

UTAH SYMPHONY & OPERA

Financial Statements

Years Ended August 31, 2005 and 2004

With Report of Independent Auditors

Utah Symphony & Opera

Financial Statements

Years Ended August 31, 2005 and 2004

Contents

Report of Independent Auditors	1
Audited Financial Statements	
Statements of Financial Position	2
Statements of Activity and Changes in Net Assets	3
Statements of Cash Flows	5
Notes to Financial Statements	6

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, 2005 and 2004, and the related statements of activity and changes in net assets and cash flows for the years then ended. 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. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004, and the results of its activity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

January 4, 2006

Utah Symphony & Opera
Statements of Financial Position

	August 31	
	2005	2004
Assets		
Cash and cash equivalents	\$ 759,434	\$ 988,513
Accounts receivable <i>(Note 2)</i>	2,078,865	2,789,522
Contributions receivable, net of estimated uncollectibles of \$72,000 and \$167,000 <i>(Note 2)</i>	1,457,369	3,285,052
Interest and dividends receivable	36,621	29,300
Prepaid expenses	292,123	267,360
Multiyear contributions receivable, net of estimated uncollectibles of \$60,000 and \$128,000 <i>(Note 2)</i>	1,250,710	1,969,103
Long-term investments <i>(Note 3)</i>	36,971,349	33,843,763
Other investments <i>(Note 3)</i>	68,248	68,248
Land, building, and equipment, net <i>(Note 4)</i>	5,889,163	6,303,937
Total assets	\$ 48,803,882	\$ 49,544,798
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,398,633	\$ 1,380,493
Line of credit <i>(Note 5)</i>	1,800,000	1,433,447
Deferred revenue	1,640,126	1,463,829
Notes payable <i>(Note 6)</i>	541,728	556,692
Total liabilities	5,380,487	4,834,461
Net assets:		
Unrestricted <i>(Note 7)</i> :		
Operating fund	5,360,521	5,791,530
Board-designated fund	3,675,647	3,300,180
Total unrestricted net assets	9,036,168	9,091,710
Temporarily restricted net assets <i>(Note 8)</i>	3,940,880	7,538,150
Permanently restricted net assets <i>(Note 9)</i>	30,446,347	28,080,477
Total net assets	43,423,395	44,710,337
Total liabilities and net assets	\$ 48,803,882	\$ 49,544,798

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2005

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	Operating	Board Designated				Total Unrestricted
Revenues:						
Performance revenues received	\$ 4,125,773	\$ -	\$ 4,125,773	\$ -	\$ -	\$ 4,125,773
Government grants and fees:						
Received	2,740,566	-	2,740,566	219,197	-	2,959,763
Released from restriction	1,247,600	-	1,247,600	(1,247,600)	-	-
Total government grants and fees	3,988,166	-	3,988,166	(1,028,403)	-	2,959,763
Contributions:						
Received (Note 9)	4,396,350	576,510	4,972,860	992,905	(1,409,570)	4,556,195
In-kind	1,397,016	-	1,397,016	(224,000)	-	1,173,016
Released from restriction	3,759,570	(383,070)	3,376,500	(3,376,500)	-	-
Total contributions	9,552,936	193,440	9,746,376	(2,607,595)	(1,409,570)	5,729,211
Set and costume rentals	296,476	-	296,476	-	-	296,476
Other income	177,790	-	177,790	-	-	177,790
Investment income, net of transfers (Notes 1 and 3)	1,322,193	449,790	1,771,983	136,981	3,937,296	5,846,260
Total revenues	19,463,334	643,230	20,106,564	(3,499,017)	2,527,726	19,135,273
Expenses (Note 11):						
Program expenses	16,248,780	-	16,248,780	-	-	16,248,780
Management and general	2,780,812	26,830	2,807,642	11,150	245,635	3,064,427
Fund-raising	864,751	240,933	1,105,684	87,103	(83,779)	1,109,008
Total expenses	19,894,343	267,763	20,162,106	98,253	161,856	20,422,215
Change of net assets	(431,009)	375,467	(55,542)	(3,597,270)	2,365,870	(1,286,942)
Net assets at beginning of year	5,791,530	3,300,180	9,091,710	7,538,150	28,080,477	44,710,337
Net assets at end of year	\$ 5,360,521	\$ 3,675,647	\$ 9,036,168	\$ 3,940,880	\$ 30,446,347	\$ 43,423,395

