

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

**COMBINING FINANCIAL STATEMENTS**

**October 31, 2019  
(With Comparative Totals for 2018)**

## **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, 2019, 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, 2019, 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 2018 combining financial statements, and our report dated April 10, 2019, 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, 2018, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

January 25, 2020

  
Pulakos CPAs, PC

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

**COMBINING STATEMENTS OF FINANCIAL POSITION**

**October 31, 2019  
(With Comparative Totals for 2018)**

<u>Assets</u>	<b>2019</b>			<b>2018</b>
	<b>Festival</b>	<b>Foundation</b>	<b>Combined</b>	<b>Combined</b>
Current assets				
Cash	\$ 308,917	\$ 20,733	\$ 329,650	\$ 266,017
Accounts receivable	225	-	225	20
Grants and pledges receivable, current	116,672	1,133,333	1,250,005	1,360,773
Prepaid expenses	62,228	-	62,228	35,401
Total current assets	488,042	1,154,066	1,642,108	1,662,211
Non-current assets				
Investments	-	8,863,619	8,863,619	6,785,925
Grants and pledges receivable, net	-	1,519,752	1,519,752	221,284
Equipment	147,093	-	147,093	127,417
Other assets	22,400	-	22,400	22,400
Inter-organization receivable (payable)	165,985	(165,985)	-	-
Total non-current assets	335,478	10,217,386	10,552,864	7,157,026
Total assets	\$ 823,520	\$ 11,371,452	\$ 12,194,972	\$ 8,819,237
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accrued expenses	\$ 57,823	\$ -	\$ 57,823	\$ 33,576
Accounts payable	8,559	-	8,559	55,064
Deferred revenue	86,476	-	86,476	88,039
Total current liabilities	152,858	-	152,858	176,679
Net assets				
Without donor restrictions	553,990	8,718,367	9,272,357	7,060,501
With donor restrictions	116,672	2,653,085	2,769,757	1,582,057
Total net assets	670,662	11,371,452	12,042,114	8,642,558
Total liabilities and net assets	\$ 823,520	\$ 11,371,452	\$ 12,194,972	\$ 8,819,237

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

**COMBINING STATEMENTS OF ACTIVITIES**

**Year Ended October 31, 2019  
(With Comparative Totals for 2018)**

	<b>Festival</b>			<b>Foundation</b>			<b>2019 Combined</b>	<b>2018 Combined</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>		
Revenues and support								
Program income	\$ 809,345	\$ -	\$ 809,345	\$ -	\$ -	\$ -	\$ 809,345	\$ 805,920
Contributions and grants	1,092,759	195,000	1,287,759	178,266	2,904,504	3,082,770	4,370,529	2,440,163
Inter-organization contributions/ distributions	310,000	-	310,000	(310,000)	-	(310,000)	-	-
Investment income	4,374	-	4,374	215,532	-	215,532	219,906	195,089
Realized/unrealized gain (loss) on investments	13,400	-	13,400	546,968	-	546,968	560,368	(194,194)
Special events	328,339	-	328,339	-	-	-	328,339	360,433
Appreciation (depreciation) for long-term pledges	-	-	-	-	12,634	12,634	12,634	(13,213)
Net assets released from restrictions	259,101	(259,101)	-	1,665,337	(1,665,337)	-	-	-
<b>Total revenues and support</b>	<b>2,817,318</b>	<b>(64,101)</b>	<b>2,753,217</b>	<b>2,296,103</b>	<b>1,251,801</b>	<b>3,547,904</b>	<b>6,301,121</b>	<b>3,594,198</b>
Expenses								
Program	2,052,875	-	2,052,875	-	-	-	2,052,875	1,930,741
Fundraising	562,421	-	562,421	121,121	-	121,121	683,542	560,440
Management and general	137,643	-	137,643	27,505	-	27,505	165,148	251,970
<b>Total expenses</b>	<b>2,752,939</b>	<b>-</b>	<b>2,752,939</b>	<b>148,626</b>	<b>-</b>	<b>148,626</b>	<b>2,901,565</b>	<b>2,743,151</b>
Changes in net assets	64,379	(64,101)	278	2,147,477	1,251,801	3,399,278	3,399,556	851,047
Net assets, beginning of year	489,611	180,773	670,384	6,570,890	1,401,284	7,972,174	8,642,558	7,791,511
Net assets, end of year	<u>\$ 553,990</u>	<u>\$ 116,672</u>	<u>\$ 670,662</u>	<u>\$ 8,718,367</u>	<u>\$ 2,653,085</u>	<u>\$ 11,371,452</u>	<u>\$ 12,042,114</u>	<u>\$ 8,642,558</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, 2019**  
**(With Comparative Totals for 2018)**

