

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2010**

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 statement of financial position of Peninsula Music Festival, Inc. and Thor Johnson Endowment Trust as of September 30, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2009 financial statements and, in our report dated December 18, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peninsula Music Festival, Inc. and Thor Johnson Endowment Trust as of September 30, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



Certified Public Accountants

Green Bay, Wisconsin
January 24, 2011

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2010
(With Summarized Comparative Financial Information as of September 30, 2009)

ASSETS	<u>2010</u>	<u>2009</u>
Cash	\$ 60,049	\$ 27,039
Promises to give	94,189	209,456
Prepaid expenses and other receivables	6,736	7,805
Inventory	3,226	3,491
Investments	3,290,409	3,109,549
Music library and painting	25,010	25,010
Equipment, net	<u>60,522</u>	<u>62,307</u>
Total assets	<u>\$ 3,540,141</u>	<u>\$ 3,444,657</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 18,706	\$ 22,779
Deferred revenue	<u>8,127</u>	<u>8,323</u>
Total liabilities	<u>26,833</u>	<u>31,102</u>
 <u>Net assets</u>		
Unrestricted	316,580	291,345
Temporarily restricted	782,632	738,053
Permanently restricted	<u>2,414,096</u>	<u>2,384,157</u>
Total net assets	<u>3,513,308</u>	<u>3,413,555</u>
Total liabilities and net assets	<u>\$ 3,540,141</u>	<u>\$ 3,444,657</u>

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

(With Summarized Comparative Financial Information for the Year Ended September 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue, gains and other support</u>					
Contributions	\$ 192,280	\$ 99,257	\$ 18,750	\$ 310,287	\$ 492,352
Investment income	300	71,791	3,778	75,869	82,923
Net gains (losses) on investments	-	140,804	7,411	148,215	(232)
Festival revenues	182,049	-	-	182,049	199,843
Other concerts and events	12,558	-	-	12,558	14,351
Miscellaneous income	<u>1,644</u>	<u>-</u>	<u>-</u>	<u>1,644</u>	<u>137</u>
Total revenue, gains and other support	388,831	311,852	29,939	730,622	789,374
Net assets released from restrictions	<u>267,273</u>	<u>(267,273)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>656,104</u>	<u>44,579</u>	<u>29,939</u>	<u>730,622</u>	<u>789,374</u>
<u>Expenses</u>					
Program services	525,357	-	-	525,357	560,134
Supporting services:					
Management and general	56,993	-	-	56,993	73,610
Fund raising	<u>48,519</u>	<u>-</u>	<u>-</u>	<u>48,519</u>	<u>49,732</u>
Total expenses	<u>630,869</u>	<u>-</u>	<u>-</u>	<u>630,869</u>	<u>683,476</u>
Change in net assets	25,235	44,579	29,939	99,753	105,898
Net assets at beginning of year as restated	<u>291,345</u>	<u>738,053</u>	<u>2,384,157</u>	<u>3,413,555</u>	<u>3,307,657</u>
Net assets at end of year	<u>\$ 316,580</u>	<u>\$ 782,632</u>	<u>\$ 2,414,096</u>	<u>\$ 3,513,308</u>	<u>\$ 3,413,555</u>

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2010

(With Summarized Comparative Financial Information for the Year Ended September 30, 2009)

	2010			2009	
	Program	Management and General	Fund Raising	Total	Total
Festival	\$ 419,101	\$ -	\$ 81	\$ 419,182	\$ 453,090
Scholarships and awards	6,500	-	-	6,500	5,994
Other concerts and programs	8,764	-	-	8,764	25,970
Salaries	44,056	21,004	28,430	93,490	100,118
Payroll taxes	3,372	1,611	2,176	7,159	7,620
Benefits	2,680	1,280	1,730	5,690	11,099
Commission fee	25,399	-	-	25,399	-
Professional fees	-	23,463	-	23,463	29,337
Travel expense	-	-	-	-	1,981
Occupancy	9,138	4,545	4,154	17,837	19,018
Telephone	862	412	557	1,831	2,013
Equipment rent and maintenance	1,087	1,665	647	3,399	3,006
Supplies	491	1,587	6,645	8,723	10,662
Printing	1,334	267	1,068	2,669	6,463
Dues, licenses and publications	856	409	552	1,817	2,634
Recognition	114	-	6	120	-
Depreciation	1,603	750	1,012	3,365	2,684
Miscellaneous	-	-	1,461	1,461	1,787
	<u>\$ 525,357</u>	<u>\$ 56,993</u>	<u>\$ 48,519</u>	<u>\$ 630,869</u>	<u>\$ 683,476</u>

