	63,812	(44,785)
Net cash (used in) provided by operating activities	<u>(32,544)</u>	<u>451,514</u>	<u>418,970</u>	<u>819,380</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of equipment	(99,650)	-	(99,650)	-
Purchase of investments	-	(974,999)	(974,999)	(2,094,288)
Proceeds from sale of investments	-	724,801	724,801	1,260,352
Net cash used in investing activities	<u>(99,650)</u>	<u>(250,198)</u>	<u>(349,848)</u>	<u>(833,936)</u>
<b>FINANCING ACTIVITIES - BORROWING ON</b>				
Payments on notes payable	<u>(75,281)</u>	<u>-</u>	<u>(75,281)</u>	<u>(10,055)</u>
Net cash used in investing activities	<u>(75,281)</u>	<u>-</u>	<u>(75,281)</u>	<u>(10,055)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<u>(207,475)</u>	<u>201,316</u>	<u>(6,159)</u>	<u>(24,611)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>416,252</u>	<u>3,487</u>	<u>419,739</u>	<u>444,350</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 208,777</u>	<u>\$ 204,803</u>	<u>\$ 413,580</u>	<u>\$ 419,739</u>

See accompanying notes to these combined financial statements.

# Santa Fe Chamber Music Festival, Ltd. and Santa Fe Chamber Musical Festival Endowment Foundation, Inc.

## Notes to Combined Financial Statements

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### **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.

**Principles of combination** – The accompanying combined financial statements include the accounts of the Festival and the Foundation. All significant intercompany transactions have been eliminated in the combination.

The 2022 Festival Season was very successful, as patrons showed they were anxious to experience live music performances again. The Festival followed Covid-safe guidelines for all concerts, more than was mandated by state regulations. Ticket sales in 2022, while still below pre-pandemic levels, nevertheless exceeded 2021 sales by 28%.

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. The fiscal year 2021 season was able to proceed; however, the COVID-19 pandemic continued to impact operations. Ticket sales for the fiscal year 2021 performances were down 35% from pre-COVID-19 levels. Department of Health mandates dictated many safety precautions and capacity restrictions/distanced seating were imposed by the Festival on the performances. The Festival continued to rely heavily on COVID-19 related grants and contributions in fiscal year 2021.

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 4% of its net assets each year to the Festival.

**Estimates** – The preparation of combined 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 combined 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. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.  
Notes to Combined Financial Statements**

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**Financial presentation** – The combined 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 combined financial statements for the year ended October 31, 2021, 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 combined statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations.

**Grants and pledges receivable** – 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.

The Festival was able to take advantage of government funding made available for organizations impacted by the COVID-19 pandemic including special grants and governmental initiatives and Employee Retention Credit. This funding, combined with contributions specifically solicited to offset revenue declines because of the impacts of COVID-19 was \$15,635 in fiscal year 2022 and \$719,493 in fiscal year 2021 and is included as COVID-19 related contributions and grants in the accompanying combined statements of activities and changes in net assets.

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. As of October 31, 2022 and 2021, there was no allowance recorded.

**Property and 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 combined statements of activities and changes in net assets. Expenditures for maintenance and repairs are charged to expense as incurred. The Festival capitalizes asset acquisitions over \$600.

**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.**  
**Notes to Combined Financial Statements**

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**Basis of presentation** – The combined 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 combined statements of activities and changes in net assets.

**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.

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

The assets 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.

**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.**  
**Notes to Combined Financial Statements**

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**Beneficial interest in remainder trusts** – A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust’s term. Upon termination of the trust, the Foundation receives a percentage of the assets remaining in the trust. Beneficial interest in remainder trusts represent the present value of estimated future cash receipts from the trust’s assets. Contribution revenue is recognized in the period in which the trust is established. In subsequent years, income earned on trust assets, recognized gains and losses, and distributions paid will be recognized. Revaluation of the present value of the estimated future payments and changes in actuarial assumptions will be recognized in the statement of activities and changes in net assets.

**Revenue recognition – Support** – Support is contribution revenue. The Festival follows FASB ASC Subtopic 958-605, *Not-for-Profit Entities: Revenue Recognition* (or ASC 958-605). Contributions received are recorded as without or with donor restriction depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction.

**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.

**Income taxes** – The Festival and the 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 the 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 the 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 \$21,447 and \$31,940 in fiscal year 2022 and fiscal year 2021, 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.

**Recently issued accounting pronouncements** – ASU 2016-02, *Leases* (Topic 842) – Requires that an asset for the right of use and lease liability be recognized on the combined statement of financial position date for all leases extending more than 12 months, and allows the election of recognizing an asset and a liability for leases for the period fewer than 12 months. This amendment is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. Management is currently considering the impact of this pronouncement on the combined financial statements.

