



UTAH SYMPHONY & OPERA

Financial Statements
For the Years Ended August 31, 2009 and 2008
With Report of Independent Auditors

Ernst & Young LLP



Utah Symphony & Opera

Financial Statements

For the Years Ended August 31, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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

March 31, 2010

Utah Symphony & Opera

Statements of Financial Position

	August 31	
	2009	2008
Assets		
Cash and cash equivalents	\$ 549,680	\$ 287,282
Accounts receivable <i>(Note 2)</i>	1,410,407	1,687,253
Contributions receivable, net of estimated uncollectible receivables of \$158,000 and \$90,000 <i>(Note 2)</i>	1,255,675	883,676
Interest and dividends receivable	26,236	31,507
Prepaid expenses	349,064	360,064
Multi-year contributions receivable, net of estimated uncollectible receivables of \$84,000 and \$11,000 <i>(Note 2)</i>	640,850	213,391
Long-term investments <i>(Note 3 and 4)</i>	26,350,503	35,875,080
Other investments <i>(Note 3)</i>	57,748	57,748
Land, building and equipment, net <i>(Note 5)</i>	5,071,417	5,419,699
Total assets	<u>\$ 35,711,580</u>	<u>\$ 44,815,700</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,039,066	\$ 1,493,368
Line of credit <i>(Note 4 & 6)</i>	1,185,157	1,893,090
Deferred revenue	1,677,023	1,639,903
Notes payable <i>(Note 4 & 7)</i>	500,000	500,000
Total liabilities	<u>4,401,246</u>	<u>5,526,361</u>
Net assets:		
Unrestricted <i>(Note 8)</i> :		
Operating fund	1,526,054	3,486,758
Board designated fund	5,656,910	2,975,228
Total unrestricted net assets	<u>7,182,964</u>	<u>6,461,986</u>
Temporarily restricted net assets <i>(Note 9)</i>	2,963,296	2,380,445
Permanently restricted net assets <i>(Note 10)</i>	21,164,074	30,446,908
Total net assets	<u>31,310,334</u>	<u>39,289,339</u>
Total liabilities and net assets	<u>\$ 35,711,580</u>	<u>\$ 44,815,700</u>

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2009

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
Revenues:						
Performance revenues received	\$ 4,124,204	\$ –	\$ 4,124,204	\$ –	\$ –	\$ 4,124,204
Government grants and fees:						
Received	3,396,518	–	3,396,518	191,362	–	3,587,880
Released from restriction	184,100	–	184,100	(184,100)	–	–
Total government grants and fees	3,580,618	–	3,580,618	7,262	–	3,587,880
Contributions:						
Received	5,023,898	149,489	5,173,387	1,946,897	284,463	7,404,747
In-kind	1,046,556	–	1,046,556	–	–	1,046,556
Released from restriction	689,500	3,000,000	3,689,500	(689,500)	(3,000,000)	–
Total contributions	6,759,954	3,149,489	9,909,443	1,257,397	(2,715,537)	8,451,303
Set and costume rentals	679,407	–	679,407	–	–	679,407
Other income/(loss)	42,018	–	42,018	–	–	42,018
Investment income, net of transfers <i>(Notes 1 and 3)</i>	1,894,749	(289,898)	1,604,851	(459,532)	(6,408,467)	(5,263,148)
Total revenues	17,080,950	2,859,591	19,940,541	805,127	(9,124,004)	11,621,664
Expenses <i>(Note 12)</i> :						
Program expenses	15,875,688	–	15,875,688	–	–	15,875,688
Management and general	1,984,565	25,355	2,009,920	11,681	159,101	2,180,702
Fundraising	1,181,401	152,554	1,333,955	210,595	(271)	1,544,279
Total expenses	19,041,654	177,909	19,219,563	222,276	158,830	19,600,669
Change of net assets	(1,960,704)	2,681,682	720,978	582,851	(9,282,834)	(7,979,005)
Net assets at beginning of year	3,486,758	2,975,228	6,461,986	2,380,445	30,446,908	39,289,339
Net assets at end of year	\$ 1,526,054	\$ 5,656,910	\$ 7,182,964	\$ 2,963,296	\$21,164,074	\$31,310,334

