

**Lensic Performing Arts Center  
Corporation**  
**FINANCIAL STATEMENTS**  
December 31, 2019 and 2018



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)

THIS PAGE IS INTENTIONALLY LEFT BLANK

**Lensic Performing Arts Center Corporation**  
**Table of Contents**  
**December 31, 2019 and 2018**

<b>BOARD OF DIRECTORS</b> .....	1
<b>REPORT</b>	
Independent Auditors' Report .....	2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	4
Statements of Activities .....	5
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8

THIS PAGE IS INTENTIONALLY LEFT BLANK

**Lensic Performing Arts Center Corporation  
Board of Directors  
December 31, 2019**

Nancy Zeckendorf	Chair, Founding Director
Joe Schepps	Vice Chair & Treasurer, Founding Director
Michael Engl	President
Karen Durkovich	Vice President
Alexis Girard	Secretary
Charmay Allred	Member
Anne Bingaman	Member
JoAnn Balzer	Member
Sarah Brown	Member
Larry Delgado	Member
Andrew Eiseman	Member
Lisa M. Enfield	Member
Maria Gale	Member
Bud Hamilton	Member
Susan Palmer	Member
Dr. Robert Martin	Member
Gerald Stiebel	Member

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Lensic Performing Arts Center Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of the Lensic Performing Arts Center Corporation ("Lensic") (a nonprofit organization), which comprise the statement of financial position as of December 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.

### Auditors' 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 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 Lensic Performing Arts Center Corporation as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Prior Period Financial Statements

The financial statements of the Lensic Performing Arts Center Corporation as of and for the year ended December 31, 2018, were audited by another auditor whose report dated August 2, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audit financial statements from which it has been derived.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs, & Ingram, LLC

Santa Fe, New Mexico

November 23, 2020

**Lensic Performing Arts Center Corporation**  
**Statements of Financial Position**

<i>December 31,</i>	<b>2019</b>	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 804,411	\$ 894,721
Promises to give, current	1,395,280	401,030
Accounts receivable	25,336	41,401
Inventory	9,356	10,063
Total current assets	<b>2,234,383</b>	1,347,215
Non-current assets		
Life endowment pledges receivable	749,629	713,459
Beneficial interest in agency endowment funds	291,783	264,446
Promises to give, net	2,383,411	2,096,527
Investments	3,185,646	2,152,749
Liquor license	151,640	151,640
Property and equipment, net	3,840,251	3,885,031
Total non-current assets	<b>10,602,360</b>	9,263,852
Total assets	<b>\$ 12,836,743</b>	\$ 10,611,067
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 15,692	\$ 12,282
Accrued expenses	71,056	78,584
Deferred revenue	2,150	2,150
Ticket proceeds payable	502,894	315,964
Total current liabilities	<b>591,792</b>	408,980
Net assets		
Without donor restrictions	5,208,623	5,424,540
With donor restrictions	7,036,328	4,777,547
Total net assets	<b>12,244,951</b>	10,202,087
Total liabilities and net assets	<b>\$ 12,836,743</b>	\$ 10,611,067

*The accompanying notes are an integral part of these financial statements.*

**Lensic Performing Arts Center Corporation**  
**Statements of Activities**

<i>For the years ended December 31,</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019 Total</b>	2018 Summarized Total
<b>Revenue and Other Support</b>				
Ticket sales and box office	\$ 1,384,467	\$ -	\$ 1,384,467	\$ 1,314,635
Theater rental	546,242	-	546,242	742,122
Annual event	113,148	-	113,148	117,409
Auxiliary	96,694	-	96,694	96,211
Contributions	1,221,991	2,066,099	3,288,090	3,028,618
Federal, state and local grants	360,326	-	360,326	255,023
In-kind donations	178,046	-	178,046	82,679
Art services contract	5,687	-	5,687	5,758
Investment income, net	118,564	255,758	374,322	(161,498)
Net assets released from restrictions	63,076	(63,076)	-	-
<b>Total revenue and other support</b>	<b>4,088,241</b>	<b>2,258,781</b>	<b>6,347,022</b>	<b>5,480,957</b>
<b>Expenses</b>				
<i>Program services</i>				
Production expenses	2,444,610	-	2,444,610	2,120,840
Facility expenses	748,441	-	748,441	794,057
<b>Total program services</b>	<b>3,193,051</b>	<b>-</b>	<b>3,193,051</b>	<b>2,914,897</b>
<i>Management and general</i>				
General and administrative	587,889	-	587,889	618,168
Fundraising expenses	523,218	-	523,218	579,310
<b>Total supporting services</b>	<b>1,111,107</b>	<b>-</b>	<b>1,111,107</b>	<b>1,197,478</b>
<b>Total expenses</b>	<b>4,304,158</b>	<b>-</b>	<b>4,304,158</b>	<b>4,112,375</b>
<b>Change in Net Assets</b>	<b>(215,917)</b>	<b>2,258,781</b>	<b>2,042,864</b>	<b>1,368,582</b>
Net assets at beginning of year	5,424,540	4,777,547	10,202,087	8,833,505
Net assets at end of year	\$ 5,208,623	\$ 7,036,328	\$12,244,951	\$ 10,202,087

