

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2016**

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Peninsula Music Festival, Inc.
Thor Johnson Endowment Trust
Ephraim, Wisconsin

We have audited the accompanying consolidated financial statements of Peninsula Music Festival, Inc. and Thor Johnson Endowment Trust (nonprofit organizations), which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peninsula Music Festival, Inc. and Thor Johnson Endowment Trust as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the Peninsula Music Festival, Inc. and Thor Johnson Endowment Trust's 2015 consolidated financial statements, and our report dated February 26, 2016, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized financial information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Certified Public Accountants

Green Bay, Wisconsin
January 25, 2017

CONSOLIDATED FINANCIAL STATEMENTS

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2016
(With Summarized Financial Information as of September 30, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 41,557	\$ 65,121
Promises to give, net	3,100	18,550
Accounts receivable	-	5
Prepaid expenses	6,236	10,504
Interest receivable	10,778	11,202
Investments	4,353,055	4,198,702
Music library and painting	25,010	25,010
Equipment, net	<u>63,333</u>	<u>73,102</u>
Total assets	<u>\$ 4,503,069</u>	<u>\$ 4,402,196</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 17,960	\$ 24,354
Deferred revenue	<u>50</u>	<u>-</u>
Total liabilities	<u>18,010</u>	<u>24,354</u>
<u>Net assets</u>		
Unrestricted	(109,957)	(12,696)
Temporarily restricted	1,312,344	1,244,901
Permanently restricted	<u>3,282,672</u>	<u>3,145,637</u>
Total net assets	<u>4,485,059</u>	<u>4,377,842</u>
Total liabilities and net assets	<u>\$ 4,503,069</u>	<u>\$ 4,402,196</u>

See Notes to Consolidated Financial Statements.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2016
(With Summarized Financial Information for the Year Ended September 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue, gains and other support</u>					
Contributions	\$ 211,870	\$ 115,667	\$ 125,605	\$ 453,142	\$ 340,891
Investment income	280	58,331	3,070	61,681	70,950
Net gain (loss) on investments	-	158,849	8,360	167,209	(109,257)
Festival revenues	181,062	-	-	181,062	191,471
Other concerts and events	5,465	-	-	5,465	5,347
Miscellaneous income	508	-	-	508	528
Total revenue, gains and other support	399,185	332,847	137,035	869,067	499,930
Net assets released from restrictions	265,404	(265,404)	-	-	-
	664,589	67,443	137,035	869,067	499,930
<u>Expenses</u>					
Program services	645,893	-	-	645,893	618,926
Supporting services:					
Management and general	59,921	-	-	59,921	77,055
Fund raising	56,036	-	-	56,036	48,156
Total expenses	761,850	-	-	761,850	744,137
Change in net assets	(97,261)	67,443	137,035	107,217	(244,207)
Net assets at beginning of year	(12,696)	1,244,901	3,145,637	4,377,842	4,622,049
Net assets at end of year	\$ (109,957)	\$ 1,312,344	\$ 3,282,672	\$ 4,485,059	\$ 4,377,842

See Notes to Consolidated Financial Statements.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2016
(With Summarized Financial Information for the Year Ended September 30, 2015)

	2016			2015	
	Program	Management and General	Fund Raising	Total	Total
Festival	\$ 519,026	\$ -	\$ -	\$ 519,026	\$ 510,550
Scholarships and awards	3,600	-	-	3,600	500
Other concerts and programs	11,709	-	-	11,709	7,924
Salaries	58,729	16,729	39,035	114,493	111,977
Payroll taxes	5,061	1,442	3,364	9,867	9,282
Benefits	7,180	2,045	4,772	13,997	13,459
Professional fees	-	28,495	-	28,495	32,771
Advertising	997	-	-	997	-
Travel	981	280	652	1,913	2,101
Occupancy	15,183	6,733	1,271	23,187	20,845
Telephone	1,222	349	175	1,746	1,991
Equipment rent and maintenance	4,029	191	1,809	6,029	6,356
Supplies	531	1,857	265	2,653	3,558
Printing	1,640	328	1,312	3,280	4,456
Dues, licenses and publications	2,941	840	420	4,201	3,645
Depreciation	6,838	632	2,299	9,769	9,892
Miscellaneous	6,226	-	662	6,888	4,830
	<u>\$ 645,893</u>	<u>\$ 59,921</u>	<u>\$ 56,036</u>	<u>\$ 761,850</u>	<u>\$ 744,137</u>