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2010

(With Summarized Comparative Financial Information for the Year Ended September 30, 2009)

	2010	2009
<u>Operating activities</u>		
Cash received from festival	\$ 182,049	\$ 199,843
Cash received from contributions	283,994	403,442
Net investment income received	75,869	82,923
Miscellaneous receipts	13,676	22,811
Cash paid to employees	(106,975)	(117,178)
Cash paid to festival musicians and suppliers	(418,316)	(443,753)
Cash paid for other operating expenses	(97,079)	(88,783)
Net cash provided by (used in) operating activities	(66,782)	59,305
<u>Investing activities</u>		
Purchase of equipment	(1,580)	(4,299)
Proceeds from sale of investments	1,493	-
Purchase of investments	(34,138)	(194,177)
Net cash used in investing activities	(34,225)	(198,476)
<u>Financing activities</u>		
Proceeds from contributions permanently restricted for investment in endowment	134,017	121,821
Increase (decrease) in cash	33,010	(17,350)
<u>Cash</u>		
Beginning	27,039	44,389
Ending	\$ 60,049	\$ 27,039
<u>Reconciliation of change in net assets to net cash provided by operating activities</u>		
Change in net assets	\$ 99,753	\$ 105,898
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,365	2,684
Contributions permanently restricted for endowment	(18,750)	(70,055)
Net (gain) loss on long-term investments	(148,215)	232
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	1,069	1,287
Inventory	265	100
Accounts payable and accrued expenses	(4,073)	10,836
Deferred revenue	(196)	8,323
Net cash provided by (used in) operating activities	\$ (66,782)	\$ 59,305

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

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. Use of estimates

Management uses estimates and assumptions in preparing 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.

C. 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.

D. Basis of accounting

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

E. Basis of presentation

The Organizations are required to report information regarding its net assets and its 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.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

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

E. Basis of presentation, continued

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 Organization.

F. 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.

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. Equipment

All acquisitions and improvements of property and equipment in excess of \$300 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.

I. Inventory

Inventory consists of materials held for sale by the Organizations and is stated at the lower of cost determined by the first-in, first-out method or market.

J. 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.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

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

K. 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.

L. Deferred revenue

Income received in fiscal year 2010 consisting of subscription income and facility fees for fiscal year 2011 is deferred and will be recognized in the period to which it relates.

M. 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, 2010 was \$31,820.

N. 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.

O. Summarized information

The financial statements include certain 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organizations' financial statements for the year ended September 30, 2009 from which the summarized information was derived.

P. 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. The Organizations are also exempt from Wisconsin income tax. 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).

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

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

P. Income tax status, continued

Effective October 1, 2009, the Organizations adopted the guidance for accounting for uncertainties in income taxes which is part of Accounting Standards Codification (ASC) 740-10. This guidance increases the relevancy and comparability of financial reporting by clarifying the way organizations account for uncertainties in income tax positions taken or expected to be taken. It makes recognition and measurement more consistent as well as offering clear criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes. This adoption had no impact on the Organization's financial position, changes in net assets or cash flows.

Q. Subsequent event

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 24, 2011, the date on which the financial statements were available to be issued.

