

CHAUTAUQUA FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Chautauqua Foundation, Inc.

Opinion

We have audited the statements of financial position of Chautauqua Foundation, Inc. (the Foundation) as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is fluid and cursive, with "Lyndon" and "& McCormick" stacked vertically, and "LLP" written to the right of "McCormick".

April 7, 2022

CHAUTAUQUA FOUNDATION, INC.

Statements of Financial Position

December 31,	2021	2020
Assets:		
Cash	\$ 1,250,851	\$ 1,199,430
Contributions receivable (Note 2)	941,680	2,270,341
Investments (Note 3)	133,861,941	113,463,972
Split-interest agreements	5,236,353	4,143,328
Other assets	425,519	578,800
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	\$ 141,716,344	\$ 121,655,871
Liabilities and Net Assets:		
Liabilities:		
Payable to the Institution (Note 4)	\$ 1,428,028	\$ 1,201,912
Accounts payable and accrued expenses	53,970	50,216
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	1,481,998	1,252,128
Net Assets (Note 5):		
Without donor restrictions	6,885,646	5,979,246
With donor restrictions	133,348,700	114,424,497
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	140,234,346	120,403,743
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	\$ 141,716,344	\$ 121,655,871

CHAUTAUQUA FOUNDATION, INC.

Statement of Activities

For the year ended December 31,

2021

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions:			
Endowment	\$ 246,231	\$ 3,846,693	\$ 4,092,924
Other	-	14,046	14,046
Change in value of split-interest agreements	-	431,661	431,661
Investment income	889,938	19,508,021	20,397,959
Total revenues	<u>1,136,169</u>	<u>23,800,421</u>	<u>24,936,590</u>
Expenses:			
Program:			
Endowment direct support	4,435,384	-	4,435,384
Support from other funds	30,818	-	30,818
General and administrative	639,785	-	639,785
Total expenses	<u>5,105,987</u>	<u>-</u>	<u>5,105,987</u>
Net assets released from restrictions	<u>4,876,218</u>	<u>(4,876,218)</u>	<u>-</u>
Change in net assets	906,400	18,924,203	19,830,603
Net assets - beginning	<u>5,979,246</u>	<u>114,424,497</u>	<u>120,403,743</u>
Net assets - ending	\$ 6,885,646	\$ 133,348,700	\$ 140,234,346

See accompanying notes.

CHAUTAUQUA FOUNDATION, INC.

Statement of Activities

For the year ended December 31,

2020

	Net Assets			Total
	Without Donor Restrictions	With Donor Restrictions		
Revenues:				
Contributions:				
Endowment	\$ 855,236	\$ 3,452,276	\$ 4,307,512	
Other	-	85,462	85,462	
Change in value of split-interest agreements	-	(306,298)	(306,298)	
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:				
Program:				
Endowment direct support	4,450,000	-	4,450,000	
Support from other funds	97,429	-	97,429	
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>	
Change in net assets				
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.

CHAUTAUQUA FOUNDATION, INC.

Statements of Cash Flows

For the years ended December 31,

2021

2020

Operating activities:

Change in net assets	\$ 19,830,603	\$ 12,766,232
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized and unrealized gains	(19,390,892)	(13,164,830)
Changes in other operating assets and liabilities:		
Contributions receivable	1,328,661	550,130
Receivable from split-interest agreements	(1,093,025)	51,298
Other assets	153,281	(183,800)
Payable to the Institution	226,116	(818,335)
Accounts payable and accrued expenses	3,754	(195,752)
Net operating activities	1,058,498	(995,057)

Investing activities:

Purchases of investments	(18,403,389)	(12,021,310)
Proceeds from sales of investments	17,396,312	12,974,973
Net investing activities	(1,007,077)	953,663
Net change in cash	51,421	(41,394)
Cash - beginning	1,199,430	1,240,824
Cash - ending	\$ 1,250,851	\$ 1,199,430

CHAUTAUQUA FOUNDATION, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose

Chautauqua Foundation, Inc. (the Foundation) was established in 1937. The Foundation exists to support Chautauqua Institution (the Institution) through the preservation, the appropriate use, and the growth of endowment funds. The Institution recognizes its beneficial interest in the net assets of the Foundation in its separate financial statements.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure through April 7, 2022, 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.

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 \$58,148,000 and \$41,155,000 at December 31, 2021 and 2020.

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).

Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying financial statements.

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. Pursuant to the agreements, assets are recorded at the present value of the estimated future benefits to be received based on 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 \$15,497,000 and \$11,221,000 at December 31, 2021 and 2020.

Support to the Institution

Distributions from the donor 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.