	<b>Festival</b>			<b>Total</b>
	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	
Artistic department	\$ 710,554	\$ -	\$ -	\$ 710,554
Development	-	119,098	-	119,098
General & administrative				
General	-	-	28,796	28,796
Accounting	-	-	17,791	17,791
Computer maintenance	24,027	4,805	3,204	32,036
Banking and credit card fees	20,406	20,406	-	40,812
Insurance	11,526	2,305	1,537	15,368
Payroll Service	5,248	1,050	700	6,998
Postage	915	2,289	1,374	4,578
Printing	643	1,607	964	3,214
Telephone	1,907	381	254	2,542
Facility	70,000	14,000	9,333	93,333
Education	123,445	-	-	123,445
Marketing	213,900	23,767	-	237,667
Fundraising	-	154,542	-	154,542
Administrative salary	430,543	215,272	71,757	717,572
Artistic salary	425,265	-	-	425,265
<b>Total expenses before depreciation</b>	<b>2,038,379</b>	<b>559,522</b>	<b>135,710</b>	<b>2,733,611</b>
 Depreciation and amortization	 14,496	 2,899	 1,933	 19,328
	<b>\$ 2,052,875</b>	<b>\$ 562,421</b>	<b>\$ 137,643</b>	<b>\$ 2,752,939</b>

Program Services	Foundation			2019 Combined Total	2018 Combined Total
	Fundraising	Management and General	Total		
\$ -	\$ -	\$ -	\$ -	\$ 710,554	\$ 699,195
-	-	-	-	119,098	118,237
-	-	-	-	28,796	32,637
-	-	27,505	27,505	45,296	39,583
-	-	-	-	32,036	27,627
-	47,377	-	47,377	88,189	81,399
-	-	-	-	15,368	12,780
-	-	-	-	6,998	6,476
-	-	-	-	4,578	5,680
-	-	-	-	3,214	2,032
-	-	-	-	2,542	10,497
-	-	-	-	93,333	86,904
-	-	-	-	123,445	99,165
-	-	-	-	237,667	258,110
-	73,744	-	73,744	228,286	240,118
-	-	-	-	717,572	614,733
-	-	-	-	425,265	392,977
-	121,121	27,505	148,626	2,882,237	2,728,150
-	-	-	-	19,328	15,001
<u>\$ -</u>	<u>\$ 121,121</u>	<u>\$ 27,505</u>	<u>\$ 148,626</u>	<u>\$ 2,901,565</u>	<u>\$ 2,743,151</u>

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

**COMBINING STATEMENTS OF CASH FLOWS**

**Year Ended October 31, 2019**  
**(With Comparative Totals for 2018)**

	<b>2019</b>			<b>2018</b>
	<b>Festival</b>	<b>Foundation</b>	<b>Combined</b>	<b>Combined</b>
Operating activities				
Change in net assets	\$ 278	\$ 3,399,278	\$ 3,399,556	\$ 851,047
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	19,328	-	19,328	15,001
Realized/unrealized gain on investments	(13,400)	(546,968)	(560,368)	194,194
Depreciation of long-term pledges	-	13,213	13,213	13,213
Changes in certain operating assets and liabilities:				
Accounts receivable	8,160	-	8,160	105
Grants and pledges receivable	64,101	(1,265,014)	(1,200,913)	(1,201,283)
Inter-organization receivable (payable)	-	(8,365)	(8,365)	38,500
Prepaid expenses	(26,827)	-	(26,827)	16,645
Accrued expenses	24,247	-	24,247	6,021
Accounts payable	(4,105)	(42,400)	(46,505)	8,043
Deferred revenue	(1,563)	-	(1,563)	(20,728)
Net cash provided (used) by operating activities	70,219	1,549,744	1,619,963	(79,242)
Investing activities				
Purchase of equipment	(39,004)	-	(39,004)	(7,530)
Purchase of investments	(1,034,840)	(1,972,966)	(3,007,806)	(828,861)
Proceeds from sale of investments	1,048,240	442,240	1,490,480	893,200
Net cash (used) provided by investing activities	(25,604)	(1,530,726)	(1,556,330)	56,809
Changes in cash	44,615	19,018	63,633	(22,433)
Cash, beginning of year	264,302	1,715	266,017	288,450
Cash, end of year	\$ 308,917	\$ 20,733	\$ 329,650	\$ 266,017