Note 2 - Equipment

Equipment consists of the following:

Piano	\$ 58,547
Office equipment	<u>18,875</u>
	77,422
Less accumulated depreciation	<u>16,900</u>
	<u><u>\$ 60,522</u></u>

Note 3 - Promises to give

Unconditional promises to give at September 30, 2010 are as follows:

Receivable in less than one year	\$ 90,989
Receivable in one to five years	<u>3,500</u>
Total unconditional promises to give	94,489
Less discount to present value	<u>(300)</u>
Net unconditional promises to give	<u><u>\$ 94,189</u></u>

Promises to give receivable in more than one year are discounted at 3.09%. A reserve for uncollectible amounts was deemed not necessary by management.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

Note 4 - Investments

Investments as of September 30, 2010 are summarized as follows:

	Cost	Fair Value
Corporate stock funds	\$ 1,638,355	\$ 1,546,753
Corporate bond funds	1,606,664	1,738,604
Cash	5,052	5,052
	\$ 3,250,071	\$ 3,290,409

Note 5 - Net assets

Included in unrestricted net assets are revenues and support designated by the Board of Directors as endowment principal in the amount of \$212,325.

Temporarily restricted net assets consist of the following as of September 30, 2010.

Purpose restrictions:	
Education outreach	\$ 8,150
Conductor expenses	5,477
Trumpet chair expenses	2,482
Oboe chair expenses	1,678
Concertmaster expenses	6,136
Clarinet chair expenses	1,458
Concert sponsorship	155,738
Other	601,513
	\$ 782,632

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

Purpose restrictions:	
Scholarships	\$ 52,415
Education outreach	110,481
Conductor expenses	200,288
Trumpet chair expenses	50,131
Oboe chair expenses	50,088
Concertmaster expenses	100,323
Clarinet chair expenses	30,077
Concert sponsorship	697
General	1,819,596
	\$ 2,414,096

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

Note 6 - Donated goods and services

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

Management and general:	
Professional fees	\$ 3,300
Supplies	10
Program:	
Supplies	3,603
Festival	<u>630</u>
	<u>\$ 7,543</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 financial statements because they do not meet the criteria for recognition.

Note 7 - Leases

The Organizations lease the auditorium for the Festival under an operating lease agreement which expires August 2011. The lease agreement requires an annual payment of \$15,000. Festival rent expense for the year ended September 30, 2010 was \$15,000.

The Organizations rent office space under a monthly lease agreement which expires September 30, 2011. Rent expense was \$13,200 for the year ended September 30, 2010.

Note 8 - Fair value measurements

Statement of Financial Accounting Standards Codification 820, "Fair Value Measurements", establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundations have the ability to access.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

Note 8 - Fair value measurements, continued

Level 2 inputs to the valuation methodology include:

- 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 for the asset or liability
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets and liabilities measured at fair value as of September 30, 2010:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investments	\$ 5,052	\$ 3,285,357	\$ -	\$ 3,290,409
Promises to give	-	-	94,189	94,189
	\$ 5,052	\$ 3,285,357	\$ 94,189	\$ 3,384,598

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for promises receivable and grants payable are determined by calculating the net present value of future cash flows using rates of similar risk-free monetary assets. Management has determined the risk of nonperformance for both promises receivable and grants payable is remote and has not adjusted the risk-free rates used.

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 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, 2010

Note 8 - Fair value measurements, continued

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Balance, beginning of year	\$ 209,456
Promises received	-
Payments received	(131,667)
Change in present value	<u>16,400</u>
Balance, end of year	<u>\$ 94,189</u>

Note 9 - Endowment funds

The Organizations' endowment funds consist of nine 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 Organization 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 Organization's 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 Organization works 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 Organization expects its 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, 2010

