

UTAH SYMPHONY & OPERA

Financial Statements

For the Years Ended August 31, 2004 and 2003  
with Report of Independent Auditors

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# Utah Symphony & Opera

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## Report of Independent Auditors

The Board of Directors  
Utah Symphony & Opera

We have audited the accompanying statements of financial position of Utah Symphony & Opera as of August 31, 2004 and 2003, and the related statements of activity and changes in net assets and cash flows for the years ended August 31, 2004 and 2003. These financial statements are the responsibility of Utah Symphony & Opera's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Symphony & Opera at August 31, 2004 and 2003, and the results of its activity and its cash flows for the years ended August 31, 2004 and 2003 in conformity with accounting principles generally accepted in United States.

*Ernst & Young LLP*

November 24, 2004

Utah Symphony & Opera  
Statements of Financial Position

	August 31 2004	August 31 2003
<b>Assets</b>		
Cash and cash equivalents	\$ 988,513	\$ 1,703,381
Accounts receivable <i>(Note 2)</i>	2,789,522	1,271,567
Contributions receivable, net of estimated uncollectibles of \$167,000 and \$239,000 <i>(Note 2)</i>	3,285,052	3,048,265
Interest and dividends receivable	29,300	104,452
Prepaid expenses	267,360	306,722
Multi-year contributions receivable, net of estimated uncollectibles of \$128,000 and \$77,000 <i>(Note 2)</i>	1,969,103	1,221,084
Long-term investments <i>(Note 3)</i>	33,843,763	32,563,545
Other investments <i>(Note 3)</i>	68,248	68,248
Land, building and equipment, net <i>(Note 4)</i>	6,303,937	6,519,984
Total assets	\$ 49,544,798	\$ 46,807,248
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,380,493	\$ 987,365
Line of credit <i>(Note 5)</i>	1,433,447	—
Deferred revenue	1,463,829	1,753,164
Notes payable <i>(Note 6)</i>	556,692	571,035
Total liabilities	4,834,461	3,311,564
Net assets:		
Unrestricted <i>(Note 7)</i> :		
General fund	5,791,530	6,206,373
Board designated fund	3,300,180	4,878,847
Total unrestricted net assets	9,091,710	11,085,220
Temporarily restricted net assets <i>(Note 8)</i>	7,538,150	5,487,942
Permanently restricted net assets <i>(Note 9)</i>	28,080,477	26,922,522
Total net assets	44,710,337	43,495,684
Total liabilities and net assets	\$ 49,544,798	\$ 46,807,248

*See accompanying notes.*

# Utah Symphony & Opera

## Statements of Activity and Changes in Net Assets

Year Ended August 31, 2004

	Unrestricted				Total
	Operating	Board Designated	Total Unrestricted	Temporarily Restricted	
<b>Revenues:</b>					
Performance revenues received	\$ 3,677,801	\$ -	\$ 3,677,801	\$ 221	\$ -
Government grants and fees:					
Received	3,111,666	-	3,111,666	1,272,600	-
Released from restriction	692,200	-	692,200	(692,200)	-
Total government grants and fees	3,803,866	-	3,803,866	580,400	-
Contributions:					
Received	4,527,654	212,808	4,740,462	3,180,337	99,174
In-kind	1,161,833	-	1,161,833	-	-
Released from restriction	3,260,622	(1,610,000)	1,650,622	(1,650,622)	-
Total contributions	8,950,109	(1,397,192)	7,552,917	1,529,715	99,174
Set and costume rentals	305,434	-	305,434	-	-
Other income	120,956	-	120,956	-	-
Investment income, net of transfers (Notes 1 and 3)	1,274,537	60,757	1,335,294	(51,808)	1,347,165
Total revenues	18,132,703	(1,336,435)	16,796,268	2,058,528	1,446,339
<b>Expenses (Note 1):</b>					
Program expenses	15,071,485	-	15,071,485	-	-
Management and general	2,695,467	24,449	2,719,916	8,320	192,494
Fundraising	780,594	217,783	998,377	-	95,890
Total expenses	18,547,546	242,232	18,789,778	8,320	288,384
Change of net assets	(414,843)	(1,578,667)	(1,993,510)	2,050,208	1,157,955
Net assets at beginning of year	6,206,373	4,878,847	11,085,220	5,487,942	26,922,522
Net assets at end of year	\$ 5,791,530	\$ 3,300,180	\$ 9,091,710	\$ 7,538,150	\$ 28,080,477
					\$ 44,710,337

