Utah Symphony & Opera

Financial Statements
For the Years Ended August 31, 2008 and 2007
With Report of Independent Auditors

Ernst & Young LLP

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Financial Statements

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Contents

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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, 2008 and 2007, 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, 2008 and 2007, 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.

As discussed in Note 1 to the financial statements, the Utah Symphony & Opera's recurring deficits from operations and declining value of its investment portfolio raise substantial doubt about its ability to continue as a going concern. Management's plans as to these matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Ernst & Young LLP

May 26, 2009

Utah Symphony & Opera

Statements of Financial Position

	August 31	
	2008	**2007**
Assets		
Cash and cash equivalents	**$ 287,282**	$ 1,003,447
Accounts receivable *(Note 2)*	**1,687,253**	1,837,117
Contributions receivable, net of estimated uncollectibles of $90,000 and $45,000 *(Note 2)*	**883,676**	1,572,170
Interest and dividends receivable	**31,507**	36,044
Prepaid expenses	**360,064**	288,406
Multi-year contributions receivable, net of estimated uncollectibles of $11,000 and $3,000 *(Note 2)*	**213,391**	389,233
Long-term investments *(Note 3)*	**35,875,080**	39,892,258
Other investments *(Note 3)*	**57,748**	57,748
Land, building and equipment, net *(Note 4)*	**5,419,699**	5,747,095
Total assets	**$ 44,815,700**	$ 50,823,518
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,589,266**	$ 1,068,189
Line of credit *(Note 5)*	**1,893,090**	1,768,474
Deferred revenue	**1,544,005**	1,536,437
Notes payable *(Note 6)*	**500,000**	509,826
Total liabilities	**5,526,361**	4,882,926
Net assets:		
Unrestricted *(Note 7)* :		
Operating fund	**3,486,758**	4,468,830
Board designated fund	**2,675,228**	4,293,647
Total unrestricted net assets	**6,161,986**	8,762,477
Temporarily restricted net assets *(Note 8)*	**2,380,445**	3,5.0000
Permanently restricted net assets *(Note 9)*	**30,746,908**	33,646,155
Total net assets	**39,289,339**	45,940,592
Total liabilities and net assets	**$ 44,815,700**	$ 50,823,518

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2008

	Unrestricted					
	Operating	**Board Designated**	**Total Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues:						
Performance revenues received	**$ 3,865,681**	**$ –**	**$ 3,865,681**	**$ –**	**$ –**	**$ 3,865,681**
Government grants and fees:						
Received	**3,851,948**	–	**3,851,948**	**184,100**	–	**4,036,048**
Released from restriction	**189,500**	–	**189,500**	**(189,500)**	–	**–**
Total government grants and fees	**4,041,448**	**–**	**4,041,448**	**(5,400)**	**–**	**4,036,048**
Contributions:						
Received	**4,218,524**	**544,373**	**4,762,897**	**666,548**	**53,336**	**5,482,781**
In-kind	**1,343,255**	–	**1,343,255**	–	–	**1,343,255**
Released from restriction	**2,976,626**	**(1,640,034)**	**1,336,592**	**(1,336,592)**	–	**–**
Total contributions	**8,538,405**	**(1,095,661)**	**7,442,744**	**(670,044)**	**53,336**	**6,826,036**
Set and costume rentals	**777,727**	–	**777,727**	–	–	**777,727**
Other income	**33,629**	–	**33,629**	–	–	**33,629**
Investment income/(loss), net of transfers *(Notes 1 and 3)*	**1,832,356**	**(273,211)**	**1,559,145**	**(206,375)**	**(2,697,852)**	**(1,345,082)**
Total revenues	**19,089,246**	**(1,368,872)**	**17,720,374**	**(881,819)**	**(2,644,516)**	**14,194,039**
Expenses *(Note 11)* :						
Program expenses	**16,698,256**	–	**16,698,256**	–	–	**16,698,256**
Management and general	**2,230,341**	**27,934**	**2,258,275**	**17,505**	**256,519**	**2,532,299**
Fundraising	**1,142,721**	**221,613**	**1,364,334**	**252,191**	**(1,788)**	**1,614,737**
Total expenses	**20,071,318**	**249,547**	**20,320,865**	**269,696**	**254,731**	**20,845,292**
Change of net assets	**(982,072)**	**(1,618,419)**	**(2,600,491)**	**(1,151,515)**	**(2,899,247)**	**(6,651,253)**
Net assets at beginning of year	**4,468,830**	**4,293,647**	**8,762,477**	**3,531,960**	**33,646,155**	**45,940,592**
Net assets at end of year	**$ 3,486,758**	**$ 2,675,228**	**$ 6,161,986**	**$ 2,380,445**	**$30,746,908**	**$39,289,339**

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2007

	Unrestricted					
	Operating	**Board Designated**	**Total Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
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 *(Notes 1 and 3)*	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 *(Note 11)*:						
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	$ 4,468,830	$ 4,293,647	$ 8,762,477	$ 3,531,960	$33,646,155	$45,940,592

See accompanying notes.