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2008

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
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	(1,340,034)	1,636,592	(1,336,592)	(300,000)	-
Total contributions	8,538,405	(795,661)	7,742,744	(670,044)	(246,664)	6,826,036
Set and costume rentals	777,727	-	777,727	-	-	777,727
Other income/(loss)	33,629	-	33,629	-	-	33,629
Investment income, 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	(1,068,872)	18,020,374	(881,819)	(2,944,516)	14,194,039
Expenses (Note 12):						
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)	(1,318,419)	(2,300,491)	(1,151,515)	(3,199,247)	(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	\$ 2,975,228	\$ 6,461,986	\$ 2,380,445	\$30,446,908	\$39,289,339

See accompanying notes.

Utah Symphony & Opera

Statements of Cash Flows

	Years Ended August 31	
	2009	2008
Operating activities		
Decrease in net assets	\$ (7,979,005)	\$ (6,651,253)
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation expense	377,618	401,334
Bad debt expense	207,332	306,054
Contributed Equipment	(4,200)	-
Gain on disposal of assets	(38,202)	-
Interest and dividends restricted for long-term investments	(658,375)	(812,818)
Net unrealized and realized (gains)/losses on long-term investments	6,044,779	2,276,325
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(699,994)	708,146
Interest and dividends receivable	5,271	4,537
Prepaid expenses	11,000	(71,658)
Accounts payable and accrued expenses	(454,304)	469,660
Deferred revenue	37,122	58,985
Net cash used by operating activities	(3,150,958)	(3,310,688)
Investing activities		
Purchase of property and equipment	(31,800)	(73,938)
Proceeds from sale of equipment	14,916	-
Net proceeds from sale of long-term investments	4,138,173	2,553,671
Net cash provided by investing activities	4,121,289	2,479,733
Financing activities		
Proceeds from line of credit and long term borrowing	10,227,545	6,864,384
Payments on line of credit and long-term borrowing	(10,935,478)	(6,749,594)
Net cash (used)/provided by financing activities	(707,933)	114,790
Net (decrease)/increase in cash and cash equivalents	262,398	(716,165)
Cash and cash equivalents:		
Beginning of year	287,282	1,003,447
End of year	\$ 549,680	\$ 287,282

See accompanying notes.

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2009

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 \$3,395,000 on a cumulative basis. Given the impact of current 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 approximately 30% since August 31, 2007 through February 28, 2010 which has in turn reduced investment income and the Organization's available line of credit (see Note 6). 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

In September 2008, management began developing a plan to increase revenues and reduce expenses. Plans for the fiscal year ended August 31, 2010 include a “Leadership Challenge” fundraising campaign of \$10,000,000 to fund expected future operating deficits during the next three years. The Organization received \$550,000 in cash and pledges towards this challenge as of August 31, 2009. Since August 31, 2009, the Organization has received \$2,837,500 in cash and pledges towards this challenge.

During the fiscal year ending August 31, 2008, Management implemented a two-year plan to reduce operating expenses from August 31, 2008 levels by nearly \$1,000,000 by reducing staff and musician pay, eliminating retirement plan contributions, and implementing performance programming changes. Approximately \$700,000 in targeted operating expenses were eliminated during fiscal year 2009. The Organization plans to reduce expenses by an additional \$300,000 in accordance with the plan during fiscal year 2010. The musicians are covered under a collective bargaining agreement that expires August 31, 2011. In the fiscal year ending August 31, 2010, the musicians have agreed to work without pay for four weeks and reduce the retirement contribution by 50% among other things. These concessions will be contingent on the success of the “Leadership Challenge” fundraising. Depending on the success of the “Leadership Challenge”, up to \$740,000 of the concessions could be required to be repaid. Management has ongoing efforts to further reduce operating expenses.

In addition, during the fiscal year ended August 31, 2009, Management requested and obtained court approval for \$3 million of the Permanently Restricted Fund to be transferred to the Board Designated Fund to be used to support operations. The Board of Trustees approved lending these funds from the Board Designated Fund to assist in financing operating deficits. The amount of the loan as of August 31, 2009 is \$2,120,000 (see Note 8).

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

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 8, 9, and 10 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 \$197,000 and \$304,000 for the years ended August 31, 2009 and 2008, 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.

In November 2008, the Organization's Investment Policy was changed from "no more than 75% equities" investment mix to a "no more than 70% equities" investment mix.

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 \$201,143 and \$215,336 at August 31, 2009 and 2008, respectively, with \$72,372 and \$84,036 in loans outstanding as of August 31, 2009 and 2008, respectively. 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 buildings 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 costumes, wigs and props that are not recorded on the statement of financial position. Expenditures for these items are expensed as incurred. Amortization of equipment purchased under a capital lease is included with depreciation expense.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Revenue Recognition and Deferred Revenue

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

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

Utah Symphony & Opera rents its costumes, wigs, sets and props to individuals and other organizations across North America. Rental income of approximately \$679,000 and \$778,000 is included on the statement of activity and changes in net assets for the years ended August 31, 2009 and 2008, 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, including refundable gift certificates, 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. The Organization records these adjustments as they received formal communication from the County of the adjustment. For the year ended August 31, 2009, the total adjustment decreased government grants and fees by approximately \$56,000. For the year ended August 31, 2008, the total adjustment increased government grants and fees by approximately \$55,000.

Pledges to Contribute

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, 2009 and 2008, the discount on these pledges was approximately \$16,000 and \$27,000 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

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:

	August 31	
	2009	2008
Program expenses:		
Advertising expense	\$ 546,730	\$ 890,563
Production expense	149,080	225,400
Management and general expenses	350,746	227,292
	<u>\$ 1,046,556</u>	<u>\$ 1,343,255</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 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 \$1,821,000 and \$2,598,000 for the years ended August 31, 2009 and 2008, 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 2009 financial statement presentation.

Subsequent Events

We have evaluated subsequent events that have occurred through March 31, 2010, the date the financial statement were available to be issued and determined that no additional disclosures are required to be made.

2. Accounts and Contributions Receivable

Accounts and contributions receivable consist of the following as of August 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Accounts receivable	\$ 1,410,407	\$ –	\$ –	\$ 1,410,407
Contributions receivable	280,548	975,127	–	1,255,675
Multi-year contributions receivable	–	621,582	19,268	640,850
	<u>\$ 1,690,955</u>	<u>\$ 1,596,709</u>	<u>\$ 19,268</u>	<u>\$ 3,306,932</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, 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

All multi-year contributions are receivable within one to five years.

3. Investments

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, 2009, the fair value of these investments was approximately \$851,000.

The following is a summary of investments:

	August 31	
	2009	2008
Long-term investments:		
Government bonds	\$ 4,076,692	\$ 5,387,769
Corporate bonds	3,210,872	3,525,356
Corporate stocks	17,560,050	23,646,367
Hedge funds	851,232	1,940,186
Instrument loans	72,372	84,036
Money market	579,285	1,291,366
	\$ 26,350,503	\$ 35,875,080
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, 2009				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 19,811	\$ 60,494	\$ 26,899	\$ 367,679	\$ 474,883
Dividends	556	42,395	18,278	245,519	306,748
	20,367	102,889	45,177	613,198	781,631
Unrealized gains/(losses)	(25,449)	415,628	(31,628)	(1,073,114)	(714,563)
Realized gains/(losses)	15,150	(668,931)	(317,532)	(4,358,903)	(5,330,216)
	(10,299)	(253,303)	(349,160)	(5,432,017)	(6,044,779)
Investment income/(loss), before transfers	10,068	(150,414)	(303,983)	(4,818,819)	(5,263,148)
Transfers	1,884,681	(139,484)	(155,549)	(1,589,648)	-
Investment income/(loss)	\$ 1,894,749	\$ (289,898)	\$ (459,532)	\$ (6,408,467)	\$ (5,263,148)

	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/(loss)	\$ 1,832,356	\$ (273,211)	\$ (206,375)	\$ (2,697,852)	\$ (1,345,082)

Utah Symphony & Opera

Notes to Financial Statements (continued)

4. Fair Value Measurements

In fiscal year 2009, the Organization adopted ASC 820, which established a framework for measuring fair value in GAAP and clarified the definition of fair value within that framework. It does not require assets and liabilities that were previously recorded at cost to be recorded at fair value. For assets and liabilities that are already required to be disclosed at fair value, ASC 820 introduced, or reiterated, a number of key concepts which form the foundation of the fair value measurement approach to be used for financial reporting purposes. We adopted the provisions of ASC 820 that became effective in fiscal year 2009 with respect to financial assets and liabilities, which did not have an impact on our financial position, results of operations or cash flows. We will adopt the provisions for non-financial assets and liabilities in fiscal year 2010, which is not expected to have a material impact on our financial position, results of operations or cash flows.

This standard established a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2— Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Where quoted prices are available in an active market, investments are classified within level 1 of the hierarchy. If quoted prices are not available, then fair values are estimated using pricing models, quoted prices or securities with similar characteristics, or discounted cash flows and are categorized within level 2 of the hierarchy. The Organization has not applied the guidance in ASC 820 to nonfinancial assets and liabilities.

Utah Symphony & Opera

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis as of August 31, 2009 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Investments	\$ 18,211,707	\$ 8,138,796	\$ –	\$ 26,350,503
Line of credit	–	1,185,157	–	1,185,157
Notes payable	–	469,743	–	469,743
Total	\$ 18,211,707	\$ 9,793,696	\$ –	\$ 28,005,403

5. Land, Building and Equipment

Land, building and equipment are summarized as follows:

	August 31	
	2009	2008
Land	\$ 229,500	\$ 229,500
Building and improvements	5,702,101	5,702,101
Office equipment	640,088	637,288
Hall equipment	532,239	523,239
Production sets	1,243,798	1,243,798
Vehicles	124,743	120,543
Construction in process	12,505	19,168
	8,484,974	8,475,637
Less accumulated depreciation	(3,413,557)	(3,055,939)
	\$ 5,071,417	\$ 5,419,699

Utah Symphony & Opera

Notes to Financial Statements (continued)

5. 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 \$264,000 and \$238,000 for the years ended August 31, 2009 and 2008, 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 \$5,400 and \$7,800 for the years ended August 31, 2009 and 2008, respectively.

6. Line of Credit

The Organization has a line of credit for \$2,000,000 at the prime rate less 1.0%, (2.25% as of August 31, 2009). The Organization had drawn \$1,185,157 and \$1,893,090 against the line of credit as of August 31, 2009 and 2008, respectively. The line of credit is secured by certain assets of the Organization's Board Designated Fund and the Board has permitted management to utilize this line of credit at its discretion. The bank has restricted the draws to 75% of the collateral's value. At August 31, 2009, the line of credit was limited to \$1,488,000. Subsequent to August 31, 2009, the interest rate has been limited to be not less than 5%. Additionally, as of February 28, 2010, the line of credit has been paid off. The line of credit expires as of May 1, 2010.

7. 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, 2009 and August 31, 2008 was \$500,000. Accrued interest on the note was \$15,000 as of both August 31, 2009 and 2008. 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)

7. Notes Payable (continued)

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. During the year ended August 31, 2008 the monthly principal payments on the lease totaled \$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 \$22,387 for the year ended August 31, 2009 and \$68,959 for the year ended August 31, 2008, and interest expense was \$37,387 for the year ended August 31, 2009 and \$83,959 for the year ended August 31, 2008. Interest expense is recorded in management and general expenses.