*The accompanying notes are an integral part of these financial statements.*

**Lensic Performing Arts Center Corporation**  
**Statements of Functional Expenses**

<i>For the years ended December 31,</i>	Operating Services		Supporting Services			2018 Summarized Total
	Production	Facility	General and administrative	Fundraising	2019 Total	
Bar expenses	\$ 34,544	\$ -	\$ -	\$ -	\$ 34,544	\$ 31,835
Community box office	-	-	-	-	-	618
Credit card fees	96,260	-	-	-	96,260	93,531
Depreciation	-	394,341	-	-	394,341	378,855
Development and marketing	236,940	-	-	122,741	359,681	411,448
Facilities expenses	1,738	-	-	-	1,738	1,727
In-kind	89,023	-	44,512	44,512	178,047	82,679
Janitorial	-	87,612	-	-	87,612	89,929
Office expenses	30,815	-	13,096	11,499	55,410	51,737
Other expenses	8,580	-	19,349	4,647	32,576	40,904
Payroll taxes and benefits	82,043	-	53,165	29,942	165,150	142,034
Production expenses	136,547	-	-	-	136,547	54,494
Production fees	579,872	-	-	-	579,872	455,787
Professional fees	-	-	24,925	18,171	43,096	53,853
Rent	-	3,600	-	-	3,600	52,424
Repairs and maintenance	-	79,820	-	-	79,820	73,306
Salaries and wages	1,146,768	-	382,775	291,643	1,821,186	1,810,874
Tessitura fees	-	-	49,739	-	49,739	49,310
Theatre operations	-	88,184	-	-	88,184	117,680
Travel expense	1,480	-	328	63	1,871	10,801
Utilities	-	94,884	-	-	94,884	108,549
<b>Total</b>	<b>\$ 2,444,610</b>	<b>\$ 748,441</b>	<b>\$ 587,889</b>	<b>\$ 523,218</b>	<b>\$ 4,304,158</b>	<b>\$ 4,112,375</b>

*The accompanying notes are an integral part of these financial statements.*

**Lensic Performing Arts Center Corporation**  
**Statements of Cash Flows**

<i>For the years ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,042,864	\$ 1,368,582
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debts	-	2,972
Depreciation	394,341	378,855
Contribution-donated stock	(137,755)	(98,340)
Unrealized and realized loss on investments	(332,578)	194,384
Unrealized gain on beneficial interest in agency endowment funds	(41,744)	18,661
Amortization of discount on endowment pledges	(36,170)	(34,425)
Changes in operating assets and liabilities		
Promises to give	(1,281,134)	(1,698,658)
Accounts receivable	16,065	(1,762)
Inventory	707	(2,465)
Ticket proceeds payable	186,930	33,738
Accounts payable and accrued expenses	3,410	1,718
Accrued expenses	(7,528)	4,127
<b>Net cash provided by operating activities</b>	<b>807,408</b>	<b>167,387</b>
<b>Investing Activities</b>		
Payments for property and equipment	(349,561)	(40,627)
Proceeds from beneficial interest in agency endowment funds	14,407	14,371
Proceeds from the sale of donated stock	138,416	98,197
Purchase of investments	(2,298,753)	(2,010,917)
Sales of investments	1,597,773	494,313
<b>Net cash (used in) investing activities</b>	<b>(897,718)</b>	<b>(1,444,663)</b>
<b>Financing Activities</b>		
Net borrowings on line of credit	-	(100,000)
<b>Net cash (used in) financing activities</b>	<b>-</b>	<b>(100,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>(90,310)</b>	<b>(1,377,276)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>894,721</b>	<b>2,271,997</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 804,411</b>	<b>\$ 894,721</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 930	\$ 3,844
In-kind contributions	\$ 178,047	\$ 82,679