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets (continued)

Year Ended August 31, 2004

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	Operating	Board Designated				
Revenues:						
Performance revenues received	\$ 3,677,801	\$ -	\$ 3,677,801	\$ 221	\$ -	\$ 3,678,022
Government grants and fees:						
Received	3,111,666	-	3,111,666	1,272,600	-	4,384,266
Released from restriction	692,200	-	692,200	(692,200)	-	-
Total government grants and fees	3,803,866	-	3,803,866	580,400	-	4,384,266
Contributions:						
Received	4,527,654	212,808	4,740,462	3,180,337	99,174	8,019,973
In-kind	1,161,833	-	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	9,181,806
Set and costume rentals	305,434	-	305,434	-	-	305,434
Other income	120,956	-	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	2,630,651
Total revenues	18,132,703	(1,336,435)	16,796,268	2,058,528	1,446,339	20,301,135
Expenses (Note 11):						
Program expenses	15,071,485	-	15,071,485	-	-	15,071,485
Management and general	2,695,467	24,449	2,719,916	8,320	192,494	2,920,730
Fund-raising	780,594	217,783	998,377	-	95,890	1,094,267
Total expenses	18,547,546	242,232	18,789,778	8,320	288,384	19,086,482
Change of net assets	(414,843)	(1,578,667)	(1,993,510)	2,050,208	1,157,955	1,214,653
Net assets at beginning of year	6,206,373	4,878,847	11,085,220	5,487,942	26,922,522	43,495,684
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 Cash Flows

	Year Ended August 31	
	2005	2004
Operating activities		
Increase (decrease) in net assets	\$ (1,286,942)	\$ 1,214,653
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation expense	431,009	416,700
Bad debt expense	(23,480)	51,420
Capitalized donated equipment	(2,305)	-
Gain on disposal of assets	(2,961)	-
Interest and dividends restricted for long-term investments	(599,525)	(561,795)
Net unrealized and realized gains/losses on long-term investments	(5,148,582)	(1,977,162)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	3,280,213	(2,554,181)
Interest and dividends receivable	(7,321)	75,152
Prepaid expenses	(24,763)	39,362
Accounts payable and accrued expenses	18,140	393,128
Deferred revenue	176,297	(289,335)
Net cash used by operating activities	(3,190,220)	(3,192,058)
Investing activities		
Purchase of property and equipment	(29,469)	(200,653)
Proceeds from sale of equipment	18,500	-
Increase in long-term investments	2,620,521	1,258,739
Net cash provided by investing activities	2,609,552	1,058,086
Financing activities		
Proceeds from line of credit and long-term borrowing	2,017,988	1,433,447
Payments on line of credit and long-term borrowing	(1,666,399)	(14,343)
Net cash provided by financing activities	351,589	1,419,104
Net decrease in cash and cash equivalents	(229,079)	(714,868)
Cash and cash equivalents:		
Beginning of year	988,513	1,703,381
End of year	\$ 759,434	\$ 988,513

See accompanying notes.

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2005

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 net 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 statements of financial position based on published fair values, as such investments have quoted market 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 statements of activity and changes in net assets. Realized gains and losses are determined using the specific identification method. Investment-related expenses were approximately \$284,000 and \$225,000 for the years ended August 31, 2005 and 2004, 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 \$186,864 and \$177,259 at August 31, 2005 and 2004, respectively, with \$101,966 and \$112,646 in loans outstanding as of August 31, 2005 and 2004, 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 position 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 statements 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 nonfinancial 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 \$296,000 and \$305,000 is included on the statements of activity and changes in net assets for the years ended August 31, 2005 and 2004, respectively.

The 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 activity and changes in net assets as net assets released from restriction.

