

**CHAUTAUQUA FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Chautauqua Foundation, Inc.

We have audited the accompanying statements of financial position of Chautauqua Foundation, Inc. (the Foundation) as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the year ended December 31, 2020 and the nine month period April 1, 2019 through December 31, 2019, 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.

### Auditors' Responsibility

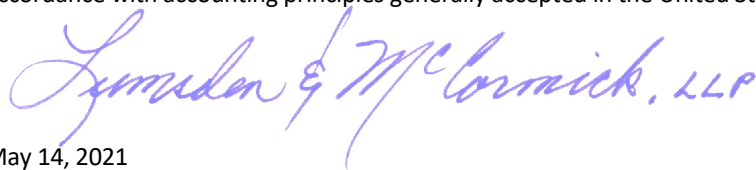
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 entity'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 entity'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 Foundation as of December 31, 2020 and 2019 and the results of its operations, changes in net assets and cash flows for the year ended December 31, 2020 and the nine month period April 1, 2019 through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.



May 14, 2021

**Statements of Financial Position**

December 31,	2020	2019
<b>Assets:</b>		
Cash	\$ 1,199,430	\$ 1,240,824
Contributions receivable (Note 2)	2,270,341	2,820,471
Investments (Note 3)	113,463,972	101,252,805
Split-interest agreements	4,143,328	4,194,626
Other assets	578,800	395,000
	<u>\$ 121,655,871</u>	<u>\$ 109,903,726</u>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Payable to the Institution (Note 4)	\$ 1,201,912	\$ 2,020,247
Accounts payable and accrued expenses	50,216	245,968
	<u>1,252,128</u>	<u>2,266,215</u>
<b>Net Assets (Note 5):</b>		
Without donor restrictions	5,979,246	4,703,274
With donor restrictions	114,424,497	102,934,237
	<u>120,403,743</u>	<u>107,637,511</u>
	<u>\$ 121,655,871</u>	<u>\$ 109,903,726</u>

CHAUTAUQUA FOUNDATION, INC.

**Statements of Activities**

Year Ended December 31, 2020

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions:			
Chautauqua Fund	\$ -	\$ -	\$ -
Endowment	855,236	3,197,276	4,052,512
Other	-	85,462	85,462
Change in value of split interest agreements	-	(51,298)	(51,298)
Investment income	616,953	13,223,846	13,840,799
Total revenues	<u>1,472,189</u>	<u>16,455,286</u>	<u>17,927,475</u>
Expenses:			
Direct support:			
Chautauqua Fund	-	-	-
Endowment direct support	4,450,000	-	4,450,000
Support from other funds	97,429	-	97,429
Indirect support	-	-	-
General and administrative	613,814	-	613,814
Total expenses	<u>5,161,243</u>	<u>-</u>	<u>5,161,243</u>
Net assets released from restrictions	<u>4,965,026</u>	<u>(4,965,026)</u>	<u>-</u>
<b>Change in net assets</b>	<u>1,275,972</u>	<u>11,490,260</u>	<u>12,766,232</u>
Net assets - beginning	<u>4,703,274</u>	<u>102,934,237</u>	<u>107,637,511</u>
Net assets - ending	<u>\$ 5,979,246</u>	<u>\$ 114,424,497</u>	<u>\$ 120,403,743</u>

See accompanying notes.

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Nine Months Ended December 31, 2019

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Net Assets		
Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ 4,291,683	\$ 4,291,683
49,936	1,192,855	1,242,791
-	6,145	6,145
-	167,007	167,007
349,314	7,810,413	8,159,727
399,250	13,468,103	13,867,353
4,291,683	-	4,291,683
-	-	-
22,199	-	22,199
1,680,492	-	1,680,492
321,424	-	321,424
6,315,798	-	6,315,798
6,228,559	(6,228,559)	-
312,011	7,239,544	7,551,555
4,391,263	95,694,693	100,085,956
\$ 4,703,274	\$ 102,934,237	\$ 107,637,511

CHAUTAUQUA FOUNDATION, INC.

