

**PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2011**

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 15
SUPPLEMENTAL INFORMATION	
Consolidated Schedule of Festival Revenues	16
Consolidated Schedule of Festival Expenses	17



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, 2011, 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, 2010 financial statements and, in our report dated January 24, 2011, 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 Organizations' 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, 2011, 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 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 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 taken as a whole.

Certified Public Accountants
Green Bay, Wisconsin
November 16, 2011

CONSOLIDATED FINANCIAL STATEMENTS

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2011

(With Summarized Comparative Financial Information as of September 30, 2010)

ASSETS	<u>2011</u>	<u>2010</u>
Cash	\$ 62,664	\$ 60,049
Promises to give, net	50,872	94,189
Prepaid expenses and other receivables	10,819	6,736
Inventory	2,188	3,226
Investments	3,623,340	3,290,409
Music library and painting	25,010	25,010
Equipment, net	<u>57,292</u>	<u>60,522</u>
Total assets	<u>\$ 3,832,185</u>	<u>\$ 3,540,141</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 15,996	\$ 18,706
Deferred revenue	<u>21,650</u>	<u>8,127</u>
Total liabilities	<u>37,646</u>	<u>26,833</u>
 <u>Net assets</u>		
Unrestricted	261,961	316,580
Temporarily restricted	755,767	782,632
Permanently restricted	<u>2,776,811</u>	<u>2,414,096</u>
Total net assets	<u>3,794,539</u>	<u>3,513,308</u>
Total liabilities and net assets	<u>\$ 3,832,185</u>	<u>\$ 3,540,141</u>

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

(With Summarized Comparative Financial Information for the Year Ended September 30, 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue, gains and other support</u>					
Contributions	\$ 181,188	\$ 121,579	\$ 360,306	\$ 663,073	\$ 310,287
Investment income	629	69,858	3,677	74,164	75,869
Net gain (loss) on investments	-	(24,092)	(1,268)	(25,360)	148,215
Festival revenues	201,861	-	-	201,861	182,049
Other concerts and events	10,124	-	-	10,124	12,558
Miscellaneous income	<u>1,047</u>	<u>-</u>	<u>-</u>	<u>1,047</u>	<u>1,644</u>
Total revenue, gains and other support	394,849	167,345	362,715	924,909	730,622
Net assets released from restrictions	<u>194,210</u>	<u>(194,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>589,059</u>	<u>(26,865)</u>	<u>362,715</u>	<u>924,909</u>	<u>730,622</u>
<u>Expenses</u>					
Program services	532,708	-	-	532,708	525,357
Supporting services:					
Management and general	65,713	-	-	65,713	56,993
Fund raising	<u>45,257</u>	<u>-</u>	<u>-</u>	<u>45,257</u>	<u>48,519</u>
Total expenses	<u>643,678</u>	<u>-</u>	<u>-</u>	<u>643,678</u>	<u>630,869</u>
Change in net assets	(54,619)	(26,865)	362,715	281,231	99,753
Net assets at beginning 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>
Net assets at end of year	<u>\$ 261,961</u>	<u>\$ 755,767</u>	<u>\$ 2,776,811</u>	<u>\$ 3,794,539</u>	<u>\$ 3,513,308</u>

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2011

(With Summarized Comparative Financial Information for the Year Ended September 30, 2010)

	2011			2010	
	Program	Management and General	Fund Raising	Total	Total
Festival	\$ 436,622	\$ -	\$ 114	\$ 436,736	\$ 419,182
Scholarships and awards	2,500	-	-	2,500	6,500
Other concerts and programs	12,977	-	-	12,977	8,764
Salaries	48,421	22,337	30,219	100,977	93,490
Payroll taxes	2,926	1,347	1,823	6,096	7,159
Benefits	3,686	1,697	2,296	7,679	5,690
Commission fee	-	-	-	-	25,399
Professional fees	-	28,570	-	28,570	23,463
Travel expense	661	304	412	1,377	-
Occupancy	9,569	4,663	4,100	18,332	17,837
Telephone	916	422	571	1,909	1,831
Equipment rent and maintenance	1,172	1,870	677	3,719	3,399
Supplies	4,786	2,647	843	8,276	8,723
Printing	2,871	574	2,296	5,741	2,669
Dues, licenses and publications	1,276	587	795	2,658	1,817
Recognition	2,237	-	118	2,355	120
Depreciation	1,593	695	942	3,230	3,365
Miscellaneous	495	-	51	546	1,461
	<u>\$ 532,708</u>	<u>\$ 65,713</u>	<u>\$ 45,257</u>	<u>\$ 643,678</u>	<u>\$ 630,869</u>

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended September 30, 2011

(With Summarized Comparative Financial Information for the Year Ended September 30, 2010)

	2011	2010
<u>Operating activities</u>		
Cash received from festival	\$ 201,861	\$ 182,049
Cash received from contributions	291,531	283,994
Net investment income received	74,164	75,869
Miscellaneous receipts	23,924	13,676
Cash paid to employees	(113,999)	(106,975)
Cash paid to festival musicians and suppliers	(430,401)	(418,316)
Cash paid for other operating expenses	(89,797)	(97,079)
Net cash used in operating activities	(42,717)	(66,782)
<u>Investing activities</u>		
Purchase of equipment	-	(1,580)
Proceeds from sale of investments	7,985	1,493
Purchase of investments	(366,276)	(34,138)
Net cash used in investing activities	(358,291)	(34,225)
<u>Financing activities</u>		
Proceeds from contributions permanently restricted for investment in endowment	403,623	134,017
Increase in cash	2,615	33,010
<u>Cash</u>		
Beginning	60,049	27,039
Ending	\$ 62,664	\$ 60,049
<u>Reconciliation of change in net assets to net cash used in operating activities</u>		
Change in net assets	\$ 281,231	\$ 99,753
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,230	3,365
Contributions permanently restricted for endowment	(360,306)	(18,750)
Net (gain) loss on investments	25,360	(148,215)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	(4,083)	1,069
Inventory	1,038	265
Accounts payable and accrued expenses	(2,710)	(4,073)
Deferred revenue	13,523	(196)
Net cash used in operating activities	\$ (42,717)	\$ (66,782)

See Notes to Consolidated Financial Statements.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

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 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.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

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 Organizations.

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, 2011

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 2011 consisting of subscription income and facility fees for fiscal year 2012 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, 2011 was \$33,418.

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, 2010 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. 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.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

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

P. Income tax status, continued

Penalties and interest assessed by income taxing authorities are included in management and general expenses, if applicable. The Organizations had no interest and penalties related to income taxes for the year ended September 30, 2011. The Organizations' federal returns are subject to examination generally for three years after they are filed and its state returns are subject to examination generally for four years after they are filed.

Q. Subsequent event

The Organizations have evaluated events and transactions for potential recognition or disclosure in the financial statements through November 16, 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>18,874</u>
	77,421
Less accumulated depreciation	<u>20,129</u>
	<u>\$ 57,292</u>

Note 3 - Promises to give

Net unconditional promises to give at September 30, 2011 are as follows:

Receivable in less than one year	\$ 21,322
Receivable in one to five years	<u>30,250</u>
Total unconditional promises to give	51,572
Less discount to present value	<u>(700)</u>
Net unconditional promises to give	<u>\$ 50,872</u>

Promises to give receivable in more than one year are discounted at 0.69% to 1.88%. 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, 2011

Note 4 - Investments

Investments as of September 30, 2011 are summarized as follows:

	Cost	Fair Value
Corporate stock funds	\$ 1,730,005	\$ 1,635,997
Corporate bond funds	1,872,626	1,983,593
Cash	3,750	3,750
	\$ 3,606,381	\$ 3,623,340

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, 2011.

Purpose restrictions:	
Education outreach	\$ 9,682
Associate concertmaster	3,779
Concert sponsorship	157,757
General	552,858
	724,076
Other contributions with time restrictions	31,691
	\$ 755,767

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

Purpose restrictions:	
Scholarships	\$ 52,447
Education outreach	110,562
Conductor chair	200,457
Principal trumpet chair	50,166
Principal oboe chair	50,115
Associate concertmaster	100,395
Principal clarinet chair	30,097
Principal bassoon chair	50,004
Concert sponsorship	803
General	2,131,765
	\$ 2,776,811

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

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:

Program:		
Supplies	\$	1,956
Festival		2,560
Management and general:		
Professional fees		6,000
Supplies		453
Fund raising:		
Supplies		<u>268</u>
	\$	<u>11,237</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 23, 2014. The lease agreement requires an annual payment of \$18,000. Festival rent expense for the year ended September 30, 2011 was \$14,108.

The Organizations rent office space under a monthly lease agreement which expires September 30, 2013. Rent expense was \$13,200 for the year ended September 30, 2011.

Note 8 - 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.

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

Note 8 - Fair value measurements, continued

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			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash	\$ 3,750	\$ -	\$ -	\$ 3,750
Corporate stocks	1,635,997	-	-	1,635,997
Corporate bonds	1,983,593	-	-	1,983,593
Promises to give	-	-	<u>50,872</u>	<u>50,872</u>
	<u>\$ 3,623,340</u>	<u>\$ -</u>	<u>\$ 50,872</u>	<u>\$ 3,674,212</u>

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

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

Balance, beginning of year	\$ 94,189
Promises received	50,000
Payments received	(92,917)
Change in present value	<u>(400)</u>
Balance, end of year	<u>\$ 50,872</u>

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

Note 9 - Endowment funds

The Organizations' endowment funds consist of ten 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, 2011

Note 9 - Endowment funds, continued

The balance in the endowment investment funds consists of the following net asset classifications as of September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted				
Scholarships	\$ (6,743)	\$ -	\$ 52,447	\$ 45,704
Education outreach	-	9,682	110,562	120,244
Conductor chair	(45,909)	-	200,457	154,548
Principal trumpet chair	(1,089)	-	50,166	49,077
Principal oboe chair	(2,063)	-	50,115	48,052
Associate concertmaster	-	3,779	100,395	104,174
Principal clarinet chair	(996)	-	30,097	29,101
Principal bassoon chair	(2,772)	-	50,004	47,232
General	(4,969)	552,858	2,131,765	2,679,654
Concert sponsorship	-	157,757	803	158,560
Board designated	<u>212,325</u>	<u>-</u>	<u>-</u>	<u>212,325</u>
	<u>\$ 147,784</u>	<u>\$ 724,076</u>	<u>\$ 2,776,811</u>	<u>\$ 3,648,671</u>

The following schedule summarizes the changes in the funds by net asset class for the year ended September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, September 30, 2010	\$ 207,470	\$ 781,382	\$ 2,414,096	\$ 3,402,948
Investment return:				
Investment income	-	69,858	3,677	73,535
Net unrealized and realized gain (loss)	-	(24,092)	(1,268)	(25,360)
Recovery of prior year unrestricted loss	<u>(59,686)</u>	<u>59,686</u>	<u>-</u>	<u>-</u>
	<u>(59,686)</u>	<u>105,452</u>	<u>2,409</u>	<u>48,175</u>
Contributions	-	-	360,306	360,306
Amounts appropriated for expenditure	<u>-</u>	<u>(162,758)</u>	<u>-</u>	<u>(162,758)</u>
Endowment investments, September 30, 2011	<u>\$ 147,784</u>	<u>\$ 724,076</u>	<u>\$ 2,776,811</u>	<u>\$ 3,648,671</u>

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

Note 10 - 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, 2011, the Organization's contribution to the Plan was \$2,853 and is included in benefits expense in the accompanying consolidated financial statements.

SUPPLEMENTAL INFORMATION

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED SCHEDULE OF FESTIVAL REVENUES
Year Ended September 30, 2011

(With Summarized Comparative Financial Information for the Year Ended September 30, 2010)

	<u>2011</u>	<u>2010</u>
Ticket sales	\$ 178,826	\$ 163,014
Advertising income	19,162	15,650
Concession sales	1,662	1,333
Handling fees	<u>2,211</u>	<u>2,052</u>
	<u>\$ 201,861</u>	<u>\$ 182,049</u>

PENINSULA MUSIC FESTIVAL, INC.
THOR JOHNSON ENDOWMENT TRUST

CONSOLIDATED SCHEDULE OF FESTIVAL EXPENSES
Year Ended September 30, 2011

(With Summarized Comparative Financial Information for the Year Ended September 30, 2010)

	2011	2010
Orchestra fee	\$ 226,544	\$ 209,450
Conductor	54,590	53,000
Assistant conductor	8,538	8,292
Artists	42,129	44,670
Orchestra staff	16,093	15,624
Music rental and purchase	2,911	6,876
Piano moving and tuning	1,035	1,100
Programs and brochures	10,164	9,550
Housing	4,265	2,200
Cartage	2,219	4,290
Auditorium rent	14,108	15,053
Bank and credit card fees	10,328	9,110
Advertising	33,418	31,820
Postage	7,766	6,252
Cost of concession sales	2,134	1,265
Miscellaneous	494	630
	\$ 436,736	\$ 419,182