

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

**COMBINING FINANCIAL STATEMENTS**

**October 31, 2021  
(With Comparative Totals for 2020)**

## 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, 2021, 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, 2021, 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 2020 combining financial statements, and our report dated January 23, 2021, 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, 2020, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

March 17, 2022

  
Pulakos CPAs, PC

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

**COMBINING STATEMENTS OF FINANCIAL POSITION**

**October 31, 2021**

**(With Comparative Totals for 2020)**

<u>Assets</u>	<b>2021</b>			<b>2020</b>
	<u>Festival</u>	<u>Foundation</u>	<u>Combined</u>	<u>Combined</u>
Current assets				
Cash	\$ 416,252	\$ 3,487	\$ 419,739	\$ 444,350
Grants and pledges receivable, current	241,794	1,110,333	1,352,127	687,512
Prepaid expenses	29,863	-	29,863	53,852
Total current assets	687,909	1,113,820	1,801,729	1,185,714
Non-current assets				
Investments	-	12,751,830	12,751,830	9,507,195
Grants and pledges receivable, net	110,000	787,003	897,003	1,387,053
Equipment	111,054	-	111,054	133,730
Other assets	22,400	-	22,400	22,400
Inter-organization receivable (payable)	306,589	(306,589)	-	-
Total non-current assets	550,043	13,232,244	13,782,287	11,050,378
Total assets	\$ 1,237,952	\$ 14,346,064	\$ 15,584,016	\$ 12,236,092
 <b><u>Liabilities and Net Assets</u></b>				
Current liabilities				
Accrued expenses	\$ 32,350	\$ -	\$ 32,350	\$ 27,627
Accounts payable	1,074	-	1,074	24,539
Deferred revenue	21,097	-	21,097	65,882
Notes payable, current	-	-	-	12,088
Other liabilities	1,429	-	1,429	2,028
Total current liabilities	55,950	-	55,950	132,164
Non-current liabilities				
Notes payable	225,000	-	225,000	222,967
Total liabilities	280,950	-	280,950	355,131
Net assets				
Without donor restrictions	600,969	12,487,012	13,087,981	9,762,504
With donor restrictions	356,033	1,859,052	2,215,085	2,118,457
Total net assets	957,002	14,346,064	15,303,066	11,880,961
Total liabilities and net assets	\$ 1,237,952	\$ 14,346,064	\$ 15,584,016	\$ 12,236,092

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

**COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year Ended October 31, 2021  
(With Comparative Totals for 2020)**

	<b>Festival</b>			<b>Foundation</b>			<b>2021 Combined</b>	<b>2020 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	\$ 488,380	\$ -	\$ 488,380	\$ -	\$ -	\$ -	\$ 488,380	\$ -
Contributions and grants	957,640	356,033	1,313,673	25,322	510,000	535,322	1,848,995	1,119,539
Covid related contributions and grants	719,493	-	719,493	-	-	-	719,493	465,674
Investment income, net of fees	48,825	-	48,825	300,192	-	300,192	349,017	197,816
Realized/unrealized gain (loss) on investments	-	-	-	2,410,699	-	2,410,699	2,410,699	(55,331)
Special events	199,230	-	199,230	-	-	-	199,230	-
Appreciation for long-term pledges	-	-	-	-	38,285	38,285	38,285	-
Other income	15,048	-	15,048	-	-	-	15,048	54,459
Net assets released from restrictions	24,179	(24,179)	-	783,511	(783,511)	-	-	-
<b>Total revenues and support</b>	<b>2,452,795</b>	<b>331,854</b>	<b>2,784,649</b>	<b>3,519,724</b>	<b>(235,226)</b>	<b>3,284,498</b>	<b>6,069,147</b>	<b>1,782,157</b>
Expenses								
Program	2,004,594	-	2,004,594	-	-	-	2,004,594	1,423,864
Fundraising	367,702	-	367,702	61,725	-	61,725	429,427	359,910
Management and general	104,073	-	104,073	108,948	-	108,948	213,021	159,536
<b>Total expenses</b>	<b>2,476,369</b>	<b>-</b>	<b>2,476,369</b>	<b>170,673</b>	<b>-</b>	<b>170,673</b>	<b>2,647,042</b>	<b>1,943,310</b>
<b>Changes in net assets</b>	<b>(23,574)</b>	<b>331,854</b>	<b>308,280</b>	<b>3,349,051</b>	<b>(235,226)</b>	<b>3,113,825</b>	<b>3,422,105</b>	<b>(161,153)</b>
Net assets, beginning of year	624,543	24,179	648,722	9,137,961	2,094,278	11,232,239	11,880,961	12,042,114
<b>Net assets, end of year</b>	<b>\$ 600,969</b>	<b>\$ 356,033</b>	<b>\$ 957,002</b>	<b>\$ 12,487,012</b>	<b>\$ 1,859,052</b>	<b>\$ 14,346,064</b>	<b>\$ 15,303,066</b>	<b>\$ 11,880,961</b>

