

GRAND TETON MUSIC FESTIVAL

Grand Teton Music Festival, Inc.

**Financial Statements
December 31, 2020 and 2019**

(With Independent Auditor's Report Thereon)

Grand Teton Music Festival, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **Grand Teton Music Festival, Inc.** (a nonprofit organization) (the Festival), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, 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 audits 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.



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

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, 2020 and 2019, 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.

Emphasis of Matter – Accounting Standards Updated

As discussed in Note 2 to the financial statements, effective January 1, 2020, the **Grand Teton Music Festival, Inc.** adopted Accounting Standards Update No. 2014-19, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the **Grand Teton Music Festival, Inc.’s** 2018 financial statements, and our report dated July 5, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Certified Public Accountants

Fort Smith, Arkansas
September 8, 2021

Grand Teton Music Festival, Inc.

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash	\$ 2,894,971	\$ 1,032,549
Accounts and pledges receivable	12,931	319,041
Prepaid expenses	12,738	-
Total Current Assets	2,920,640	1,351,590
Property and equipment, net	7,492,229	7,746,225
Other Assets		
Investments	10,192,771	10,841,093
TOTAL ASSETS	\$ 20,605,640	\$ 19,938,908
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 37,741	\$ 49,076
Accrued scholarships	57,559	44,183
Deferred revenue	37,415	-
Refundable advance	128,694	-
Total Current Liabilities	261,409	93,259
Net Assets		
Without donor restrictions		
Undesignated	6,942,066	5,450,575
Housing property, net	2,794,110	2,896,477
Board designated	6,790,983	7,453,139
Total without donor restrictions	16,527,159	15,800,191
With donor restrictions	3,817,072	4,045,458
Total Net Assets	20,344,231	19,845,649
TOTAL LIABILITIES AND NET ASSETS	\$ 20,605,640	\$ 19,938,908

See accompanying notes to financial statements.

Grand Teton Music Festival, Inc.

Statement of Activities Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total	<u>2019</u> Total Comparative
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants	\$ 1,477,370	\$ 730,884	\$ 2,208,254	\$ 2,183,181
Ticket sales	1,037	-	1,037	590,590
Other festival revenue	7,102	-	7,102	167,837
Rental revenue	265,321	-	265,321	233,210
Interest revenue, net of fees	203,907	-	203,907	314,785
Net realized and unrealized gains on investments	643,169	-	643,169	1,180,804
Total Revenue, Gains and Other Support	<u>2,597,906</u>	<u>730,884</u>	<u>3,328,790</u>	<u>4,670,407</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of donor restrictions	959,270	(959,270)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>3,557,176</u>	<u>(228,386)</u>	<u>3,328,790</u>	<u>4,670,407</u>
EXPENSES				
Festival expenses	2,010,615	-	2,010,615	3,393,928
Housing expenses	257,124	-	257,124	253,407
Management and general	354,748	-	354,748	509,371
Fundraising	207,721	-	207,721	255,199
Total Expenses	<u>2,830,208</u>	<u>-</u>	<u>2,830,208</u>	<u>4,411,905</u>
CHANGE IN NET ASSETS	726,968	(228,386)	498,582	258,502
NET ASSETS, BEGINNING OF YEAR	<u>15,800,191</u>	<u>4,045,458</u>	<u>19,845,649</u>	<u>19,587,147</u>
NET ASSETS, END OF YEAR	<u>\$ 16,527,159</u>	<u>\$ 3,817,072</u>	<u>\$ 20,344,231</u>	<u>\$ 19,845,649</u>

See accompanying notes to financial statements.

Grand Teton Music Festival, Inc.