*The accompanying notes are an integral part of these financial statements.*

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### **Note 1: DESCRIPTION OF THE ORGANIZATION**

The Lensic Performing Arts Center Corporation (Lensic) is a not-for-profit New Mexico corporation organized to operate a multiple use facility designated for music, theater, dance and other artistic needs of the community of Santa Fe. The Lensic began operations in 2001 after completing the construction and restoration of the Lensic Theater on San Francisco Street in downtown Santa Fe, New Mexico. A significant portion of the Lensic's revenues is derived from theater usage fees, box office fees, ticket sales and contributions.

In 2003, the Lensic formed the Lensic Performing Arts Center Endowment, LLC. The LLC is a single member LLC owned 100% by the Lensic and was established to accept endowment gifts. The LLC is included in the Lensic's financial statements as the donor restricted endowment fund.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to depreciation of assets over their estimated useful lives, allocation of expenses by function, estimated value of donated goods and services, and the fair value of investments.

#### ***Comparative Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Lensic's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

#### ***Accounts Receivable***

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Lensic provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations. There was no allowance as of December 31, 2019 and 2018.

#### ***Promises to Give***

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at discounted net present value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are recorded at their discounted net present value using a discount rate of approximately 2.75%.

#### ***Inventory***

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

#### ***Investments***

Lensic reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

#### ***Liquor License***

Liquor license held by the Lensic is recorded at its historical cost and has an indefinite life. The asset is reassessed each year for impairment.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Property and Equipment***

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Building and improvements	15-20 Years
Furniture and equipment	5-15 Years
Website	5 Years

#### ***Impairment of Long-Lived Assets***

Lensic reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. As of December 31, 2019 and 2018, there were no impairments.

#### ***Net Assets***

Lensic reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of Lensic, the environment in which it operates, the purposes specified in its corporate documents, its application for tax-exempt status and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for a Board Designated Endowment Fund. The Board designated fund equaled \$811,343 and \$692,779 for the years ended December 31, 2019 and 2018, respectively.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Contributions***

Contributions are recognized when cash, 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 or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

#### ***Revenue Recognition***

Ticket sales and box office, theater rental, auxiliary and other income consisting of annual events and art services contracts are recorded as operating revenues on a specific performance basis or when the event occurs. Advance ticket sales, representing the receipt of ticket sale payments for future performances, are initially deferred in the statements of financial position as tickets proceeds payable, and are subsequently recognized as revenue when the related performance occurs.

Federal, state, and local grants are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Grant revenue is earned and recognized when expenses have been incurred, except as otherwise provide in the terms and conditions of the grant agreement and contract. Unreimbursed costs under these grants and contracts are recorded as accounts receivable. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

#### ***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. Total in-kind asset contributions consisting primarily of fundraising goods for gala were \$25,981 and \$21,711 for the years ended December 31, 2019 and 2018, respectively.

#### ***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Lensic. Total in-kind service contributions consisting primarily of rent and marketing services were \$152,065 and \$60,968 for the years ended December 31, 2019 and 2018, respectively. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Functional Allocation of Expenses***

Directly identifiable expenses are charged to program and supporting services. The costs of providing the fundraising activities, various programs and supporting services have been allocated to functions based on payroll hours, square footage utilized and/or actual expenses incurred in the accompanying Statement of Functional Expenses.

#### ***Advertising***

The Lensic uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred and included as part of development and marketing expenses on the Statements of Functional Expenses. During the years ended December 2019 and 2018, advertising costs totaled \$110,752 and \$108,262, respectively.

#### ***Compensated Absences***

Lensic's employees can accrue between 10 and 25 days of vacation based on their tenure with Lensic and their level of responsibility. Additionally, employees can accrue up to 10 days of sick leave per year. Employees are allowed to carryover up to 40 hours of accrued vacation into the next calendar year. Lensic has recorded \$22,054 and \$33,109 for compensated vacation absences at December 31, 2019 and 2018, respectively. Compensated absences are included in the Statements of Financial Position as accrued expenses.