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

**COMBINING STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended October 31, 2021**  
**(With Comparative Totals for 2020)**

	<b>Festival</b>			<b>Total</b>
	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	
Artistic department	\$ 778,516	\$ -	\$ -	\$ 778,516
Development	-	106,932	-	106,932
General & administrative				
General	-	-	22,319	22,319
Accounting	-	-	13,377	13,377
Computer maintenance	7,190	1,438	959	9,587
Banking and credit card fees	18,060	9,897	-	27,957
Insurance	8,647	1,729	1,153	11,529
Interest	-	-	-	-
Legal	-	-	423	423
Payroll service	3,096	619	413	4,128
Postage	1,162	2,905	1,743	5,810
Printing	472	1,179	707	2,358
Telephone	8,512	1,702	1,135	11,349
Facility	63,572	12,714	8,476	84,762
Education	96,798	-	-	96,798
Marketing	93,870	10,430	-	104,300
Fundraising	-	61,455	-	61,455
Administrative salary	306,602	153,301	51,100	511,003
Bad debt expense	-	-	-	-
Artistic salary	601,090	-	-	601,090
<b>Total expenses before depreciation</b>	<b>1,987,587</b>	<b>364,301</b>	<b>101,805</b>	<b>2,453,693</b>
Depreciation and amortization	17,007	3,401	2,268	22,676
	<u>\$ 2,004,594</u>	<u>\$ 367,702</u>	<u>\$ 104,073</u>	<u>\$ 2,476,369</u>

Program Services	Foundation			2021 Combined Total	2020 Combined Total
	Fundraising	Management and General	Total		
\$ -	\$ -	\$ -	\$ -	\$ 778,516	\$ 184,845
-	-	-	-	106,932	45,439
-	-	7,354	7,354	29,673	35,819
-	-	30,594	30,594	43,971	47,319
-	-	-	-	9,587	21,161
-	61,725	-	61,725	89,682	74,361
-	-	-	-	11,529	12,095
-	-	-	-	-	56
-	-	-	-	423	6,091
-	-	-	-	4,128	3,775
-	-	-	-	5,810	5,466
-	-	-	-	2,358	2,650
-	-	-	-	11,349	10,729
-	-	-	-	84,762	85,913
-	-	-	-	96,798	91,475
-	-	-	-	104,300	117,326
-	-	-	-	61,455	35,523
-	-	-	-	511,003	577,668
-	-	71,000	71,000	71,000	-
-	-	-	-	601,090	563,471
-	61,725	108,948	170,673	2,624,366	1,921,182
-	-	-	-	22,676	22,128
<u>\$ -</u>	<u>\$ 61,725</u>	<u>\$ 108,948</u>	<u>\$ 170,673</u>	<u>\$ 2,647,042</u>	<u>\$ 1,943,310</u>

**Santa Fe Chamber Music Festival, Ltd.**  
**Santa Fe Chamber Music Festival**  
**Endowment Foundation, Inc.**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**Year Ended October 31, 2021**  
**(With Comparative Totals for 2020)**

	<b>2021</b>			<b>2020</b>
	<b>Festival</b>	<b>Foundation</b>	<b>Combined</b>	<b>Combined</b>
Operating activities				
Change in net assets	\$ 308,280	\$ 3,113,825	\$ 3,422,105	\$ (161,153)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:				
Depreciation	22,676	-	22,676	22,128
Realized/unrealized (gain) loss on investments	-	(2,410,699)	(2,410,699)	55,331
Appreciation of long-term pledges	-	(9,406)	(9,406)	-
Changes in certain operating assets and liabilities:				
Accounts and inter-organization receivables	22,167	-	22,167	(162,771)
Grants and pledges receivable	(327,615)	162,456	(165,159)	695,192
Inter-organization (payable) receivable	(599)	(22,167)	(22,766)	164,799
Prepaid expenses	23,989	-	23,989	8,601
Accrued expenses	4,723	-	4,723	(30,196)
Accounts payable	(23,465)	-	(23,465)	15,980
Deferred revenue	(44,785)	-	(44,785)	(20,594)
Net cash (used) provided by operating activities	(14,629)	834,009	819,380	587,317
Investing activities				
Purchase of equipment	-	-	-	(8,765)
Purchase of investments	-	(2,094,288)	(2,094,288)	(1,626,429)
Proceeds from sale of investments	-	1,260,352	1,260,352	927,522
Net cash used by investing activities	-	(833,936)	(833,936)	(707,672)
Financing activities - borrowing on				
Borrowing on notes payable	-	-	-	235,055
Payments on notes payable	(10,055)	-	(10,055)	-
Net cash (used) provided by financing activities	(10,055)	-	(10,055)	235,055
Changes in cash	(24,684)	73	(24,611)	114,700
Cash, beginning of year	440,936	3,414	444,350	329,650
Cash, end of year	\$ 416,252	\$ 3,487	\$ 419,739	\$ 444,350



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

**October 31, 2021**  
**(With Comparative Totals for 2020)**

**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 fiscal year 2020 season. 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 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-related grants and contributions in fiscal year 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.  
Santa Fe Chamber Music Festival  
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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2021  
(With Comparative Totals for 2020)**

**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, 2020, 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.

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 \$719,493 in fiscal year 2021 and \$465,674 in fiscal year 2020 and is included as Covid related contributions and grants in the accompanying Statements of Activities.