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

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, 2005, the total adjustment increased government grants and fees by approximately \$112,000. For the year ended August 31, 2004, the total adjustment reduced government grants and fees by approximately \$82,000.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Pledges to Contribute

Utah Symphony & Opera records pledges in accordance with Statement of Financial Accounting Standard No. 116, "Accounting for Contributions Received and Contributions Made" ("SFAS No. 116"). As such, pledges to contribute over future periods are discounted to present values and recorded in the current period as revenue and multiyear contributions receivable. As of August 31, 2005 and 2004, the discount on these pledges was approximately \$61,000 and \$114,000 respectively. These multiyear contributions represent unconditional promises to donate within the next one to five years. 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.

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:

	Years Ended August 31	
	2005	2004
Program expenses:		
Advertising expense	\$ 856,156	\$ 643,840
Production expense	232,016	123,475
Management and general expenses	308,844	394,518
	<u>\$ 1,397,016</u>	<u>\$ 1,161,833</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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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 \$2,096,270 and \$2,145,000 for the years ended August 31, 2005 and 2004, respectively.

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.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the 2005 financial statement presentation.

Utah Symphony & Opera

Notes to Financial Statements (continued)

2. Accounts and Contributions Receivable

Accounts and contributions receivable consist of the following as of August 31, 2005:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts receivable	\$ 1,836,119	\$ 242,746	\$ –	\$ 2,078,865
Contributions receivable	704,643	743,136	9,590	1,457,369
Multiyear contributions receivable	–	1,059,064	191,646	1,250,710
	<u>\$ 2,540,762</u>	<u>\$ 2,044,946</u>	<u>\$ 201,236</u>	<u>\$ 4,786,944</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts receivable	\$ 1,182,347	\$ 1,607,175	\$ –	\$ 2,789,522
Contributions receivable	1,214,151	2,008,804	62,097	3,285,052
Multiyear 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>

Utah Symphony & Opera

Notes to Financial Statements (continued)

3. Investments

The following is a summary of investments:

	August 31	
	2005	2004
Long-term investments:		
Government bonds	\$ 5,770,231	\$ 6,347,472
Corporate bonds	3,076,907	2,468,935
Corporate stocks	25,842,438	24,195,431
Hedge funds	1,778,933	–
Instrument loans	101,966	112,646
Money market	400,874	719,279
	\$ 36,971,349	\$ 33,843,763
Other investments:		
Real estate	\$ 17,400	\$ 17,400
Art	50,848	50,848
	\$ 68,248	\$ 68,248

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

	For the Year Ended August 31, 2005				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 5,990	\$ 59,591	\$ 27,566	\$ 320,393	\$ 413,540
Dividends	169	32,403	11,792	239,774	284,138
	6,159	91,994	39,358	560,167	697,678
Unrealized gains (losses)	11,436	(67,573)	(57,769)	537,790	423,884
Realized gains (losses)	(21,397)	525,489	258,338	3,962,268	4,724,698
	(9,961)	457,916	200,569	4,500,058	5,148,582
Investment income (loss), before transfers	(3,802)	549,910	239,927	5,060,225	5,846,260
Transfers	1,325,995	(100,120)	(102,946)	(1,122,929)	–
Investment income	\$ 1,322,193	\$ 449,790	\$ 136,981	\$ 3,937,296	\$ 5,846,260

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				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
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

4. Land, Building and Equipment

Furnishings and equipment are summarized as follows:

	August 31	
	2005	2004
Land	\$ 229,500	\$ 229,500
Building and improvements	5,611,074	5,611,074
Office equipment	575,498	550,261
Hall equipment	396,628	391,375
Production sets	747,937	742,875
Vehicles	85,227	107,977
Construction in process	15,629	19,407
	7,661,493	7,652,469
Less allowances for depreciation	(1,772,330)	(1,348,532)
	\$ 5,889,163	\$ 6,303,937

Utah Symphony & Opera

Notes to Financial Statements (continued)

4. Land, Building and Equipment (continued)

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 \$267,000 and \$255,000 for the years ended August 31, 2005 and 2004, 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 \$5,200 and \$4,500 for the years ended August 31, 2005 and 2004, respectively.

5. Line of Credit

The Organization has a line of credit for \$1,800,000 at the prime rate less 1.0% (5.5% at August 31, 2005). The Organization had drawn \$1,800,000 and \$1,433,447 against the line of credit as of August 31, 2005 and 2004, respectively. The line of credit is secured by the assets of the Organization's Board Designated Fund and the Board has permitted management to utilize this line at its discretion.

6. Notes Payable

Notes payable 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, 2005 and August 31, 2004 was \$500,000. Accrued interest on the note as of August 31, 2005 was \$15,000 and \$18,408 as of August 31, 2004. 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

6. Notes Payable (continued)

In April 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, 2005, the principal payments on the lease were \$14,964. The future lease payments for each of the years ended August 31, are as follows:

2006	\$	17,084
2007		17,084
2008		9,936
Total amount of minimum lease payments		44,104
Amount representing interest		(2,376)
Present value of minimum lease payments	\$	41,728

Cash paid for interest was \$64,393 for the year ended August 31, 2005 and \$46,017 for the year ended August 31, 2004, and interest expense was \$93,393 for the year ended August 31, 2005 and \$64,425 for the year ended August 31, 2004. 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.

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:

	August 31	
	2005	2004
Utah Opera Surplus Endowment Fund	\$ 2,667,424	\$ 2,456,949
Guild Operations	(17,436)	(19,680)
Board Restricted Reserve Fund	1,025,659	862,911
	\$ 3,675,647	\$ 3,300,180

Utah Symphony & Opera

Notes to Financial Statements (continued)

7. Unrestricted Net Assets (continued)

Assets underlying the Utah Opera Surplus Endowment Fund have been pledged as security on the line of credit. The Utah Opera Surplus Endowment Fund requires a 90% vote of the full Board to access such funds. The Board Designated Reserve Fund is 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, 2005, approximately \$383,000 was transferred from the Board Restricted Reserve Fund to the Operating Fund to offset year-end deficits; approximately \$1,610,000 was transferred during the year ended August 31, 2004.

8. Temporarily Restricted Net Assets

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

	August 31	
	2005	2004
Governmental grants received for use in future periods	\$ 219,197	\$ 1,247,600
Deer Valley Music Festival	890,440	1,513,537
European Tour	–	1,541,500
Opera Production Studio Expansion	1,172,891	1,051,480
Donations and other funds for use in future periods	1,658,352	2,184,033
	<u>\$ 3,940,880</u>	<u>\$ 7,538,150</u>

All amounts released from temporary restriction during the years ended August 31, 2005 and 2004 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, 2005 and 2004, approximately \$103,000 and \$94,000 was transferred from the Opera Production Studios Expansion Temporarily Restricted Fund to offset costs associated with the operations and maintenance of this building.

Utah Symphony & Opera

Notes to Financial Statements (continued)

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.

During the year ended August 31, 2005, the donor of the "Principal Guest Conductor" endowment fund withdrew their support. The Symphony & Opera refunded \$1,500,000 to the donor.

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 (the "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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

10. Retirement Programs and Commitments (continued)

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 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 \$592,000 and \$589,000 for the years ended August 31, 2005 and 2004, respectively.

11. Functional Expenses

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

	Year Ended August 31, 2005			Total
	Program	Management and General	Fund Raising	
Salaries and wages	\$ 9,102,440	\$ 823,429	\$ 459,619	\$ 10,385,488
Other production	6,987,561	861,513	–	7,849,074
Office	2,156	343,076	30,428	375,660
Depreciation	150,609	280,400	–	431,009
Professional	–	217,545	–	217,545
Bad debts	–	–	(23,480)	(23,480)
Cultivation	157	9	150,110	150,276
Guild	95	–	245,041	245,136
Other	5,762	538,455	247,290	791,507
	\$ 16,248,780	\$ 3,064,427	\$ 1,109,008	\$ 20,422,215

Utah Symphony & Opera

Notes to Financial Statements (continued)

11. Functional Expenses (continued)

	Year Ended August 31, 2004			
	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 9,143,760	\$ 809,265	\$ 448,899	\$ 10,401,924
Other production	5,775,630	704,399	–	6,480,029
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
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

12. Subsequent Event

In November 2005, the Board of Directors voted to advise management to use the funds from the Board Restricted Reserve Fund to pay down the line of credit. Accordingly, in December 2005, \$1.0 million was paid on the line of credit.