**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.  
Notes to Combined Financial Statements**

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**Reclassifications** – Certain reclassifications have been made to the prior year combined financial statements in order for them to be in conformity with the current year presentation.

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheet date but before the combined financial statements are issued or are available to be issued. The Festival and the Foundation recognize in the combined financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the combined statement of financial position, including the estimates inherent in the process of preparing the combined financial statements. The Festival and the Foundation’s combined financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the combined statement of financial position but arose after the combined statement of financial position date and before combined financial statements are available to be issued.

The Festival and the Foundation have evaluated subsequent events for potential recognition and disclosure through January 23, 2023, which is the date the combined financial statements were available to be issued.

**Note 2 – Liquidity and Availability of Financial Assets**

The following reflects the Festival’s financial assets as October 31, 2022 and 2021 available for general expenditure within one year of the balance sheet date:

	2022	2021
Cash	\$ 413,580	\$ 419,739
Grants and pledges receivable, net	1,387,415	2,249,130
Investments	11,482,984	12,751,830
Total financial assets	13,283,979	15,420,699
Less amounts not available to be used within one year		
Investments	1,500,545	1,273,512
Grants and pledges receivable, net	366,500	1,420,500
	1,867,045	2,694,012
Financial assets available to meet cash needs for general expenditure within one year from October 31, 2022 and 2021	\$ 13,283,979	\$ 15,420,699

**Santa Fe Chamber Music Festival, Ltd. and  
Santa Fe Chamber Musical Festival Endowment Foundation, Inc.  
Notes to Combined Financial Statements**

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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. Financial assets do not include the organization's Prepaid Expenses or Net Property and Equipment.

**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, have 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Receivables due in less than one year	\$ 1,020,915	\$ 1,352,127
Receivables due in one to five years	100,000	630,503
Receivables due in more than five years	<u>266,500</u>	<u>266,500</u>
Total pledges receivable	<u>\$ 1,387,415</u>	<u>\$ 2,249,130</u>
Total current portion of pledges receivable	<u>\$ 1,020,915</u>	<u>\$ 1,352,127</u>
Total noncurrent portion of pledges receivable	<u>\$ 366,500</u>	<u>\$ 897,003</u>

The Foundation has an irrevocable 25% interest in a Charitable Remainder Unitrust (the Trust). The Foundation's interest in the Trust's assets is recorded at fair market value with adjustments made annually for changes in its value. The estimated present value of the Foundation's interest in the Trust at October 31, 2022 and 2021 was \$266,500.

The Foundation has an irrevocable 4.56% in a Charitable Remainder Unitrust (the Trust). The Foundation's interest in the Trust's assets is recorded at fair market value with adjustments made annually for changes in its value. The estimated present value of the Foundation's interest in the Trust at October 31, 2022 and 2021 was \$421,616 and \$510,000, respectively.



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**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, 2022:

	Fair Value Measurement at October 31, 2022			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Large cap blend	\$ 3,880,652	\$ -	\$ -	\$ 3,880,652
Mid cap blend	1,049,351	-	-	1,049,351
Large cap value	936,625	-	-	936,625
Large cap growth	826,671	-	-	826,671
Sector equity	494,687	-	-	494,687
Small cap blend	375,762	-	-	375,762
Total equities	7,563,748	-	-	7,563,748
Fixed income				
Intermediate term bond	1,047,845	-	-	1,047,845
Multisector bond	244,512	-	-	244,512
Total fixed income	1,292,357	-	-	1,292,357
Total assets in the fair value hierarchy	\$ 8,856,105	\$ -	\$ -	\$ 8,856,105
Investments measured at NAV				2,626,879
Total investments				\$ 11,482,984

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The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of October 31, 2021:

	Fair Value Measurement at October 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Large cap blend	\$ 4,691,370	\$ -	\$ -	\$ 4,691,370
Mid cap blend	1,383,724	-	-	1,383,724
Large cap growth	1,049,113	-	-	1,049,113
Large cap value	1,087,898	-	-	1,087,898
Small cap blend	478,890	-	-	478,890
Total equities	<u>8,690,995</u>	<u>-</u>	<u>-</u>	<u>8,690,995</u>
Fixed income				
Intermediate term bond	1,238,369	-	-	1,238,369
Multisector bond	344,801	-	-	344,801
Total fixed income	1,583,170	-	-	1,583,170
Total assets in the fair value hierarchy	<u>\$ 10,274,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,274,165</u>
Investments measured at NAV				<u>2,477,665</u>
Total investments				<u>\$ 12,751,830</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.