See accompanying notes

# Utah Symphony & Opera

## Statements of Activity and Changes in Net Assets

Year Ended August 31, 2003

	Unrestricted				Total
	Operating	Board Designated	Unrestricted	Temporarily Restricted	
<b>Revenues:</b>					
Performance revenues received	\$ 4,345,327	-	\$ 4,345,327	\$ -	\$ 4,345,327
Government grants and fees:					
Received	2,992,453	-	2,992,453	717,200	3,709,653
Released from restriction	590,942	-	590,942	(590,942)	-
Total government grants and fees	3,583,395	-	3,583,395	126,258	3,709,653
Contributions:					
Received	3,809,040	3,137,625	6,946,665	4,063,141	19,850,116
In-kind	698,940	-	698,940	-	698,940
Released from restriction	2,946,128	(973,555)	1,972,573	(1,972,573)	-
Total contributions	7,454,108	2,164,070	9,618,178	2,090,568	20,549,056
Set and costume rentals	366,107	-	366,107	-	366,107
Other income	132,674	-	132,674	-	132,674
Investment income, net of transfers (Notes 1 and 3)	1,121,740	213,669	1,335,409	-	1,969,776
Total revenues	17,003,351	2,377,739	19,381,090	2,216,826	31,072,593
<b>Expenses (Note 1):</b>					
Program expenses	14,140,719	-	14,140,719	-	14,140,719
Management and general	1,948,788	54,836	2,003,624	-	2,091,409
Fundraising	910,802	106,511	1,017,313	42,678	1,068,923
Total expenses	17,000,309	161,347	17,161,656	42,678	17,301,051
Change of net assets	3,042	2,216,392	2,219,434	2,174,148	9,377,960
Net assets at beginning of year	6,203,331	2,662,455	8,865,786	3,313,794	17,544,562
Net assets at end of year	\$ 6,206,373	\$4,878,847	\$ 11,085,220	\$ 5,487,942	\$ 26,922,522
				\$ 26,922,522	\$ 43,495,684

See accompanying notes.

Utah Symphony & Opera  
Statements of Cash Flows

	Year Ended August 31 2004	Year Ended August 31 2003
<b>Operating activities</b>		
Increase in net assets	\$ 1,214,653	\$ 13,771,542
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation expense	416,700	303,490
Bad debt expense	51,240	147,938
Loss on disposal of assets	-	3,980
Interest and dividends restricted for long-term investments	(561,795)	(610,822)
Net unrealized and realized gains/losses on long-term investments	(1,977,162)	(1,221,972)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(2,554,181)	(2,108,776)
Interest and dividends receivable	75,152	13,495
Prepaid expenses	39,362	(121,486)
Accounts payable and accrued expenses	393,128	(72,637)
Deferred revenue	(289,335)	(324,999)
Net cash provided by (used in) operating activities	(3,192,058)	9,779,753
<b>Investing activities</b>		
Purchase of property and equipment	(200,653)	(1,133,204)
Increase (decrease) in long-term investments	1,258,739	(10,338,001)
Net cash provided by (used in) investing activities	1,058,086	(11,471,205)
<b>Financing activities</b>		
Proceeds from line of credit and long term borrowing	1,433,447	826,833
Payments on line of credit and long-term borrowing	(14,343)	(755,798)
Net cash provided by financing activities	1,419,104	71,035
Net decrease in cash	(714,868)	(1,620,417)
Cash and cash equivalents:		
Beginning of year	1,703,381	3,323,798
End of year	\$ 988,513	\$ 1,703,381

*See accompanying notes.*



# Utah Symphony & Opera

## Notes to Financial Statements

August 31, 2004

### **1. Significant Accounting Policies**

#### **Description of Business and Operations**

Utah Symphony & Opera (“Symphony & Opera” or the “Organization”) was formed on July 8, 2002, when the respective Boards of Directors for both the Utah Symphony (the “Symphony”) and Utah Opera Company (the “Opera”) voted to merge the two organizations into one operating entity. The Opera’s name was then changed to Utah Symphony & Opera and the new organization adopted the fiscal year end of August 31, replacing the predecessor organization’s year-end of June 30. The combined Organization functions as a separate nonprofit corporation without affiliation with the State of Utah.

In addition to its significant cultural and educational value, the Symphony & Opera also acts as a goodwill ambassador for the State of Utah through its local, national and international tours and helps to provide opportunities for promising young artists through its outreach programs.

Three entities serve as support organizations for the Symphony & Opera, which exist to increase public recognition of opera and symphonic works and to solicit donations. These three entities include Utah Symphony Guild, Utah Symphony & Opera Volunteer Network (previously the Utah Opera Guild) and Ogden Opera Guild. The operations of these entities are recorded in the Board Designated Fund.

Utah Symphony & Opera funds its operations with revenue received from ticket sales; concert presenter’s fees; costume, set and wig rentals; governmental and other grants; investment income; and contributions.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### **1. Significant Accounting Policies (continued)**

#### **Fund Accounting and Net Asset Classifications**

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Symphony & Opera, the financial records of the Organization are maintained on the accrual basis of accounting in accordance with "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specific activities and objectives. Separate accounts are maintained for each fund. In the accompanying financial statements, funds that have similar characteristics have been combined into three net asset categories: unrestricted, temporarily restricted and permanently restricted. See Notes 7, 8 and 9 for additional discussion of these asset categories.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, bank deposits, and highly liquid financial instruments with a maturity of three months or less when purchased. Cash and cash equivalents include only funds that are not restricted by the donor.

#### **Investments**

Investments in equity and debt securities are measured at fair value in the statement of financial position based on published fair values, as such investments have readily determinable fair values. Net realized and unrealized gains and losses on unrestricted net asset investments, including the Board Designated Fund, are included in unrestricted investment income in the statements of activity and changes in net assets. Net realized and unrealized gains and losses on restricted net asset investments, restricted by donors or law, are included in temporarily or permanently restricted investment income in the statement of activity and changes in net assets. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately \$225,000 and \$143,000 for the years ended August 31, 2004 and 2003, respectively, and are recorded in management and general expenses.

Management of the Symphony & Opera has retained the separate and distinct character of the respective Symphony and Opera endowment investment funds. A new endowment fund has been created for donations received subsequent to the merger and without Symphony or Opera specific donor designation.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### **1. Significant Accounting Policies (continued)**

#### **Investments (continued)**

Effective September 1, 2002, the Symphony & Opera's Board of Directors adopted a resolution to transfer five percent of the value of the Permanently Restricted Fund annually for use in its operations. The amounts are transferred from the Permanently Restricted Fund to the Operating Fund. The annual five percent draw is based on an average of the market value of investments for the most recent 12 completed calendar quarters.

Investments in instrument loans consist of two amounts: funds invested in long-term loans to orchestra members and funds not yet loaned to orchestra members. The total of both of these amounts is \$177,259 and \$170,714 at August 31, 2004 and 2003, respectively, with \$112,646 and \$107,592 in loans outstanding as of August 31, 2004 and 2003, respectively. Funds not yet loaned to orchestra members are invested in money market investments earning current market rates of interest. The interest rate charged on these loans to orchestra members is 5%. Interest received from the investment in instrument loan funds is not used to fund operations but instead increases the amount of available funds for instrument loans. The investment in these loans is included in the statement of financial condition under long-term investments and is excluded from the annual five percent draw.

#### **Land, Building and Equipment**

Property and equipment are stated at cost or fair market value at the date of acquisition or gift, respectively, and include expenditures that substantially extend the useful lives of existing assets. Expenditures for normal maintenance and repairs are charged to operations as incurred. The cost of furnishings and equipment is being depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. The Organization has a significant amount of sets, costumes, wigs and props that are not recorded on the statement of financial position. Expenditures for these items are expensed as incurred. Amortization of equipment purchased under a capital lease is included with depreciation expense.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### **1. Significant Accounting Policies (continued)**

#### **Revenue Recognition and Deferred Revenue**

The majority of the Organization's revenue stems from donor contributions, grants, and performance ticket sales. Contributions are generally recognized as revenue at the fair value in the period received or unconditionally pledged. Contributions of services are recognized only if the services received create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are recognized only if the items would typically need to be purchased if not provided by donation.