**Statements of Cash Flows**

	Year Ended December 31, 2020	Nine Months Ended December 31, 2019
<b>Operating activities:</b>		
Change in net assets	\$ 12,766,232	\$ 7,551,555
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized and unrealized gains	(13,164,830)	(6,736,377)
Changes in other operating assets and liabilities:		
Contributions receivable	550,130	792,332
Receivable from split-interest agreements	51,298	(167,007)
Other assets	(183,800)	331,662
Payable to the Institution	(818,335)	(2,191,257)
Accounts payable and accrued expenses	(195,752)	30,716
<b>Net operating activities</b>	<b>(995,057)</b>	<b>(388,376)</b>
<b>Investing activities:</b>		
Purchases of investments	(12,021,310)	(7,410,566)
Proceeds from sales of investments	12,974,973	7,061,301
<b>Net investing activities</b>	<b>953,663</b>	<b>(349,265)</b>
Net change in cash	(41,394)	(737,641)
Cash - beginning	1,240,824	1,978,465
Cash - ending	\$ 1,199,430	\$ 1,240,824

See accompanying notes.

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies:

#### Organization and Purpose:

Chautauqua Foundation, Inc. (the Foundation) was established in 1937 to raise, invest and reinvest funds to support the mission of Chautauqua Institution (the Institution) to provide cultural, educational, religious and other programs to a large and diverse audience.

Effective December 31, 2019, the fiscal year-end of the Foundation was changed from March 31 to December 31. Accordingly, the accompanying financial statements include comparative activity for the year ended December 31, 2020 and the nine months ended December 31, 2019.

#### Subsequent Events:

The Foundation has evaluated events and transactions for potential recognition or disclosure through May 14, 2021, the date the financial statements were available to be issued.

#### Tax Status:

The Foundation is a 501(c)(3) corporation exempt from income taxes under Section 501(a) of the Internal Revenue Code.

#### Cash:

At various times, cash in financial institutions may exceed federally insured limits and subject the Foundation to concentrations of credit risk.

#### Investments:

Investments are stated at estimated fair value. The fair value of marketable securities is determined by quoted prices in active markets. The Foundation uses net asset value (NAV) per share (or its equivalent) as a practical expedient to determine the fair value of investments that (i) do not have a readily determinable fair value predicated upon quoted prices in active markets, and (ii) have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company (Note 8).

#### Contributions:

Contributions, including unconditional promises to give, are reported at fair value at the date received. Gifts are reported as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions that are expected to be collected in future years are recorded at net realizable value. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contributions revenue in the statements of activities.

Conditional promises to give to the Foundation are not recorded as revenue until such time as the conditions are substantially met, and totaled \$41,155,000 and \$41,963,000 at December 31, 2020 and 2019.

#### Split-Interest Agreements:

The Foundation receives contributions in the form of split-interest agreements which consist primarily of charitable remainder trusts and pooled life income funds. The estimated receivable under these agreements are recorded at the net present value of the estimate future benefits to be received based upon the life expectancy of the income beneficiaries using an appropriate discount rate. Subsequent changes in value are recorded as change in value of split-interest agreements in the statements of activities. The value of underlying assets of the split interest agreements were approximately \$11,221,000 and \$10,814,000 at December 31, 2020 and 2019.

#### Support to the Institution:

Distributions from the restricted endowment funds are made pursuant to the Foundation's spending policy guidelines and donor stipulations. All other distributions are made in accordance with donor restrictions and for purposes approved by the Foundation's Board. Prior to 2020, Chautauqua Fund contributions (as defined by the Institution) were received directly by the Foundation and distributed to the Institution in the same year received by the Foundation. Effective January 1, 2020, Chautauqua Fund contributions are no longer received by the Foundation.

### Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### 2. Contributions Receivable:

	2020	2019
Gross unconditional promises to give	\$ 2,345,235	\$ 3,029,507
Less unamortized discount	74,894	209,036
	<u>\$ 2,270,341</u>	<u>\$ 2,820,471</u>

Contributions receivable at December 31, 2020 are expected to be received over the periods shown below:

Less than one year	\$ 1,277,170
One to five years	1,068,065
	<u>\$ 2,345,235</u>

### 3. Investments:

	2020	2019
Cash	\$ 8,601,749	\$ 1,440,549
Equities	43,812,761	45,155,065
Fixed income	19,374,000	18,395,627
Hedge fund	19,602,858	21,664,595
Private equity/credit	13,265,707	10,596,969
Select equity	8,806,897	4,000,000
	<u>\$ 113,463,972</u>	<u>\$ 101,252,805</u>

Investment activity reported in the statements of activities is as follows:

Year Ended December 31, 2020	Without Donor Restrictions		With Donor Restrictions	Total
Dividends and interest, net	\$ 45,371	\$ 630,598	\$ 675,969	
Net realized and unrealized gains	571,582	12,593,248	13,164,830	
	<u>\$ 616,953</u>	<u>\$ 13,223,846</u>	<u>\$ 13,840,799</u>	
Nine Months Ended December 31, 2019				
Dividends and interest, net	\$ 72,056	\$ 1,351,294	\$ 1,423,350	
Net realized and unrealized gains	277,258	6,459,119	6,736,377	
	<u>\$ 349,314</u>	<u>\$ 7,810,413</u>	<u>\$ 8,159,727</u>	

As of December 31, 2020, the Foundation has committed capital of approximately \$21,750,000 to private equity investments and the remaining obligation under these commitments totaled approximately \$7,665,000. These investments generally cannot be redeemed. Distributions from these investments are received as underlying investments are liquidated. At December 31, 2020, it is estimated the underlying assets will be liquidated over a period of approximately 5 to 15 years.

Liquidity of the Foundation's investments is as follows as of December 31:

	2020	2019
Redemption frequency:		
Daily	\$ 71,788,510	\$ 64,991,241
Quarterly	4,806,897	-
Semi-annually	19,602,858	12,215,787
Quarterly after initial lock-up period	4,000,000	4,000,000
Semi-annually after initial lock-up period	-	9,448,808
Nonredeemable	13,265,707	10,596,969
	<u>\$ 113,463,972</u>	<u>\$ 101,252,805</u>

### 4. Transactions with the Institution:

Distributions to the Institution primarily consists of appropriations from donor restricted endowment funds where the underlying restriction has been met and for purposes approved by the Foundation's Board. Other transactions include reimbursements to the Institution for various personnel and administrative expenses and from time to time amounts due to and due from each entity based upon donor intent.

Total amounts payable to the Institution is as follows at December 31:

	2020	2019
Endowment direct support	\$ 1,147,519	\$ 661,911
Board-designated appropriations	-	1,000,000
Other	54,393	358,336
	<u>\$ 1,201,912</u>	<u>\$ 2,020,247</u>

Effective January 1, 2020, the Office of Advancement was moved from the Foundation to the Institution. Prior to 2020, the Foundation's expenses related to the Office of Advancement were reported as indirect support in the accompanying financial statements as this activity was on behalf of the Institution. With the move of the Office of Advancement to the Institution, there are no expenses reported as indirect support for the year ended December 31, 2020.



For the year ended December 31, 2020, the Foundation agreed to reimburse the Institution in the amount of \$250,000 for certain administrative costs incurred on behalf of the Foundation. There was no such agreement for the nine months ended December 31, 2019.