*Equities and fixed income* – Shares in equities and fixed income are valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Festival and Foundation are deemed to be actively traded.

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**

**Distribution protocol** – The Distribution Protocol of the Foundation results in an annual grant to the Festival. This protocol is based on the Yale University Endowment Spending Policy and applies to the aggregate investable assets (i.e., cash and marketable securities), plus gifts received during the year. 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 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 – Property and equipment**

	2022	2021
Musical equipment	\$ 153,794	\$ 153,794
Computers and peripherals	95,710	95,710
Website	80,162	2,912
Furniture and fixtures	46,440	46,440
Leasehold improvements	28,799	6,399
Library	11,195	11,195
Total	416,100	316,450
Less accumulated depreciation	226,396	205,396
Total equipment	\$ 189,704	\$ 111,054

Depreciation for the years ended October 31, 2022 and 2021 was \$21,000 and \$22,676, respectively.

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**Note 8 – Notes Payable**

The Festival took advantage of Covid-relief funds to support operations during the pandemic required shut-down and restrictions in FY20 and FY21. The Festival received the following loans: (1) a SBA Economic Injury and Disaster Loan (EIDL) in the amount of \$150,000; and (2) a New Mexico Finance Authority loan in the amount of \$75,000. The loan terms and repayment details are described more fully below:

	2022	2021
SBA EIDL Loan, 30-year term, 2.75% interest rate, secured by property and equipment; monthly payments of principal and interest of \$641 beginning October 2022; all remaining unpaid principal and interest due September 2052.	\$ 149,719	\$ 150,000
New Mexico Finance Authority Loan, 1.625% interest rate, annual interest payments due beginning in September 2021, unsecured; paid in 2022.	-	75,000
	149,719	225,000
Less current maturities	(3,272)	-
Total	\$ 146,447	\$ 225,000
 <u>Years Ending October 31,</u>		
2023	\$ 3,272	
2024	3,363	
2025	3,457	
2026	2,553	
2027	3,652	
Thereafter	132,422	
Total	\$ 148,719	

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**Note 9 – Net Assets with Donor Restrictions**

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

	2022	2021
Time restrictions on pledges receivable	\$ 788,116	\$ 1,420,500
Other purpose restrictions	428,336	451,836
Total	\$ 1,216,452	\$ 1,872,336

The release represents restricted pledges collected in the current year.

**Note 10 – Commitments and Contingencies**

**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 September 2025. Lease expense was \$78,273 and \$81,580 in fiscal year 2022 and fiscal year 2021, respectively.

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

2023	\$ 74,344
2024	74,344
2025	856
Total	\$ 149,544

**Litigation** – The Festival, in the normal course of business, is subject to claims and litigation. Management believes there are no outstanding claims or assessments against the Company, which would be subject to a material unfavorable outcome.

**Concentrations of risk** – The Festival maintains cash balances in financial institutions, which at times exceed federally insured limits. The Festival had no cash balances in excess of the FDIC insurance limits at four financial institutions at October 31, 2022 and 2021.

The Festival and Foundation had contribution income of \$330,776 from one major donor in fiscal year 2022 and \$510,000 from one major donor in fiscal year 2021.

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**Paycheck Protection Program Loan**

On February 17, 2021, the Festival entered into a Loan Agreement and Promissory Note (SBA Loan) pursuant to the Paycheck Protection Program Round #2 (PPP#2) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. The Company received PPP#2 loan proceeds of \$181,147. Loan proceeds of \$181,147 were forgiven in September 2021. Accordingly, the Festival recognized contributions and grants income in fiscal year 2021 for the forgiven proceeds, which is included in the combining statements of activities.

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Section 1102, PPP, the Small Business Administration (SBA) has five years to audit any applicant. The Company, at the time of submitting its application, evaluated the economic uncertainty resulting from the COVID-19 pandemic and the potential impact of that uncertainty on the ongoing operations of the business. Based on the risk of the Company having to limit or close its operations and unavailability of other sources of liquidity it was determined that the loan request was necessary.

**Employee retention credits** – The Festival was eligible for the Employee Retention Credit (ERC) under the CARES Act. Tax credits receivable for the ERC at October 31, 2021, are for refunds due on the Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund. There was no tax credit receivable as of October 31, 2022. The Festival recognized \$15,635 in ERC during 2022 and \$154,069 during 2021 which are recorded in COVID-19 related contributions and grants on the statement of activities.

**Note 11 – Employee Benefit Plan**

In 2011, the Festival established a 401(k) Plan covering all employees. The Festival contributes 3% of employee compensation to the Plan. Participants vest immediately in employer contributions. Contributions to the Plan were \$27,889 and \$12,835 in fiscal year 2022 and fiscal year 2021, respectively.