Contributions received are considered to be available for use unless specifically restricted by the donor. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Utah Symphony & Opera rents its costumes, wigs, sets and props to individuals and other organizations across North America. Rental income of approximately \$305,000 and \$366,000 is included on the statement of activity and changes in net assets for the years ended August 31, 2004 and 2003, respectively.

Utah Symphony & Opera records contributions as temporarily restricted if they are received with donor stipulations limiting the use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restriction.

Deferred revenue arises from subscription sales and advance sales and is recognized as income when the performance for which the tickets have been sold occurs, less any refunds granted.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Revenue Recognition and Deferred Revenue (continued)

As part of the Zoo, Arts and Parks Sales Tax Initiative passed in 1996, Utah Symphony & Opera receives funds from Salt Lake County (the "County") and records revenues based on estimates provided by the County. Periodically, the County reconciles actual sales tax receipts with payments already made to the Organization and retroactively adjusts these amounts accordingly. The Organization records these adjustments as they become known in future periods as adjustments to government grants and fees. For the year ended August 31, 2004, the total adjustment increased government grants and fees by approximately \$82,000. For the year ended August 31, 2003, the total adjustment reduced government grants and fees by approximately \$59,000.

#### Pledges to Contribute

Utah Symphony & Opera records pledges in accordance with Statement of Financial Accounting Standards No. 116 (SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. As such, pledges to contribute over future periods are discounted to present values and recorded in the current period as revenue and multi-year contributions receivable. As of August 31, 2004 and 2003, the discount on these pledges was approximately \$114,000 and \$41,000, respectively. These multi-year contributions represent unconditional promises to donate within the next one to five years. As of August 31, 2004 and 2003, the Organization has a \$1,500,000 pledge outstanding that is temporarily restricted for its planned 2005 European tour. This pledge is conditional upon the Organization's execution of the tour. Management believes that sufficient planning for the tour has been completed, such that the related contribution was recognized as revenue in the year ended August 31, 2003. The Organization also records an estimate for uncollectible receivables based on historical payment experience coupled with projections and estimates of actual amounts expected to be received.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Contributions In-Kind

The Symphony & Opera receives donated services and materials that are used in the operations of the organization. These donated services and materials are recorded at fair market value.

The following is a summary of amounts that were recorded as both revenue and expenses from in-kind contributions:

	<b>Year Ended August 31 2004</b>	<b>Year Ended August 31 2003</b>
Program expenses:		
Advertising expense	\$ 643,840	\$ 258,780
Production expense	123,475	133,655
Management and general expenses	394,518	306,505
	<u>\$ 1,161,833</u>	<u>\$ 698,940</u>

Certain members of the Utah Symphony & Opera's Board of Directors, or companies affiliated with certain board members, provided certain amounts of in-kind contributions for advertising services.

#### Volunteers

A number of volunteers have made significant contributions of time to the Utah Symphony & Opera's program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services contained in SFAS No. 116 and, accordingly, is not reflected in the accompanying financial statements.

#### Advertising Expenses

The Symphony & Opera expenses advertising costs as incurred. Amounts expensed for advertising, including in-kind expenses, were approximately \$2,145,000 and \$1,316,000 for the years ended August 31, 2004 and 2003, respectively.

## Utah Symphony & Opera

### Notes to Financial Statements (continued)

#### 1. Significant Accounting Policies (continued)

##### Income Tax Status

The Internal Revenue Service has ruled that Utah Symphony & Opera's predecessor organization, Utah Opera Company, qualifies under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and is, therefore, not subject to tax under present income tax laws. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Based on communication with the IRS, the combination of the Opera and the Symphony has not negatively affected the tax qualification under section 501(c)(3). The Organization is required to operate in conformity with the IRC in order to maintain its qualification.

#### 2. Accounts and Contributions Receivable

Accounts and contributions receivable consist of the following as of August 31, 2004:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Accounts receivable	\$ 1,182,347	\$ 1,607,175	\$ —	\$ 2,789,522
Contributions receivable	1,214,151	2,008,804	62,097	3,285,052
Multi-year contributions receivable	79,370	1,678,749	210,984	1,969,103
	<u>\$ 2,475,868</u>	<u>\$ 5,294,728</u>	<u>\$273,081</u>	<u>\$ 8,043,677</u>