See Notes to Consolidated Financial Statements.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2016
(With Summarized Financial Information for the Year Ended September 30, 2015)**

	2016	2015
<u>Operating activities</u>		
Cash received from festival	\$ 181,117	\$ 191,471
Cash received from contributions	321,287	290,571
Net investment income received	62,105	71,660
Miscellaneous receipts	5,973	5,875
Cash paid to employees	(138,491)	(134,605)
Cash paid to festival musicians and suppliers	(519,026)	(510,550)
Cash paid for other operating expenses	(90,440)	(73,350)
Net cash used in operating activities	(177,475)	(158,928)
<u>Investing activities</u>		
Purchase of equipment	-	(2,244)
Proceeds from sale of investments	2,937,038	3,527,876
Purchase of investments	(2,924,182)	(3,452,762)
Net cash provided by investing activities	12,856	72,870
<u>Financing activities</u>		
Proceeds from contributions permanently restricted for investment in endowment	141,055	65,397
Decrease in cash	(23,564)	(20,661)
<u>Cash</u>		
Beginning	65,121	85,782
Ending	\$ 41,557	\$ 65,121
<u>Reconciliation of change in net assets to net cash used in operating activities</u>		
Change in net assets	\$ 107,217	\$ (244,207)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,769	9,892
Contributions permanently restricted for endowment	(125,605)	(40,647)
Net (gain) loss on investments	(167,209)	109,257
Changes in operating assets and liabilities:		
Accounts receivable	5	(5)
Prepaid expenses	4,268	301
Inventory	-	2,010
Interest receivable	424	710
Accounts payable and accrued expenses	(6,394)	3,761
Deferred revenue	50	-
Net cash used in operating activities	\$ (177,475)	\$ (158,928)

See Notes to Consolidated Financial Statements.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

The Peninsula Music Festival, Inc. is a not-for-profit corporation organized under the laws of the State of Wisconsin for the purpose of developing, financing, promoting and sustaining interest in classical music in Door County, primarily through managing and operating the Peninsula Music Festival.

The Thor Johnson Endowment Trust operates exclusively for charitable, scientific or educational purposes. Its charitable purpose is to provide funds to Peninsula Music Festival, Inc. The Board of Directors of Peninsula Music Festival, Inc. elects the trustees of Thor Johnson Endowment Trust.

Peninsula Music Festival, Inc. is supported primarily through festival revenue and donor contributions.

B. Consolidated financial statements

The accompanying financial statements reflect consolidated information of Peninsula Music Festival, Inc. and Thor Johnson Endowment Trust, (the "Organizations"). Thor Johnson Endowment Trust is consolidated since Peninsula Music Festival, Inc. has both economic interest in the trust and control of the trust through a majority voting interest in its governing board. All significant intercompany accounts have been eliminated in consolidation.

C. Basis of accounting

The consolidated financial statements of the Organizations have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

D. Basis of presentation

The Organizations are required to report information regarding their net assets and their activities in the following three classes of net assets:

Unrestricted net assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions whose use by the Organizations is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organizations pursuant to those stipulations.

Permanently restricted net assets - net assets resulting from contributions whose use by the Organizations is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organizations.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 1 - Nature of activities and significant accounting policies, continued

E. Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and cash equivalents

For purposes of the statements of cash flows, the Organizations consider all highly liquid investments with an initial maturity of three months or less to be cash equivalents except for money market funds classified as investments.

G. Promises to give

Unconditional promises to give are recognized as revenues in the period promised and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

H. Investments

Investments are carried at fair value. Quoted market prices in active markets are used as the basis for measurement. The cost of investments sold is based on the specific identification method.

The investments are assets of Thor Johnson Endowment Trust. Endowment contributions are classified as permanently restricted since, per donor stipulation, the corpus must be retained and only the income can be used.

Income, which includes interest, dividends and unrealized and realized gains, is classified as temporarily restricted until appropriated for expenditure by the Board of Directors.

I. Music library and painting

The Music library and painting are deemed inexhaustible assets (collection items). These items are recorded at cost if purchased or at fair value at the date of accession if donated.