Utah Symphony & Opera

Statements of Cash Flows

	Years Ended August 31	
	2008	**2007**
Operating activities		
Increase/(decrease) in net assets	**$ (6,651,253)**	$ 1,951,168
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation expense	**401,334**	452,400
Bad debt expense	**306,054**	36,024
Gain on disposal of assets	**–**	(1,950)
Interest and dividends restricted for long-term investments	**(812,818)**	(830,834)
Net unrealized and realized (gains)/losses on long-term investments	**2,276,325**	(4,015,101)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	**708,146**	875,979
Interest and dividends receivable	**4,537**	2,398
Prepaid expenses	**(71,658)**	(40,909)
Accounts payable and accrued expenses	**521,077**	(241,752)
Deferred revenue	**7,568**	54,086
Net cash used by operating activities	**(3,310,688)**	(1,758,491)
Investing activities		
Purchase of property and equipment	**(73,938)**	(449,214)
Proceeds from sale of equipment and investments	**–**	1,950
Proceeds from sale of long-term investments	**2,553,671**	1,774,055
Net cash provided by investing activities	**2,479,733**	1,326,791
Financing activities		
Proceeds from line of credit and long term borrowing	**6,864,384**	5,757,233
Payments on line of credit and long-term borrowing	**(6,749,594)**	(4,906,906)
Net cash provided by financing activities	**114,790**	850,327
Net (decrease)/increase in cash and cash equivalents	**(716,165)**	418,627
Cash and cash equivalents:		
Beginning of year	**1,003,447**	584,820
End of year	**$ 287,282**	$ 1,003,447

See accompanying notes.

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2008

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. The combined Organization functions as a 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, 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.

Going Concern

Over the past three years, the Organization has reported deficits in the Operating Fund of approximately $1,870,000 on a cumulative basis. Given the impact of current global economic conditions on the Organization's ability to obtain adequate funding to cover operating expenditures, management's five year financial forecasts prepared for the Board of Trustees show continued operating deficits. Additionally, the fair value of the Organization's investment portfolio has declined over 30% since August 31, 2007 through April 30, 2009 which has in turn reduced available investment income and the available line of credit (see Note 5) to the Organization. These factors have resulted in an expectation of future operating cash flow deficiencies and raise substantial doubt about the Organization's ability to continue as a going concern. The accompanying financial statements do not include any adjustments which might result from the outcome of the aforementioned uncertainties.

1. Significant Accounting Policies (continued)

In September 2008, management began developing a plan to increase revenues and reduce expenses. This plan includes the following:

> Management has requested and obtained court approval for $3 million of the Permanently Restricted Fund to be transferred to the Board Designated Fund which would then be used to support operations (see Note 12).
>
> Management has developed a "Leadership Challenge" fundraising campaign of $1,000,000 per year to help cover the deficits. From August 31, 2008 through April 30, 2009, the Organization has received $450,000 towards this challenge.
>
> Management also expects to reduce operating expenses by nearly $1,000,000 for the fiscal year ending August 31, 2009 by reducing staff and musician pay, eliminating retirement contributions, and implementing performance programming changes. The musicians are covered under a collective bargaining agreement that expires August 31, 2010. This contract has a scheduled 5% increase in salaries effective September 1, 2009. In the fiscal year ending August 31, 2009, the musicians have agreed to work without pay for two weeks and reduce the retirement contribution by 50% among other things.
>
> Management has ongoing efforts to further reduce operating expenses.

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.

1. Significant Accounting Policies (continued)

Fund Accounting and Net Asset Classifications

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 $304,000 and $293,000 for the years ended August 31, 2008 and 2007, 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.

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 $215,336 and $235,484 at August 31, 2008 and 2007, respectively, with $84,036 and $93,595 in loans outstanding as of August 31, 2008 and 2007, 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

Land, building 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.

