



Financial Statements
October 31, 2019

Sun Valley Summer Symphony, Inc.
d/b/a Sun Valley Music Festival

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

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Independent Auditor's Report

The Board of Directors
Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival
Ketchum, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival (the Festival) which comprise the statement of financial position as of October 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 the Festival as of October 31, 2019, and the changes in its net assets and its cash flows for the year then ended are in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 11 to the financial statements, the Festival has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the October 31, 2018 financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Gooding, Idaho
March 4, 2020

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Statement of Financial Position

October 31, 2019

Assets	
Current Assets	
Cash and cash equivalents	\$ 90,213
Promises to give	12,000
Prepaid expenses	<u>6,266</u>
Total current assets	108,479
Noncurrent Assets	
Promises to give, net	9,484
Operating investments	4,925,783
Endowment investments	9,341,763
Right to use Sun Valley Pavilion	3,000,000
Property and equipment, net	<u>1,253,041</u>
	<u>\$ 18,638,550</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 9,399
Accrued expenses	6,503
Accrued compensation and benefits payable	<u>51,025</u>
Total current liabilities	<u>66,927</u>
Net Assets	
Without donor restrictions	
Undesignated	6,418,647
Designated by the Board for endowment	<u>9,341,763</u>
	15,760,410
With donor restrictions	
Purpose restrictions	<u>2,811,213</u>
Total net assets	<u>18,571,623</u>
	<u>\$ 18,638,550</u>

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Statement of Activities
Year Ended October 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 3,108,199	\$ 275,909	\$ 3,384,108
Program advertising	92,100	-	92,100
Ticket revenue	144,500	-	144,500
Lessons and fees	83,255	-	83,255
Miscellaneous revenue	18,792	-	18,792
Investment return, net	1,198,408	-	1,198,408
Net assets released from restrictions	283,772	(283,772)	-
	<u>4,929,026</u>	<u>(7,863)</u>	<u>4,921,163</u>
Expenses			
Program services expense			
Summer season	1,747,709	-	1,747,709
Winter season	271,373	-	271,373
Education	918,765	-	918,765
Music pavilion	22,293	-	22,293
Gala	103,958	-	103,958
Other programs	6,968	-	6,968
	<u>3,071,066</u>	<u>-</u>	<u>3,071,066</u>
Supporting services expense			
Gala fundraising	144,852	-	144,852
Other fundraising	464,296	-	464,296
Management and general	478,824	-	478,824
	<u>1,087,972</u>	<u>-</u>	<u>1,087,972</u>
	<u>4,159,038</u>	<u>-</u>	<u>4,159,038</u>
Change in Net Assets	769,988	(7,863)	762,125
Net Assets, Beginning of the Year	<u>14,990,422</u>	<u>2,819,076</u>	<u>17,809,498</u>
Net Assets, End of the Year	<u>\$ 15,760,410</u>	<u>\$ 2,811,213</u>	<u>\$ 18,571,623</u>

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival
Statement of Functional Expenses
Year Ended October 31, 2019

	Program Services						Total Program Expenses	Supporting Services			Totals
	Summer Season	Winter Season	Education	Music Pavilion	Gala	Other Programs		Gala Fundraising	Other Fundraising	Management and General	
Personnel costs	\$ 205,424	\$ 35,736	\$ 385,733	\$ -	\$ -	\$ -	\$ 626,893	\$ -	\$ 210,289	\$ 218,296	\$ 1,055,478
Advertising and marketing	61,066	11,925	28,896	-	-	2,627	104,514	21,982	40,218	84,316	251,030
Awards and gifts	4,451	284	1,716	-	-	-	6,451	1,813	91	1,480	9,835
Office operations	107,035	29,567	63,192	-	6,605	620	207,019	102,528	165,674	15,897	491,118
Productions	138,658	41,118	23,108	22,293	6,334	-	231,511	18,529	13,240	-	263,280
Professional fees	888,171	99,061	343,699	-	82,811	1,031	1,414,773	-	29,750	81,611	1,526,134
Rent	4,485	7,888	9,160	-	-	2,690	24,223	-	-	790	25,013
Store merchandise	6,832	-	-	-	-	-	6,832	-	-	-	6,832
Travel and lodging	331,587	45,794	63,261	-	8,208	-	448,850	-	34	4,339	453,223
Depreciation	-	-	-	-	-	-	-	-	-	72,123	72,123
Miscellaneous expense (income)	-	-	-	-	-	-	-	-	5,000	(28)	4,972
Total expenses	\$ 1,747,709	\$ 271,373	\$ 918,765	\$ 22,293	\$ 103,958	\$ 6,968	\$ 3,071,066	\$ 144,852	\$ 464,296	\$ 478,824	\$ 4,159,038

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Statement of Cash Flows
Year Ended October 31, 2019