J. Equipment

All acquisitions and improvements of property and equipment in excess of \$5,000 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 1 - Nature of activities and significant accounting policies, continued

K. Revenue recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 Organizations.

L. Advertising

The Organizations use advertising to promote their programs among the audiences they serve. The production costs of advertising are expensed as incurred. Advertising expense for the year ended September 30, 2016 was \$49,091.

M. Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and in the schedule of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

N. Income tax status

Peninsula Music Festival, Inc. and Thor Johnson Endowment Trust are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organizations' tax-exempt purpose is subject to taxation on unrelated business income. In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(2). The Organizations are also exempt from Wisconsin income taxes.

O. Summarized financial information

The consolidated financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended September 30, 2015 from which the summarized information was derived.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 1 - Nature of activities and significant accounting policies, continued

P. Subsequent event

The Organizations have evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through January 25, 2017, the date on which the consolidated financial statements were available to be issued.

Note 2 - Promises to give

Promises to give totaling \$3,100 as of September 30, 2016 are receivable within one year. A reserve for uncollectible amounts was deemed not necessary by management.

Note 3 - Equipment

Equipment consists of the following as of September 30, 2016:

Piano	\$	58,547
Office equipment		<u>61,590</u>
		120,137
Less accumulated depreciation		<u>56,804</u>
	\$	<u><u>63,333</u></u>

Note 4 - Investments

Investments as of September 30, 2016 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 190,033	\$ 190,033
Corporate stocks	1,340,997	1,595,591
Corporate bonds	1,351,975	1,385,827
Exchange traded funds	1,146,704	1,141,057
Real estate investment trust	<u>34,484</u>	<u>40,547</u>
	<u>\$ 4,064,193</u>	<u>\$ 4,353,055</u>

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 5 - Net assets

Temporarily restricted net assets consist of the following as of September 30, 2016.

Education outreach	\$ 54,391
Associate concertmaster	23,278
Concert sponsorship	216,714
Principal spooner chair	21,867
General endowment	<u>996,094</u>
	<u>\$ 1,312,344</u>

Permanently restricted net assets represent contributions restricted by donor as endowment principal. The endowments' income is restricted for the following purposes:

Scholarships	\$ 53,273
Education outreach	112,914
Conductor chair	313,198
Principal trumpet chair	61,059
Principal oboe chair	50,942
Associate concertmaster	102,345
Principal clarinet chair	50,616
Principal bassoon chair	50,247
Concert sponsorship	3,906
Principal bass chair	56,683
Principal egan chair	56,389
Principal viola chair	30,235
Principal spooner chair	382
General endowment	<u>2,340,483</u>
	<u>\$ 3,282,672</u>

Note 6 - Donated goods and services

The value of donated goods and services included as contributions in the consolidated financial statements and the corresponding expenses are as follows:

Program:	
Concert arrangements	\$ 4,500
Housing	<u>1,750</u>
	<u>\$ 6,250</u>

A substantial number of unpaid volunteers have made significant contributions of their time to the operations of the Organizations. The value of these donated services and time is not recognized in the accompanying consolidated financial statements because they do not meet the criteria for recognition.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 7 - Leases

The Organizations lease the auditorium for the Festival under an operating lease agreement, which expires August 25, 2018. The lease agreement requires an annual payment of \$20,000. Festival rent expense for the year ended September 30, 2016 was \$20,000.

The Organizations rent office space under an operating lease agreement, which expires on October 31, 2019. The lease agreement requires an annual payment of \$7,800. Rent expense for this lease for the year ended September 30, 2016 was \$7,800.

The Organizations lease copier equipment under a noncancelable monthly lease agreement, which expires August 13, 2017. Rent expense for this lease was \$1,912 for the year ended September 30, 2016.

Future minimum lease payments under the above leases that have remaining terms in excess of one year as of September 30, 2016 are:

2017	\$	29,552
2018		27,800
2019		7,800
2020		650

Note 8 - Retirement plan

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE) IRA Plan for the benefit of its employees under which both the Organization and eligible employees may contribute. Employee contributions are voluntary. The Organization makes an annual matching contribution equal to 100% of elective deferrals by eligible employees up to a limit of 3% of the eligible employee's compensation. For the year ended September 30, 2016, the Organization's contribution to the Plan was \$2,559 and is included in benefits expense in the accompanying consolidated financial statements.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 9 - Fair value measurements

The Organizations report required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Organizations to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique as follows:

- Level 1 Quoted prices in active markets for identical assets and liabilities.
- Level 2 Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents, for each of the fair value hierarchy levels, the Organizations' financial assets that are measured at fair value on a recurring basis:

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash	\$ 190,033	\$ -	\$ -	\$ 190,033
Corporate stocks	1,595,591	-	-	1,595,591
Corporate bonds	1,385,827	-	-	1,385,827
Exchange traded funds	1,141,057	-	-	1,141,057
Real estate investment trust	40,547	-	-	40,547
	<u>\$ 4,353,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,353,055</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organizations believe the valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 10 - Endowment funds

The Organizations' endowment funds consist of fourteen individual funds established for a variety of purposes. The endowment funds include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, 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.

The endowment funds were established to support the mission of Peninsula Music Festival, Inc. Distributions from these funds are ordinarily made annually to the Organizations per approved appropriation by the board of directors. It is the requirement of the trust that the Organizations retain 5% of the returns to allow its endowment fund to grow at an average of 8% annually. This is consistent with the Organizations' objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organizations work with the investment managers to maximize total return consistent with an acceptable level 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 distribution, while growing the fund if possible. Accordingly, the Organizations expect their endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed by the investment managers to not expose the fund to unacceptable levels of risk.

The Board of Directors of the Organizations have interpreted the State of Wisconsin laws as requiring the preservation of the fair value of the original gifts as of the gift date to the donor-restricted endowment funds absent explicit donor-stipulations to the contrary. As a result of this interpretation, the Organizations have reported the original value of all gifts as permanently restricted contributions and will continue to report the original value of all subsequent gifts as permanently restricted contributions. Accumulated earnings in excess of the original value of all gifts have been restricted by the donors to support the programs and are considered temporarily restricted net assets until appropriated for expenditure by the Board of Directors of the Organizations. At that time, the appropriation amount is reclassified to unrestricted net assets for funds with no specific program restriction while, for funds with specific program restrictions, the appropriation amount is reclassified to unrestricted net assets when the purpose restriction is also met.

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016**

Note 10 - Endowment funds, continued

The balance in the endowment investment funds consists of the following net asset classifications as of September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted				
Scholarships	\$ (4,389)	\$ -	\$ 53,273	\$ 48,884
Education outreach	-	54,391	112,914	167,305
Conductor chair	(309,820)	-	313,198	3,378
Principal trumpet chair	(2,781)	-	61,059	58,278
Principal oboe chair	(4,996)	-	50,942	45,946
Associate concertmaster	-	23,278	102,345	125,623
Principal clarinet chair	(9,714)	-	50,616	40,902
Principal bassoon chair	(16,822)	-	50,247	33,425
Principal egan chair	(42,459)	-	56,389	13,930
Principal spooner chair	-	21,867	382	22,249
Principal bass chair	(2,471)	-	56,683	54,212
Principal viola chair	(11,462)	-	30,235	18,773
General	-	996,094	2,340,483	3,336,577
Concert sponsorship	-	216,714	3,906	220,620
Board designated	<u>201,325</u>	<u>-</u>	<u>-</u>	<u>201,325</u>
	<u>\$ (203,589)</u>	<u>\$ 1,312,344</u>	<u>\$ 3,282,672</u>	<u>\$ 4,391,427</u>

The following schedule summarizes the changes in the funds by net asset class for the year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, September 30, 2015	\$ (118,537)	\$ 1,244,901	\$ 3,145,637	\$ 4,272,001
Investment return:				
Investment income	-	58,331	3,070	61,401
Net unrealized and realized gain	-	158,849	8,360	167,209
Recovery of prior year unrestricted loss	<u>(85,052)</u>	<u>85,052</u>	<u>-</u>	<u>-</u>
	<u>(85,052)</u>	<u>302,232</u>	<u>11,430</u>	<u>228,610</u>
Contributions	-	-	125,605	125,605
Amounts appropriated for expenditure	<u>-</u>	<u>(234,789)</u>	<u>-</u>	<u>(234,789)</u>
Endowment investments, September 30, 2016	<u>\$ (203,589)</u>	<u>\$ 1,312,344</u>	<u>\$ 3,282,672</u>	<u>\$ 4,391,427</u>

