

**GRAND TETON MUSIC FESTIVAL, INC.
AND AFFILIATE
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
DECEMBER 31, 2017 AND 2016
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grand Teton Music Festival, Inc. and Affiliate
Wilson, Wyoming

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of **Grand Teton Music Festival, Inc. and Affiliate** (Festival) (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Festival's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Festival's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above, present fairly, in all material respects, the financial position of **Grand Teton Music Festival, Inc. and Affiliate** as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Beall Barclay & Company, PLC

BEALL BARCLAY & COMPANY, PLC
Certified Public Accountants

Fort Smith, Arkansas
August 16, 2018

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 821,552	\$ 461,013
Accounts and pledges receivable	446,348	534,958
Prepaid expenses	18,258	38,754
	<u>1,286,158</u>	<u>1,034,725</u>
Total Current Assets	<u>1,286,158</u>	<u>1,034,725</u>
PROPERTY AND EQUIPMENT, NET	<u>8,101,537</u>	<u>10,293,697</u>
OTHER ASSETS		
Investments	<u>11,572,303</u>	<u>10,132,607</u>
	<u>11,572,303</u>	<u>10,132,607</u>
TOTAL ASSETS	<u><u>\$ 20,959,998</u></u>	<u><u>\$ 21,461,029</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 61,708</u>	<u>\$ 46,457</u>
Total Current Liabilities	<u>61,708</u>	<u>46,457</u>
NET ASSETS		
Unrestricted	12,671,726	12,118,499
Unrestricted - housing property, net	<u>3,080,907</u>	<u>5,101,519</u>
Total Unrestricted	15,752,633	17,220,018
Temporarily Restricted	2,568,383	1,617,280
Permanently Restricted	<u>2,577,274</u>	<u>2,577,274</u>
Total Net Assets	<u>20,898,290</u>	<u>21,414,572</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,959,998</u></u>	<u><u>\$ 21,461,029</u></u>

See Independent Auditors' Report and Notes to Combined Financial Statements.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants	\$ 1,096,764	\$ 2,015,710	\$ -	\$ 3,112,474
Ticket sales	422,825	2,755	-	425,580
Gala revenue	812,139	-	-	812,139
Gala costs - direct benefits to donors	(124,564)	-	-	(124,564)
Other Festival revenue	321,518	-	-	321,518
Rental income	250,021	-	-	250,021
Interest income	284,825	-	-	284,825
Net realized and unrealized gains on investments	852,858	-	-	852,858
	<u>3,916,386</u>	<u>2,018,465</u>	<u>-</u>	<u>5,934,851</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of donor restrictions	1,028,500	(1,028,500)	-	-
Expiration of time and purpose restriction on pledge receivable due to transfer	38,862	(38,862)	-	-
	<u>1,067,362</u>	<u>(1,067,362)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>4,983,748</u>	<u>951,103</u>	<u>-</u>	<u>5,934,851</u>
EXPENSES				
Transfer to non-affiliate	2,313,446	-	-	2,313,446
Festival expenses	3,534,223	-	-	3,534,223
Housing expenses	232,519	-	-	232,519
Management and general	144,125	-	-	144,125
Fundraising	226,820	-	-	226,820
	<u>6,451,133</u>	<u>-</u>	<u>-</u>	<u>6,451,133</u>
CHANGE IN NET ASSETS	(1,467,385)	951,103	-	(516,282)
NET ASSETS, BEGINNING OF YEAR	<u>17,220,018</u>	<u>1,617,280</u>	<u>2,577,274</u>	<u>21,414,572</u>
NET ASSETS, END OF YEAR	<u>\$ 15,752,633</u>	<u>\$ 2,568,383</u>	<u>\$ 2,577,274</u>	<u>\$ 20,898,290</u>

See Independent Auditors' Report and Notes to Combined Financial Statements.

**GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
CHANGES IN NET ASSETS				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants	\$ 952,550	\$ 663,090	\$ -	\$ 1,615,640
Ticket sales	409,638	700	-	410,338
Gala and Wine Auction revenue	755,130	-	-	755,130
Gala and Wine Auction costs - direct benefits to donors	(561,912)	-	-	(561,912)
Other festival revenue	155,617	-	-	155,617
Rental income	265,635	4,000	-	269,635
Interest income	240,005	-	-	240,005
Gain on disposal of equipment	1,311	-	-	1,311
Net realized and unrealized gains on investments	290,373	-	-	290,373
	<u>2,508,347</u>	<u>667,790</u>	<u>-</u>	<u>3,176,137</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of donor restrictions	1,416,729	(1,416,729)	-	-
Expiration of time and purpose restriction on pledge receivable due to uncollectibility	1,491,265	(1,491,265)	-	-
	<u>1,491,265</u>	<u>(1,491,265)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>5,416,341</u>	<u>(2,240,204)</u>	<u>-</u>	<u>3,176,137</u>
EXPENSES				
Festival expenses	3,255,356	-	-	3,255,356
Housing expenses	374,129	-	-	374,129
Management and general	1,616,931	-	-	1,616,931
Fundraising	184,746	-	-	184,746
	<u>5,431,162</u>	<u>-</u>	<u>-</u>	<u>5,431,162</u>
CHANGE IN NET ASSETS	(14,821)	(2,240,204)	-	(2,255,025)
NET ASSETS, BEGINNING OF YEAR	<u>17,234,839</u>	<u>3,857,484</u>	<u>2,577,274</u>	<u>23,669,597</u>
NET ASSETS, END OF YEAR	<u>\$ 17,220,018</u>	<u>\$ 1,617,280</u>	<u>\$ 2,577,274</u>	<u>\$ 21,414,572</u>

