Utah Symphony & Opera

Financial Statements
For the Years Ended August 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

Utah Symphony & Opera

Financial Statements

For the Years Ended August 31, 2010 and 2009

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

Ernst & Young LLP
Suite 400
178 South Rio Grande Street
Salt Lake City, UT 84101

Tel: +1 801 350 3300
Fax: +1 801 350 3456
www.ey.com

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, 2010 and 2009, 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, 2010 and 2009, and the results of its activity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

January 19, 2011

Utah Symphony & Opera

Statements of Financial Position

	August 31 2010	2009
Assets		
Cash and cash equivalents	**$ 683,238**	$ 549,680
Accounts receivable *(Note 2)*	**597,802**	1,410,407
Contributions receivable, net of estimated uncollectible receivables of $33,000 and $158,000 *(Note 2)*	**917,318**	1,255,675
Interest and dividends receivable	**22,567**	26,236
Prepaid expenses	**319,536**	349,064
Multi-year contributions receivable, net of estimated uncollectible receivables of $38,000 and $84,000 *(Note 2)*	**1,179,904**	640,850
Long-term investments *(Note 3 and 4)*	**26,458,230**	26,350,503
Other investments *(Note 3 and 4)*	**57,748**	57,748
Land, building and equipment, net *(Note 5)*	**4,709,388**	5,071,417
Total assets	**$ 34,945,731**	$ 35,711,580
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,217,645**	$ 1,039,066
Line of credit *(Note 6)*	**664,689**	1,185,157
Deferred revenue	**1,601,702**	1,677,023
Notes payable *(Note 7)*	**500,000**	500,000
Total liabilities	**3,984,036**	4,401,246
Net assets:		
Unrestricted *(Note 8)* :		
Operating fund	**1,560,516**	1,526,054
Board designated fund	**5,596,664**	5,656,910
Total unrestricted net assets	**7,157,180**	7,182,964
Temporarily restricted net assets *(Note 9)*	**2,476,958**	2,963,296
Permanently restricted net assets *(Note 10)*	**21,327,557**	21,164,074
Total net assets	**30,961,695**	31,310,334
Total liabilities and net assets	**$ 34,945,731**	$ 35,711,580

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2010

	Unrestricted					
	Operating	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:						
Performance revenues received	**$ 4,320,636**	**$ –**	**$ 4,320,636**	**$ –**	**$ –**	**$ 4,320,636**
Government grants and fees:						
Received	**3,187,749**	**–**	**3,187,749**	**–**	**–**	**3,187,749**
Released from restriction	**186,362**	**–**	**186,362**	**(186,362)**	**–**	**–**
Total government grants and fees	**3,374,111**	**–**	**3,374,111**	**(186,362)**	**–**	**3,187,749**
Contributions:						
Received	**5,398,140**	**240,490**	**5,638,630**	**1,316,449**	**310,442**	**7,265,521**
In-kind	**1,074,240**	**–**	**1,074,240**	**–**	**–**	**1,074,240**
Released from restriction	**1,749,750**	**–**	**1,749,750**	**(1,749,750)**	**–**	**–**
Total contributions	**8,222,130**	**240,490**	**8,462,620**	**(433,301)**	**310,442**	**8,339,761**
Set and costume rentals	**403,797**	**–**	**403,797**	**–**	**–**	**403,797**
Other income	**31,612**	**–**	**31,612**	**–**	**–**	**31,612**
Investment income/(loss), net of transfers *(Notes 1 and 3)*	**1,688,559**	**(31,191)**	**1,657,368**	**(10,102)**	**63,017**	**1,710,283**
Total revenues	**18,040,845**	**209,299**	**18,250,144**	**(629,765)**	**373,459**	**17,993,838**
Expenses *(Note 12)* :						
Program expenses	**15,168,799**	**–**	**15,168,799**	**–**	**–**	**15,168,799**
Management and general	**1,931,820**	**31,095**	**1,962,915**	**15,701**	**210,265**	**2,188,881**
Fundraising	**905,764**	**238,450**	**1,144,214**	**(159,128)**	**(289)**	**984,797**
Total expenses	**18,006,383**	**269,545**	**18,275,928**	**(143,427)**	**209,976**	**18,342,477**
Change of net assets	**34,462**	**(60,246)**	**(25,784)**	**(486,338)**	**163,483**	**(348,639)**
Net assets at beginning of year	**1,526,054**	**5,656,910**	**7,182,964**	**2,963,296**	**21,164,074**	**31,310,334**
Net assets at end of year	**$ 1,560,516**	**$ 5,596,664**	**$ 7,157,180**	**$ 2,476,958**	**$21,327,557**	**$30,961,695**