In May 2016, the Foundation obtained a \$25,000,000 bank revolving credit note to facilitate financing the renovation of the Institution's amphitheater. The note is available until April 1, 2022 and has step down provisions to \$15,000,000 on April 1, 2020 and \$5,000,000 on April 1, 2021. The note bears interest at the LIBOR flex rate plus 1%, and contains a covenant requiring the Foundation to maintain a minimum balance in marketable securities or cash of \$25,000,000. Additionally, the Foundation provides a negative pledge on all of its assets, and the note is guaranteed by the Institution. No borrowings on the arrangement were outstanding at December 31, 2020 and 2019.

Pursuant to a promissory note entered into between the Foundation and Institution, all amounts advanced under the bank revolving credit note for the benefit of the Institution will be repaid to the Foundation with interest at the Internal Revenue Service's applicable federal rate for mid-term borrowings.

## 5. Net Assets:

The Foundation's financial position and activities are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors for a specified time period, purpose or to be maintained by the Foundation in perpetuity.

The composition of net assets without donor restrictions is as follows at December 31:

	<u>2020</u>	<u>2019</u>
Board-designated endowments	\$ 4,935,482	\$ 3,706,438
Unrestricted gifts	1,043,764	996,836
	<u>\$ 5,979,246</u>	<u>\$ 4,703,274</u>

Net assets with donor restrictions that are purpose or time restricted are comprised of unappropriated endowment gains and restricted gifts as follows:

	<u>2020</u>	<u>2019</u>
Gains - specified endowments	\$ 19,989,741	\$ 13,206,045
Gains - unspecified endowments	5,829,304	3,849,586
Other restricted gifts	310,025	320,713
	<u>\$ 26,129,070</u>	<u>\$ 17,376,344</u>

Net assets with donor restrictions that represent the accumulated principal of endowment gifts that have been restricted by donors to be maintained by the Foundation in perpetuity are comprised of the following endowment gift categories:

	<u>2020</u>	<u>2019</u>
Specified endowments	\$ 65,150,562	\$ 62,701,741
Unspecified endowments	23,144,865	22,856,152
	<u>\$ 88,295,427</u>	<u>\$ 85,557,893</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Foundation to retain as a fund of perpetual duration. The Foundation permits spending from underwater endowment funds unless otherwise precluded by donor intent or relevant laws. Deficiencies of this nature exist in three donor restricted endowment funds, which together have an original gift value of \$50,335 and a deficiency of \$6,817 as of December 31, 2020.

## 6. Retirement Plan:

The Foundation participates in a 403(b) retirement plan for substantially all employees, subject to plan conditions. The Foundation contributes 10% of the employee's gross pay each year. Funded contributions and costs totaled approximately \$15,000 for the year ended December 31, 2020 and \$68,000 for the nine months ended December 31, 2019.

## 7. Financial Assets Available for Operating Purposes:

The Foundation obtains financial assets primarily through contributions and investment income. The financial assets are acquired throughout the year to help meet the Foundation's cash needs to provide support to the Institution and for general expenditures in accordance with the Foundation's spending policy.

## 8. Fair Value Measurements:

As described in Note 1, the Foundation's investments are stated at estimated fair value. The fair values of these assets are determined as follows at December 31:

	2020		2019	
	Quoted Prices in Active Markets	Net Asset Value	Quoted Prices in Active Markets	Net Asset Value
Cash	\$ 8,601,749	\$ -	\$ 1,440,549	\$ -
Equities	43,812,761	-	45,155,065	-
Fixed income	19,374,000	-	18,395,627	-
Hedge fund	-	19,602,858	-	21,664,595
Private equity/credit	-	13,265,707	-	10,596,969
Select equity	-	8,806,897	-	4,000,000
	<u>\$ 71,788,510</u>	<u>\$ 41,675,462</u>	<u>\$ 64,991,241</u>	<u>\$ 36,261,564</u>

## 9. Endowment Assets:

The Foundation's endowment assets are comprised of board-designated endowments and donor restricted endowments to be held in perpetuity. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide returns sufficient to address the purposes of the assets over the long term. According to the Foundation's spending policy for support to the Institution, as well as general and administrative expenses, total spending should range from 3% to 6.5% of the beginning of year market value of the Foundation's endowment investment assets. Distributions from the board-designated endowment funds are made at the discretion of the Foundation's Board.