#### ***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, Lensic is exempt from taxes on income other than unrelated business income. Unrelated business income results from bar revenue generated during performances.

Lensic utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely- than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The bar sales income is considered unrelated business income and is reported on Lensic's Form 990 and tax due was approximately \$3,000 for the years ended December 31, 2019 and 2018. As of December 31, 2019 and 2018, Lensic has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. Lensic believes it is no longer subject to income tax examinations for years prior to 2016.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 23, 2020. See Note 16 for relevant disclosures.

#### ***Reclassifications***

Certain reclassifications were made to prior year balances to conform to current year presentation.

#### ***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. The effective date will be for fiscal years beginning after Dec. 15, 2019. The Lensic is currently assessing the impact of the guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is now effective for fiscal years beginning after December 15, 2021, as a delay in adoption was recently approved. Early adoption is permitted. The Lensic is currently evaluating the impact of the guidance on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Organization serves as a resource recipient. Effective April 1, 2019, the Organization adopted the contributions standard, using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment recognized upon adoption and there was no impact to the financial statements. Therefore, the December 31, 2018 financial statements have not been restated and continue to be reported under the accounting standards in effect for that year.

**Lensic Performing Arts Center Corporation**  
**Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recent Accounting Pronouncements (Continued)***

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The guidance modifies the disclosure requirements on fair value by removing some requirements, modifying others, adding changes in unrealized gains and losses included in other comprehensive income (loss) (“OCI”) for recurring Level 3 fair value measurements, and providing the option to disclose certain other quantitative information with respect to significant unobservable inputs in lieu of a weighted average. The Lensic is currently evaluating the impact of the guidance on its financial statements.

**Note 3: FINANCIAL ASSET AVAILABILITY**

Lensic maintains its financial assets in cash and cash equivalents, receivables, and investments to provide liquidity to ensure funds are available as Lensic’s expenditures come due. The following reflects Lensic’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	<b>2019</b>	2018
Financial assets, at year-end	<b>8,835,496</b>	<b>6,564,333</b>
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<b>(7,036,328)</b>	(4,777,547)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 1,799,168</b>	<b>\$ 1,786,786</b>

Financial assets at year-end as noted in the above schedule exclude inventory, liquor license, and property and equipment.

**Note 4: PROMISES TO GIVE**

*Campaign 18-21 Pledges*

For the years ended December 31, 2019 and 2018, long-term pledges are recorded net of applicable discount (using a risk-free interest rate at the time of donation ranging from 2.5% to 3.1%) to state the receivable at present value in the accompanying Statement of Financial Position as follows:

**Lensic Performing Arts Center Corporation**  
**Notes to Financial Statements**

**Note 4: PROMISES TO GIVE (Continued)**

*Campaign 18-21 Pledges (Continued)*

<i>Payment Year</i>	<i>Amount</i>	<i>Less Present Value Discount</i>	<i>Present Value</i>
2020	\$ 1,387,557	\$ -	\$ 1,387,557
2021	820,500	(21,195)	799,305
2022	535,500	(14,739)	520,761
2023	510,500	(14,082)	496,418
2024	335,000	(8,807)	326,193
2025	50,000	(1,315)	48,685
Thereafter	197,418	(5,369)	192,049
	3,836,475	(65,507)	3,770,968
Less: current portion	(1,387,557)	-	(1,387,557)
<b>Total long-term campaign 18-21 pledges</b>	<b>\$ 2,448,918</b>	<b>\$ (65,507)</b>	<b>\$ 2,383,411</b>

As of December 31, 2018, the current portion of the Campaign 18-21 pledges were \$400,000 and the non-current portion was \$2,096,527.

Also included in promises to give, current, net in the Statements of Financial Position are annual pledges of \$7,723 and \$1,030 at December 31, 2019 and 2018, respectively..

*Life Endowment Pledges Receivable*

As of December 31, 2019 and 2018, Lensic has received four long-term pledges for the endowment where any unpaid pledges outstanding at the date of death will be paid out of the donor's estate. Lensic was named the beneficiary and owner of a whole life insurance policy. The other pledges were gift agreements from related parties to be funded upon the deaths of the donors. The gifts have been discounted using a risk free interest rate, as provided by the Internal Revenue Service, over the expected lives of the donors. The present value of the gifts, less an allowance for uncollectible gifts, has been recorded on the Statements of Financial Position.