See accompanying notes.

Utah Symphony & Opera

Statements of Activity and Changes in Net Assets

Year Ended August 31, 2009

	Unrestricted					
	Operating	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	42,018	–	42,018	–	–	42,018
Investment income/(loss), net of transfers (Notes 1 and 3)	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 *(Note 12)* :						
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 Cash Flows

	Years Ended August 31	
	2010	**2009**
Operating activities		
Decrease in net assets	**$ (348,639)**	$ (7,979,005)
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation expense	**364,703**	377,618
Bad debt expense	**(151,558)**	207,332
Contributed Equipment	**–**	(4,200)
Gain on disposal of assets	**(300)**	(38,202)
Interest and dividends restricted for long-term investments	**(510,293)**	(658,375)
Net unrealized and realized (gains)/losses on long-term investments	**(1,124,422)**	6,044,779
Changes in operating assets and liabilities:		
Accounts and contributions receivable	**763,466**	(699,994)
Interest and dividends receivable	**3,669**	5,271
Prepaid expenses	**29,528**	11,000
Accounts payable and accrued expenses	**178,579**	(454,304)
Deferred revenue	**(75,321)**	37,122
Net cash used by operating activities	**(870,588)**	(3,150,958)
Investing activities		
Purchase of property and equipment	**(4,107)**	(31,800)
Proceeds from sale of equipment	**1,733**	14,916
Net proceeds from sale of long-term investments	**1,526,988**	4,138,173
Net cash provided by investing activities	**1,524,614**	4,121,289
Financing activities		
Proceeds from line of credit and long term borrowing	**5,952,866**	10,227,545
Payments on line of credit and long-term borrowing	**(6,473,334)**	(10,935,478)
Net cash used by financing activities	**(520,468)**	(707,933)
Net increase in cash and cash equivalents	**133,558**	262,398
Cash and cash equivalents:		
Beginning of year	**549,680**	287,282
End of year	**$ 683,238**	$ 549,680

See accompanying notes.

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2010

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.

Liquidity

During the past three years, the Organization has reported a cumulative deficit in the Operating Fund of approximately $2,908,000. 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 December 31, 2010 which has in turn reduced investment income and the Organization's available line of credit (see Note 6). As a result of the foregoing conditions, the report of our independent auditors dated March 31, 2010 on the Organization's fiscal 2009 financial statements, was unqualified with an explanatory paragraph relating to the Organization's ability to continue as a going concern. In response to these conditions, management has responded responsibly and aggressively and has made significant progress during the 2009-10 fiscal year.

1. Significant Accounting Policies (continued)

In September 2008, management began developing a plan to increase revenues and reduce expenses. During the fiscal year ended 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 and expense changes. Approximately $700,000 in targeted operating expenses were eliminated during fiscal year 2009. The Organization reduced operating expenses by an additional $500,000 in accordance with the plan during fiscal year 2010. The musicians are covered under a collective bargaining agreement that was originally expected to end in fiscal year 2010. Since March 2009 the contract has been renegotiated three times and is now set to expire on August 31, 2012. In the fiscal year ending August 31, 2011, the musicians have agreed to work without pay for one week, have agreed to be flexible with vacancies in the orchestra and have agreed to forego a scheduled 5% salary increase.