See Independent Auditors' Report and Notes to Combined Financial Statements.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (516,282)	\$ (2,255,025)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	362,909	493,746
(Gain) on disposal and transfer of property	-	(1,311)
Net unrealized (gain) on investments	(221,536)	(15,098)
Net realized (gain) on investments	(631,322)	(275,275)
Uncollectible accounts	12,300	1,516,265
Non-cash transfer to non-affiliate	1,872,279	-
Change in:		
Accounts and pledges receivable	76,310	20,714
Prepaid expenses	20,496	(30,411)
Accounts payable	15,251	(81,209)
	<u>1,506,687</u>	<u>1,627,421</u>
Net Cash From (Used For) Operating Activities	<u>990,405</u>	<u>(627,604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(43,028)	(391,728)
Proceeds from sale of property and equipment	-	1,311
Purchases of investments	(4,210,697)	(2,156,828)
Proceeds from sales of investments	<u>3,623,859</u>	<u>2,075,062</u>
Net Cash (Used For) Investing Activities	<u>(629,866)</u>	<u>(472,183)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	360,539	(1,099,787)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>461,013</u>	<u>1,560,800</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 821,552</u>	<u>\$ 461,013</u>

See Independent Auditors' Report and Notes to Combined Financial Statements.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Grand Teton Music Festival, Inc. (the Festival) is a Wyoming non-profit corporation established to provide exhilarating musical experiences for the enjoyment, education, and personal enrichment for the residents of and visitors to Jackson Hole, Wyoming.

In August 2011, the Festival established GTMF Support Facilities, Inc. (Facilities) as a Wyoming non-profit corporation. The purpose of Facilities was to be a supporting organization for the Festival and support the Festival's mission. Facilities was to administer funds to support housing already owned and to fund the future acquisition of musician housing as outlined in the *Home on the Range* campaign. Effective January 1, 2013, certain assets and liabilities of the Festival were assumed by Facilities in conjunction with its stated mission. Facilities was converted to a private foundation by the Internal Revenue Service effective September 1, 2017 and was no longer associated with the Festival at that point. The remaining assets of Facilities were transferred to the Festival or to the Walk Family Jackson Hole Housing Fund (the resulting private foundation after the IRS conversion) in accordance with the settlement agreement. See Note 14 for further detail.

During 2017, the Festival established GTMF Housing, LLC (Housing) as a limited liability company of which the Festival is the sole member. The purpose of Housing is to own and manage certain real estate of the Festival.

Principles of Combination

The combined financial statements include the accounts of the Festival (including Housing which is a single member LLC) and its affiliated supporting organization Facilities (until conversion to a private foundation as described above), collectively referred to as the Organization or Festival in these combined financial statements. All significant intercompany accounts and transactions have been eliminated in the accompanying combined financial statements.

Basis of Accounting and Presentation

The Festival's policy is to prepare its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Generally, revenues, gains and other support are recognized in the period in which they are earned. Expenses and losses are recognized in the period in which they are incurred.

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Codification Topic *Not-for-Profit Entities*. Under this Codification Topic, the Festival is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. In these combined financial statements, the estimated collection timeline of pledges receivable and the related discount to contributions involved extensive reliance on management's estimates. Actual results could differ from those estimates.

Contributions

Gifts of cash and other assets are recorded as unrestricted, temporarily or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. Permanently restricted net assets are those where the donor specifies that the principal amount of the donation may not be spent. Temporarily restricted donations are those where there is a time or purpose restriction that must be met before the net asset may be utilized. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities as "Net Assets Released From Restrictions". Generally, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

The combined financial statements of the Festival reflect in-kind donations as revenues in the period received as assets, expenses, or decreases of liabilities, depending on the type of benefit received. Donations are measured at estimated fair market values. Donations received with donor restrictions for future periods are reported as an increase in temporarily restricted net assets.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Festival reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as unrestricted support. Other contributed services that enhance the Festival's programs, but are not so essential that they would otherwise be purchased, are not recorded as support. The Board of Directors and friends of the Festival provide volunteer services. The values of these services generally do not meet the recognition criteria.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Cash Equivalents

For purposes of the Combined Statements of Cash Flows, the Festival considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2017 and 2016, the Festival had no cash equivalents.