	<b>2019</b>	<b>2018</b>
Pledge amount	<b>\$ 1,220,000</b>	\$ 1,220,000
Less: present value discount at 4.65%	<b>(282,962)</b>	(328,177)
Less: allowance	<b>(187,409)</b>	(178,364)
<b>Present Value</b>	<b>\$ 749,629</b>	\$ 713,459

The present value discount will be amortized into pledge revenue over the estimated life of the donor. Management feels the endowment pledges are fully collectible based on the past payment histories of these donors.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### Note 5: BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND

The Lensic transferred \$500,000 of the Lensic's endowment to an agency endowment fund at the Santa Fe Community Foundation (Foundation) during 2005. In 2010, with approval from the original donors, the Lensic withdrew \$274,335 from the endowment. The Lensic retains a beneficial interest in the endowment fund held by the Foundation. The Foundation has the sole and final authority and discretion as to the sale, resale, investment and reinvestment of the endowment fund. The Foundation "can modify any restriction on the distribution of funds, if, in their sole judgment, any restriction becomes obsolete, incapable of fulfillment, or inconsistent with the charitable intent expressed by Lensic, or with the exempt purposes of the Foundation." Lensic has the ability to seek court review if they believe the Foundation has improperly exercised this power.

FASB ASC 605-45, *Revenue Recognition -Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, establishes standards for transactions in which a donor transfers assets to a not-for-profit organization or charitable trust that accepts the contribution with the stipulation that the recipient organization use those assets, the return on investment of those assets, or both, on behalf of the beneficiary that is specified by the donor.

FASB ASC 605-45 specifically requires that a not-for-profit organization that establishes a fund at a community foundation with its own funds, specifies itself as the beneficiary of that fund, and grants the community foundation unilateral variance power, must account for the transfer of such assets as an asset on its financial statements. Accordingly, Lensic has recognized the transfer to the Foundation as an asset, included with investments in the Statements of Financial Position. Lensic records its interest in the fund at fair market value, which is a Level 3 measurement. The Foundation's financial statements are audited on an annual basis. The Lensic receives distributions at 5% of the market value of Lensic's fund balance based on a rolling average. The following is a reconciliation of the beginning and ending balances of the recurring Level 3 value measurements recognized in the Statement of Financial Position:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Beginning balance	264,446	297,478
Distributions	(14,407)	(14,371)
Gain on investments, net	41,744	(18,661)
Ending balance	\$ 291,783	\$ 264,446

**Lensic Performing Arts Center Corporation**  
**Notes to Financial Statements**

**Note 6: INVESTMENTS**

Investments in marketable securities consist of the following:

<i>December 31, 2019</i>	<b>Cost</b>	<b>Market Value</b>
Mutual funds	\$ 1,642,719	\$ 1,701,735
Money market funds	421,560	494,649
Exchange-Traded & Closed-End Funds	951,493	989,262
<b>Total investments in marketable securities</b>	<b>\$ 3,015,772</b>	<b>\$ 3,185,646</b>

<i>December 31, 2018</i>	<b>Cost</b>	<b>Market Value</b>
Mutual funds	\$ 1,206,709	\$ 1,065,985
Money market funds	440,066	440,066
Exchange-Traded & Closed-End Funds	682,243	646,698
<b>Total investments in marketable securities</b>	<b>\$ 2,329,018</b>	<b>\$ 2,152,749</b>

The following summarized the total net investment income for the years ended December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Interest and dividend income	\$ 76,162	\$ 30,863
Realized gains	1,566	5,494
Unrealized gains (losses)	312,603	(193,662)
Investment fees	(16,009)	(4,193)
<b>Total investment income, net</b>	<b>\$ 374,322</b>	<b>\$ (161,498)</b>

**Note 7: PROPERTY AND EQUIPMENT**

Property and equipment - net consist of the following:

<i>December 31</i>	<b>2019</b>	<b>2018</b>
Condominium units and improvements	\$ 6,559,015	\$ 6,456,264
Furniture and equipment	1,829,055	1,582,245
Website	19,765	19,765
<b>Total property and equipment</b>	<b>8,407,835</b>	<b>8,058,274</b>
<b>Less accumulated depreciation</b>	<b>(4,567,584)</b>	<b>(4,173,243)</b>
<b>Property and equipment, net</b>	<b>\$ 3,840,251</b>	<b>\$ 3,885,031</b>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$394,341 and \$378,855, respectively.