8. 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.

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. The balance of the loan at August 31, 2009 was \$2,120,000.

Utah Symphony & Opera

Notes to Financial Statements (continued)

8. 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	
	2009	2008
Utah Opera Surplus Endowment Fund	\$ 2,127,147	\$ 2,657,414
Guild Operations	14,750	17,814
Board Designated Reserve Fund	3,515,013	300,000
	\$ 5,656,910	\$ 2,975,228

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, 2008, approximately \$1,353,000 was transferred from the Board Designated Reserve Fund to the Operating Fund. For the year ended August 31, 2009, there were no transfers from the Board Designated Reserve Fund to the Operating Fund. For the year-ended August 31, 2009, the Board Designated Reserve Fund had loaned to the Operating Fund \$2,120,000.

9. Temporarily Restricted Net Assets

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

	August 31	
	2009	2008
Governmental grants received for use in future periods	\$ 186,362	\$ 184,100
Deer Valley Music Festival	473,214	394,094
Opera Production Studio Expansion	607,727	1,078,939
Donations and other funds for use in future periods	1,695,993	723,312
	\$ 2,963,296	\$ 2,380,445

Utah Symphony & Opera

Notes to Financial Statements (continued)

9. Temporarily Restricted Net Assets (continued)

All amounts released from temporary restriction during the years ended August 31, 2009 and 2008 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, 2009 and 2008, approximately \$156,000 and \$128,000 was transferred from the Opera Production Studio Expansion Temporarily Restricted Fund to offset costs associated with the operations and maintenance of this building.

10. 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 Designated Reserve Fund.

11. Retirement Programs and Commitments

All of the musicians are covered by the American Federation of Musicians Employers Pension and Welfare (AFM-EPW) defined benefit 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. Effective September 1, 2009, the retirement contribution for musicians employed before September 1, 1994 increased to 9%. The contribution for musicians employed after that date will remain at 8%. However, effective March 1, 2009, the Organization negotiated

Utah Symphony & Opera

Notes to Financial Statements (continued)

11. Retirement Programs and Commitments (continued)

with the musicians union to reduce the contribution by 50% until August 31, 2010. 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.

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. Effective March 1, 2009, the Organization stopped contributing to this plan.

Beginning December 12, 2009 the Organization created two new 401(k) retirement plans. One plan for the benefit of full-time AFM Union members and one for full-time non-union members. 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 manager.

The cost to the Symphony & Opera of contributions to all of the above retirement programs incurred by the Operating Fund was approximately \$424,000 and \$635,000 for the years ended August 31, 2009 and 2008, respectively.

In March 2010, the AFM-EPW notified the organization that it expects to certify the plan to be in "critical status" for the plan year beginning April 1, 2010. As such, the Plan will adopt a rehabilitation plan that reduces benefits paid and requires employers to pay a surcharge on contributions to the fund. The anticipated surcharge start date is June 1, 2010. This surcharge is 5% of contributions until March 31, 2011, and 10% of contributions effective April 1, 2011.

Utah Symphony & Opera

Notes to Financial Statements (continued)

12. Functional Expenses

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

	Year Ended August 31, 2009			
	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 9,075,415	\$ 846,811	\$ 660,826	\$ 10,583,052
Other production	6,652,264	8,610	–	6,660,873
Office	975	647,333	35,823	684,132
Depreciation	141,591	236,027	–	377,618
Professional	–	88,714	–	88,714
Bad debts	–	–	207,332	207,332
Cultivation	–	213	462,366	462,579
Guild	–	–	152,554	152,554
Other	5,443	352,994	25,378	383,815
	\$ 15,875,688	\$ 2,180,702	\$ 1,544,279	\$ 19,600,669

	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	130,017	–	7,253,255
Office	204	565,507	56,407	622,118
Depreciation	151,740	249,594	–	401,334
Professional	–	114,930	–	114,930
Bad debts	–	–	306,054	306,054
Cultivation	–	77,574	275,806	353,381
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

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