Accounts and Pledges Receivable

Accounts and pledges receivable and unconditional promises to give that are to be received in less than one year are recorded at face value because of their short maturity. The value of pledges receivable and unconditional promises to give that were recorded in years prior to 2016 that were to be received in 2016 were estimated based on future cash flows discounted at a rate of 6.95%. The pledges recorded in 2017 and 2016 were not discounted as they are anticipated to be received in less than one year. The discount rates utilized are based on the risk-free rate plus an estimated discount for collectability.

Property and Equipment

With the exception of donated assets, property and equipment is stated at cost, including any internal labor and associated costs the Festival incurs in constructing its own assets. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from two to thirty-nine years. Donated assets are recorded at the fair market value of the asset on the date of donation. Property and equipment additions exceeding \$1,000 are capitalized. The cost basis of fully depreciated property and equipment still in use by the Festival at December 31, 2017 and 2016 amounted to approximately \$2,520,000 and \$2,478,000, respectively.

Long-Lived Assets

FASB Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Festival's reported earnings, financial condition or cash flows.

Investment Valuation and Income Recognition

Investments received by contributions are valued at market value on the date of receipt. Investments are reported at fair value in the Combined Statements of Financial Position, with realized and unrealized gains and losses being reflected in the Combined Statements of Activities. 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. See Note 7 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Investment and Spending Policies

The Festival maintains permanently restricted endowments. These endowments are governed by the Festival's investment and endowment policies. See Note 5 for policy information.

Income Taxes and Uncertain Tax Positions

The Festival and Facilities qualify as organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute and are not subject to tax at the entity level for Federal and state income tax purposes. Through August 31, 2017, Facilities is classified as a Type 1 supporting organization under 509(a)(3) of the Internal Revenue Code. Effective September 1, 2017, Facilities was converted to a private foundation by the Internal Revenue Service. See Note 14 for further detail.

The Festival accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Festival to recognize in their combined financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Festival and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The Festival files informational "Return of Organization Exempt from Income Tax" (Form 990) in the U.S. Federal jurisdiction. The 990 for Facilities through August 31, 2017 has been filed by the organizations.

Functional Allocation of Expenses

The Festival allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on the salaries and wages expensed for the program during the year. The Festival's program expenses are the expenses incurred that are directly allocated to the Festival's mission of providing music to residents and visitors of the Jackson Hole, Wyoming and the expenses incurred that are directly allocated to Facilities' mission of providing housing for the musicians.

Advertising

The Festival follows the policy of charging advertising costs to expense as incurred. There were approximately \$227,000 and \$185,000 in advertising and fundraising costs, respectively, including "in-kind" donations, for the years ended December 31, 2017 and 2016.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Subsequent Events

Subsequent events are evaluated through the date the combined financial statements were available to be issued, which is the date of the Independent Auditors' Report.

NOTE 2: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Festival uses financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. The Festival has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash. The Festival had uninsured bank balances of approximately \$100,000 and Facilities had no uninsured bank balances at December 31, 2017. The Festival also had approximately \$204,300 of uninsured short-term asset management funds which are included in investments on the Combined Schedules of Financial Position.

See Notes 4, 5, and 6 for other financial instruments with risk of accounting loss.

As a result of the ordinary course of business, the Festival is involved in various litigation as of December 31, 2017. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that any resulting unfavorable outcomes would have a minimal adverse economic impact on the Festival.

NOTE 3: PROPERTY AND EQUIPMENT, TENANT-IN-COMMON AGREEMENT

Major classifications of property and equipment are summarized below:

	2017	2016
Land	\$ 93,085	\$ 93,085
Music Hall Buildings and Improvements	8,258,858	8,243,396
Après Vous Condos	3,935,403	3,935,403
Snow King Condos	-	1,812,945
Snow King Land	-	339,799
Music Equipment	794,303	792,302
Office Equipment and Furnishings	223,454	197,888
Hall Furniture and Fixtures	<u>257,540</u>	<u>257,540</u>
	13,562,643	15,672,358
Less Accumulated Depreciation	<u>5,461,106</u>	<u>5,378,661</u>
	<u>\$ 8,101,537</u>	<u>\$ 10,293,697</u>

In a prior year, the Festival purchased condos referred to above as Snow King (land and condos). The funds collected through the *Home on the Range* campaign were eligible to be utilized for this purchase. During the year ended December 31, 2017, the Snow King condos and related land were transferred to a non-affiliate as part of a litigation settlement agreement. See Note 14 for further detail.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4: INVESTMENTS

Investments are stated at fair value. Fair value and unrealized appreciation (depreciation) at December 31, 2017 and 2016 are summarized below.