**Lensic Performing Arts Center Corporation**  
**Notes to Financial Statements**

**Note 8: LINE OF CREDIT**

Lensic maintains a line of credit agreement with a financial institution for \$250,000. The interest rate is adjusted quarterly based on and equal to the U.S. Prime Rate plus ½% but no less than 4 ½%. The entire outstanding balance was paid off in 2019. The line of credit is collateralized by the liquor license. The balance on the line of credit at December 31, 2019 and 2018 was \$0.

**Note 9: NET ASSETS**

A summary of net assets without donor restrictions follows:

<i>December 31</i>	<b>2019</b>	2018
Undesignated	<b>\$ 4,397,280</b>	\$ 4,731,761
Board designated Endowments	<b>811,343</b>	692,779
<b>Total net assets without donor restrictions</b>	<b>\$ 5,208,623</b>	\$ 5,424,540

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	<b>2019</b>	2018
Time restricted		
Campaign 18-21	<b>\$ 3,770,968</b>	\$ 2,496,527
Endowment pledges	<b>749,629</b>	713,459
Purpose restricted		
Endowment	<b>2,035,053</b>	1,115,615
Beneficial interest in agency endowment funds	<b>291,783</b>	264,446
Campaign 18-21 for endowment	<b>188,895</b>	175,000
Events in 2019	-	12,500
<b>Total net assets with donor restrictions</b>	<b>\$ 7,036,328</b>	\$ 4,777,547

**Note 10: ENDOWMENTS**

Lensic's endowment consists of four individual funds, the General Endowment Fund, the Building Endowment Fund, the Program Endowment Fund, and the Board Designated Endowment Fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Lensic classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund.

**Lensic Performing Arts Center Corporation**  
**Notes to Financial Statements**

**Note 10: ENDOWMENTS (Continued)**

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is maintained as net assets with donor restrictions until those amounts are appropriated for expenditure by Lensic in a manner consistent with the standard of procedure prescribed by the Board, Investment Committee, and external service providers. Net assets associated with endowment funds designated by the Board are classified as net assets without donor restrictions due to the absence of donor-imposed restrictions.

***Endowment Investments and Spending Policies***

Lensic has adopted investment and spending policies, approved by the Board of Directors for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent, inflation-protected, rate of return that has sufficient liquidity to make an annual target distribution of 4%, with a maximum of 5%, based on a rolling 5-year average, depending on market conditions, while growing the funds if possible. Actual returns in any given year may vary from this amount. Distributions from Board Designated Endowment Fund require a recommendation from Lensic's finance committee and a two-thirds vote of approval from the Board. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by type of fund follows:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Endowment funds with donor restrictions	\$ 2,035,053	\$ 1,115,615
Board-designated endowment funds without donor restrictions	<b>811,343</b>	692,779
<b>Total endowment funds</b>	<b>\$ 2,846,396</b>	<b>\$ 1,808,394</b>

**Lensic Performing Arts Center Corporation**  
**Notes to Financial Statements**

**Note 10: ENDOWMENTS (Continued)**

Changes in endowment Net Assets:

<i>December 31,</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019 Total Endowment Net Assets</b>	<b>2018 Summarized Total Endowment Net Assets</b>
Endowment net assets - January 1,	\$ 692,779	\$ 1,115,615	\$ 1,808,394	\$ 756,637
Contributions	-	712,210	712,210	1,250,000
Investment income	118,564	214,014	332,578	(198,243)
Amounts appropriated for expenditure	-	(6,786)	(6,786)	-
<b>Endowment net assets - December 31,</b>	<b>\$ 811,343</b>	<b>\$ 2,035,053</b>	<b>\$ 2,846,396</b>	<b>\$ 1,808,394</b>

From time to time the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the entity to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2019. As of December 31, 2018, a deficiency of this nature exists in the general endowment funds, which has an original gift value of \$1,153,533, a current fair value of \$1,115,615, and a deficiency of \$37,918. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions from the donor-restricted endowment fund.