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 $778,000 and $485,000 is included on the statement of activity and changes in net assets for the years ended August 31, 2008 and 2007, 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.

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 results 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, 2008 and 2007, the total adjustment increased government grants and fees by approximately $55,000 and $216,000, respectively.

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, 2008 and 2007, the discount on these pledges was approximately $27,000 and $65,000 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.

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.

1. Significant Accounting Policies (continued)

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

	Year Ended August 31, 2008	Year Ended August 31, 2007
Program expenses:		
Advertising expense	**$ 890,563**	$ 534,201
Production expense	**225,400**	226,023
Management and general expenses	**227,292**	489,930
	$ 1,343,255	$ 1,250,154

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 $2,598,000 and $1,943,000 for the years ended August 31, 2008 and 2007, respectively.

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 2008 financial statement presentation.

2. Accounts and Contributions Receivable

Accounts and contributions receivable consist of the following as of August 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts receivable	$ 1,687,253	$ –	$ –	$ 1,687,253
Contributions receivable	309,530	574,146	–	883,676
Multi-year contributions receivable	–	185,258	28,133	213,391
	$ 1,996,783	$ 759,404	$ 28,133	$ 2,784,320

2. Accounts and Contributions Receivable (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts receivable	$ 1,837,117	$ –	$ –	$ 1,837,117
Contributions receivable	421,447	1,150,723	–	1,572,170
Multi-year contributions receivable	–	327,325	61,980	389,233
	$ 2,258,564	$ 1,478,048	$ 61,908	$ 3,798,520

3. Investments

The following is a summary of investments:

	August 31, 2008	August 31, 2007
Long-term investments:		
Government bonds	**$ 5,387,769**	$ 6,835,588
Corporate bonds	**3,525,356**	2,874,429
Corporate stocks	**23,646,367**	26,697,541
Hedge funds	**1,940,186**	2,066,446
Instrument loans	**84,036**	93,595
Money market	**1,291,366**	1,324,659
	$ 35,875,080	$ 39,892,258
Other investments:		
Real estate	**$ 6,900**	$ 6,900
Art	**50,848**	50,848
	$ 57,748	$ 57,748

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

	For the Year Ended August 31, 2008				
	Unrestricted	**Board Designated**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Interest	**$ 34,475**	**$ 52,889**	**$ 33,200**	**$ 488,017**	**$ 608,581**
Dividends	**1,693**	**29,367**	**18,490**	**273,112**	**322,662**
	36,168	**82,256**	**51,690**	**761,129**	**931,243**
Unrealized losses	**(16,967)**	**(312,125)**	**(188,218)**	**(2,767,285)**	**(3,284,595)**
Realized gains	**2,777**	**92,590**	**58,451**	**854,452**	**1,008,270**
	(14,190)	**(219,535)**	**(129,767)**	**(1,912,833)**	**(2,276,325)**
Investment income/(loss), before transfers	**21,978**	**(137,279)**	**(78,077)**	**(1,151,704)**	**(1,345,082)**
Transfers	**1,810,378**	**(135,932)**	**(128,298)**	**(1,546,148)**	**–**
Investment income	**$ 1,832,356**	**$ (273,211)**	**$ (206,375)**	**$ (2,697,852)**	**$ (1,345,082)**

	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

4. Land, Building and Equipment

Furnishings and equipment are summarized as follows:

	August 31, 2008	August 31, 2007
Land	**$ 229,500**	$ 229,500
Building and improvements	**5,702,101**	5,702,101
Office equipment	**637,288**	637,288
Hall equipment	**523,239**	469,328
Production sets	**1,243,798**	1,243,798
Vehicles	**120,543**	105,543
Construction in process	**19,168**	14,142
	8,475,637	8,401,700
Less accumulated depreciation	**(3,055,939)**	(2,654,605)
	$ 5,419,699	$ 5,747,095

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 $238,000 and $264,000 for the years ended August 31, 2008 and 2007, 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 $7,800 and $4,600 for the years ended August 31, 2008 and 2007, respectively.

5. Line of Credit

The Organization has a line of credit for $2,000,000 at the prime rate less 1.0% (4% at August 31, 2008). The Organization had drawn $1,893,090 and $1,768,474 against the line of credit as of August 31, 2008 and 2007, 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. Subsequent to August 31, 2008, the value of the collateral has decreased (see footnote 12) which has reduced the funds available to draw on the line of credit to $1,350,000 as of April 30, 2009. Additionally, as of April 30, 2009 the amount outstanding on this line of credit was $198,950.