Statement of Activities Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total Comparative
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants	\$ 1,686,387	\$ 496,794	\$ 2,183,181	\$ 1,825,228
Ticket sales	590,590	-	590,590	510,882
Gala revenue	-	-	-	382,446
Gala costs - direct benefits to donors	-	-	-	(32,456)
Other festival revenue	167,837	-	167,837	173,721
Rental revenue	233,210	-	233,210	228,070
Interest revenue, net of fees	314,785	-	314,785	329,334
Net realized and unrealized gains (losses) on investments	1,180,804	-	1,180,804	(700,268)
Total Revenues, Gains, and Other Support	4,173,613	496,794	4,670,407	2,716,957
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of donor restrictions	923,192	(923,192)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	5,096,805	(426,398)	4,670,407	2,716,957
EXPENSES				
Festival expenses	3,393,928	-	3,393,928	3,512,969
Housing expenses	253,407	-	253,407	214,718
Management and general	509,371	-	509,371	106,990
Fundraising	255,199	-	255,199	193,423
Total Expenses	4,411,905	-	4,411,905	4,028,100
CHANGE IN NET ASSETS	684,900	(426,398)	258,502	(1,311,143)
NET ASSETS, BEGINNING OF YEAR	15,115,291	4,471,856	19,587,147	20,898,290
NET ASSETS, END OF YEAR	\$ 15,800,191	\$ 4,045,458	\$ 19,845,649	\$ 19,587,147

See accompanying notes to financial statements.

Grand Teton Music Festival, Inc.

Statement of Functional Expenses Year ended December 31, 2020

	Festival	Housing	Management & General	Fundraising	Total	2019 Total Comparative
Advertising and promotion	\$ 136,876	\$ -	\$ 8,051	\$ 16,103	\$ 161,030	\$ 371,931
Depreciation	205,817	102,368	22,868	-	331,053	330,137
Education and outreach	55,573	-	2,925	-	58,498	86,548
Employee benefits	44,124	-	8,825	5,883	58,832	66,780
Festival hall and musician condos	80,722	-	5,152	-	85,874	90,263
Fundraising	-	-	-	70,272	70,272	102,072
Insurance	10,645	7,546	31,936	-	50,127	47,303
Music program	85,452	-	4,498	-	89,950	152,887
Musician fees for services	347,250	-	-	-	347,250	1,456,155
Occupancy	-	74,897	7,182	-	82,079	77,581
Office expenses	141,188	-	47,064	-	188,252	170,482
Payroll taxes	47,645	-	9,529	6,353	63,527	64,668
Pension plan contributions	20,822	-	4,164	2,776	27,762	30,647
Professional fees	40,645	29,722	47,372	4,632	122,371	104,835
Repairs and maintenance	1,050	42,591	1,050	-	44,691	85,949
Salaries and wages	753,041	-	150,608	100,405	1,004,054	892,588
Service fees	9,719	-	1,944	1,297	12,960	60,378
Travel	30,046	-	1,580	-	31,626	220,701
	<u>\$ 2,010,615</u>	<u>\$ 257,124</u>	<u>\$ 354,748</u>	<u>\$ 207,721</u>	<u>\$ 2,830,208</u>	<u>\$ 4,411,905</u>

See accompanying notes to financial statements.

Grand Teton Music Festival, Inc.

Statement of Functional Expenses Year ended December 31, 2019

	<u>Festival</u>	<u>Housing</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2018 Total Comparative</u>
Advertising and promotion	\$ 316,141	\$ -	\$ 18,597	\$ 37,193	\$ 371,931	\$ 459,056
Conferences and conventions	-	-	-	-	-	7,184
Depreciation	113,884	102,368	113,885	-	330,137	306,770
Education and outreach	82,221	-	4,327	-	86,548	83,126
Employee benefits	50,085	-	10,017	6,678	66,780	42,359
Festival hall and musician condos	84,847	-	5,416	-	90,263	75,562
Fundraising	-	-	-	102,072	102,072	-
Information technology	-	-	-	-	-	5,746
Insurance	10,047	7,116	30,140	-	47,303	60,217
Music program	145,243	-	7,644	-	152,887	123,572
Musician fees for services	1,456,155	-	-	-	1,456,155	1,335,492
Occupancy	-	57,718	19,863	-	77,581	198,117
Office expenses	85,241	-	85,241	-	170,482	93,691
Payroll taxes	48,501	-	9,700	6,467	64,668	55,948
Pension plan contributions	22,985	-	4,597	3,065	30,647	27,455
Professional fees	38,162	16,281	45,964	4,428	104,835	77,674
Repairs and maintenance	16,025	69,924	-	-	85,949	76,685
Salaries and wages	669,441	-	133,888	89,259	892,588	751,022
Service fees	45,284	-	9,057	6,037	60,378	-
Travel	209,666	-	11,035	-	220,701	248,424
	<u>\$ 3,393,928</u>	<u>\$ 253,407</u>	<u>\$ 509,371</u>	<u>\$ 255,199</u>	<u>\$ 4,411,905</u>	<u>\$ 4,028,100</u>