**Note 11: FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### Note 11: FAIR VALUE MEASUREMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

*Money market funds:* Valued at the closing price reported by the fund sponsor from an actively traded exchange.

*Exchange-Traded and Closed-End Funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by Lensic are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by Lensic are deemed to be actively traded.

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 Lensic believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis are summarized for the years ended December 31, 2019 and 2018:

<b>December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 1,701,735	\$ -	\$ -	\$ 1,701,735
Money market funds	494,649	-	-	494,649
Exchange-traded and closed-end funds	989,262	-	-	989,262
<b>Total investments at fair value</b>	<b>\$ 3,185,646</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,185,646</b>

**Lensic Performing Arts Center Corporation**  
**Notes to Financial Statements**

**Note 11: FAIR VALUE MEASUREMENTS (Continued)**

<i>December 31, 2018</i>	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,065,985	\$ -	\$ -	\$ 1,065,985
Money market funds	440,066	-	-	440,066
Exchange-traded and closed-end funds	646,698	-	-	646,698
Total investments at fair value	\$ 2,152,749	\$ -	\$ -	\$ 2,152,749

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

**Note 12: CONCENTRATIONS OF CREDIT RISK**

Lensic maintains cash with two financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Lensic initiated a pledge agreement during 2016 with a financial institution for additional insurance coverage of \$1,600,000 for a total of \$1,850,000 of coverage. At December 31, 2019, Lensic had deposits at one financial institution, which exceeded the FDIC limits by approximately \$500,000. Lensic has not experienced any losses from exceeding the limits and does not believe it is exposed to any significant credit risk on its cash balances. At December 31, 2018, no cash accounts were in excess of the FDIC limit.

**Note 13: COMMITMENTS**

Lensic leases certain office equipment and space accounted for as operating leases. The leases expire in various years through 2024.

Minimum lease payments under noncancellable operating leases are as follows:

<i>For the years ending December 31,</i>	<b>Amount</b>
2020	\$ 32,048
2021	31,542
2022	29,013
2023	29,013
2024	5,516
Total future minimum lease payments	\$ 127,132

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### **Note 13: COMMITMENTS (Continued)**

Greer Enterprises, a related party organization, agreed to an abatement of rental fees up to \$21,000 for the year ended December 31, 2019. This encompasses the majority of the office leases. Rent expense for the years ended December 31, 2019 and 2018 was \$3,600 and \$54,424, respectively.

### **Note 14: DEFINED CONTRIBUTION PLAN**

Lensic sponsors a 401(k) plan (the Plan) for all employees who have completed 30 days of qualifying service. Lensic may make matching discretionary contributions to the Plan. Contributions to the Plan are fully vested and non-forfeitable. Matching contributions for Plan participants were \$40,820 and \$38,362 for the years ended December 31, 2019 and 2018, respectively and are included with payroll taxes and benefits on the statements of functional expenses.

### **Note 15: RELATED PARTIES**

Members of the Board of Directors and employees provide financial assistance to Lensic through general and donor restricted support. Included in contribution revenue for 2019 and 2018 was \$1,320,969 and \$1,382,839, respectively from these related parties.

### **Note 16: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 23, 2020 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended December 31, 2019.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of Lensic.

The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effect on the financial markets, and (v) the effects on the economy overall, all of which are uncertain. While we expect this matter to possibly have a negative impact on the business and its operations, the related financial impacts cannot be reasonably estimated at this time.

The federal relief package known as the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) was signed into law on March 27, 2020. One of the specific offerings in the stimulus package is the Paycheck Protection Program (PPP) which was designed to protect payroll. Under this provision, the SBA is backing loans through local lenders to help provide immediate assistance for small businesses hurt by the Coronavirus. In April 2020, Lensic applied for and received a Paycheck Protection Program loan from its bank in the amount of \$349,520 with an interest rate of 1%. One principal payment plus interest will be due on April 1, 2022.

## Lensic Performing Arts Center Corporation Notes to Financial Statements

### **Note 16: SUBSEQUENT EVENTS (Continued)**

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 60% of the forgiven amount must have been used for payroll). No collateral or personal guarantees are required. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels and will be reduced if full-time headcount declines, or if salaries and wages decrease.

In September 2020, the Lensic established emergency lines of credit with two local financial institutions allowing for access to approximately \$930,000 in credit funding being available as necessary.