

GRAND TETON MUSIC FESTIVAL

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

GRAND TETON MUSIC FESTIVAL, INC.
DECEMBER 31, 2019 AND 2018
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grand Teton Music Festival, Inc.
Jackson, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of **Grand Teton Music Festival, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Festival's preparation and fair presentation of the 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 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 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 financial statements referred to above, present fairly, in all material respects, the financial position of **Grand Teton Music Festival, Inc.** as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2019, **Grand Teton Music Festival, Inc.** adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.


Certified Public Accountants

Fort Smith, Arkansas
July 2, 2020

GRAND TETON MUSIC FESTIVAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 916,239	\$ 783,300
Accounts and pledges receivable	319,041	294,509
Prepaid expenses	<u>-</u>	<u>9,299</u>
Total Current Assets	1,235,280	1,087,108
PROPERTY AND EQUIPMENT, NET	7,746,225	8,042,638
OTHER ASSETS		
Investments	<u>10,957,403</u>	<u>10,504,436</u>
TOTAL ASSETS	<u><u>\$ 19,938,908</u></u>	<u><u>\$ 19,634,182</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 49,076	\$ 24,467
Accrued scholarships	<u>44,183</u>	<u>22,568</u>
Total Current Liabilities	<u>93,259</u>	<u>47,035</u>
NET ASSETS		
Without donor restrictions		
Undesignated	5,450,575	4,686,903
Housing property, net	2,896,477	2,998,845
Board designated	<u>7,453,139</u>	<u>7,429,543</u>
Total without donor restrictions	15,800,191	15,115,291
With donor restrictions	<u>4,045,458</u>	<u>4,471,856</u>
Total Net Assets	<u>19,845,649</u>	<u>19,587,147</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 19,938,908</u></u>	<u><u>\$ 19,634,182</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

GRAND TETON MUSIC FESTIVAL, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	WITHOUT DONOR	WITH DONOR	
	RESTRICTIONS	RESTRICTIONS	TOTAL
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 1,686,387	\$ 496,794	2,183,181
Ticket sales	590,590	-	590,590
Other Festival revenue	167,837	-	167,837
Rental revenue	233,210	-	233,210
Interest revenue, net of fees	314,785	-	314,785
Net realized and unrealized gains on investments	1,180,804	-	1,180,804
	<u>4,173,613</u>	<u>496,794</u>	<u>4,670,407</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of donor restrictions	923,192	(923,192)	-
	<u>5,096,805</u>	<u>(426,398)</u>	<u>4,670,407</u>
EXPENSES			
Festival expenses	3,393,928	-	3,393,928
Housing expenses	253,407	-	253,407
Management and general	509,371	-	509,371
Fundraising	255,199	-	255,199
	<u>4,411,905</u>	<u>-</u>	<u>4,411,905</u>
CHANGE IN NET ASSETS	684,900	(426,398)	258,502
NET ASSETS, BEGINNING OF YEAR	<u>15,115,291</u>	<u>4,471,856</u>	<u>19,587,147</u>
NET ASSETS, END OF YEAR	<u>\$ 15,800,191</u>	<u>\$ 4,045,458</u>	<u>\$ 19,845,649</u>

See Independent Auditor's Report and Notes to Financial Statements.

GRAND TETON MUSIC FESTIVAL, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 1,310,965	\$ 514,263	\$ 1,825,228
Ticket sales	510,882	-	510,882
Gala revenue	382,446	-	382,446
Gala costs - direct benefits to donors	(32,456)	-	(32,456)
Other Festival revenue	173,721	-	173,721
Rental revenue	228,070	-	228,070
Interest revenue, net of fees	329,334	-	329,334
Net realized and unrealized gains (losses) on investments	(700,268)	-	(700,268)
	2,202,694	514,263	2,716,957
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of donor restrictions	1,188,064	(1,188,064)	-
	3,390,758	(673,801)	2,716,957
EXPENSES			
Festival expenses	3,512,969	-	3,512,969
Housing expenses	214,718	-	214,718
Management and general	106,990	-	106,990
Fundraising	193,423	-	193,423
	4,028,100	-	4,028,100
CHANGE IN NET ASSETS	(637,342)	(673,801)	(1,311,143)
NET ASSETS, BEGINNING OF YEAR	15,752,633	5,145,657	20,898,290
NET ASSETS, END OF YEAR	\$ 15,115,291	\$ 4,471,856	\$ 19,587,147

See Independent Auditor's Report and Notes to Financial Statements.