See accompanying notes to financial statements.

Grand Teton Music Festival, Inc.

Statements of Cash Flows Years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 498,582	\$ 258,502
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:		
Depreciation	331,053	330,137
Net unrealized (gains) on investments	(535,250)	(1,181,480)
Net realized (gains) losses on investments	(107,919)	676
Change in:		
Accounts and pledges receivable	306,110	(24,532)
Prepaid expenses	(12,738)	9,299
Accounts payable	(11,335)	24,609
Accrued scholarships	13,376	21,615
Deferred revenue	37,415	-
Refundable advance	128,694	-
Total adjustments	149,406	(819,676)
Net Cash From (Used in) Operating Activities	647,988	(561,174)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(77,057)	(33,724)
Purchases of investments	(337,392)	(1,047,120)
Proceeds from sales of investments	1,628,883	1,891,267
Net Cash From Investing Activities	1,214,434	810,423
 NET CHANGE IN CASH	1,862,422	249,249
 CASH, BEGINNING OF YEAR	1,032,549	783,300
 CASH, END OF YEAR	\$ 2,894,971	\$ 1,032,549

See accompanying notes to financial statements.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 1: 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

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.

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, 2020 and 2019 were not discounted as they are anticipated to be received in less than one year.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

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, 2020.

Long-Lived Assets

Financial Accounting Standards Board (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 8 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 7 for policy information.

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.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

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.

Revenue Recognition for Exchange Transactions

The Festival earns sales revenue largely from ticket sales, season subscriptions, and program book advertisements. Sales funds are received as services are purchased. Ticket sales and season subscriptions revenues are recorded as events are performed. Program book advertisement revenue is recorded once the Festival displays the advertisement.

Sales revenues are billed at different rates depending on what service is purchased. The performance obligation for ticket and season subscription revenue is to provide entertainment to customers and is satisfied once event takes place. The performance obligation for advertisement revenue is to showcase advertisement purchasers during events and is satisfied once advertisement is showcased. All individual sales are considered independent as each service's sales price is not dependent on the other.

Advertising

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

Income Taxes and Uncertain Tax Positions

The Festival qualifies as an organization 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.

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.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

Accounting Pronouncement Adopted

On May 28, 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This ASU's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This ASU also includes expanded disclosures requirements that result in an organization providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Festival's contracts with customers. The Festival adopted the ASU effective January 1, 2020, the first day of the Festival's fiscal year, using the modified retrospective approach. There was no adjustments to beginning net assets in relation to the adoption of this ASU.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing transactions. This ASU will be effect for the Festival for the year ending December 31, 2022. The Festival is currently in the process of evaluating the impact, if any, of adopting this ASU on the financial statements.

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.

NOTE 3: 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 \$1,414,000 at December 31, 2020.

See Notes 6, 7, and 8 for other financial instruments with risk of accounting loss.

NOTE 4: 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, 2020 and 2019. The pledges receivable at December 31, 2020 and 2019 are to be utilized for support of the program of the Festival. The pledges recorded in 2020 and 2019 were not discounted as they are anticipated to be received in less than one year.