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, 2021 and 2020, there was no allowance recorded.

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

**October 31, 2021  
(With Comparative Totals for 2020)**

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

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

Basis of Presentation

The combining 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 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.

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

**October 31, 2021  
(With Comparative Totals for 2020)**

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

Fair Value Measurements – Continued

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

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

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

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

Deferred Revenue

Deferred revenue represents ticket sales for future performances 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 \$31,940 and \$78,506 in fiscal year 2021 and fiscal year 2020, respectively.

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

**October 31, 2021  
(With Comparative Totals for 2020)**

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

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.

Reclassifications

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

Subsequent Events

The Festival and Foundation have evaluated all events occurring subsequent to October 31, 2021 and through March 17 2022, 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, 2021 and 2020 available for general expenditure within one year of the balance sheet date:

	<b>2021</b>	<b>2020</b>
Cash	\$ 419,739	\$ 444,350
Grants and pledges receivable, net	2,249,130	2,074,565
Investments	12,751,830	9,507,195
Total financial assets	15,420,699	12,026,110
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,215,085	2,118,457
Financial assets available to meet cash needs for general expenditure within one year from October 31, 2021 and 2020	\$ 13,205,614	\$ 9,907,653

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.

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**NOTES TO COMBINING FINANCIAL STATEMENTS**

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**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, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Receivables due in less than one year	\$ 1,203,530	\$ 687,512
Receivables due in one to five years	630,503	1,158,837
Receivables due in more than five years	330,188	282,498
	2,164,221	2,128,847
Less unamortized discount to net present value	(63,688)	(54,282)
Total pledges receivable	<b>\$ 2,100,533</b>	<b>\$ 2,074,565</b>

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, 2021 and 2020 was \$266,500 and \$228,216, respectively.

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**NOTES TO COMBINING FINANCIAL STATEMENTS**

**October 31, 2021  
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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, 2021:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	8,690,995	8,690,995	-	-
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	-	-
Real estate investments	1,698,015	-	1,698,015	-
Energy fund	779,650	-	779,650	-
Total investments	12,751,830	10,274,165	2,477,665	-
Other assets	22,400	-	22,400	-
	<u>\$ 12,774,230</u>	<u>\$10,274,165</u>	<u>\$ 2,500,065</u>	<u>\$ -</u>

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

**NOTES TO COMBINING FINANCIAL STATEMENTS**

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

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	-	-
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	-	-
Total fixed income	2,020,441	2,020,441	-	-
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>



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

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

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

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

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

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

**NOTE 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.

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**NOTE 7 – EQUIPMENT**

	<b>2021</b>	<b>2020</b>
Musical equipment	\$ 153,794	\$ 153,794
Computers and peripherals	95,710	95,710
Furniture and fixtures	46,440	46,440
Library	11,195	11,195
Leasehold improvements	6,399	6,399
Website	2,912	2,912
	316,450	316,450
Less accumulated depreciation	205,396	182,720
Total equipment	\$ 111,054	\$ 133,730

**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 combining 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>2021</b>	<b>2020</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	\$ 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	75,000

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**NOTE 8 – NOTES PAYABLE – CONTINUED**

	<b>2021</b>	<b>2020</b>
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
	225,000	235,055
Less current maturities:	-	12,088
	<b>\$ 225,000</b>	<b>\$ 222,967</b>

Maturities of debt are as follows:

2022	\$	-
2023		-
2024		75,000
2025		-
2026		-
Thereafter		150,000

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

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

	<b>2021</b>	<b>2020</b>
Time restrictions on pledges receivable	\$ 2,062,249	\$ 2,074,565
Other purpose restrictions	152,836	43,892
Total	<b>\$ 2,215,085</b>	<b>\$ 2,118,457</b>

The release represents restricted pledges collected in the current year.

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**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 \$81,580 and \$78,954 in fiscal year 2021 and fiscal year 2020, respectively.

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

2022	\$	75,238
2023		74,936
2024		67,288
2025		<u>35,168</u>
Total	\$	<u>252,630</u>

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 \$510,000 from one major donor in fiscal year 2021 and the of \$200,681 from two major donors in fiscal year 2020.

**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 \$12,835 and \$23,716 in fiscal year 2021 and fiscal year 2020, respectively.

**NOTE 12 – 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 (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. the Company received total loan proceeds of \$181,147. Loan proceeds of \$181,147 was 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.

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**NOTE 13 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

Effective for its annual combining financial statements for fiscal year 2023, 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.