

FINANCIAL STATEMENTS

Utah Symphony & Opera
Years Ended August 31, 2007 and 2006
With Report of Independent Auditors

Utah Symphony & Opera

Financial Statements

Years Ended August 31, 2007 and 2006

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, 2007 and 2006, 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, 2007 and 2006, 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

March 27, 2008

Utah Symphony & Opera

Statements of Financial Position

	August 31	
	2007	2006
Assets		
Cash and cash equivalents	\$ 1,003,447	\$ 584,820
Accounts receivable <i>(Note 2)</i>	1,837,117	1,796,537
Contributions receivable, net of estimated uncollectibles of \$45,000 and \$109,000 <i>(Note 2)</i>	1,572,170	2,259,823
Interest and dividends receivable	36,044	38,442
Prepaid expenses	288,406	247,497
Multi-year contributions receivable, net of estimated uncollectibles of \$3,000 and \$19,000 <i>(Note 2)</i>	389,233	654,163
Long-term investments <i>(Note 3)</i>	39,892,258	36,820,378
Other investments <i>(Note 3)</i>	57,748	57,748
Land, building and equipment, net <i>(Note 4)</i>	5,747,095	5,750,281
Total assets	<u>\$ 50,823,518</u>	<u>\$ 48,209,689</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,068,189	\$ 1,309,941
Line of credit <i>(Note 5)</i>	1,768,474	901,858
Deferred revenue	1,536,437	1,482,351
Notes payable <i>(Note 6)</i>	509,826	526,115
Total liabilities	<u>4,882,926</u>	<u>4,220,265</u>
Net assets:		
Unrestricted <i>(Note 7)</i> :		
Operating fund	4,468,830	4,921,230
Board designated fund	4,293,647	3,904,012
Total unrestricted net assets	<u>8,762,477</u>	<u>8,825,242</u>
Temporarily restricted net assets <i>(Note 8)</i>	3,531,960	4,060,350
Permanently restricted net assets <i>(Note 9)</i>	33,646,155	31,103,832
Total net assets	<u>45,940,592</u>	<u>43,989,424</u>
Total liabilities and net assets	<u>\$ 50,823,518</u>	<u>\$ 48,209,689</u>

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2007

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
Revenues:						
Performance revenues received	\$ 3,751,573	\$ -	\$ 3,751,573	\$ -	\$ -	\$ 3,751,573
Government grants and fees:						
Received	4,220,075	-	4,220,075	189,500	-	4,409,575
Released from restriction	186,605	-	186,605	(186,605)	-	-
Total government grants and fees	4,406,680	-	4,406,680	2,895	-	4,409,575
Contributions:						
Received	5,205,084	286,228	5,491,312	1,239,657	99,965	6,830,934
In-kind	1,250,154	-	1,250,154	(100,000)	-	1,150,154
Released from restriction	1,740,014	81,151	1,821,165	(1,821,165)	-	-
Total contributions	8,195,252	367,379	8,562,631	(681,508)	99,965	7,981,088
Set and costume rentals	484,753	-	484,753	-	-	484,753
Other income	86,555	-	86,555	-	-	86,555
Investment income, net of transfers (<i>Notes 1 and 3</i>)	1,842,036	296,728	2,138,764	125,011	2,690,937	4,954,712
Total revenues	18,766,849	664,107	19,430,956	(553,602)	2,790,902	21,668,256
Expenses (<i>Note 11</i>):						
Program expenses	15,839,166	-	15,839,166	-	-	15,839,166
Management and general	2,462,160	25,748	2,487,908	17,419	248,146	2,753,473
Fundraising	917,923	248,724	1,166,647	(42,631)	433	1,124,449
Total expenses	19,219,249	274,472	19,493,721	(25,212)	248,579	19,717,088
Change of net assets	(452,400)	389,635	(62,765)	(528,390)	2,542,323	1,951,168
Net assets at beginning of year	4,921,230	3,904,012	8,825,242	4,060,350	31,103,832	43,989,424
Net assets at end of year	<u>\$ 4,468,830</u>	<u>\$ 4,293,647</u>	<u>\$ 8,762,477</u>	<u>\$ 3,531,960</u>	<u>\$33,646,155</u>	<u>\$45,940,592</u>

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2006

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
Revenues:						
Performance revenues received	\$ 4,400,118	\$ -	\$ 4,400,118	\$ -	\$ -	\$ 4,400,118
Government grants and fees:						
Received	3,844,097	-	3,844,097	187,908	-	4,032,005
Released from restriction	190,500	-	190,500	(190,500)	-	-
Total government grants and fees	4,034,597	-	4,034,597	(2,592)	-	4,032,005
Contributions:						
Received	4,933,081	566,874	5,499,955	1,442,889	124,696	7,067,540
In-kind	1,356,346	-	1,356,346	(100,000)	-	1,256,346
Released from restriction	1,452,574	(182,032)	1,270,542	(1,270,542)	-	-
Total contributions	7,742,001	384,842	8,126,843	72,347	124,696	8,323,886
Set and costume rentals	534,839	-	534,839	-	-	534,839
Other income	47,675	-	47,675	-	-	47,675
Investment income, net of transfers (<i>Notes 1 and 3</i>)	1,545,998	93,827	1,639,825	33,558	741,565	2,414,948
Total revenues	18,305,228	478,669	18,783,897	103,313	866,261	19,753,471
Expenses (<i>Note 11</i>):						
Program expenses	15,053,683	-	15,053,683	-	-	15,053,683
Management and general	2,903,049	25,083	2,928,132	15,641	228,719	3,172,492
Fundraising	787,787	225,221	1,013,008	(31,798)	(19,943)	961,267
Total expenses	18,744,519	250,304	18,994,823	(16,157)	208,776	19,187,442
Change of net assets	(439,291)	228,365	(210,926)	119,470	657,485	566,029
Net assets at beginning of year	5,360,521	3,675,647	9,036,168	3,940,880	30,446,347	43,423,395
Net assets at end of year	\$ 4,921,230	\$ 3,904,012	\$ 8,825,242	\$ 4,060,350	\$31,103,832	\$43,989,424

See accompanying notes.

Utah Symphony & Opera

Statements of Cash Flows

	Years Ended August 31	
	2007	2006
Operating activities		
Increase in net assets	\$ 1,951,168	\$ 566,029
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation expense	452,400	439,291
Bad debt expense	36,024	50,663
Loss (gain) on disposal of assets	(1,950)	7,641
Interest and dividends restricted for long-term investments	(830,834)	(722,998)
Net unrealized and realized (gains)/losses on long-term investments	(4,015,101)	(1,603,636)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	875,979	25,758
Interest and dividends receivable	2,398	(1,821)
Prepaid expenses	(40,909)	44,626
Accounts payable and accrued expenses	(241,752)	(88,692)
Deferred revenue	54,086	(157,775)
Net cash used by operating activities	(1,758,491)	(1,440,914)
Investing activities		
Purchase of property and equipment	(449,214)	(306,152)
Proceeds from sale of equipment and investments	1,950	8,602
Increase in long-term investments	1,774,055	2,477,605
Net cash provided by investing activities	1,326,791	2,180,055
Financing activities		
Proceeds from line of credit and long term borrowing	5,757,233	3,337,759
Payments on line of credit and long-term borrowing	(4,906,906)	(4,251,514)
Net cash (used)/provided by financing activities	850,327	(913,755)
Net (decrease)/increase in cash and cash equivalents	418,627	(174,614)
Cash and cash equivalents:		
Beginning of year	584,820	759,434
End of year	\$ 1,003,447	\$ 584,820

See accompanying notes.

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2007

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 and set 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 statement 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 statement of activity and changes in net assets. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately \$293,000 and \$271,000 for the years ended August 31, 2007 and 2006, 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)

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 musical 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 \$235,484 and \$200,895 at August 31, 2007 and 2006, respectively, with \$93,595 and \$109,767 in loans outstanding as of August 31, 2007 and 2006, 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 described above.

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 as these items relate to current year productions. 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 \$485,000 and \$535,000 is included on the statement of activity and changes in net assets for the years ended August 31, 2007 and 2006, 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 revenue 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)

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 an estimated allotment 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 adjustments result from actual sales tax collections being different than originally estimated by the County. Historically, the Organization recorded these adjustments as they received formal communication from the County of the adjustment. For the years ended August 31, 2007 and 2006, the total adjustment increased government grants and fees by approximately \$216,000 and \$115,000, respectively.

In the current year, the Organization recorded additional government grants and fees of approximately \$50,000. As Management began performing a more in depth review of funds received from the County, they determined that actual sales tax collections were higher than the County's estimates and even higher than the adjustments to those estimates (also provided by the County). Accordingly, management obtained actual sales tax collections as of August 31, 2007 from publicly available information and calculated the funding to be received for the year according to the calculation within the law governing the distributions. Management's calculation was based on the allocation methodology set forth in Title 59, Chapter 12 of the Sales and Use Tax Act of the State of Utah. The difference between management's calculation and that provided by the County resulted in the additional government grants and fees of approximately \$50,000.

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 multi-year contributions receivable. As of August 31, 2007 and 2006, the discount on these pledges was approximately \$65,000 and \$75,000 respectively. These multi-year 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.

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 unrestricted in-kind contributions:

	Year Ended August 31	
	2007	2006
Program expenses:		
Advertising expense	\$ 534,201	\$ 926,637
Production expense	226,023	138,113
Management and general expenses	489,930	291,596
	<u>\$ 1,250,154</u>	<u>\$ 1,356,346</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 \$1,943,000 and \$2,325,000 for the years ended August 31, 2007 and 2006, 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.

Reclassifications

Certain previously reported amounts have been reclassified to conform with the 2007 financial statement presentation.

2. Accounts and Contributions Receivable

Accounts and contributions receivable consist of the following as of August 31, 2007:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Accounts receivable	\$ 1,837,117	\$ -	\$ -	\$ 1,837,117
Contributions receivable	421,447	1,150,723	-	1,572,170
Multi-year contributions receivable	-	327,325	61,908	389,233
	<u>\$ 2,258,564</u>	<u>\$ 1,478,048</u>	<u>\$ 61,908</u>	<u>\$ 3,798,520</u>

Utah Symphony & Opera

Notes to Financial Statements (continued)

2. Accounts and Contributions Receivable (continued)

Accounts and contributions receivable consist of the following as of August 31, 2006:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts receivable	\$ 1,631,537	\$ 165,000	\$ –	\$ 1,796,537
Contributions receivable	928,556	1,317,188	14,079	2,259,823
Multi-year contributions receivable	–	562,556	91,607	654,163
	\$ 2,560,093	\$ 2,044,744	\$ 105,686	\$ 4,710,523

3. Investments

The following is a summary of investments:

	August 31	
	2007	2006
Long-term investments:		
Government bonds	\$ 6,835,588	\$ 5,747,848
Corporate bonds	2,874,429	3,773,952
Corporate stocks	26,697,541	24,321,530
Hedge Funds	2,066,446	1,875,224
Instrument loans	93,595	109,767
Money market	1,324,659	992,057
	\$ 39,892,258	\$ 36,820,378
Other investments:		
Real estate	\$ 6,900	\$ 6,900
Art	50,848	50,848
	\$ 57,748	\$ 57,748

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, 2007				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 24,808	\$ 51,899	\$ 35,040	\$ 499,729	\$ 611,476
Dividends	3,035	29,035	19,511	276,554	328,135
	27,843	80,934	54,551	776,283	939,611
Unrealized gains	16,434	169,344	117,560	1,657,535	1,960,873
Realized gains	18,108	176,025	119,013	1,741,082	2,054,228
	34,542	345,369	236,573	3,398,617	4,015,101
Investment income, before transfers	62,385	426,303	291,124	4,174,900	4,954,712
Transfers	1,779,651	(129,575)	(166,113)	(1,483,963)	-
Investment income	\$ 1,842,036	\$ 296,728	\$ 125,011	\$ 2,690,937	\$ 4,954,712

	For the Year Ended August 31, 2006				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 15,995	\$ 44,669	\$ 28,941	\$ 429,474	\$ 519,079
Dividends	1,628	26,022	16,942	247,641	292,233
	17,623	70,691	45,883	677,115	811,312
Unrealized losses	(10,853)	(11,646)	(10,580)	(109,584)	(142,663)
Realized gains	41,594	152,653	99,796	1,452,256	1,746,299
	30,741	141,007	89,216	1,342,672	1,603,636
Investment income, before transfers	48,364	211,698	135,099	2,019,787	2,414,948
Transfers	1,497,634	(117,871)	(101,541)	(1,278,222)	-
Investment income	\$ 1,545,998	\$ 98,827	\$ 33,558	\$ 741,565	\$ 2,414,948

Utah Symphony & Opera

Notes to Financial Statements (continued)

4. Land, Building and Equipment

Furnishings and equipment are summarized as follows:

	August 31	
	2007	2006
Land	\$ 229,500	\$ 229,500
Building and improvements	5,702,101	5,663,330
Office equipment	637,288	575,627
Hall equipment	469,328	435,167
Production sets	1,243,798	747,937
Vehicles	105,543	107,242
Construction in process	14,142	195,382
	8,401,700	7,954,185
Less accumulated depreciation	(2,654,605)	(2,203,904)
	\$ 5,747,095	\$ 5,750,281

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 \$264,000 and \$265,000 for the years ended August 31, 2007 and 2006, 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 \$4,600 and \$4,500 for the years ended August 31, 2007 and 2006, respectively.

5. Line of Credit

The Organization has a line of credit for \$1,800,000 at the prime rate less 1.0% (7.25% at August 31, 2007). The Organization had drawn \$1,768,474 and \$901,858 against the line of credit as of August 31, 2007 and 2006, 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

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, 2007 and August 31, 2006 was \$500,000. Accrued interest on the note as of August 31, 2007 and 2006 was \$15,000 and \$15,000, respectively. 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 5-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, 2007, the principal payments on the lease were \$17,084. The future lease payments for each of the years ended August 31, are as follows:

Total amount of remaining lease payments	\$ 9,966
Amount representing interest	(140)
Present value of minimum lease payments	<u>\$ 9,826</u>

Cash paid for interest was \$73,778 for the year ended August 31, 2007 and \$33,816 for the year ended August 31, 2006, and interest expense was \$88,778 for the year ended August 31, 2007 and \$48,816 for the year ended August 31, 2006. 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:

	August 31	
	2007	2006
Utah Opera Surplus Endowment Fund	\$ 2,913,000	\$ 2,705,445
Guild Operations	28,054	(9,450)
Board Restricted Reserve Fund	1,352,593	1,208,017
	\$ 4,293,647	\$ 3,904,012

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 in the Operating Fund, and for such other purposes as the Board may from time to time determine. For the year ended August 31, 2007 approximately \$400,000 was transferred to the Board Restricted Reserve Fund from the Operating Fund. For the year ended August 31, 2006, approximately \$182,000 was transferred from the Board Restricted Reserve Fund to the Operating Fund to offset year-end deficit.

8. Temporarily Restricted Net Assets

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

	August 31	
	2007	2006
Governmental grants received for use in future periods	\$ 189,500	\$ 216,605
Deer Valley Music Festival	564,212	635,000
Opera Production Studio Expansion	1,302,820	1,195,228
Donations and other funds for use in future periods	1,475,428	2,013,517
	\$ 3,531,960	\$ 4,060,350

All amounts released from temporary restriction during the years ended August 31, 2007 and 2006 were released following the expiration of purpose or time restrictions placed on the assets.

Utah Symphony & Opera

Notes to Financial Statements (continued)

8. Temporarily Restricted Net Assets (continued)

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, 2007 and 2006, approximately \$166,000 and \$102,000 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.

During the fiscal year ended August 31, 2006 the Utah Symphony Chorus asked Utah Symphony & Opera to assume management responsibilities for the Chorus. The two organizations have always shared similar artistic objectives, even sharing a Chorus master; however, since its inception, the Chorus has operated as a separate non-profit organization. In September 2006, Utah Symphony & Opera assumed management responsibilities for the Chorus. The Chorus dissolved itself and transferred its assets of approximately \$97,000 to Utah Symphony & Opera for chorus needs and activities.

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 (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.

Beginning January 1, 2006 the organization created a new 403(b) retirement plan for the benefit of full-time staff and 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.

Previously, the Organization maintained two separate retirement plans for its staff. First, the Organization sponsored 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.

Second, the Organization sponsored 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 \$602,000 and \$583,000 for the years ended August 31, 2007 and 2006, 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, 2007			
	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 9,056,945	\$ 823,586	\$ 603,961	\$ 10,484,492
Other production	6,608,749	414,882	–	7,023,631
Office	90	482,392	40,551	523,033
Depreciation	164,530	287,870	–	452,400
Professional	–	222,110	–	222,110
Bad debts	–	–	36,024	36,024
Cultivation	–	198	157,465	157,663
Guild	–	–	248,724	248,724
Other	8,852	522,435	37,724	569,011
	\$ 15,839,166	\$ 2,753,473	\$ 1,124,449	\$ 19,717,088

	Year Ended August 31, 2006			
	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 9,032,705	\$ 780,156	\$ 478,265	\$ 10,291,126
Other production	5,858,160	1,128,820	–	6,986,980
Office	935	353,614	25,062	379,611
Depreciation	153,805	285,486	–	439,291
Professional	–	167,937	–	167,937
Bad debts	–	–	50,663	50,663
Cultivation	937	103	161,562	162,602
Guild	–	–	225,221	225,221
Other	7,141	456,376	20,494	484,011
	\$ 15,053,683	\$ 3,172,492	\$ 961,267	\$ 19,187,442