See Note 13 for detail of intentions to donate which are not recorded in pledges receivable.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 5: PROPERTY AND EQUIPMENT

Major classifications of property and equipment are summarized below:

	2020	2019
Land	\$ 93,085	\$ 93,085
Music Hall buildings and improvements	8,334,045	8,334,045
Construction in progress	72,477	-
Après Vous condos	3,935,403	3,935,403
Music equipment	799,756	799,756
Office equipment and furnishings	177,978	173,398
Leasehold improvements	158,970	158,970
Hall furniture and fixtures	237,659	237,659
	13,809,373	13,732,316
Less accumulated depreciation	6,317,144	5,986,091
	\$ 7,492,229	\$ 7,746,225

NOTE 6: INVESTMENTS

Investments are stated at fair value. Fair value and unrealized appreciation (depreciation) at December 31, 2020 and 2019 are summarized below.

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2020			
Fixed income	\$ 2,954,843	\$ 3,156,865	\$ 202,022
Mutual funds	3,044,373	5,517,532	2,473,159
Exchange traded funds	734,631	830,826	96,195
Short-term assets money market fund	666,640	666,640	-
Accrued interest	20,908	20,908	-
	\$ 7,421,395	\$ 10,192,771	\$ 2,771,376
December 31, 2019			
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 assets money market fund	808,462	808,462	-
Accrued interest	29,167	29,167	-
	\$ 8,604,843	\$ 10,841,093	\$ 2,236,250

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 225,308	\$ 334,866
Net realized gains (losses) on investments	107,919	(676)
Net unrealized gains on investments	535,250	1,181,480
Investment fees	(21,401)	(20,081)
Total investment return	<u>\$ 847,076</u>	<u>\$ 1,495,589</u>

NOTE 7: INVESTED FUNDS AND RESTRICTED NET ASSETS

The Festival's invested funds that are reflected as Investments are \$10,192,771 and \$10,841,093, respectively, at December 31, 2020 and 2019 (as described above in Note 6). In addition, a portion of the invested funds are held in cash accounts and the amounts of \$812,699 and \$116,310, respectively, are included in Cash on the Statements of Financial Position and the Statements of Cash Flows. The invested funds are comprised of two components – donor restricted investments and board designated investments.

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, 2020 and 2019, 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."

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

At December 31, 2020 and 2019, the Walk Hall maintenance reserve fund with amounts of \$407,914 and \$480,390, 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 year ended December 31, 2020, an additional \$370,000 was received to be utilized for scholarships and operations during 2021 through 2025. This gift was placed in a separate and distinct account when received. During the years ended December 31, 2020 and 2019, \$390,000 was released from restriction. Additionally, scholarships were awarded in 2020 and 2019 to recipients based on the criteria established by this restricted gift. At December 31, 2020 and 2019, scholarships of \$57,559 and \$44,183, respectively, had been awarded that had not yet been paid to the higher education organization where the recipient is or will be attending.

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

Net assets with donor restrictions are summarized below:

	<u>2020</u>	<u>2019</u>
Maurice Walk endowment fund	\$ 2,577,274	\$ 2,577,274
Walk Hall maintenance reserve fund	407,914	480,390
Major gift award received for use in future years	450,000	470,000
Funds received for ticket sales in upcoming seasons and future project sponsorships	369,369	200,075
Accounts and pledges receivable - time and/or purpose	12,515	317,719
	<u>\$ 3,817,072</u>	<u>\$ 4,045,458</u>

During the years ended December 31, 2020 and 2019, the net assets released from restrictions were due to the satisfaction of donor restrictions from time expirations, expenses incurred for Walk Hall maintenance, and concerts and activities that took place during the 2019 season. These expenses included depreciation, maintenance, taxes, scholarships given, and other recurring expenses.

Board Designated Net Assets

The remaining invested funds of the Festival were \$7,570,282 and \$7,429,739, respectively, at December 31, 2020 and 2019, which are considered to be Board designated funds to be utilized under Board direction for the future needs of the Festival.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

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.

	<u>2020</u>	<u>2019</u>
Capital reserve (Festival)	\$ 75,000	\$ 75,000
Instrument reserve (Festival)	51,000	51,000
Operating reserve (Festival)	133,935	133,935
Maintenance reserve (Housing)	23,400	23,400
	<u>\$ 283,335</u>	<u>\$ 283,335</u>

NOTE 8: 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, 2020 and 2019, 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 Assets Money Market 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.

Notes to Financial Statements December 31, 2020 and 2019

The following table presents the Festival hierarchy for the investments measured at fair value on a recurring basis as of December 31, 2020 and 2019:

December 31, 2020	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fixed income	\$ 3,156,865	\$ -	\$ -
Mutual funds	5,517,532	-	-
Exchange traded funds	830,826	-	-
Short-term asset money market funds	666,640	-	-
Accrued interest	20,908	-	-
	<u>\$ 10,192,771</u>	<u>\$ -</u>	<u>\$ -</u>
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 money market funds	808,462	-	-
Accrued interest	29,167	-	-
	<u>\$ 10,841,093</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 9: 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, 2020 and 2019, there were no outstanding balances.

NOTE 10: REFUNDABLE ADVANCE

During the year ended December 31, 2020, the Festival qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the 2020 CARES (Coronavirus Aid, Relief, and Economic Security) Act, the principal amount of which is \$128,694. The PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, is unsecured and is guaranteed by the SBA. The Festival received full forgiveness subsequent to year end.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 11: 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 for the years ended December 31, 2020 and 2019. The minimum lease payments under the lease are as follows:

Year ending December 31,		
	2021	\$ 97,760
	2022	97,760
	2023	16,293
		<u>\$ 211,813</u>

NOTE 12: 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 \$27,762 and \$30,647, respectively, to the plan for the years ended December 31, 2020 and 2019.

NOTE 13: 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, 2020 and 2019, 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, 2020 and 2019.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 14: RISKS AND UNCERTAINTIES

The COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations since it was declared a global pandemic by the World Health Organization on March 11, 2020. During the year ended December 31, 2020, the Festival cancelled in person events due to public health concerns related to the COVID-19 pandemic, resulting in lost revenues. Management is unable to accurately predict how the COVID-19 pandemic will continue to affect the results of the Festival's operations due to uncertainties surrounding the severity of the disease and duration of the outbreak.

During the year ended December 31, 2020, the Festival received grant monies specifically related to assistance during the COVID-19 pandemic. The amount of \$56,360 was received from the Wyoming Arts Council and \$250,000 was received from the Wyoming Business Council. The grant monies are included in Contributions and grants on the 2020 Statement of Activities.

NOTE 15: 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:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 2,894,971	\$ 1,032,549
Accounts and pledges receivable	12,931	319,041
Investments	10,192,771	10,841,093
Less:		
Maurice Walk endowment fund	2,577,274	2,577,274
Walk Hall maintenance reserve fund	407,914	480,390
Major gift award received for use in future years	450,000	470,000
Scholarship commitments	57,559	44,183
Board designated reserves	283,335	283,335
Total financial assets available within one year	<u>\$ 9,324,591</u>	<u>\$ 8,337,501</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.

Grand Teton Music Festival, Inc.

Notes to Financial Statements December 31, 2020 and 2019

NOTE 16: 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.

NOTE 17: SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred through September 8, 2021, the date that the financial statements were available to be issued.

Subsequent to year end, the Festival received full forgiveness of the first PPP loan. See Note 10 for additional information.

The Festival applied for the second round of Paycheck Protection Program (PPP2) funding to provide small business and not-for-profit entities with funds to pay up to 24 weeks of payroll costs and other qualifying expenses. These funds are provided in the form of unsecured loans that may be forgiven when used for forgivable expenses, subject to certain conditions. The Festival's PPP2 application was approved on January 21, 2021, for \$147,180 with a fixed interest rate of 1.0% maturing in five years.

The Festival was notified on July 9, 2021 that they had been approved to receive \$221,573 in grant funding under the Shuttered Venue Operators Grant (SVOG) program. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, as amended by the American Rescue Plan Act. SVOG grant monies are administered by the SBA.