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, 2008 and August 31, 2007 was $500,000. Accrued interest on the note was $15,000 as of both August 31, 2008 and 2007. 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 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, 2008, the lease reached maturity. The principal payments on the lease were $9,826. The lease matured in April 2008 and the equipment was purchased by the Organization at the bargain purchase price of $1.

Cash paid for interest was $68,959 for the year ended August 31, 2008 and $73,778 for the year ended August 31, 2007, and interest expense was $83,959 for the year ended August 31, 2008 and $88,778 for the year ended August 31, 2007. 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.

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, 2008	August 31, 2007
Utah Opera Surplus Endowment Fund	**$ 2,657,414**	$ 2,913,000
Guild Operations	**17,814**	28,054
Board Restricted Reserve Fund	**–**	1,352,593
	$ 2,675,228	$ 4,293,647

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 Restricted 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, 2008 approximately $1,353,000 was transferred from the Board Restricted Reserve Fund to the Operating Fund. For the year ended August 31, 2007, approximately $81,000 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, 2008	August 31, 2007
Governmental grants received for use in future periods	**$ 184,100**	$ 189,500
Deer Valley Music Festival	**394,094**	564,212
Opera Production Studio Expansion	**1,078,939**	1,302,820
Donations and other funds for use in future periods	**723,312**	1,475,428
	$ 2,380,445	$ 3,531,960

8. Temporarily Restricted Net Assets (continued)

All amounts released from temporary restriction during the years ended August 31, 2008 and 2007 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, 2008 and 2007, approximately $128,000 and $166,000 was transferred from the Opera Production Studio 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 5% annual draw investment policy (see Note 1), to the Operating Fund in order to fund general operations.

During the fiscal year ended August 31, 2008, the National Endowment for the Arts released their restriction on the endowment funds previously contributed. The amount of these funds was $300,000. The Organization placed these funds in the Board Restricted Reserve Fund.

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 Organization 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

10. Retirement Programs and Commitments (continued)

the Symphony musicians. Effective September 1, 2009, the retirement contribution for musicians employed before September 1, 1993 will increase to 8.5%. Effective September 1, 2010 the retirement contribution for musicians employed before September 1, 1994 will increase to 9%. The contribution for musicians employed after those dates will remain at 8%.

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 $635,000 and $602,000 for the years ended August 31, 2008 and 2007, respectively.

11. Functional Expenses

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

	Year Ended August 31, 2008			
	Program	**Management and General**	**Fund Raising**	**Total**
Salaries and wages	**$ 9,411,137**	**$ 894,514**	**$ 720,846**	**$ 11,026,497**
Other production	**7,123,238**	**207,500**	**–**	**7,228,238**
Office	**204**	**565,507**	**56,407**	**724,618**
Depreciation	**151,740**	**249,594**	**–**	**401,334**
Professional	**–**	**114,930**	**–**	**114,930**
Bad debts	**–**	**–**	**306,054**	**306,054**
Cultivation	**–**	**91**	**275,806**	**275,897**
Guild	**–**	**–**	**221,613**	**221,613**
Other	**11,937**	**500,163**	**34,011**	**546,111**
	$ 16,698,256	**$ 2,532,299**	**$ 1,614,737**	**$ 20,845,292**

	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

12. Subsequent Events

On November 25, 2008, the Organization was notified by an investment manager that its investment in certain hedge funds was to be liquidated over a five-year period beginning June 2009. As of August 31, 2008, the value of these investments was approximately $1,940,000. As of April 30, 2009 approximately $184,000 has been distributed to the Organization. The remaining amount due to the Organization has an estimated fair value of approximately $1,259,000 as of April 30, 2009.

Since August 31, 2008, the fair value of the Organization’s investment portfolio has declined to approximately $24,886,000 at April 30, 2009. As described in Note 1 this decline in investment value has also reduced the funds available to draw on the Organization’s line of credit. In November 2008, the Organization’s Investment Policy has also been changed from a “75% equities and 25% fixed income” investment mix to a “70% equities and 30% fixed income” investment mix.

On May 6, 2009, the Organization received court approval to release $3,000,000 from the Permanently Restricted Fund into the Board Designated Fund. According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) these funds need to be released by the donor or a court if the donor cannot be located. The Board of Trustees approved lending these funds from the Board Designated Fund to assist in financing operating deficits. The loan is non-interest bearing and is required to be repaid within five years.

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