The Foundation's Board has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to be maintained in perpetuity, (b) the original value of subsequent gifts to the endowment fund, and (c) accumulations to the endowment fund made in accordance with the direction of a donor gift instrument at the time the accumulation is added to the fund. In accordance with NYPMIFA, the Foundation considers the following factors to appropriate or accumulate donor restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Foundation and the fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and appreciation of investments
- Other Foundation resources
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation
- Investment policy of the Foundation

Investment activity is allocated among the endowment assets based upon their proportionate share of the investment portfolio. Investment activity related to the board-designated endowment is shown as an increase (decrease) in net assets without donor restrictions. Investment income related to the donor-restricted endowments is reported as an increase (decrease) to net assets with donor restrictions until appropriated in accordance with the Foundation's spending policy.

The Foundation's endowment investment assets activity for the year ended December 31, 2020 and the nine months ended December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions		
	Board-Designated	Unappropriated Earnings	Accumulated Principal	Total
<b>Year Ended December 31, 2020</b>				
Endowment assets – Beginning of year	\$ 3,706,438	\$ 17,055,631	\$ 78,554,552	\$ 99,316,621
Investment income	563,884	13,222,566	-	13,786,450
Contributions	855,236	-	3,338,326	4,193,562
Other adjustments	-	408,445	-	408,445
Appropriated	(190,076)	(4,867,597)	-	(5,057,673)
Endowment assets – end of year	<u>\$ 4,935,482</u>	<u>\$ 25,819,045</u>	<u>\$ 81,892,878</u>	<u>\$ 112,647,405</u>
<b>Nine Months Ended December 31, 2019</b>				
Endowment assets – Beginning of period	\$ 3,431,848	\$ 11,023,210	\$ 76,702,976	\$ 91,158,034
Investment income	308,524	7,804,230	-	8,112,754
Contributions	49,936	-	1,851,576	1,901,512
Other adjustments	-	145,367	-	145,367
Appropriated	(83,870)	(1,917,176)	-	(2,001,046)
Endowment assets – end of period	<u>\$ 3,706,438</u>	<u>\$ 17,055,631</u>	<u>\$ 78,554,552</u>	<u>\$ 99,316,621</u>

#### 10. Expenses by Nature and Function:

	Program		General and Administrative	Total
	Direct Support	Indirect Support		
<b>Year Ended December 31, 2020</b>				
Fund appropriations	\$ 4,547,429	\$ -	\$ -	\$ 4,547,429
Personnel costs	-	-	273,051	273,051
Institution supporting services	-	-	250,000	250,000
Travel and hospitality	-	-	2,245	2,245
Professional and consulting	-	-	63,551	63,551
Other	-	-	24,967	24,967
	<u>\$ 4,547,429</u>	<u>\$ -</u>	<u>\$ 613,814</u>	<u>\$ 5,161,243</u>
<b>Nine Months Ended December 31, 2019</b>				
Fund appropriations	\$ 4,313,882	\$ -	\$ -	\$ 4,313,882
Personnel costs	-	1,213,072	234,081	1,447,153
Travel and hospitality	-	144,427	21,414	165,841
Professional and consulting	-	134,884	37,862	172,746
Other	-	188,109	28,067	216,176
	<u>\$ 4,313,882</u>	<u>\$ 1,680,492</u>	<u>\$ 321,424</u>	<u>\$ 6,315,798</u>

The financial statements report certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, which are allocated based on estimates of time and effort.

## **11. Risks and Uncertainties related to COVID-19:**

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. Financial markets also experienced significant fluctuations in value.

The full extent of the impact of COVID-19 on the Foundation's financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on the financial markets and the Foundation's donors and the Institution, none of which can be predicted.