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:

	2021	2020
Gross unconditional promises to give	\$ 954,740	\$ 2,345,235
Less unamortized discount	<u>13,060</u>	<u>74,894</u>
	\$ 941,680	\$ 2,270,341

Contributions receivable at December 31, 2021 are expected to be received over the periods shown below:

Less than one year	\$ 822,491
One to five years	<u>132,249</u>
	\$ 954,740

3. Investments:

2021	Quoted Prices in Active Markets	Net Asset Value		Total
		Value	Total	
Cash	\$ 1,033,962	\$ -	\$ 1,033,962	
Equities	53,073,948	-	53,073,948	
Fixed income	20,582,237	-	20,582,237	
Hedge fund	-	21,206,070	21,206,070	
Private equity/credit	-	23,362,159	23,362,159	
Select equity	-	14,603,565	14,603,565	
	\$ 74,690,147	\$ 59,171,794	\$ 133,861,941	

2020	Quoted Prices in Active Markets	Net Asset Value		Total
		Value	Total	
Cash	\$ 8,601,749	\$ -	\$ 8,601,749	
Equities	43,812,761	-	43,812,761	
Fixed income	19,374,000	-	19,374,000	
Hedge fund	-	19,602,858	19,602,858	
Private equity/credit	-	13,265,707	13,265,707	
Select equity	-	8,806,897	8,806,897	
	\$ 71,788,510	\$ 41,675,462	\$ 113,463,972	

Investment activity reported in the statements of activities is as follows for the years ended December 31:

2021	Without Donor Restrictions		With Donor Restrictions	Total
	Dividends and interest, net	Net realized and unrealized gains	Dividends and interest, net	
	\$ 59,769	\$ 830,169	\$ 947,298	\$ 1,007,067
	\$ 889,938	\$ 19,508,021	\$ 19,508,021	\$ 20,397,959

2020	Dividends and interest, net	Net realized and unrealized gains	Dividends and interest, net	675,969
	\$ 45,371	\$ 571,582	\$ 630,598	\$ 13,223,846
	\$ 616,953	\$ 13,223,846	\$ 13,223,846	\$ 13,840,799

As of December 31, 2021, the Foundation has committed capital of approximately \$29,750,000 to private equity investments and the remaining obligation under these commitments totaled approximately \$12,379,000. These investments generally cannot be redeemed. Distributions from these investments are received as underlying investments are liquidated. At December 31, 2021, 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 at December 31:

	2021	2020
Redemption frequency:		
Daily	\$ 74,690,148	\$ 71,788,510
Quarterly	11,603,565	4,806,897
Semi-annually	21,206,070	19,602,858
Quarterly after initial lock-up period	3,000,000	4,000,000
Nonredeemable	23,362,158	13,265,707
	\$ 133,861,941	\$ 113,463,972

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:

	2021	2020
Endowment direct support	\$ 1,399,275	\$ 1,147,519
Other	28,753	54,393
	\$ 1,428,028	\$ 1,201,912

For the years ended December 31, 2021 and 2020, the Foundation agreed to reimburse the Institution in the amount of \$250,000 for certain administrative costs incurred on behalf of the Foundation.

In May 2016, the Foundation obtained a \$25,000,000 bank revolving credit note (the Note) with interest at the LIBOR flex rate plus 1% to facilitate financing the renovation of the Institution's amphitheater. The Note required the Foundation to maintain a minimum balance in marketable securities or cash of \$25,000,000. No amounts were outstanding at December 31, 2020 and the Note was closed in July 2021.

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:

	2021	2020
Board-designated endowments	\$ 5,860,050	\$ 4,935,482
Unrestricted gifts	1,025,596	1,043,764
	\$ 6,885,646	\$ 5,979,246

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

	2021	2020
Gains - specified endowments	\$ 31,653,200	\$ 19,989,741
Gains - unspecified endowments	9,318,108	5,829,304
Other restricted gifts	291,550	310,025
	\$ 41,262,858	\$ 26,129,070

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 at December 31:

	2021	2020
Specified endowments	\$ 67,589,882	\$ 65,150,562
Unspecified endowments	24,495,960	23,144,865
	\$ 92,085,842	\$ 88,295,427

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.

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 \$22,000 and \$15,000 for the years ended December 31, 2021 and 2020.

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. 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 is as follows for the years ended December 31:

	Without Donor Restrictions		With Donor Restrictions		Total
	Board-Designated	Unappropriated Earnings	Accumulated Principal		
<u>2021</u>					
Endowment assets – beginning of year	\$ 4,935,482	\$ 25,819,045	\$ 81,892,878		\$ 112,647,405
Investment income	902,188	19,510,033	-		20,412,221
Contributions	240,880	-	4,525,443		4,766,323
Other adjustments	5,350	487,939	(500,000)		(6,711)
Appropriated	(223,850)	(4,845,709)	-		(5,069,559)
Endowment assets – end of year	\$ 5,860,050	\$ 40,971,308	\$ 85,918,321		\$ 132,749,679
<u>2020</u>					
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	\$ 4,935,482	\$ 25,819,045	\$ 81,892,878		\$ 112,647,405

9. Expenses by Nature and Function:

<u>2021</u>	Program	General and Administrative		Total
Fund appropriations	\$ 4,466,202	\$ -	\$ 4,466,202	
Personnel costs	-	285,447	285,447	
Institution supporting services	-	250,000	250,000	
Travel and hospitality	-	7,267	7,267	
Professional and consulting	-	67,741	67,741	
Other	-	29,330	29,330	
	\$ 4,466,202	\$ 639,785	\$ 5,105,987	

<u>2020</u>				
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	
	\$ 4,547,429	\$ 613,814	\$ 5,161,243	

The financial statements report certain categories of expenses that are attributable to program and supporting functions, which are directly charged to the functions benefited.

10. 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.