During the fiscal year ended August 31, 2009, the Organization created a “Leadership Challenge” fundraising campaign of $10,000,000 to fund expected future operating deficits during the next three years. As of August 31, 2010, the Organization has received $2,964,000 in cash and pledges towards this challenge, which partially offset the losses due to the decline of the fair value of the Organization’s investment portfolio and declines in the Salt Lake County ZAP tax revenues among other revenue challenges. As of August 31, 2010, the Organization has received a total of $4,277,000 in cash and pledges towards this challenge including $1,313,000 related to future fiscal years.

In September 2010, the organization hired the development consulting firm Community Counseling Services (CCS) to re-launch a greater fundraising initiative that would increase revenues to cover expenses and sustain the organization for the long term. This initiative includes a campaign to increase on-going annual contributions, build the Endowment for the organization and continue the Leadership Challenge for bridge support as the Endowment grows and other funding sources recover. A phased campaign will focus on the immediate operating needs for the next three years as the economy continues its slow recovery and on building the consistent annual donations, while also pursuing larger endowment gifts. The plan for the campaign is currently being developed and is expected to be finalized and presented to the Board in early spring of 2011. Of the $3.5 million projected needs for the Leadership Challenge in the 2010-11 fiscal year, over $1.1 million has been committed to date. The Board with the assistance of CCS, is actively engaged in cultivating a number of additional potential funding prospects.

1. Significant Accounting Policies (continued)

During the fiscal year ended August 31, 2009, management requested and obtained court approval for $3 million of the Permanently Restricted Fund within the Organizations endowment to be transferred to the Board Designated Fund. The Board of Trustees then approved lending these funds from the Board Designated Fund to the Operating Fund to assist in financing operating deficits. This allowed the organization to continue operations. As of August 31, 2010, the amount of the loan is $2,120,000 (see Note 8). The last draw on the loan was on August 5, 2009, but additional draws may be made to the extent that funds are necessary.

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.

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” and the Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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.

1. Significant Accounting Policies (continued)

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 statements of activity and changes in net assets. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately $259,000 and $197,000 for the years ended August 31, 2010 and 2009, 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.

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. The investment of funds is intended to support the long term financial viability of the Organization. Investment objectives encompass; optimizing portfolio efficiency by minimizing expected portfolio risk and seeking opportunities to reduce fees and expenses, providing liquidity to meet near term cash forecast needs while minimizing "cash drag" on portfolio returns, and preserving capital by avoiding significant and sustained loss in market value.

1. Significant Accounting Policies (continued)

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 $211,318 and $201,143 at August 31, 2010 and 2009, respectively, with $68,590 and $72,372 in loans outstanding as of August 31, 2010 and 2009, 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.

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, are provided by individuals possessing those skills, and 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.

1. Significant Accounting Policies (continued)

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

Utah Symphony & Opera rents its costumes, wigs, sets and props to individuals and other organizations across North America. Rental income of approximately $404,000 and $679,000 is included on the statements of activity and changes in net assets for the years ended August 31, 2010 and 2009, respectively.

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.

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 receive formal communication from the County of the adjustment. For the year ended August 31, 2010, the total adjustment increased government grants and fees by approximately $64,000. For the year ended August 31, 2009, the total adjustment decreased government grants and fees by approximately $56,000.

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, 2010 and 2009, the discount on these pledges was approximately $9,500 and $16,000 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.

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:

	August 31	
	2010	**2009**
Program expenses:		
Advertising expense	**$ 711,932**	$ 546,730
Production expense	**160,657**	149,080
Management and general expenses	**201,651**	350,746
	$ 1,074,240	$ 1,046,556

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 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 $1,903,000 and $1,821,000 for the years ended August 31, 2010 and 2009, 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 2010 financial statement presentation.