Note 9 - Endowment funds, continued

The balance in the endowment investment funds consists of the following net asset classifications as of September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted				
Endowment Funds:				
Scholarships	\$ (4,855)	\$ -	\$ 52,415	\$ 47,560
Education outreach	-	8,150	110,481	118,631
Conductor chair	-	5,477	200,288	205,765
Principal trumpet chair	-	2,482	50,131	52,613
Principal oboe chair	-	1,678	50,088	51,766
Associate concertmaster	-	6,136	100,323	106,459
Principal clarinet chair	-	1,458	30,077	31,535
General	-	584,546	1,819,538	2,404,084
Temporarily restricted funds:				
Concert sponsorship	-	155,738	697	156,435
Spooner	-	15,717	58	15,775
Board designated	<u>212,325</u>	<u>-</u>	<u>-</u>	<u>212,325</u>
	<u>\$ 207,470</u>	<u>\$ 781,382</u>	<u>\$ 2,414,096</u>	<u>\$ 3,402,948</u>

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

Note 9 - Endowment funds, continued

The following schedule summarizes the changes in the funds by net asset class for the year ended September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, September 30, 2009	\$ 786,365	\$ 185,835	\$ 2,352,355	\$ 3,324,555
UPMIFA reclassification (note 10)	<u>(582,970)</u>	<u>551,168</u>	<u>31,802</u>	<u>-</u>
	203,395	737,003	2,384,157	3,324,555
Investment return:				
Investment income	-	71,791	3,778	75,569
Net unrealized and realized gains (losses) recovery of	-	140,804	7,411	148,215
Recovery of prior year unrestricted loss	<u>4,075</u>	<u>(4,075)</u>	<u>-</u>	<u>-</u>
	<u>4,075</u>	<u>208,520</u>	<u>11,189</u>	<u>223,784</u>
Contributions	-	-	18,750	18,750
Amounts appropriated for expenditure	<u>-</u>	<u>(164,141)</u>	<u>-</u>	<u>(164,141)</u>
Endowment investments, September 30, 2010	<u>\$ 207,470</u>	<u>\$ 781,382</u>	<u>\$ 2,414,096</u>	<u>\$ 3,402,948</u>

Note 10 - Prior period adjustment

Certain errors resulting in an overstatement of previously reported unrestricted net assets were discovered during the current year. Net assets that were temporarily restricted by donor were mistakenly recorded as board designated and included in unrestricted net assets. Additionally, the Organization is required by the Thor Johnson Endowment Trust to add 5% of the income generated by the trust each year to the endowment principal and retain this as permanently restricted net assets. In the past, this income was recorded as board designated and included in unrestricted net assets. Accordingly, unrestricted net assets were decreased by \$582,970, temporarily restricted net assets were increased by \$551,168 and permanently restricted net assets were increased by \$31,802 as of the beginning of the year. The correction has no effect on the results of the current year's activities.

SUPPLEMENTAL INFORMATION

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED SCHEDULE OF FESTIVAL REVENUES

Year Ended September 30, 2010

(With Summarized Comparative Financial Information for the Year Ended September 30, 2009)

	<u>2010</u>	<u>2009</u>
Ticket sales	\$ 163,014	\$ 177,477
Advertising income	15,650	18,619
Concession sales	1,333	1,439
Handling fees	<u>2,052</u>	<u>2,308</u>
	<u>\$ 182,049</u>	<u>\$ 199,843</u>

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED SCHEDULE OF FESTIVAL EXPENSES
Year Ended September 30, 2010

(With Summarized Comparative Financial Information for the Year Ended September 30, 2009)

	<u>2010</u>	<u>2009</u>
Orchestra fee	\$ 209,450	\$ 216,603
Conductor	53,000	53,000
Assistant conductor	8,292	8,192
Artists	44,670	60,429
Orchestra staff	15,624	15,624
Music rental and purchase	6,876	9,982
Piano moving and tuning	1,100	1,740
Programs and brochures	9,550	11,488
Housing	2,200	3,200
Cartage	4,290	4,288
Auditorium rent	15,053	18,000
Bank and credit card fees	9,110	9,141
Advertising	31,820	26,140
Postage	6,252	7,565
Cost of concession sales	1,265	1,410
Miscellaneous	<u>630</u>	<u>6,288</u>
	<u>\$ 419,182</u>	<u>\$ 453,090</u>