Accounts and contributions receivable consist of the following as of August 31, 2003:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Accounts receivable	\$ 1,121,567	\$ 150,000	\$ —	\$1,271,567
Contributions receivable	228,265	2,820,000	—	3,048,265
Multi-year contributions Receivable	223,460	528,341	469,283	1,221,084
	<u>\$ 1,573,292</u>	<u>\$ 3,498,341</u>	<u>\$ 469,283</u>	<u>\$5,540,916</u>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 3. Investments

The following is a summary of investments:

	<u>August 31, 2004</u>	<u>August 31, 2003</u>
Long-term investments:		
Government bonds	\$ 6,347,472	\$ 3,639,917
Corporate bonds	2,468,935	3,788,020
Corporate stocks	24,195,431	15,027,055
Instrument loans	112,646	107,592
Money market	719,279	10,000,961
	<u>\$ 33,843,763</u>	<u>\$ 32,563,545</u>
Other investments:		
Real estate	\$ 17,400	\$ 17,400
Art	50,848	50,848
	<u>\$ 68,248</u>	<u>\$ 68,248</u>



## Utah Symphony & Opera

### Notes to Financial Statements (continued)

#### 3. Investments (continued)

Major categories of the Symphony & Opera's investment income (loss) are summarized as follows:

	For the Year Ended August 31, 2004				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
Interest	\$ 8,037	\$ 35,446	\$ 14,829	\$ 199,944	\$ 258,256
Dividends	5,167	43,044	15,915	331,107	395,233
	13,204	78,490	30,744	531,051	653,489
Unrealized gains (losses)	(23,034)	698	(37,844)	1,297,685	1,237,505
Realized gains (losses)	(3,351)	107,301	49,563	586,144	739,657
	(26,385)	107,999	11,719	1,883,829	1,977,162
Investment income (loss), before transfers	(13,181)	186,489	42,463	2,414,880	2,630,651
Transfers	1,287,718	(125,732)	(94,271)	(1,067,715)	-
Investment income (loss)	\$1,274,537	\$ 60,757	\$ (51,808)	\$1,347,165	\$2,630,651

	For the Year Ended August 31, 2003			
	Unrestricted	Board Designated	Permanently Restricted	Total
Interest	\$ 13,440	\$108,640	\$ 368,918	\$ 490,998
Dividends	623	14,279	241,904	256,806
	14,063	122,919	610,822	747,804
Unrealized gains (losses)	(1,030)	85,526	2,277,173	2,361,669
Realized gains (losses)	30,016	64,112	(1,233,825)	(1,139,697)
	28,986	149,638	1,043,348	1,221,972
Investment income (loss), before transfers	43,049	272,557	1,654,170	1,969,776
Transfers	1,078,691	(58,888)	(1,019,803)	-
Investment income (loss)	\$1,121,740	\$213,669	\$ 634,367	\$1,969,776

## Utah Symphony & Opera

### Notes to Financial Statements (continued)

#### 4. Land, Building and Equipment

Furnishings and equipment are summarized as follows:

	<b>August 31 2004</b>	<b>August 31 2003</b>
Land	\$ 229,500	\$ 229,500
Building and improvements	5,611,074	5,564,007
Office equipment	550,261	513,164
Hall equipment	391,375	282,665
Production sets	742,875	712,580
Vehicles	107,977	107,977
Construction in process	19,407	43,803
	<u>7,652,469</u>	<u>7,453,696</u>
Less allowances for depreciation	(1,348,532)	(933,712)
	<u>\$ 6,303,937</u>	<u>\$6,519,984</u>

Utah Symphony & Opera uses the facilities of Abravanel Hall and the Capitol Theater under a lease agreement with Salt Lake County, which is renewable annually. Rental expense for these facilities was approximately \$255,000 and \$297,000 for the years ended August 31, 2004 and 2003, respectively.

Additionally, in the same time period, the Organization leased an apartment on a month-to-month basis. Total rental expense for this operating lease was approximately \$4,500 and \$4,000 for the years ended August 31, 2004 and 2003, respectively.

#### 5. Line of Credit

The Organization has a line of credit for \$1,800,000 at the prime rate less 0.5% (4.0% at August 31, 2004). The Organization had drawn \$1,433,447 against the line of credit as of August 31, 2004. As of August 31, 2003, the line of credit was completely available. The line of credit is secured by the assets of the Organization's Board restricted fund and the Board has permitted management to utilize this line at its discretion.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 6. Notes Payable

Debt consists of a promissory note payable to the Redevelopment Agency of Salt Lake City and is due September 30, 2011, with interest at 3%. The principal balance of the note payable at August 31, 2004 and August 31, 2003 was \$500,000. Accrued interest on the note as of August 31, 2004 was \$18,408 and \$15,000 as of August 31, 2003. The Symphony & Opera has the option of paying the interest on the note in cash or by receiving credit for value in-kind or a combination of cash and in-kind services. The Organization has provided in-kind services sufficient to cover all interest expense associated with this note. The promissory note is collateralized by a deed of trust granting a security interest in the real property owned by the Organization.

In April of 2003, the Organization entered into a five-year lease for telephone equipment. The lease has a bargain purchase option of \$1 at the end of the lease and is treated as a capital lease at an interest rate of 4.25%. Amortization on the equipment is included with depreciation expense. During year ended August 31, 2004, the principal payments on the lease were \$14,343. The future lease payments for each of the years ended August 31, are as follows:

	2005	\$	17,084
	2006		17,084
	2007		17,084
	2008		9,936
Total amount of minimum lease payments			<u>61,188</u>
Amount representing interest			<u>(4,496)</u>
Present value of minimum lease payments		\$	<u>56,692</u>

Cash paid for interest was \$46,017 for the year ended August 31, 2004 and \$1,320 for the year ended August 31, 2003, and interest expense was \$64,425 for the year ended August 31, 2004 and \$16,320 for the year ended August 31, 2003. Interest expense is recorded in management and general expenses.

### 7. Unrestricted Net Assets

Unrestricted net assets include amounts from the Operating Fund and from the Board Designated Fund. All general operating revenues and expenditures related to the program activities of the organization, which are included in the Operating Fund, are presented in the unrestricted statements of activity and changes in net assets.

## Utah Symphony & Opera

### Notes to Financial Statements (continued)

#### 7. Unrestricted Net Assets (continued)

The Board Designated Fund consists of funds with no donor or legal restrictions, but through Board resolutions have been set aside for specific purposes. This fund currently consists of the following:

	<b>August 31 2004</b>	<b>August 31 2003</b>
Utah Opera Surplus Endowment Fund	\$ 2,456,949	\$ 2,477,392
Utah Opera Cash Reserve	–	370,404
Guild Operations	<b>(19,680)</b>	(14,704)
Symphony Cash Reserve	–	427,954
Kearns Board Restricted Reserve Fund	<b>862,911</b>	1,617,801
	<b>\$ 3,300,180</b>	<b>\$ 4,878,847</b>

Assets underlying the Utah Opera Surplus Endowment Fund have been pledged as security on the line of credit. The endowment funds require a 90% vote of the full Board to access such funds. Utah Symphony & Opera cash reserves represent cash in a money market account that is subject to the Board's discretion. Cash Reserve funds are used to offset any year-end deficits and for such other purposes as the Board may from time to time determine. For the year ended August 31, 2004, approximately \$1,610,000 was transferred from the Board Designated Fund to the Operating Fund to offset year-end deficits; approximately \$974,000 during the year ended August 31, 2003.

#### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<b>August 31 2004</b>	<b>August 31 2003</b>
Recording	\$ –	\$ 95,500
Visiting orchestra	–	22,000
Governmental grants received for use in future periods	<b>1,247,600</b>	692,200
Deer Valley Music Festival	<b>1,513,537</b>	1,000,000
European Tour	<b>1,541,500</b>	1,538,167
Opera Production Studio Expansion	<b>1,051,480</b>	1,086,609
Donations and other funds for use in future periods	<b>2,184,033</b>	1,053,466
	<b>\$7,538,150</b>	<b>\$5,487,942</b>

## Utah Symphony & Opera

### Notes to Financial Statements (continued)

#### **8. Temporarily Restricted Net Assets (continued)**

All amounts released from restriction during the years ended August 31, 2004 and 2003 were released following the expiration of purpose or time restrictions placed on the assets.

The Opera Production Studios Expansion was completed in fiscal year 2003. The remaining funds held in Temporarily Restricted Net Assets represent donations received in excess of the cost of the expansion and are to be used for the operation and maintenance of the building. For the year ended August 31, 2004 and 2003, approximately \$94,000 and \$92,000, respectively, was transferred from the Opera Production Studios Expansion Temporarily Restricted Fund to offset costs associated with the operations and maintenance of this building.

#### **9. Permanently Restricted Net Assets**

Permanently restricted net assets represent the Donor Restricted Endowment Fund of the Symphony and the Opera, which consists primarily of investments and accrued investment income restricted in perpetuity by the donor of the assets. This endowment was established from donor restricted endowment contributions or grants from charitable individuals, foundations, agencies or other groups and includes matching funds raised by the Organization when the contribution or grant requires such conditions. These amounts, including the matching contributions, are restricted for permanent endowment. At its discretion, the Symphony & Opera's Board of Directors can transfer investment income, as determined by the five percent annual draw investment policy (see Note 1), to the Operating Fund in order to fund general operations. In fiscal year 2003, the Symphony & Opera Board created a third donor restricted endowment fund for the combined entity.

## Utah Symphony & Opera

### Notes to Financial Statements (continued)

#### **10. Retirement Programs and Commitments**

All of the musicians are covered by the American Federation of Musicians Employers Pension and Welfare (“AFM-EPW”) defined contribution pension plan, which is sponsored and administered by their union (union plan), or a Section 403(b) retirement plan. The Symphony contributes on behalf of each musician an amount equal to 8% of that musician’s salary, up to the prevailing minimum salary. Additional contributions based upon media services are computed according to the current rates of the AFM-EPW. Assets and vested benefits are not segregated by unit within the union plan. As a result, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the union plan that are applicable to the Symphony musicians. In addition, no determination has been made whether the contribution for individual employees as a percent of salary will change in the future.

The Organization maintains two separate retirement plans for its staff. First, the Organization sponsors a Section 403(b) retirement plan for the benefit of the full-time Symphony staff for which the contributions are equivalent on a per-person basis to the program for the musicians. Staff members are eligible for participation immediately upon employment. The Organization makes monthly contributions of 8% of the participating staff’s salary. Employees may contribute a portion of their compensation to this plan, subject to limitations established by the IRC. The contributed funds are held in individual accounts with an outside trustee.

Second, the Organization sponsors a defined contribution retirement plan for Opera staff. Full-time employees are eligible after having attained age 21. Under the retirement plan, the amount contributed by the Organization is established by the Board of Trustees each year. During the year ended August 31, 2003, the Board altered the plan to make contributions of 8% of the participating staff’s salary.

The cost to the Symphony & Opera of contributions to all of the above retirement programs incurred by the Operating Fund was approximately \$589,000 and \$551,000 for the years ended August 31, 2004 and 2003, respectively.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 11. Functional Expenses

The functional expenses of the Symphony & Opera's operations are as follows:

Year Ended August 31, 2004				
	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 8,726,940	\$ 809,265	\$ 448,899	\$ 9,985,104
Other production	6,187,302	704,399	-	6,891,701
Office	6,114	367,696	15,327	389,137
Depreciation	138,537	278,163	-	416,700
Professional	-	91,646	-	91,646
Bad debts	-	-	51,420	51,420
Broadcast project	5,148	-	-	5,148
Cultivation	374	2,235	175,087	177,696
Guild	-	-	223,084	223,084
Other	7,070	667,326	180,450	854,846
	\$ 15,071,485	\$ 2,920,730	\$ 1,094,267	\$ 19,086,482

Year Ended August 31, 2003				
	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 9,248,558	\$ 977,021	\$ 554,510	\$ 10,780,089
Other production	4,609,756	-	-	4,609,756
Office	105,259	427,267	5,790	538,316
Depreciation	123,604	179,886	-	303,490
Professional	4,102	101,726	-	105,828
Bad debts	-	-	147,938	147,938
Broadcast project	32,618	-	3,667	36,285
Cultivation	1,156	40,924	113,113	155,193
Guild	-	-	106,511	106,511
Other	15,666	364,585	137,394	517,645
	\$ 14,140,719	\$ 2,091,409	\$ 1,068,923	\$ 17,301,051

### 12. Collective Bargaining Agreement

The Organization employs over 130 persons. We consider our employee relations to be good. All of the Organization's 85 full-time musicians are subject to a collective bargaining agreement. The Organization is currently in negotiations with the musicians to renew the agreement that expired in August 2004 and are currently operating under a "PLAY AND TALK" agreement.