Subsequent Events

We have evaluated subsequent events that have occurred through January 19, 2011, 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, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts receivable	$ 597,802	$ –	$ –	$ 597,802
Contributions receivable	457,294	460,024	–	917,318
Multi-year contributions receivable	–	1,169,904	10,000	1,179,904
	$ 1,055,096	$ 1,629,928	$ 10,000	$ 2,695,024

2. Accounts and Contributions Receivable (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
	$ 1,690,955	$ 1,596,709	$ 19,268	$ 3,306,932

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. Liquidation payments have been received in accordance with the original notification. As of August 31, 2010, the fair value of these investments was approximately $367,000.

The following is a summary of investments:

	August 31 2010	2009
Long-term investments:		
Government bonds	**$ 4,235,160**	$ 4,076,692
Corporate bonds	**2,665,440**	3,210,872
Corporate stocks	**16,311,458**	17,560,050
Hedge funds	**367,025**	851,232
Instrument loans	**68,590**	72,372
Money market	**2,810,557**	579,285
	$ 26,458,230	$ 26,350,503
Other investments:		
Real estate	**$ 6,900**	$ 6,900
Art	**50,848**	50,848
	$ 57,748	$ 57,748

3. Investments (continued)

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

	For the Year Ended August 31, 2010				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	**$ 3,710**	**$ 39,958**	**$ 20,179**	**$ 273,773**	**$ 337,620**
Dividends	**2,144**	**29,756**	**15,027**	**201,314**	**248,241**
	5,854	**69,714**	**35,206**	**475,087**	**585,861**
Unrealized gains/(losses)	**(3,869)**	**11,377**	**5,683**	**39,080**	**52,271**
Realized gains/(losses)	**2,867**	**129,545**	**65,420**	**874,319**	**1,072,151**
	(1,002)	**140,922**	**71,103**	**913,399**	**1,124,422**
Investment income/(loss), before transfers	**4,852**	**210,636**	**106,309**	**1,388,486**	**1,710,283**
Transfers	**1,683,707**	**(241,827)**	**(116,411)**	**(1,325,469)**	**–**
Investment income/(loss)	**$ 1,688,559**	**$ (31,191)**	**$ (10,102)**	**$ 63,017**	**$ 1,710,283**

	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)

4. Fair Value Measurements

In fiscal year 2009, the Organization adopted Accounting Standards Codification (ASC 820), which established a framework for measuring fair value in Generally Accepted Accounting Principles (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. The Organization 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 its financial position, results of operations or cash flows. The Organization adopted the provisions for non-financial assets and liabilities in fiscal year 2010, which did not have a material impact on its 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.

4. Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis as of August 31, 2010 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Government bonds	**$ –**	**$ 4,235,160**	**$ –**	**$ 4,235,160**
Corporate bonds	**–**	**2,665,440**	**–**	**2,665,440**
Corporate stocks	**16,311,458**	**–**	**–**	**16,311,458**
Hedge funds	**–**	**367,025**	**–**	**367,025**
Instrument loans	**–**	**68,590**	**–**	**68,590**
Money market	**2,810,557**	**–**	**–**	**2,810,557**
Total	**$ 19,122,015**	**$ 7,336,215**	**$ –**	**$ 26,458,230**

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
Government bonds	$ –	$ 4,076,692	$ –	$ 4,076,692
Corporate bonds	–	3,210,872	–	3,210,872
Corporate stocks	17,560,050	–	–	17,560,050
Hedge funds	–	851,232	–	851,232
Instrument loans	–	72,372	–	72,372
Money market	579,285	–	–	579,285
Total	$ 18,139,335	$ 8,211,168	$ –	$ 26,350,503

5. Land, Building and Equipment

Land, building and equipment are summarized as follows:

	August 31	
	2010	**2009**
Land	**$ 229,500**	$ 229,500
Building and improvements	**5,702,101**	5,702,101
Office equipment	**494,182**	640,088
Hall equipment	**532,239**	532,239
Production sets	**1,243,798**	1,243,798
Vehicles	**119,743**	124,743
Construction in process	**11,071**	12,505
	8,332,634	8,484,974
Less accumulated depreciation	**(3,623,246)**	(3,413,557)
	$ 4,709,388	$ 5,071,417

Utah Symphony & Opera uses the facilities of Abravanel Hall and the Capitol Theater under a lease agreement with Salt Lake County, which is set to expire on August 31, 2013, and is renewable every three years until August 31, 2022. Rental expense for these facilities was approximately $263,000 and $264,000 for the years ended August 31, 2010 and 2009, respectively.