December 31, 2017	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>Festival</u>			
Fixed Income	\$ 4,773,108	\$ 5,859,978	\$ 1,086,870
Mutual Funds	3,536,190	4,675,658	1,139,468
Exchange Traded Funds	506,834	538,546	31,712
Short-Term Asset			
Management Fund	454,284	454,284	-
Equities	2,104	2,104	-
Accrued Interest	<u>41,733</u>	<u>41,733</u>	<u>-</u>
	<u>\$ 9,314,253</u>	<u>\$ 11,572,303</u>	<u>\$ 2,258,050</u>
December 31, 2016			
<u>Festival</u>			
Fixed Income	\$ 3,957,860	\$ 3,998,727	\$ 40,867
Mutual Funds	3,537,974	4,965,167	1,427,193
Short-Term Asset			
Management Fund	734,833	734,833	-
Equities	2,702	2,702	-
Accrued Interest	<u>30,886</u>	<u>30,886</u>	<u>-</u>
	<u>8,264,253</u>	<u>9,732,315</u>	<u>1,468,060</u>
<u>Facilities</u>			
Bond Funds	150,821	149,282	(1,539)
Short-Term Asset			
Management Fund	199,766	199,766	-
Equity Funds	<u>50,492</u>	<u>51,244</u>	<u>752</u>
	<u>401,079</u>	<u>400,292</u>	<u>(787)</u>
	<u>\$ 8,665,334</u>	<u>\$ 10,132,607</u>	<u>\$ 1,467,273</u>

The following schedule summarizes the investment return and its classification in the Combined Statements of Activities for the years ended December 31, 2017 and 2016.

	2017	2016
Interest and income	\$ 284,825	\$ 240,005
Net realized gain on investments	631,322	275,275
Net unrealized gain on investments	<u>221,536</u>	<u>15,098</u>
Total investment return	<u>\$ 1,137,683</u>	<u>\$ 530,378</u>

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5: INVESTED FUNDS AND RESTRICTED NET ASSETS

The Festival's Invested Funds are \$11,572,303 and \$9,732,315, respectively, at December 31, 2017 and 2016 (as described above in Note 4) and are comprised of three components – permanently restricted, temporarily restricted, and board designated.

To achieve its investment objectives, the Festival has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The Festival adopted an updated policy in August 2016, which increased the fixed income target allocations by 5% and decreased the equities target allocation by 5% compared to the previous policy. Funds are invested in a well-diversified asset mix, which include objectives of mutual funds and equities ranging 40-60% with a target of 55% and fixed income investments ranging 40-60% with a target of 45%, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% of the moving average over the last twelve quarters, while growing the fund if possible. Accordingly, the Festival expects its funds, over time, to produce investment returns that will equal or exceed the sum of spending plus inflation. Actual returns in any given year may vary from that expectation.

Investment risk is measured in terms of the total invested funds. Investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk. The State of Wyoming has adopted the Uniform Prudent Management of Institutional Funds Act, which governs charitable institutions endowment practices.

Permanently Restricted Net Assets

The Festival has only one permanently restricted endowment fund, The Maurice Walk Endowment Fund (MWEF), as of December 31, 2017 and 2016 with a balance of \$2,577,274 at the end of each year. With respect to the MWEF, the Festival's investment policy states that "In 1981 Maurice Walk started the Maurice Walk Endowment Fund (MWEF) with a permanently restricted gift of \$500,000. In 2014, the Board permanently fixed the principal of the MWEF at \$2,577,274. The principal is permanently restricted and can never be spent down, however, future investment gains from the MWEF are unrestricted and available for Festival use and any future losses reduce the unrestricted funds only."

Temporarily Restricted Net Assets

At December 31, 2017 and 2016, temporarily restricted net assets are comprised of several sources. The Walk Hall maintenance reserve fund with amounts of \$535,919 and \$558,125, respectively, is to be used for future maintenance and operating costs of Walk Hall and is included in Invested Funds.

A major gift of \$1,250,000 was received from an anonymous donor in 2017 to be utilized during 2018, 2019, and 2020 for specific programs as defined in the gift agreement. The amount of \$1,250,000 was included in Invested Funds.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Additionally, temporarily restricted net assets include funds that are received in advance for ticket sales and upcoming season and future project sponsorships. Funds raised through contributions to Facilities, including those raised by the *Home on the Range* campaign, are to be used for the operations and maintenance of the housing owned by Facilities. These funds are included in the operating cash accounts. Additionally, the accounts and pledges receivable of the Organizations are temporarily restricted for time and/or purpose.

	2017	2016
Walk Hall maintenance reserve fund (Festival)	\$ 535,919	\$ 558,125
Major gift award received for use in future years (Festival)	1,250,000	-
Funds received for ticket sales in upcoming seasons and future project sponsorships (Festival)	258,958	248,725
Accounts and pledges receivable – time and/or purpose (Festival)	472,838	534,958
Grant funds – time and/or purpose (Festival)	50,668	-
Funds raised for housing and not yet spent (Facilities)	-	275,472
	\$ 2,568,383	\$ 1,617,280

During the years ended December 31, 2017 and 2016, the net assets released from restrictions were due to the satisfaction of donor restrictions from time expirations, due to expenses incurred for Walk Hall maintenance, due to concerts and activities that took place during the 2017 and 2016 seasons, and for the expenses incurred for the housing owned by Facilities. These expenses included depreciation, maintenance, taxes, and other recurring expenses on the *Après Vous* and *Snow King* condos. Additionally, assets were released from restrictions due to uncollectible pledges that were written off as uncollectible during the year ended December 31, 2016.

Board Designated Net Assets

The remaining Invested Funds of the Festival were \$7,209,110 and \$6,596,916, respectively, at December 31, 2017 and 2016, which are considered to be Board designated funds to be utilized under Board direction for the future needs of the Festival. During the year ended December 31, 2017, the Board set aside from their unrestricted net assets \$24,000 for a Capital Reserve, \$198,000 for an Operating Reserve and \$18,000 for an Instrument Reserve. These amounts are included in “Unrestricted Net Assets” on the Combined Statements of Financial Position.

NOTE 6: FAIR VALUE MEASUREMENTS

FASB Codification Topic *Fair Value Measurements and Disclosures* 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 fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level of input that is significant to the fair value measurement of the investment.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
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The asset's 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 Level 1 category requires that inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market that the Festival has the ability to access. For the years ended December 31, 2017 and 2016, all investments of the Festival were considered to be Level 1 and were valued at quoted market prices in active markets. Investments recorded in the Combined Statements of Financial Position are based on the inputs to valuation techniques as follows:

Mutual Funds, Exchange Traded Funds, Bond Funds, Short-Term Asset Management Funds, Equity Funds and Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income: Valued at fair value by discounting the related cash flows based on current yields of similar instruments.

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 Festival believes its valuation methods are appropriate and consistent with 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.

The following table presents the Festival and Facilities hierarchy for the investments measured at fair value on a recurring basis as of December 31, 2017 and 2016:

December 31, 2017	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Festival</u>			
Fixed Income	\$ 5,859,976	\$ -	\$ -
Mutual Funds	4,675,658	-	-
Exchange Traded Funds	538,546	-	-
Short-term Asset Management Fund	454,286	-	-
Equities	2,104	-	-
Accrued Interest	<u>41,733</u>	-	-
	<u>\$11,572,303</u>	<u>\$ -</u>	<u>\$ -</u>

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
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DECEMBER 31, 2017 AND 2016

December 31, 2016	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Festival</u>			
Fixed Income	\$ 3,998,727	\$ -	\$ -
Mutual Funds	4,965,167	-	-
Short-term Asset Management Fund	734,833	-	-
Equities	2,702	-	-
Accrued Interest	<u>30,886</u>	<u>-</u>	<u>-</u>
	<u>9,732,315</u>	<u>-</u>	<u>-</u>
<u>Facilities</u>			
Bond Funds	149,282	-	-
Short-term Asset Management Fund	199,766	-	-
Equity Funds	<u>51,244</u>	<u>-</u>	<u>-</u>
	<u>400,292</u>	<u>-</u>	<u>-</u>
	<u>\$10,132,607</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7: LEASES

The Festival leases office space under a year-to-year contract. Rental expense under the lease agreement totaled \$81,203 and \$80,100, respectively, for the years ended December 31, 2017 and 2016.

Subsequent to year-end, the Festival leased a new office space under a five-year contract. The minimum lease payments under the lease are as follows:

Year ending December 31,	
2018	\$ 59,200
2019	78,960
2020	78,960
2021	78,960
2022	78,960
2023	<u>19,740</u>
	<u>\$ 394,780</u>

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8: EMPLOYEE BENEFIT PLAN

The Festival has a 403(b) Plan that allows all employees, except for seasonal employees as defined, to enter the plan. The plan includes a matching feature that matches salary deferrals 100% up to 5% of the employees' pay. Matching contributions as well as employee deferrals are 100% vested immediately. The Festival may also elect to make discretionary matching contributions. The Festival contributed \$26,047 and \$23,300, respectively, to the plan for the years ended December 31, 2017 and 2016.

NOTE 9: RELATED PARTY, CONCENTRATIONS AND PLEDGES

During the year ended December 31, 2017, an anonymous gift of \$1,250,000 was received from a Festival donor. The gift is temporarily restricted for specific purposes as defined in the gift agreement. These funds were placed into the Invested Funds.

A donor, also a member of the Facilities' Board of Directors, pledged \$4,000,000 of which \$1,600,000 remained to be paid to Facilities when Facilities received its IRS classification. The funds were to be utilized with the *Home on the Range* campaign. As part of the mediation settlement and discussed further in Note 14, it was agreed that this pledge would not be paid to Facilities. Therefore, this pledge was written off as uncollectible during the year ended December 31, 2016.

NOTE 10: INTENTIONS TO GIVE

The Festival has received indications of intentions to give in the form of bequests which are revocable during the donors' lifetime. Due to their uncertain nature, the Festival has not recognized an asset or contribution revenue for these intentions to give. For each of the years ended December 31, 2017 and 2016, the Festival has been made aware of potential bequests in the amount of approximately \$1,165,000.

NOTE 11: ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable represent contributions pledged and unconditional promises to give that have not been collected. The pledges are from various individuals, foundations, and business entities and by their nature represent an intent to contribute at a later date. A specific allowance for uncollectible pledges was not deemed necessary at December 31, 2017 and 2016. The pledges receivable at December 31, 2017 and 2016 are to be utilized for support of the program of the Festival. At December 31, 2017, pledges receivable amounted to \$446,348 and are to be collected during the year ended December 31, 2018.

The pledges recorded in 2017 and 2016 were not discounted as they are anticipated to be received in less than one year. See Note 10 for detail of intentions to donate which are not recorded in pledges receivable.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 12: LINE OF CREDIT

During the year ended December 31, 2016, the Festival opened a margin loan agreement with its investment custodian, Charles Schwab, in the amount of \$300,000 and that margin loan arrangement remains available to the Festival, if needed. At December 31, 2017, there were no outstanding balances.

NOTE 13: HOME ON THE RANGE CAMPAIGN

Beginning in 2010 and concluding in 2011, the Festival engaged in a capital campaign titled *Home on the Range*. The purpose of this campaign was to raise funds that were temporarily restricted for the purchase of fractional ownership of 60 bedrooms for musician housing (including two units for Festival staff) and for Festival office space in Teton Village, Wyoming. See Note 14 related to a write-off of a pledge as uncollectible during the year ended December 31, 2016 related to this campaign.

The housing was acquired in accordance with the use specified for the *Home on the Range* funds and in accordance with the Festival's accounting policy regarding the treatment of long-lived assets, the housing was considered unrestricted when placed in service for its intended use. On the Combined Statements of Financial Position, the housing assets, net of depreciation, are shown as unrestricted net assets – housing property, net.

NOTE 14: SETTLEMENT AND TRANSFERS

On July 30, 2015, Facilities and the Festival became involved in litigation filed by related parties in Wyoming State Court. On June 14, 2016, these related parties (the Marguerite A. Walk Private Foundation Corporation and the Maurice Walk Fine Arts Foundation – the "Plaintiffs") filed an action in the United States Court for the District of Wyoming, seeking declaratory relief against Festival and Facilities (the "Defendants"). Plaintiffs asked the court to declare that both Defendants were bound by an alleged agreement with Plaintiffs. Festival and Facilities believed the allegations of the complaint to be without merit and vigorously contested them.

As a result of mediation conducted in 2017, the parties to the lawsuits agreed to a settlement. As part of the settlement, the Festival retained ownership of the *Après Vous* condos and the Plaintiffs obtained ownership of the Snow King units and will make them available to musicians during the Festival season in accordance with the terms stated in the mediation settlement. Also a result of the mediation settlement, Plaintiffs will not pay the remaining pledge receivable previously recorded by Facilities. As such, this pledge was written off as uncollectible during the ended December 31, 2016. During the year ended December 31, 2017, the Federal and State lawsuits were dismissed with prejudice.

Effective September 1, 2017, Facilities was reclassified as a private foundation by the Internal Revenue Service under the direction of the Plaintiffs and Facilities was separated from the Festival. The private foundation entity will be called the Walk Family Jackson Hole Housing Fund (WFJHHF).

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Certain assets, including cash and the ownership of the Après Vous condos, that were retained by the Festival under the settlement agreement were transferred to the Festival during the year ended December 31, 2017. Transfers recorded from Facilities to the Festival during the year ended December 31, 2017 were \$3,316,428. This amount included non-cash transfers of \$3,108,543 in housing assets, net of depreciation, and cash transfers of approximately \$208,000.

Certain assets, including cash and the ownership of the Snow King units, were transferred to WFJHHF during the year ended December 31, 2017. Transfers recorded from Facilities to WFJHHF during the year ended December 31, 2017 were \$2,313,446. This amount included non-cash transfers of \$1,872,279 for the Snow King land and condos, net of depreciation, and cash transfers of approximately \$441,000.

NOTE 15: RECENT ACCOUNTING PRONOUNCEMENT

In August 2016, the FASB issued ASU 2016-4, *Presentation of Financial Statements of Not-for-Profit Entities*, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. Early implementation of the ASU is permitted.

While this new standard will significantly impact the presentation of the financial statements and the content of disclosures in the notes to the financial statements, it is not expected to have a material impact on the recording or measurement of amounts presented therein.

SUPPLEMENTARY INFORMATION

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
COMBINING SCHEDULES OF FINANCIAL POSITION
DECEMBER 31, 2017

	GRAND TETON MUSIC FESTIVAL, <u>INC.</u>	GTMF SUPPORT FACILITES, <u>INC.</u>	<u>ELIMINATIONS</u>	<u>COMBINED</u>	MEMORANDUM ONLY DECEMBER 31, 2016 <u>COMBINED</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 821,552	\$ -	\$ -	\$ 821,552	\$ 461,013
Accounts and pledges receivable	446,348	-	-	446,348	534,958
Prepaid expenses	<u>18,258</u>	<u>-</u>	<u>-</u>	<u>18,258</u>	<u>38,754</u>
Total Current Assets	<u>1,286,158</u>	<u>-</u>	<u>-</u>	<u>1,286,158</u>	<u>1,034,725</u>
PROPERTY AND EQUIPMENT, NET	<u>8,101,537</u>	<u>-</u>	<u>-</u>	<u>8,101,537</u>	<u>10,293,697</u>
OTHER ASSETS					
Investments	<u>11,572,303</u>	<u>-</u>	<u>-</u>	<u>11,572,303</u>	<u>10,132,607</u>
TOTAL ASSETS	<u>\$ 20,959,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,959,998</u>	<u>\$ 21,461,029</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 61,708	\$ -	\$ -	\$ 61,708	\$ 46,457
Total Current Liabilities	<u>61,708</u>	<u>-</u>	<u>-</u>	<u>61,708</u>	<u>46,457</u>
NET ASSETS					
Unrestricted	12,671,726	-	-	12,671,726	12,118,499
Unrestricted - housing property, net	<u>3,080,907</u>	<u>-</u>	<u>-</u>	<u>3,080,907</u>	<u>5,101,519</u>
Total Unrestricted	15,752,633	-	-	15,752,633	17,220,018
Temporarily Restricted	2,568,383	-	-	2,568,383	1,617,280
Permanently Restricted	<u>2,577,274</u>	<u>-</u>	<u>-</u>	<u>2,577,274</u>	<u>2,577,274</u>
Total Net Assets	<u>20,898,290</u>	<u>-</u>	<u>-</u>	<u>20,898,290</u>	<u>21,414,572</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,959,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,959,998</u>	<u>\$ 21,461,029</u>

See Independent Auditors' Report.

GRAND TETON MUSIC FESTIVAL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>	<u>MEMORANDUM ONLY DECEMBER 31, 2016</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions and grants	\$ 1,096,764	\$ 2,015,710	\$ -	3,112,474	\$ 1,615,340
Ticket sales	422,825	2,755	-	425,580	410,338
Gala and Wine Auction revenue	812,139	-	-	812,139	755,130
Gala and Wine Auction costs - direct benefits to donors	(124,564)	-	-	(124,564)	(561,912)
Other Festival revenue	321,518	-	-	321,518	155,617
Rental income	97,216	-	-	97,216	42,300
Interest income	281,135	-	-	281,135	238,397
Gain on disposal of property	-	-	-	-	1,311
Net realized and unrealized gains on investments	842,660	-	-	842,660	291,160
Transfers from Support*	3,316,428	-	-	3,316,428	-
	<u>7,066,121</u>	<u>2,018,465</u>	<u>-</u>	<u>9,084,586</u>	<u>2,947,681</u>
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of donor restrictions	791,890	(791,890)	-	-	-
	<u>7,858,011</u>	<u>1,226,575</u>	<u>-</u>	<u>9,084,586</u>	<u>2,947,681</u>
EXPENSES					
Festival expenses	3,534,223	-	-	3,534,223	3,255,356
Management and general	140,034	-	-	140,034	110,742
Fundraising	226,820	-	-	226,820	184,746
	<u>3,901,077</u>	<u>-</u>	<u>-</u>	<u>3,901,077</u>	<u>3,550,844</u>
CHANGE IN NET ASSETS	3,956,934	1,226,575	-	5,183,509	(603,163)
NET ASSETS, BEGINNING OF YEAR	11,795,699	1,341,808	2,577,274	15,714,781	16,317,944
NET ASSETS, END OF YEAR	<u>\$ 15,752,633</u>	<u>\$ 2,568,383</u>	<u>\$ 2,577,274</u>	<u>\$ 20,898,290</u>	<u>\$ 15,714,781</u>

* Eliminated in combination - GTMF Support Facilities, Inc. (Support) was converted to a private foundation effective September 1, 2017 and its affiliation with the Festival ceased. As part of this conversion and the related agreements, certain assets of Support were transferred to the Festival during the year ended December 31, 2017.