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

**October 31, 2019  
(With Comparative Totals for 2018)**

**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, 2019 are listed below:

Performances-		Educational Programming-	
Music of Masters	34	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**  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2019**  
**(With Comparative Totals for 2018)**

**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, 2018, 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, 2019 and 2018, 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, 2019  
(With Comparative Totals for 2018)**

**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, 2019  
(With Comparative Totals for 2018)**

**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, 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.

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 \$177,807 and \$183,973 in 2019 and 2018, 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, 2019  
(With Comparative Totals for 2018)**

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

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Festival and Foundation have adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

The Festival and Foundation have evaluated all events occurring subsequent to October 31, 2019 and through January 25, 2020, 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, 2019 and 2018 available for general expenditure within one year of the balance sheet date:

	<b>2019</b>	<b>2018</b>
Cash	\$ 329,650	\$ 266,017
Accounts receivable	225	20
Grants and pledge receivables, current	1,250,005	-
Investments	8,863,619	6,785,925
Grants and pledge receivables, long term	1,519,752	1,582,057
Total financial assets	11,963,251	8,634,019
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,769,757	1,582,057
Financial assets available to meet cash needs for general expenditure within one year from October 31, 2019 and 2018	\$ 9,193,494	\$ 7,051,962

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

**October 31, 2019  
(With Comparative Totals for 2018)**

**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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Receivables due in less than one year	\$ 1,250,005	\$ 1,360,773
Receivables due in one to five years	1,285,834	-
Receivables due in more than five years	<u>282,498</u>	<u>270,681</u>
	2,818,337	1,631,454
Less unamortized discount to net present value	<u>(48,580)</u>	<u>(49,397)</u>
Total pledges receivable	<u>\$ 2,769,757</u>	<u>\$ 1,582,057</u>

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

**October 31, 2019  
(With Comparative Totals for 2018)**

**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, 2019 and 2018 was \$233,918 and \$221,284, 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, 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 growth	626,173	626,173	-	-
Large cap value	614,167	614,167	-	-
Small cap blend	283,716	283,716	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
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	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fixed income	1,914,098	1,914,098	-	-

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

**October 31, 2019  
(With Comparative Totals for 2018)**

**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 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	-	-



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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	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>

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**

	<u>2019</u>	<u>2018</u>
Musical equipment	\$ 153,794	\$ 153,794
Computers and peripherals	91,848	55,949
Furniture and fixtures	41,537	38,432
Library	11,195	11,195
Leasehold improvements	6,399	6,399
Website	<u>2,912</u>	<u>2,912</u>
	307,685	268,681
Less accumulated depreciation	<u>160,592</u>	<u>141,264</u>
Total equipment	<u>\$ 147,093</u>	<u>\$ 127,417</u>

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**NOTE 8 –NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b>2019</b>	<b>2018</b>
Time restrictions on pledges receivable	<u>\$ 2,769,757</u>	<u>\$ 1,582,057</u>

The release represents restricted pledges collected in the current year.

**NOTE 9 – COMMITMENTS**

Operating Lease

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 \$68,407 and \$64,919 in 2019 and 2018, respectively.

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

2020		\$ 62,508
2021		63,238
2022		64,260
2023		62,605
2024		35,168
Total		\$ 287,779

Concentrations of Risk

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

Major Contributor

The Foundation had contribution income of \$2,504,503 and \$1,000,000 from one major donor in 2019 and 2018, respectively.

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**NOTE 10 – 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>2019</b>	<b>2018</b>
Programs	\$ 213,899	\$ 261,437
Fundraising	23,767	29,049
	\$ 237,666	\$ 290,485

**NOTE 11 – 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 \$21,307 and \$19,391 in 2019 and 2018, respectively.

**NOTE 12 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

A new standard has been issued by FASB that will require significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses (such as sales commissions) once it becomes effective for nonpublic entities. This standard will be adopted by the Festival and Foundation beginning in 2020 and will entail certain retrospective adjustments at that time. The effects of this change on the Festival and Foundation’s combining financial statements have not yet been determined.

Effective for its annual combining financial statements for 2021, 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 Federation’s future combining financial statements of these changes and related retrospective adjustments have not yet been determined.