Operating Activities	
Change in net assets	\$ 762,125
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation	72,123
Uncollectible promises to give	5,000
Realized and unrealized gain on operating investments	(220,105)
Endowment investment return, net	(842,841)
(Increase) decrease in	
Prepaid expenses	813
Promises to give, net	3,000
Increase (decrease) in	
Accounts payable	(12,814)
Accrued expenses	6,503
Accrued compensation and benefits payable	93
Net Cash used for Operating Activities	<u>(226,103)</u>
Investing Activities	
Proceeds from sales of operating investments	2,379,334
Purchases of operating investments	(2,615,098)
Withdrawal from endowment	<u>221,229</u>
Net Cash used for Investing Activities	<u>(14,535)</u>
Net Change in Cash	(240,638)
Cash and Cash Equivalents, Beginning of Year	<u>330,851</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 90,213</u></u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Organization

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival (the Festival) was incorporated in the State of Idaho May 13, 1985, to provide high quality performances of the classical repertoire for the general public at various sites in the Wood River Valley. The Festival has a cultural, artistic, and educational purpose for all of its activities and has provided the Summer Music Institute and School of Music for the education and enjoyment of young musicians. The Festival's support comes primarily from individual and corporate donors' contributions.

Cash and Cash Equivalents

The Festival considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted by the endowment are excluded from this definition.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Festival determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At October 31, 2019, the allowance was \$0.

Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended October 31, 2019.

Investments

The Festival records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Festival reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

The Festival receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, special projects and performances; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended October 31, 2019.

Advertising and Marketing Costs

Advertising costs are expensed as incurred, and approximated \$251,030 during the year ended October 31, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses directly attributable to a specific functional area of the Festival are reported as expenses of those functional areas and are categorized at the time the expense is recorded. Expenses that are attributable to more than one program or supporting activity are allocated among the activities benefited. These expenses include personnel costs which are allocated on the basis of estimated time and effort expended.

Income Taxes

The Festival is organized as an Idaho nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(viii), and has been determined not to be private foundation under Section 509(a)(2). The Festival is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Festival is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Festival is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes the Festival has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Festival would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Festival has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and foundations supportive of the Festival's mission. Investments are made by diversified

investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Festival.

Recent Accounting Guidance

As of November 1, 2018, the Festival adopted the provisions of Accounting Standards Updated (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit-Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Festival's endowment fund. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Festival's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Festival's liquidity and exposure to risk. The ASU also introduces presentation of investment returns on the statement of activities net of external and direct internal investment expenses. The Festival has adopted this standard as management believes this provides more decision-useful information

Subsequent Events

The Festival has evaluated subsequent events through March 4, 2020, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 90,213
Promises to give	12,000
Operating investments	4,925,783
Endowment spending rate distribution and appropriation	<u>300,000</u>
	<u>\$ 5,327,996</u>

The Endowment fund consists of funds designated by the board as endowments. The board-designated endowment of \$9,341,763 is subject to an annual spending rate of 3.5% as described in Note 6. Although the Festival does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, and money market funds.

Note 3 - Fair Value Measurements and Disclosures

The Festival reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. U.S. Government and corporate obligations, as well as bond mutual funds, are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair value of the private equity fund is based on a pricing model applied to the quoted market prices of the underlying fund investments. These are considered to be Level 3 investments.

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Notes to Financial Statements

October 31, 2019

The following table presents assets measured at fair value on a recurring basis at October 31, 2019:

Assets	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating Investments				
Cash and money market funds	\$ 160,957	\$ 160,957	\$ -	\$ -
Government and corporate bonds	1,515,612	-	1,515,612	-
Bond mutual funds	641,055	641,055	-	-
U.S. equity's	774,201	774,201	-	-
U.S. equity mutual funds	491,594	491,594	-	-
Global equity funds	897,500	897,500	-	-
Alternative investment mutual funds	267,355	267,355	-	-
Global mixed bond and equity mutual funds	177,509	177,509	-	-
	<u>\$ 4,925,783</u>	<u>\$ 3,410,171</u>	<u>\$ 1,515,612</u>	<u>\$ -</u>
Endowment Investments				
Cash and money market funds	\$ 4,705	\$ 4,705	\$ -	\$ -
Government and corporate bonds	1,832,330	-	1,832,330	-
Bond mutual funds	126,111	126,111	-	-
U.S. equity's	2,498,579	2,498,579	-	-
U.S. equity mutual funds	1,117,775	1,117,775	-	-
Global equity funds	2,311,490	2,311,490	-	-
Global preferred equity funds	125,562	125,562	-	-
Alternative investment mutual funds	461,446	461,446	-	-
Global mixed bond and equity mutual funds	456,158	456,158	-	-
Private equity fund	407,607	-	-	407,607
	<u>\$ 9,341,763</u>	<u>\$ 7,101,826</u>	<u>\$ 1,832,330</u>	<u>\$ 407,607</u>

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Notes to Financial Statements

October 31, 2019

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended October 31, 2019:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)
	Assets Held by
	Private Equity Fund
Balance at October 31, 2018	\$ 293,675
Purchases/contributions of investments	85,000
Distributions	(25,000)
Investment return, net	53,932
Balance at October 31, 2019	\$ 407,607
Unrealized gain included in net endowment investment return in the statement of activities relating to assets still held at October 31, 2019	\$ 53,932

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at October 31, 2019:

Within one year	\$ 12,000
In one to five years	10,000
	22,000
Less discount to net present value at 1.75%	(516)
Less allowance for uncollectable promises to give	-
	\$ 21,484

Promises to give appear as follows in the statements of financial position:

Promises to give, net	\$ 21,484
Endowment promises to give, net	-
	\$ 21,484

At October 31, 2019, two donors accounted for 100% of total promises to give.

Note 5 - Property and Equipment

Property and equipment consists of the following at October 31, 2019:

Stage	\$ 452,166
Musical instruments	401,944
Buildings and improvements	464,655
Equipment	<u>652,958</u>
Total property and equipment	1,971,723
Less accumulated depreciation	<u>(718,682)</u>
Total property and equipment, net	<u><u>\$ 1,253,041</u></u>

Note 6 - Endowments

The Festival's endowment (the Endowment) consists of net assets without donor restrictions designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Festival has interpreted the Idaho Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At October 31, 2019, there were no such donor stipulations. As a result of this interpretation, the Festival retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment, and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Festival
- The investment policies of the Festival

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Notes to Financial Statements

October 31, 2019

As of October 31, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment	\$ 9,341,763	\$ -	\$ 9,341,763
	\$ 9,341,763	\$ -	\$ 9,341,763

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Festival has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The deficiencies of this nature are reported in net assets with donor restrictions and there were none as of October 31, 2019.

Investment and Spending Policies

The Festival has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is 6%-7% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate of return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Festival uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The long-term annual draw shall be 2.5% of the trailing twelve quarter average of the Endowment. The Board shall approve a draw amount each fiscal year in accordance with annual budget projections. Such amount shall not exceed 2.5% but may be less than 2.5% depending on projected financial needs. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment, and sets the rate with the objective of maintaining the purchasing power of the Endowment over time. In October of 2019, the Board revised the long-term annual draw to 3.5%.

Changes in Endowment net assets for the year ended October 31, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 8,720,151	\$ -	\$ 8,720,151
Investment return, net	842,841	-	842,841
Other changes			
Distribution from board-designated endowment pursuant to distribution policy	(221,229)	-	(221,229)
Endowment net assets, end of year	\$ 9,341,763	\$ -	\$ 9,341,763

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Notes to Financial Statements

October 31, 2019

Note 7 - Net Assets with Donor Restrictions

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

Subject to Expenditure for Specified Purpose	
Reserves restricted to improvements in summer concerts at the Sun Valley Pavilion	\$ 2,019,809
Gifts given in advance for the 2019-2020 season	178,724
Music Institute	75,479
Moran Guest Artist Fund	537,201
	<hr/>
Total net assets with donor restrictions	\$ 2,811,213
	<hr/> <hr/>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by donor as follows for the year ended October 31, 2019:

Satisfaction of purpose restrictions	
Reserves restricted to improvements in summer concerts at the Sun Valley Pavilion	\$ 22,293
Gifts given in advance for the 2018-2019 season	142,006
Music Institute	25,000
Moran Guest Artist Fund	94,473
	<hr/>
	\$ 283,772
	<hr/> <hr/>

Note 8 - Right to Use Sun Valley Pavilion

In exchange for a contribution of \$3,000,000 in 2008, the Festival was granted, in perpetuity, the exclusive right to use the Sun Valley Pavilion during four continuous weeks in July and August each year, and the exclusive right to use storage areas within the facility.

Note 9 - Retirement Plan

The Festival has established a 403(b) plan for its employees. Eligible employees may elect to defer a portion of their pay as specified in an elective deferral agreement. The Festival may elect to make a discretionary matching contribution at a percentage to be determined by the Festival. The election made by the Festival in the current year was \$17,958. Elective deferral contributions, qualified matching contributions, and qualified nonelective contributions are 100% vested. Employer matching contributions and discretionary contributions are also 100% vested at all times.

Note 10 - Related Party Transactions

The Festival received approximately \$221,481 in support from board members in the year ended October 31, 2019.

Sun Valley Summer Symphony, Inc. d/b/a Sun Valley Music Festival

Notes to Financial Statements

October 31, 2019

Note 11 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, the Festival adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of November 1, 2018. The following financial statement line items for the year ended October 31, 2018 were adjusted as a result of the adoption.

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Unrestricted	\$ 14,990,422	\$ (14,990,422)	\$ -
Temporarily restricted net assets	2,819,076	(2,819,076)	-
Net assets without donor restrictions	-	14,990,422	14,990,422
Net assets with donor restrictions	-	2,819,076	2,819,076