GTMF SUPPORT FACILITIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017*

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>MEMORANDUM ONLY DECEMBER 31, 2016</u>
REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ -	\$ -	\$ -	\$ 300
Rental income	152,805	-	152,805	227,335
In-kind contributions	88,500	-	88,500 (A)	118,000
Interest income	3,690	-	3,690	1,608
Net realized and unrealized gains (losses) on investments	<u>10,198</u>	<u>-</u>	<u>10,198</u>	<u>(787)</u>
Total Revenue	255,193	-	255,193	346,456
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of donor restrictions	236,610	(236,610)	-	-
Expiration of time and purpose restriction on pledge receivable due to transfer	<u>38,862</u>	<u>(38,862)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>530,665</u>	<u>(275,472)</u>	<u>255,193</u>	<u>346,456</u>
EXPENSES				
Transfers to Festival*	3,316,428	-	3,316,428	-
Transfer to Walk Family Jackson Hole Housing Fund	2,313,446	-	2,313,446	-
Housing expenses	232,519	-	232,519	374,129
Management and general	<u>92,591</u>	<u>-</u>	<u>92,591 (A)</u>	<u>1,624,189</u>
TOTAL EXPENSES	<u>5,954,984</u>	<u>-</u>	<u>5,954,984</u>	<u>1,998,318</u>
CHANGE IN NET ASSETS	(5,424,319)	(275,472)	(5,699,791)	(1,651,862)
NET ASSETS, BEGINNING OF YEAR	<u>5,424,319</u>	<u>275,472</u>	<u>5,699,791</u>	<u>7,351,653</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,699,791</u>

(A) \$88,500 of in-kind contributions and the offsetting expenses from Festival to Facilities are eliminated in combination

* Eliminated in combination - GTMF Support Facilities, Inc. (Support) was converted to a private foundation effective September 1, 2017 and its affiliation with the Festival ceased. As part of this conversion and the related agreements, certain assets of Support were transferred to the Festival during the year ended December 31, 2017.

GRAND TETON MUSIC FESTIVAL, INC. AND AFFILIATE
COMBINING SCHEDULES OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	GRAND TETON MUSIC FESTIVAL, INC.	GTMF SUPPORT FACILITIES, INC.	ELIMINATIONS	COMBINED	MEMORANDUM ONLY DECEMBER 31, 2016 COMBINED
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 5,183,509	\$ (5,699,791)	\$ -	\$ (516,282)	\$ (2,255,025)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:					
Depreciation	242,212	120,697	-	362,909	493,746
Net (gain) on disposal and transfer of property	-	-	-	-	(1,311)
Net unrealized (gain) on investments	(221,536)	-	-	(221,536)	(15,098)
Net realized (gain) on investments	(621,124)	(10,198)	-	(631,322)	(275,275)
Uncollectible accounts	12,300	-	-	12,300	1,516,265
Non-cash transfer between affiliates	(3,108,543)	3,108,543	-	-	-
Non-cash transfer to non-affiliate	-	1,872,279	-	1,872,279	-
Change in:					
Accounts and pledges receivable	76,310	-	-	76,310	20,714
Prepaid expenses	20,496	-	-	20,496	(30,411)
Accounts payable	15,251	-	-	15,251	(81,209)
 Total adjustments	 (3,584,634)	 5,091,321	 -	 1,506,687	 1,627,421
 Net Cash From (Used For) Operating Activities	 <u>1,598,875</u>	 <u>(608,470)</u>	 <u>-</u>	 <u>990,405</u>	 <u>(627,604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(43,028)	-	-	(43,028)	(391,728)
Proceeds from sale of property	-	-	-	-	1,311
Purchases of investments	(4,210,697)	-	-	(4,210,697)	(2,156,828)
Proceeds from sales of investments	<u>3,213,369</u>	<u>410,490</u>	<u>-</u>	<u>3,623,859</u>	<u>2,075,062</u>
 Net Cash (Used For) Investing Activities	 <u>(1,040,356)</u>	 <u>410,490</u>	 <u>-</u>	 <u>(629,866)</u>	 <u>(472,183)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 558,519	 (197,980)	 -	 360,539	 (1,099,787)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>263,033</u>	 <u>197,980</u>	 <u>-</u>	 <u>461,013</u>	 <u>1,560,800</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 821,552</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 821,552</u>	 <u>\$ 461,013</u>

See Independent Auditors' Report.