SUPPLEMENTARY INFORMATION

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2016**

ASSETS	<u>Peninsula Music Festival</u>	<u>Thor Johnson Endowment Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 41,557	\$ -	\$ -	\$ 41,557
Promises to give, net	-	3,100	-	3,100
Related party receivable	-	69,467	(69,467)	-
Prepaid expenses	6,236	-	-	6,236
Interest receivable	-	10,778	-	10,778
Investments	-	4,353,055	-	4,353,055
Music library and painting	25,010	-	-	25,010
Equipment, net	<u>63,333</u>	<u>-</u>	<u>-</u>	<u>63,333</u>
Total assets	<u>\$ 136,136</u>	<u>\$ 4,436,400</u>	<u>\$ (69,467)</u>	<u>\$ 4,503,069</u>
LIABILITIES AND NET ASSETS				
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 17,960	\$ -	\$ -	\$ 17,960
Related party payable	69,467	-	(69,467)	-
Deferred revenue	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
Total liabilities	<u>87,477</u>	<u>-</u>	<u>(69,467)</u>	<u>18,010</u>
<u>Net assets</u>				
Unrestricted	48,659	(158,616)	-	(109,957)
Temporarily restricted	-	1,312,344	-	1,312,344
Permanently restricted	<u>-</u>	<u>3,282,672</u>	<u>-</u>	<u>3,282,672</u>
Total net assets	<u>48,659</u>	<u>4,436,400</u>	<u>-</u>	<u>4,485,059</u>
Total liabilities and net assets	<u>\$ 136,136</u>	<u>\$ 4,436,400</u>	<u>\$ (69,467)</u>	<u>\$ 4,503,069</u>

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016**

	<u>Peninsula Music Festival</u>	<u>Thor Johnson Endowment Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Revenue, gains and other support</u>				
Contributions	\$ 327,537	\$ 125,605	\$ -	\$ 453,142
Grants from related organization	234,789	-	(234,789)	-
Investment income	280	61,401	-	61,681
Net gain on investments	-	167,209	-	167,209
Festival revenues	181,062	-	-	181,062
Other concerts and events	5,465	-	-	5,465
Miscellaneous income	508	-	-	508
	<u>749,641</u>	<u>354,215</u>	<u>(234,789)</u>	<u>869,067</u>
<u>Expenses</u>				
Program services	645,893	-	-	645,893
Supporting services:				
Management and general	59,921	-	-	59,921
Fund raising	56,036	-	-	56,036
Grants to related organization	-	234,789	(234,789)	-
	<u>761,850</u>	<u>234,789</u>	<u>(234,789)</u>	<u>761,850</u>
Change in net assets	(12,209)	119,426	-	107,217
Net assets at beginning of year	<u>60,868</u>	<u>4,316,974</u>	<u>-</u>	<u>4,377,842</u>
Net assets at end of year	<u>\$ 48,659</u>	<u>\$ 4,436,400</u>	<u>\$ -</u>	<u>\$ 4,485,059</u>

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**CONSOLIDATED SCHEDULE OF FESTIVAL REVENUES
For The Year Ended September 30, 2016
(With Summarized Financial Information for the Year Ended September 30, 2015)**

	<u>2016</u>	<u>2015</u>
Ticket sales	\$ 160,941	\$ 171,716
Advertising income	17,832	17,087
Concession sales	-	31
Handling fees	<u>2,289</u>	<u>2,637</u>
	<u>\$ 181,062</u>	<u>\$ 191,471</u>

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST**

**CONSOLIDATED SCHEDULE OF FESTIVAL EXPENSES
For The Year Ended September 30, 2016
(With Summarized Financial Information for the Year Ended September 30, 2015)**

	<u>2016</u>	<u>2015</u>
Orchestra fee	\$ 249,371	\$ 250,085
Conductor	66,000	64,000
Assistant conductor	1,500	2,000
Artists	64,247	64,555
Orchestra staff	17,418	17,076
Concert arrangements	4,500	4,500
Music rental and purchase	5,330	6,188
Piano moving and tuning	3,130	1,965
Programs and brochures	11,983	10,933
Housing	4,000	3,400
Cartage	4,356	4,507
Auditorium rent	20,000	18,000
Bank and credit card fees	9,656	9,463
Advertising	48,094	42,636
Postage	8,963	8,663
Cost of concession sales	-	2,010
Miscellaneous	<u>478</u>	<u>569</u>
	<u>\$ 519,026</u>	<u>\$ 510,550</u>