GRAND TETON MUSIC FESTIVAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 258,502	\$ (1,311,143)
Adjustments to reconcile change in net assets to net cash (used for) operating activities:		
Depreciation	330,137	306,770
Net unrealized (gains) losses on investments	(1,181,480)	700,061
Net realized (gains) losses on investments	676	207
Change in:		
Accounts and pledges receivable	(24,532)	151,839
Prepaid expenses	9,299	8,959
Accounts payable	24,609	(37,241)
Accrued scholarships	21,615	22,568
	<u>(819,676)</u>	<u>1,153,163</u>
Total adjustments		
Net Cash (Used For) Operating Activities	<u>(561,174)</u>	<u>(157,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(33,724)	(247,871)
Purchases of investments	(1,163,430)	(742,109)
Proceeds from sales of investments	1,891,267	1,109,708
	<u>694,113</u>	<u>119,728</u>
Net Cash From Investing Activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	132,939	(38,252)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>783,300</u>	<u>821,552</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 916,239</u>	<u>\$ 783,300</u>

See Independent Auditor's Report and Notes to Financial Statements.

GRAND TETON MUSIC FESTIVAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Grand Teton Music Festival, Inc. (the Festival) is a Wyoming non-profit corporation established to provide exhilarating musical experiences for the enjoyment, education, and personal enrichment for the residents of and visitors to Jackson Hole, Wyoming.

During the year ended December 31, 2017, the Festival established GTMF Housing, LLC (Housing) as a limited liability company of which the Festival is the sole member. The purpose of Housing is to own and manage certain real estate of the Festival.

Basis of Accounting and Presentation

The financial statements include the accounts of the Festival and Housing, which is a single member LLC of the Festival. These entities are collectively referred to as the Organization or Festival in these financial statements. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

The Festival's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Generally, revenues, gains and other support are recognized in the period in which they are earned. Expenses and losses are recognized in the period in which they are incurred.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows. Net assets without donor restrictions consist of assets that are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Accounting Standard Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made", to assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and 2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which accounting guidance is applied, and the accounting may be different depending on the guidance applied. In addition, for contributions, determining whether a contribution is conditional or unconditional affects the timing of recognition. The Festival adopted the requirements of the new guidance as of January 1, 2019. This ASU did not have an impact on the Festival's financial statements except for the expansion of the related disclosures.

Advertising

The Festival follows the policy of charging advertising costs, including "in-kind" donations, to expense as incurred.

GRAND TETON MUSIC FESTIVAL, INC.
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Use of Estimates

The preparation of 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 financial statements and reported amounts of revenues and expenses during the reporting period. In these financial statements, the estimated collection timeline of pledges receivable and the related discount to contributions involved extensive reliance on management's estimates. Actual results could differ from those estimates.

Net Assets and Contribution Revenue

Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions.

The Festival recognizes contributions received and made, including unconditional pledges receivable, as revenue in the period received or made. Contributions, including gifts of cash and other assets, are presented with donor restrictions if they are received with donor stipulations that limit the use of the donated items. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Gifts of land, buildings, equipment and donated financial assets are presented as support and revenue without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Festival reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as support without donor restrictions. Other contributed services that enhance the Festival's programs, but are not so essential that they would otherwise be purchased, are not recorded as support. The Board of Directors and friends of the Festival provide volunteer services. The value of these services generally do not meet the recognition criteria.

Cash Equivalents

For purposes of the Statements of Cash Flows, the Festival considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018, the Festival had no cash equivalents.

GRAND TETON MUSIC FESTIVAL, INC.
NOTES TO FINANCIAL STATEMENTS
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Accounts and Pledges Receivable

Accounts and pledges receivable and unconditional promises to give that are to be received in less than one year are recorded at face value because of their short maturity. The pledges recorded during the years ended December 31, 2019 and 2018 were not discounted as they are anticipated to be received in less than one year.

Property and Equipment

With the exception of donated assets, property and equipment is stated at cost, including any internal labor and associated costs the Festival incurs in constructing its own assets. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from two to thirty-nine years. Donated assets are recorded at the fair market value of the asset on the date of donation. Property and equipment additions exceeding \$1,000 are capitalized. The cost basis of fully depreciated property and equipment still in use by the Festival amounted to approximately \$2,764,000 at December 31, 2019 and 2018.

Long-Lived Assets

FASB Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Festival's reported earnings, financial condition or cash flows.

Investment Valuation and Income Recognition

Investments received by contributions are valued at market value on the date of receipt. Investments are reported at fair value in the Statements of Financial Position, with realized and unrealized gains and losses being reflected in the Statements of Activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment and Spending Policies

The Festival maintains permanently restricted endowments. These endowments are governed by the Festival's investment and endowment policies. See Note 5 for policy information.

Income Taxes and Uncertain Tax Positions

The Festival and Facilities qualify as organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute and are not subject to tax at the entity level for Federal and state income tax purposes.

GRAND TETON MUSIC FESTIVAL, INC.
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The Festival accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Festival to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Festival and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The Festival files informational “*Return of Organization Exempt from Income Tax*” (Form 990) in the U.S. Federal jurisdiction.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

Subsequent events are evaluated through the date the financial statements were available to be issued, which is the date of the Independent Auditor’s Report.

NOTE 2: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Festival uses financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. The Festival has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash. The Festival had uninsured bank balances of approximately \$815,000 at December 31, 2019.

See Notes 4, 5, and 6 for other financial instruments with risk of accounting loss.

NOTE 3: PROPERTY AND EQUIPMENT

Major classifications of property and equipment are summarized below:

	2019	2018
Land	\$ 93,085	\$ 93,085
Music Hall buildings and improvements	8,334,045	8,302,415
Après Vous condos	3,935,403	3,935,403
Music equipment	799,756	799,756
Office equipment and furnishings	173,398	171,304
Leasehold improvements	158,970	158,970
Hall furniture and fixtures	<u>237,659</u>	<u>237,659</u>
	13,732,316	13,698,592
Less accumulated depreciation	<u>5,986,091</u>	<u>5,655,954</u>
	<u>\$ 7,746,225</u>	<u>\$ 8,042,638</u>

GRAND TETON MUSIC FESTIVAL, INC.
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NOTE 4: INVESTMENTS

Investments are stated at fair value. Fair value and unrealized appreciation (depreciation) at December 31, 2019 and 2018 are summarized below.

December 31, 2019	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed income	\$ 3,867,929	\$ 3,965,690	\$ 97,761
Mutual funds	3,372,908	5,454,143	2,081,235
Exchange traded funds	526,377	583,631	57,254
Short-term asset management fund	924,772	924,772	-
Accrued interest	<u>29,167</u>	<u>29,167</u>	<u>-</u>
	<u>\$ 8,721,153</u>	<u>\$ 10,957,403</u>	<u>\$ 2,236,250</u>
December 31, 2018			
Fixed income	\$ 5,368,535	\$ 5,320,219	\$ (48,316)
Mutual funds	3,199,719	4,324,057	1,124,338
Exchange traded funds	516,767	469,700	(47,067)
Short-term asset management fund	247,638	247,638	-
Equities	102,840	102,840	-
Accrued interest	<u>39,982</u>	<u>39,982</u>	<u>-</u>
	<u>\$ 9,475,481</u>	<u>\$ 10,504,436</u>	<u>\$ 1,028,955</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2019 and 2018.

	2019	2018
Interest and income	\$ 334,866	\$ 351,099
Net realized gains (losses) on investments	(676)	(207)
Net unrealized gains (losses) on investments	1,181,480	(700,061)
Investment fees	<u>(20,081)</u>	<u>(21,765)</u>
Total investment return	<u>\$ 1,495,589</u>	<u>\$ (370,934)</u>

NOTE 5: INVESTED FUNDS AND RESTRICTED NET ASSETS

The Festival's invested funds are \$10,957,403 and \$10,504,436, respectively, at December 31, 2019 and 2018 (as described above in Note 4) and are comprised of two components – donor restricted investments and board designated investments.

GRAND TETON MUSIC FESTIVAL, INC.
NOTES TO FINANCIAL STATEMENTS
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To achieve its investment objectives, the Festival has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The Festival adopted an updated policy in August 2016, which increased the fixed income target allocations by 5% and decreased the equities target allocation by 5% compared to the previous policy. Funds are invested in a well-diversified asset mix, which include objectives of mutual funds and equities ranging 40-60% with a target of 55% and fixed income investments ranging 40-60% with a target of 45%, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% of the moving average over the last twelve quarters, while growing the fund if possible. Accordingly, the Festival expects its funds, over time, to produce investment returns that will equal or exceed the sum of spending plus inflation. Actual returns in any given year may vary from that expectation.

Investment risk is measured in terms of the total invested funds. Investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk. The State of Wyoming has adopted the Uniform Prudent Management of Institutional Funds Act, which governs charitable institutions endowment practices.

Net Assets with Donor Restrictions

As of December 31, 2019 and 2018, the Festival has one donor restricted endowment fund where the principal is to be held in perpetuity, The Maurice Walk Endowment Fund (MWEF), with a balance of \$2,577,274 at the end of each year. With respect to the MWEF, the Festival's investment policy states that "In 1981 Maurice Walk started the Maurice Walk Endowment Fund (MWEF) with a donor restricted gift of \$500,000. In 2014, the Board permanently fixed the principal of the MWEF at \$2,577,274. The principal is restricted and can never be spent down, however, future investment gains from the MWEF are without donor restriction and available for Festival use and any future losses reduce the funds without donor restrictions only."

At December 31, 2019 and 2018, the Walk Hall maintenance reserve fund with amounts of \$480,390 and \$512,019, respectively, is to be used for future maintenance and operating costs of Walk Hall and is included in Invested Funds.

A major gift of \$1,250,000 was received from an anonymous donor in 2017. The gift is restricted for specific time and use purposes to be utilized during 2018 through 2022 as defined in the gift agreement. The amount of \$1,250,000 was placed in a separate and distinct account when received. During the years ended December 31, 2019 and 2018, \$390,000 was released from restriction. Additionally, scholarships were awarded in 2019 and 2018 to recipients based on the criteria established by this restricted gift. At December 31, 2019 and 2018, scholarships of \$44,183 and \$22,568, respectively, had been awarded that had not yet been paid to the higher education organization where the recipient is or will be attending. At December 31, 2019 and 2018, the Festival was in substantial compliance with the terms of the gift agreement.

GRAND TETON MUSIC FESTIVAL, INC.
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Additionally, net assets with donor restrictions include funds that are received in advance for ticket sales and upcoming season and future project sponsorships. Additionally, the accounts and pledges receivable of the Festival are donor restricted for time and/or purpose.

Net assets with donor restrictions are summarized below:

	2019	2018
Maurice Walk endowment fund	\$ 2,577,274	\$ 2,577,274
Walk Hall maintenance reserve fund	480,390	512,019
Major gift award received for use in future years	470,000	860,000
Funds received for ticket sales in upcoming seasons and future project sponsorships	200,075	234,463
Accounts and pledges receivable – time and/or purpose	<u>317,719</u>	<u>288,100</u>
	<u>\$ 4,045,458</u>	<u>\$ 4,471,856</u>

During the years ended December 31, 2019 and 2018, the net assets released from restrictions were due to the satisfaction of donor restrictions from time expirations, due to expenses incurred for Walk Hall maintenance, and due to concerts and activities that took place during the 2019 and 2018 seasons. These expenses included depreciation, maintenance, taxes, scholarships given, and other recurring expenses.

Board Designated Net Assets

The remaining invested funds of the Festival were \$7,429,739 and \$7,415,143, respectively, at December 31, 2019 and 2018, which are considered to be Board designated funds to be utilized under Board direction for the future needs of the Festival.

See below for the capital, instrument, operating and maintenance reserve funds the Board has set aside. The Housing maintenance reserve is not included in the invested funds balance but in the Housing checking account.

	2019	2018
Capital reserve (Festival)	\$ 75,000	\$ 50,000
Instrument reserve (Festival)	51,000	36,000
Operating reserve (Festival)	133,935	93,935
Maintenance reserve (Housing)	<u>23,400</u>	<u>14,400</u>
	<u>\$ 283,335</u>	<u>\$ 194,335</u>

GRAND TETON MUSIC FESTIVAL, INC.
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NOTE 6: FAIR VALUE MEASUREMENTS

FASB Codification Topic *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level of input that is significant to the fair value measurement of the investment.

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.

The Level 1 category requires that inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market that the Festival has the ability to access. For the years ended December 31, 2019 and 2018, all investments of the Festival were considered to be Level 1 and were valued at quoted market prices in active markets. Investments recorded in the Statements of Financial Position are based on the inputs to valuation techniques as follows:

Mutual Funds, Exchange Traded Funds, Bond Funds, Short-Term Asset Management Funds, Equity Funds and Equities (as applicable): Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income: Valued at fair value by discounting the related cash flows based on current yields of similar instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Festival 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.

GRAND TETON MUSIC FESTIVAL, INC.
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The following table presents the Festival hierarchy for the investments measured at fair value on a recurring basis as of December 31, 2019 and 2018:

December 31, 2019	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fixed income	\$ 3,965,690	\$ -	\$ -
Mutual funds	5,454,143	-	-
Exchange traded funds	583,631	-	-
Short-term asset management funds	924,772	-	-
Accrued interest	<u>29,167</u>	-	-
	<u>\$ 10,957,403</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2018	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fixed income	\$ 5,320,219	\$ -	\$ -
Mutual funds	4,324,057	-	-
Exchange traded funds	469,700	-	-
Short-term asset management funds	247,638	-	-
Equities	102,840	-	-
Accrued interest	<u>39,982</u>	-	-
	<u>\$ 10,504,436</u>	<u>\$ -</u>	<u>\$ -</u>

The equities amount above includes approximately \$100,000 in stocks that were donated to the Festival immediately prior to December 31, 2018. These shares were sold and converted to cash and reinvested on January 10, 2019.

NOTE 7: LEASES

The Festival leased office space under a five-year contract that began during the year ended December 31, 2018. Rental expense totaled \$97,760 and \$77,871, respectively, for the years ended December 31, 2019 and 2018. The minimum lease payments under the lease are as follows:

Year ending December 31,	
2020	\$ 97,760
2021	97,760
2022	97,760
2023	<u>24,440</u>
	<u>\$ 317,720</u>

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NOTE 8: EMPLOYEE BENEFIT PLAN

The Festival has a 403(b) Plan that allows all full time employees, except for seasonal employees, as defined in the plan agreement to enter the plan. The plan includes a matching feature that matches salary deferrals 100% up to 5% of the employees' pay. Matching contributions as well as employee deferrals are 100% vested immediately. The Festival may also elect to make discretionary matching contributions. The Festival contributed \$30,647 and \$27,455, respectively, to the plan for the years ended December 31, 2019 and 2018.

NOTE 9: INTENTIONS TO GIVE

The Festival has received indications of intentions to give in the form of bequests which are revocable during the donors' lifetime. Due to their uncertain nature, the Festival has not recognized an asset or contribution revenue for these intentions to give. For the years ended December 31, 2019 and 2018, the Festival has been made aware of potential bequests in the amount of approximately \$1,000,000, respectively.

During year ended December 31, 2019, the Festival became aware that they are the beneficiary of a Living Trust. Under the terms of a proposed settlement that is in process, the Festival would receive a 10% remainder interest in a trust whose current value is approximately \$25,000,000. Distributions to another beneficiary may be made in accordance with the trust agreement during that beneficiary's lifetime. Therefore, the Festival is not certain how much will ultimately be received from this Living Trust and no amounts have been recorded in the financial statements as of December 31, 2019.

NOTE 10: ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable represent contributions pledged and unconditional promises to give that have not been collected. The pledges are from various individuals, foundations, and business entities and by their nature represent an intent to contribute at a later date. A specific allowance for uncollectible pledges was not deemed necessary at December 31, 2019 and 2018. The pledges receivable at December 31, 2019 and 2018 are to be utilized for support of the program of the Festival. The pledges recorded in 2019 and 2018 were not discounted as they are anticipated to be received in less than one year. At December 31, 2019, pledges receivable amounted to \$319,041 and are to be collected during the year ending December 31, 2020. At December 31, 2018, the pledges receivable amounted to \$294,509.

See Note 9 for detail of intentions to donate which are not recorded in pledges receivable.

NOTE 11: LINE OF CREDIT

During the year ended December 31, 2016, the Festival opened a margin loan agreement with its investment custodian, Charles Schwab, in the amount of \$300,000 and that margin loan arrangement remains available to the Festival, if needed. At December 31, 2019 and 2018, there were no outstanding balances.

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NOTE 12: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Festival's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 916,239	\$ 783,300
Accounts and pledges receivable	319,041	294,509
Investments	10,957,403	10,504,436
Less:		
Maurice Walk endowment fund	2,577,274	2,577,274
Walk Hall maintenance reserve fund	480,390	512,019
Major gift award received for use in future years	470,000	860,000
Scholarship commitments	44,183	22,568
Board designated reserves	<u>283,335</u>	<u>194,335</u>
Total financial assets available within one year	<u>\$ 8,337,501</u>	<u>\$ 7,416,049</u>

As part of the Festival's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Festival manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 13: FUNCTIONAL ALLOCATION OF EXPENSES

The Festival allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on the salaries and wages expensed for the program during the year. The Festival's program expenses are the expenses incurred that are directly allocated to the Festival's mission of providing music to residents and visitors of Jackson Hole, Wyoming and the expenses incurred that are directly allocated to Housing's mission of providing housing for the musicians.

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During the years ended December 31, 2019 and 2018, functional expenses were incurred for:

	2019				
	FESTIVAL	HOUSING	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
Advertising and promotion	\$ 316,141	\$ -	\$ 18,597	\$ 37,193	\$ 371,931
Depreciation	113,884	102,368	113,885	-	330,137
Education and outreach	82,221	-	4,327	-	86,548
Employee benefits	50,085	-	10,017	6,678	66,780
Festival hall and musician condos	84,847	-	5,416	-	90,263
Fundraising	-	-	-	102,072	102,072
Insurance	10,047	7,116	30,140	-	47,303
Music program	145,243	-	7,644	-	152,887
Musician fees for services	1,456,155	-	-	-	1,456,155
Occupancy	-	57,718	19,863	-	77,581
Office expenses	85,241	-	85,241	-	170,482
Payroll taxes	48,501	-	9,700	6,467	64,668
Pension plan contributions	22,985	-	4,597	3,065	30,647
Professional fees	38,162	16,281	45,964	4,428	104,835
Repairs and maintenance	16,025	69,924	-	-	85,949
Salaries and wages	669,441	-	133,888	89,259	892,588
Service fees	45,284	-	9,057	6,037	60,378
Travel	209,666	-	11,035	-	220,701
	<u>\$ 3,393,928</u>	<u>\$ 253,407</u>	<u>\$ 509,371</u>	<u>\$ 255,199</u>	<u>\$ 4,411,905</u>
	2018				
	FESTIVAL	HOUSING	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
Advertising and promotion	\$ 413,150	\$ -	\$ -	\$ 45,906	\$ 459,056
Conferences and conventions	6,466	-	718	-	7,184
Depreciation	211,226	82,062	13,482	-	306,770
Education and outreach	70,657	-	4,156	8,313	83,126
Employee benefits	36,005	-	2,118	4,236	42,359
Festival hall and musician condos	75,562	-	-	-	75,562
Information technology	2,873	-	2,873	-	5,746
Insurance	43,718	1,488	15,011	-	60,217
Music program	123,572	-	-	-	123,572
Musician fees for services	1,335,492	-	-	-	1,335,492
Occupancy	110,199	68,471	6,482	12,965	198,117
Office expenses	79,637	-	4,685	9,369	93,691
Payroll taxes	47,556	-	2,797	5,595	55,948
Pension plan contributions	23,336	-	1,373	2,746	27,455
Professional fees	54,522	13,531	3,207	6,414	77,674
Repairs and maintenance	27,519	49,166	-	-	76,685
Salaries and wages	638,369	-	37,551	75,102	751,022
Travel	213,110	-	12,537	22,777	248,424
	<u>\$ 3,512,969</u>	<u>\$ 214,718</u>	<u>\$ 106,990</u>	<u>\$ 193,423</u>	<u>\$ 4,028,100</u>

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NOTE 14: SUBSEQUENT EVENTS

As of the date of the Independent Auditor's Report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. The Festival is unable to accurately predict the full effect of the COVID-19 pandemic will have on the Festival's operations and investments due to uncertainties surrounding the severity of the disease and duration of the outbreak. The Festival chose to cancel the 2020 summer season but was able to reduce and/or eliminate related expenses and have updated its annual budget for these changes.

Subsequent to year end, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) implemented the Paycheck Protection Program (PPP) to provide small business and not-for-profit entities with funds to pay up to 8 weeks of payroll costs including benefits, interest on mortgages, rent, and utilities. These funds are provided in the form of unsecured loans that may be fully forgiven when used for forgivable expenses, subject to certain conditions. The Festival's PPP application was approved in the amount of \$128,694, maturing April 13, 2022, with an initial fixed rate of 1%. The Paycheck Protection Program Flexibility Act allows businesses more time to use the PPP funds by extending the covered period from 8 weeks to 24 weeks, with the option to keep the original 8-week period. The Festival is in the process of evaluating its PPP forgiveness and the period to be utilized.