Additionally, in the same time period, the Organization leased an apartment on a month-to-month basis. Total rental expense for this lease was approximately $5,400 for the years ended August 31, 2010 and 2009.

6. Line of Credit

The Organization has a line of credit for $2,000,000. The interest rate is at the prime rate less 1%, and limited to a rate of at least 5%, (5% as of August 31, 2010). The Organization had $664,689 and $1,185,157 outstanding under the line of credit as of August 31, 2010 and 2009, 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, 2010, the line of credit was limited to $1,410,000. The Organization expects to renew the line of credit when it expires on March 3, 2011.

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, 2010 and August 31, 2009 was $500,000. Accrued interest on the note was $15,000 as of both August 31, 2010 and 2009. 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. Through fiscal 2010, 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.

Cash paid for interest was $15,001 for the year ended August 31, 2010 and $22,387 for the year ended August 31, 2009, and interest expense was $30,001 for the year ended August 31, 2010 and $37,387 for the year ended August 31, 2009. 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 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. For the year-ended August 31, 2009, the Board Designated Fund loaned to the Operating Fund $2,120,000. The balance of the loan at August 31, 2010 and 2009 was $2,120,000.

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	
	2010	**2009**
Utah Opera Surplus Endowment Fund	**$ 2,103,665**	$ 2,127,147
Guild Operations	**16,791**	14,750
Board Designated Reserve Fund	**3,476,208**	3,515,013
	$ 5,596,664	$ 5,656,910

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, 2010, there were no transfers from the Board Designated Reserve Fund to the Operating Fund.

9. Temporarily Restricted Net Assets

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

	August 31	
	2010	**2009**
Governmental grants received for use in future periods	**$ –**	$ 186,362
Deer Valley Music Festival	**78,795**	473,214
Opera Production Studio Expansion	**581,922**	607,727
Donations and other funds for use in future periods	**1,816,241**	1,695,993
	$ 2,476,958	$ 2,963,296

9. Temporarily Restricted Net Assets (continued)

All amounts released from temporary restriction during the years ended August 31, 2010 and 2009 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, 2010 and 2009, approximately $116,000 and $156,000, respectively, 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.

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 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.

11. Retirement Programs and Commitments (continued)

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 adopted a rehabilitation plan that reduces benefits paid and requires employers to pay a surcharge on contributions to the fund. The surcharge start date was June 1, 2010. This surcharge is 4% of contributions until March 31, 2011, and 9% of contributions effective April 1, 2011.

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. Historically, the Organization made monthly contributions of 8% of the participating staff's salary. Effective March 1, 2009, the Organization stopped contributing to this plan. 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.

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 $211,000 and $424,000 for the years ended August 31, 2010 and 2009, respectively.

12. Functional Expenses

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

	Year Ended August 31, 2010			
	Program	**Management and General**	**Fund Raising**	**Total**
Salaries and wages	**$ 8,756,805**	**$ 752,038**	**$ 613,546**	**$ 10,122,389**
Other production	**6,272,354**	**10,182**	**–**	**6,282,536**
Office	**628**	**695,294**	**16,828**	**712,750**
Depreciation	**130,794**	**233,909**	**–**	**364,703**
Professional	**–**	**80,284**	**–**	**80,284**
Bad debts	**–**	**–**	**(151,558)**	**(151,558)**
Cultivation	**79**	**143**	**252,801**	**253,023**
Guild	**–**	**–**	**238,450**	**238,450**
Other	**8,139**	**417,031**	**14,730**	**439,900**
	$ 15,168,799	**$ 2,188,881**	**$ 984,797**	**$ 18,342,477**

	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

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory