

Chamber Music Northwest

Financial Statements and Other Information
as of and for the Year Ended September 30, 2008
and Report of Independent Accountants

CHAMBER MUSIC NORTHWEST

TABLE OF CONTENTS

	Page
Report of Independent Accountants	3
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Supplementary Financial Information:	
Schedule of Changes in Net Assets	20
Other Information:	
Governing Board and Administration	22
Inquiries and Other Information	23

REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Chamber Music Northwest:*

We have audited the accompanying statement of financial position of Chamber Music Northwest as of September 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's 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 financial statements of Chamber Music Northwest as of September 30, 2007 and, in our report dated December 31, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 Chamber Music Northwest'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 2008 financial statements referred to above present fairly, in all material respects, the financial position of Chamber Music Northwest as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit for the year ended September 30, 2008 was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary financial information included on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, which is also the responsibility of the organization's management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole for the year ended September 30, 2008.



February 6, 2009

CHAMBER MUSIC NORTHWEST
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2008
(WITH COMPARATIVE AMOUNTS FOR 2007)

	2008	2007
Assets:		
Current assets:		
Cash and cash equivalents	\$ 294,164	311,391
Accounts receivable	5,095	8,932
Pledges receivable <i>(note 3)</i>	86,529	197,499
Prepaid expenses	19,962	29,774
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Total current assets	405,750	547,596
Investments <i>(note 4)</i>	3,189,265	3,887,522
Property and equipment <i>(note 5)</i>	3,826	7,022
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Total assets	\$ 3,598,841	4,442,140
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Liabilities:		
Current liabilities:		
Accounts payable	12,019	17,339
Accrued payroll and related expenses	49	1,808
Deferred revenue	42,300	63,509
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Total current liabilities	54,368	82,656
Deferred compensation <i>(note 13)</i>	47,855	30,128
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Total liabilities	102,223	112,784
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Net assets:		
Unrestricted:		
Available for programs and general operations	350,687	351,467
Designated by Board for endowment <i>(note 6)</i>	1,221,116	1,921,648
Net investment in capital assets	3,826	7,022
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Total unrestricted	1,575,629	2,280,137
Temporarily restricted <i>(note 6)</i>	95,271	240,501
Permanently restricted <i>(note 6)</i>	1,825,718	1,808,718
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Total net assets	3,496,618	4,329,356
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Commitments and contingencies <i>(notes 11, 12 and 13)</i>		
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Total liabilities and net assets	\$ 3,598,841	4,442,140
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See accompanying notes to financial statements.

CHAMBER MUSIC NORTHWEST

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			Total	2007
	Unrestricted	Temporarily restricted	Permanently restricted		
Earned revenues:					
Ticket revenue	\$ 421,540	—	—	421,540	447,027
Educational revenue	18,859	—	—	18,859	1,225
Concessions	4,599	—	—	4,599	5,189
Interest income	1,403	—	—	1,403	15,943
Advertising and other	35,421	—	—	35,421	26,382
Total earned revenues and gains	481,822	—	—	481,822	495,766
Public support:					
Contributions and grants (note 7)	538,029	29,750	—	567,779	691,885
In-kind contributions (note 8)	12,000	—	—	12,000	18,300
Special events, net of direct expenses of \$6,852 in 2008 and \$18,864 in 2007	15,298	—	—	15,298	28,731
Total public support	565,327	29,750	—	595,077	738,916
Appropriation of endowment assets for expenditure (note 4)	136,612	14,302	—	150,914	92,000
Net assets released from restrictions (note 9)	85,719	(85,719)	—	—	—
Total operating revenues, gains and other support	1,269,480	(41,667)	—	1,227,813	1,326,682
Expenses (note 10):					
Program services	1,003,996	—	—	1,003,996	950,212
Management and general	123,205	—	—	123,205	140,161
Fundraising	146,255	—	—	146,255	136,550
Total expenses	1,273,456	—	—	1,273,456	1,226,923
Increase (decrease) in net assets before non-operating activities	(3,976)	(41,667)	—	(45,643)	99,759

Continued

CHAMBER MUSIC NORTHWEST

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			Total	2007
	Unrestricted	Temporarily restricted	Permanently restricted		
Non-operating activities:					
Bequests, Board-designated gifts and endowment gifts	\$ 5,000	–	17,000	22,000	120,996
Investment income	80,599	12,645	–	93,244	83,977
Net increase (decline) in the fair value of investments	(649,519)	(101,906)	–	(751,425)	381,935
Less appropriation of endowment assets for expenditure (<i>note 4</i>)	(136,612)	(14,302)	–	(150,914)	(92,000)
Total non-operating activities	(700,532)	(103,563)	17,000	(787,095)	494,908
Increase (decrease) in net assets	(704,508)	(145,230)	17,000	(832,738)	594,667
Net assets at beginning of year	2,280,137	240,501	1,808,718	4,329,356	3,734,689
Net assets at end of year	\$ 1,575,629	95,271	1,825,718	3,496,618	4,329,356

See accompanying notes to financial statements.

CHAMBER MUSIC NORTHWEST

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			Total	2007
	Program services	Management and general	Fund-raising		
Production services:					
Artistic fees and expenses	\$ 341,918	–	–	341,918	324,393
Concert production	97,791	–	–	97,791	114,366
Advertising and promotion	49,575	–	–	49,575	58,127
Seasonal personnel	30,840	–	–	30,840	32,970
Encore concert series	139,729	–	–	139,729	99,906
Educational projects	51,647	–	–	51,647	25,553
Special projects	24,764	–	–	24,764	30,000
Total production services	736,264	–	–	736,264	685,315
Administrative expenses:					
Administrative salaries	–	320,592	–	320,592	327,193
Office operating costs	–	96,563	–	96,563	96,826
Payroll taxes and employee benefits	–	103,816	–	103,816	96,559
Depreciation	–	3,196	–	3,196	6,814
Miscellaneous	–	–	–	–	4,924
Total administrative expenses	–	524,167	–	524,167	532,316
Fundraising expenses	–	–	13,025	13,025	9,292
Total expenses before allocations	736,264	524,167	13,025	1,273,456	1,226,923
Allocation of expenses	267,732	(400,962)	133,230	–	–
Total expenses	\$ 1,003,996	123,205	146,255	1,273,456	1,226,923

See accompanying notes to financial statements.

CHAMBER MUSIC NORTHWEST

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Cash flows from operating activities:		
Cash received from contributors	\$ 693,199	618,211
Cash received from concerts and other sources	463,047	482,224
Investment income	100,247	98,183
Cash paid to employees and suppliers	(1,244,652)	(1,199,282)
Net cash provide by (used in) operating activities	11,841	(664)
Cash flows from investing activities:		
Purchases of investments	(51,331)	(171,875)
Proceeds from the sale of investments	85,826	-
Reinvestment of dividend and interest income	(93,263)	(84,207)
Purchases of equipment	-	(1,900)
Net cash used in investing activities	(58,768)	(257,982)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital acquisitions	29,700	228,479
Net cash provided by financing activities	29,700	228,479
Decrease in cash and cash equivalents	(17,227)	(30,167)
Cash and cash equivalents at beginning of year	311,391	341,558
Cash and cash equivalents at end of year	\$ 294,164	311,391

See accompanying notes to financial statements.

CHAMBER MUSIC NORTHWEST

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2008

1. Organization

Now in its 38th year as one of the most successful summer music festivals in the nation, Chamber Music Northwest presents an annual summer festival in Portland, Oregon, and 6 to 8 other concerts and educational activities throughout the year. The five-week festival, on the campuses of Reed College and Catlin Gabel School, consists of 27 concerts, a family concert, informal pre-concert talks, open rehearsals, lectures, and outreach performances. The Artistic Director since 1980 is clarinetist David Shifrin, who served as Artistic Director of The Chamber Music Society of Lincoln Center in New York from 1992 through 2005.

2. Basis of Presentation and Summary of Significant Accounting Policies

The significant accounting policies followed by the organization are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – The organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No 117, *Financial Statements of Not-for-Profit Organizations*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of the organization's management, such differences would not be significant.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Pledges are reported net of an allowance for uncollectible amounts and a discount for the present value of the future cash flows. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Operating Results – Results from operations in the statement of activities reflect all transactions increasing or decreasing unrestricted and temporarily restricted net assets except unrestricted bequests or other gifts designated by the board for long-term investment, endowment gifts, and endowment return. In accordance with the organization's endowment distribution policy (see note 4), only the portion of total investment return distributed under this policy to meet operating needs is included in the operating revenues. Operating investments earnings consist of interest earned on non-endowment investments and capital gains (losses) on gifts of donated securities.

Benefits Provided To Donors At Special Events – The organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization.

Cash Equivalents – For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash. Cash and cash equivalents held as part of the organization's investment portfolio, and where management's intention is to use the cash to acquire investments to be held long-term, are classified as investments. Cash equivalents at September 30, 2008 totaled \$250,934, representing investments in money market funds.

Investments – Investments are reported at market value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. Investment income is accrued as earned, and reported net of investment advisory fees. All security transactions are recorded on a trade date basis.

The organization has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Property and equipment are carried at cost when purchased, and at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally five years.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned. Bequests are recorded as revenue at the time the organization has an established right to the bequest and the proceeds are measurable.

Outstanding Legacies – The organization is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The organization's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

Advertising and Promotional Expenses – Advertising and promotional costs are charged to expense as they are incurred. For the year ended September 30, 2008, advertising and marketing expenses totaled \$49,575.

Endowment Funds and Interpretation of Relevant Law – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) which governs Oregon charitable institutions with respect to the management, investment and expenditure of endowment funds.

The Board of Directors has interpreted Oregon’s adoption of UPMIFA as requiring the organization to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the organization has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment’s historic dollar value may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted if the terms of the gift impose restrictions on the use of the income, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Net endowment earnings are classified as increases in unrestricted net assets in all other cases. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the portion of a donor restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the organization to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by an organization's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the donor-restricted endowment fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

Concentrations of Credit Risk – The organization's investments consist primarily of financial instruments including cash equivalents and mutual funds. These financial instruments may subject the organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC), the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. At September 30, 2008, the organization held \$150,934 in cash balances in excess of the FDIC insured level. Certain receivables also subject the organization to concentrations of credit risk.

On October 3, 2008, President George W. Bush signed the Emergency Economic Stabilization Act of 2008, which temporarily raises the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor. The temporary increase became effective immediately upon the President's signature. In addition, on October 14, 2008 the FDIC announced that all non-interest bearing transaction deposit accounts will be fully insured for the entire amount in the deposit account. The basic deposit insurance limit will return to \$100,000 after December 31, 2009.

Income Taxes – The organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and is a publicly supported organization as defined in Sections 170(b)(1)(A)(vi) and 509(a). Contributions to the organization qualify for applicable charitable contribution deductions.

Summarized Financial Information for 2007 – The accompanying financial information as of and for the year ended September 30, 2007 is presented for comparative purposes only, and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Pledges Receivable

Pledges receivable totaling \$86,529 at September 30, 2008 representing unconditional promises expected to be collected as follows:

Less than one year	\$ 80,529
One year to five years	6,000
	\$ 86,529

Pledges receivable are intended by donors for the following purposes:

Endowment	\$ 13,529
Support of general programs and operations	73,000
	\$ 86,529

4. Investments

Investments are carried at market value and total \$3,189,265 at September 30, 2008. Investments primarily represent holdings in money market funds and indexed mutual funds, as follows:

S&P 500 index fund	\$ 1,927,399
Bond index fund	740,165
Mid-cap index fund	234,214
Small-cap index fund	261,458
Money market funds	26,029
	\$ 3,189,265

The organization's investment policy is as follows: Fixed income investments (20%); large-cap equity securities (64%); mid-cap equity securities (8%); and small-cap equity securities (8%).

Investments are held for the following purposes:

Endowment funds	\$ 1,812,189
Other investment purposes	1,377,076
	\$ 3,189,265

The organization's Board of Directors has adopted a policy for the spending of income and appreciation generated by long-term investments, including investments of true endowment funds and Board-designated endowment funds. The Board's intention is that the purchasing power of such funds be maintained unless explicit donor stipulations specify how the appreciation of such funds must be used. To meet that objective, the organization's policies limit the spending of investment income and appreciation to 5.0% of the market value of such investments (computed on a four-year rolling average). In accordance with this policy, \$150,914 was allocated to current operations during the year ended September 30, 2008.

5. Property and Equipment

A summary of property and equipment at September 30, 2008 is as follows:

Furniture and equipment	\$ 84,332
Less accumulated depreciation	(80,506)
	\$ 3,826

6. Restrictions and Limitations on Net Asset Balances

The organization's net assets with donor-imposed restrictions or other limitations at September 30, 2008 are summarized as follows:

Designated by Board

At September 30, 2008, \$1,221,116 of the organization's unrestricted net assets were designated by the Board of Directors for endowment. The Board of Directors requires a super majority vote to use these funds for any other purpose.

Temporarily Restricted

Temporarily restricted net assets at September 30, 2008, total \$95,271 and consist of contributions, grants, and other unexpended revenues and gains available for specific program services and future periods, as follows:

Program services	\$ 94,271
Future periods	1,000
	\$ 95,271

Permanently Restricted

At September 30, 2008, the organization held \$1,825,718 in endowment funds. The investment income earned on the balances of these permanently restricted net assets is either unrestricted or temporarily restricted, as follows:

Endowment funds:

Income unrestricted	\$ 1,321,415
Income restricted	504,303

\$ 1,825,718

Cumulative Endowment Adjustment

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. As of September 30, 2008, the organization had incurred cumulative investment losses on its endowments and/or appropriations for expenditure totaling \$17,543 in excess of available temporarily restricted net asset balances. The incremental loss reported for the year ended September 30, 2008 totaled \$17,543. Accordingly, in order to report the losses as required by SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the excess losses and appropriations have been classified as transactions of the unrestricted net asset class and will be reinstated to unrestricted net assets out of future endowment earnings.

7. Contributions and Grants

Contributions and grants for the year ended September 30, 2008 are summarized as follows:

Individual	\$ 368,711
Foundation	96,000
Government grants	64,287
Corporate	60,781
	\$ 589,779

8. In-Kind Contributions

Consistent with the requirements of SFAS No. 116, the organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased had they not been donated. In addition, in-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the organization's activities.

Donated services, materials, property and equipment are summarized as follows for the year ended September 30, 2008:

<i>Production expenses:</i>	
Concert production	\$ 9,000
Artistic fees and expenses	3,000
	<hr/>
	\$ 12,000

The organization also regularly receives contributed services from a large number of volunteers who assist in program activities, fundraising, and other efforts through their participation in a range of events and by working with members of the organization staff in a variety of capacities. Consistent with SFAS No. 116, the value of such services, which the organization considers not practicable to estimate, have not been recognized in the accompanying financial statements.

9. Net Assets Released From Restrictions

During the year ended September 30, 2008, the organization incurred \$85,719 in expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events. Accordingly, corresponding amounts have been reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying statement of activities.

10. Expenses

The costs of providing the various programs and activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses by their natural classification are presented in the statement of functional expenses.

11. Commitments

During the year ended September 30, 2006, the organization entered into a personal service contract agreement scheduled to end on September 30, 2010. In addition, the organization leases its facility and office equipment under noncancelable operating leases which expire in various years through 2013. Future minimum payments under these agreements for the years subsequent to September 30, 2008 are summarized as follows:

<i>Years ending September 30,</i>	
2009	\$ 132,800
2010	136,452
2011	43,112
2012	15,452
2013	1,428
	<hr/>
	\$ 329,244

Rent expense for the year ended September 30, 2008 totaled \$39,684.

12. Retirement Plan

The organization provides all employees with a tax-sheltered annuity plan as described under Section 403(b) of the Internal Revenue Code. Employees may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. Contributions to the plan by the organization are made at the discretion of the Board of Directors. Contributions to the plan from both the employees and the organization vest as accrued. Contributions by the organization to the plan totaled \$17,472 for the year ended September 30, 2008.

13. Deferred Compensation

To provide supplemental retirement income for a key senior executive and a key employee, the organization has entered into nonqualified deferred compensation arrangements pursuant to §457(b) of the Internal Revenue Code ("IRC").

Under the terms of the first arrangement (entered into on October 1, 2005), the organization has committed, for the calendar years 2005 through 2011, to credit to a deferred compensation account an amount equal to the maximum allowed under IRC §457(e)(15), as adjusted for cost of living after 2006.

Under the terms of the second arrangement (entered into in September of 2008), the organization has committed, for the calendar years 2008 through 2012, to credit to a deferred compensation account an amount determined annually by the organization's executive committee, up to the maximum allowed under IRC §457(e)(15).

During the year ended September 30, 2008, the organization recorded \$17,727 in compensation expense under the terms of these agreements and, at September 30, 2008, reported a total liability of \$47,855. The arrangements are "unfunded" so that the deferred amounts are not includible in the senior executive's and employee's gross income until the amounts are actually or constructively received. In addition, the terms of the arrangements provide that any assets associated with this liability are subject to the claims of the organization's creditors in the event of the insolvency of the employer.

14. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the decrease in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Decrease in net assets	\$ (832,738)
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<i>Adjustments to reconcile decrease in net assets to net cash provided by operating activities:</i>	
Depreciation	3,196
Net decline in the fair value of investments	757,025
Contributions restricted for long-term investment	(29,700)
<i>Net changes in:</i>	
Accounts receivable	3,837
Pledges receivable	110,970
Prepaid expenses	9,812
Accounts payable	(5,320)
Accrued payroll and related expenses	(1,759)
Deferred revenue	(21,209)
Deferred compensation	17,727
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Total adjustments	844,579
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Net cash provided by operating activities	\$ 11,841
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15. New Accounting Standards

The following new accounting standards may affect the organization's financial statements in future years.

- Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), *Fair Value Measurements*, was issued by the Financial Accounting Standards Board ("FASB") in September of 2006. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. The pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurements. The statement is effective for years beginning after November 15, 2007; the organization will be required to adopt SFAS No. 157 during the year ended September 30, 2009. Management is currently evaluating the requirements of SFAS No. 157 and has not yet determined the effect on the organization's financial statements.
- FASB Staff Position ("FSP") No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, was issued in August of 2008. As reported in note 2, the State of Oregon has adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") which governs Oregon charitable institutions with respect to the management, investment and expenditure of endowment funds. The guidance in FSP 117-1 is intended to improve the quality and consistency of financial reporting of endowments held by nonprofit organizations, and provides specific guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. The FSP also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds). The provisions of the FSP are effective for fiscal years ending after December 15, 2008. Both management and the Board of Directors are currently evaluating the requirements of UPMIFA and FSP No. 117-1, and have not yet determined the effect on the organization's operations or financial statements.



CHAMBER MUSIC NORTHWEST
SCHEDULE OF CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2008

	Unrestricted			Total
	General operating funds	Board designated funds	Net investment in capital assets	
Earned revenues and gains:				
Ticket revenue	\$ 421,540	-	-	421,540
Educational revenue	18,859	-	-	18,859
Concessions	4,599	-	-	4,599
Investment earnings	1,403	-	-	1,403
Advertising and other	35,421	-	-	35,421
Total earned revenues and gains	481,822	-	-	481,822
Public support:				
Contributions and grants	538,029	-	-	538,029
In-kind contributions	12,000	-	-	12,000
Special events, net	15,298	-	-	15,298
Total public support	565,327	-	-	565,327
Appropriation of endowment assets for expenditure	136,612	-	-	136,612
Net assets released from restrictions	85,719	-	-	85,719
Total operating revenues, gains and other support	1,269,480	-	-	1,269,480
Expenses:				
Program services	1,003,996	-	-	1,003,996
Management and general	120,009	-	3,196	123,205
Fundraising	146,255	-	-	146,255
Total expenses	1,270,260	-	3,196	1,273,456
Increase (decrease) in net assets before non-operating activities	(780)	-	(3,196)	(3,976)
Non-operating activities:				
Bequests, Board-designated gifts, and endowment gifts	-	5,000	-	5,000
Investment income	-	80,599	-	80,599
Net decline in the fair value of investments	-	(649,519)	-	(649,519)
Less appropriation of endowment assets for expenditure	-	(136,612)	-	(136,612)
Total non-operating activities	-	(700,532)	-	(700,532)
Increase (decrease) in net assets	(780)	(700,532)	(3,196)	(704,508)
Net assets at beginning of year	351,467	1,921,648	7,022	2,280,137
Net assets at end of year	\$ 350,687	1,221,116	3,826	1,575,629

Donor restricted				
Temporarily restricted			Permanently restricted Endowment funds	Total
Contributions	Endowment earnings	Total		
-	-	-	-	421,540
-	-	-	-	18,859
-	-	-	-	4,599
-	-	-	-	1,403
-	-	-	-	35,421
-	-	-	-	481,822
29,750	-	29,750	-	567,779
-	-	-	-	12,000
-	-	-	-	15,298
29,750	-	29,750	-	595,077
-	14,302	14,302	-	150,914
(71,417)	(14,302)	(85,719)	-	-
(41,667)	-	(41,667)	-	1,227,813
-	-	-	-	1,003,996
-	-	-	-	123,205
-	-	-	-	146,255
-	-	-	-	1,273,456
(41,667)	-	(41,667)	-	(45,643)
-	-	-	17,000	22,000
-	12,645	12,645	-	93,244
-	(101,906)	(101,906)	-	(751,425)
-	(14,302)	(14,302)	-	(150,914)
-	(103,563)	(103,563)	17,000	(787,095)
(41,667)	(103,563)	(145,230)	17,000	(832,738)
121,417	119,084	240,501	1,808,718	4,329,356
79,750	15,521	95,271	1,825,718	3,496,618

CHAMBER MUSIC NORTHWEST

GOVERNING BOARD AND ADMINISTRATION

2007–2008

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Rebekah Phillips, *Communications and Media Manager*

Mark Owsley, *Production Manager*

CHAMBER MUSIC NORTHWEST
INQUIRIES AND OTHER INFORMATION

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