

**Note: For the best PDF viewing experience, disable “Enhance thin lines” in Adobe Acrobat. Click on Edit >> Preferences >> Page Display, and uncheck “Enhance thin lines.”**



# TANNER

BUSINESS ADVISORS AND  
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE

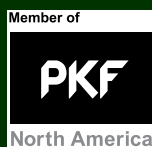


PROACTIVE INSIGHT

## UTAH SYMPHONY | UTAH OPERA

Financial Statements  
As of August 31, 2014 and 2013 and For the Years then Ended

Together with Independent Auditors' Report



**Utah Symphony & Opera**

**Financial Statements**

**As of August 31, 2014 and 2013 and**

**For the Years then Ended**

**Contents**

Independent Auditors' Report.....	1
Audited Financial Statements	
Statements of Financial Position .....	2
Statements of Activities.....	3-4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6



## Independent Auditors' Report

### The Board of Trustees Utah Symphony & Opera

We have audited the accompanying financial statements of Utah Symphony & Opera (a Utah nonprofit organization) (the Organization), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

### Auditors' Responsibility

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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Symphony & Opera as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Tanner LLC*

December 5, 2014

# Utah Symphony & Opera

## Statements of Financial Position

	August 31,	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 1,136,797	\$ 572,181
Accounts and grants receivable <i>(Note 2)</i>	2,330,928	1,993,877
Contributions receivable, less than one year, net of estimated uncollectible receivables of approximately \$8,000 <i>(Note 2)</i>	2,023,337	1,157,401
Interest and dividends receivable	57,991	52,969
Prepaid expenses	336,167	299,688
Contributions receivable, over one year <i>(Note 2)</i>	1,869,146	1,245,847
Endowment contributions receivable <i>(Note 2)</i>	1,678,057	2,236,922
Long-term investments <i>(Notes 3 and 4)</i>	33,896,904	30,470,058
Other investments <i>(Note 3)</i>	57,748	57,748
Land, building and equipment, net <i>(Note 5)</i>	3,741,915	4,008,605
<b>Total assets</b>	<b>\$ 47,128,990</b>	<b>\$ 42,095,296</b>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,432,181	\$ 1,143,046
Line of credit <i>(Note 6)</i>	1,006,820	408,359
Deferred revenue	1,850,521	1,684,816
Note payable <i>(Note 7)</i>	300,000	350,000
<b>Total liabilities</b>	<b>4,589,522</b>	<b>3,586,221</b>
Net assets:		
Unrestricted <i>(Note 8)</i> :		
Operating fund	(741,188)	(742,339)
Board designated fund	6,401,095	6,205,974
<b>Total unrestricted net assets</b>	<b>5,659,907</b>	<b>5,463,635</b>
Temporarily restricted net assets <i>(Note 9)</i>	5,705,441	4,305,155
Permanently restricted net assets <i>(Note 10)</i>	31,174,120	28,740,285
<b>Total net assets</b>	<b>42,539,468</b>	<b>38,509,075</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,128,990</b>	<b>\$ 42,095,296</b>

See accompanying notes to financial statements.

# Utah Symphony & Opera

## Statement of Activities

Year Ended August 31, 2014

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
Revenues:						
Performance revenues	\$ 5,235,991	\$ -	\$ 5,235,991	\$ -	\$ -	\$ 5,235,991
Government grants and fees:						
Awarded	2,492,367	-	2,492,367	1,445,778	-	3,938,145
Released from restriction	1,487,778	-	1,487,778	(1,487,778)	-	-
Total government grants and fees	3,980,145	-	3,980,145	(42,000)	-	3,938,145
Contributions:						
Awarded	8,163,104	116,496	8,279,600	2,343,321	231,026	10,853,947
In-kind	1,093,232	-	1,093,232	-	-	1,093,232
Released from restriction	982,620	-	982,620	(982,620)	-	-
Total contributions	10,238,956	116,496	10,355,452	1,360,701	231,026	11,947,179
Other:						
Set and costume rentals	483,025	-	483,025	-	-	483,025
Other income	56,093	-	56,093	-	-	56,093
Investment income, net of transfers (Notes 1 and 3)	1,513,771	228,382	1,742,153	96,966	2,465,896	4,305,015
Total other	2,052,889	228,382	2,281,271	96,966	2,465,896	4,844,133
Total revenues	21,507,981	344,878	21,852,859	1,415,667	2,696,922	25,965,448
Expenses (Note 12):						
Program expenses	18,213,931	-	18,213,931	-	-	18,213,931
Management and general	2,239,282	25,487	2,264,769	15,381	263,087	2,543,237
Fundraising	1,053,617	124,270	1,177,887	-	-	1,177,887
Total expenses	21,506,830	149,757	21,656,587	15,381	263,087	21,935,055
Changes in net assets	1,151	195,121	196,272	1,400,286	2,433,835	4,030,393
Net assets (deficit) at beginning of the year	(742,339)	6,205,974	5,463,635	4,305,155	28,740,285	38,509,075
Net assets (deficit) at end of the year	\$ (741,188)	\$ 6,401,095	\$ 5,659,907	\$ 5,705,441	\$ 31,174,120	\$ 42,539,468

See accompanying notes to financial statements.

# Utah Symphony & Opera

## Statement of Activities

Year Ended August 31, 2013

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
Revenues:						
Performance revenues	\$ 4,857,986	\$ -	\$ 4,857,986	\$ -	\$ -	\$ 4,857,986
Government grants and fees:						
Awarded	2,477,216	-	2,477,216	1,487,778	-	3,964,994
Released from restriction	1,386,862	-	1,386,862	(1,386,862)	-	-
Total government grants and fees	3,864,078	-	3,864,078	100,916	-	3,964,994
Contributions:						
Awarded	6,067,684	162,190	6,229,874	828,684	181,515	7,240,073
In-kind	1,305,364	-	1,305,364	-	-	1,305,364
Released from restriction	2,325,850	400,000	2,725,850	(2,325,850)	(400,000)	-
Total contributions	9,698,898	562,190	10,261,088	(1,497,166)	(218,485)	8,545,437
Other:						
Set and costume rentals	645,436	-	645,436	-	-	645,436
Other income	51,396	-	51,396	-	-	51,396
Investment income (loss), net of transfers (Notes 1 and 3)	1,472,990	107,244	1,580,234	20,218	1,246,162	2,846,614
Total other	2,169,822	107,244	2,277,066	20,218	1,246,162	3,543,446
Total revenues	20,590,784	669,434	21,260,218	(1,376,032)	1,027,677	20,911,863
Expenses (Note 12):						
Program expenses	17,290,515	-	17,290,515	-	-	17,290,515
Management and general	2,152,646	15,818	2,168,464	11,179	178,515	2,358,158
Fundraising	1,410,236	160,082	1,570,318	-	-	1,570,318
Total expenses	20,853,397	175,900	21,029,297	11,179	178,515	21,218,991
Changes in net assets	(262,613)	493,534	230,921	(1,387,211)	849,162	(307,128)
Net assets (deficit) at beginning of the year	(479,726)	5,712,440	5,232,714	5,692,366	27,891,123	38,816,203
Net assets (deficit) at end of the year	\$ (742,339)	\$ 6,205,974	\$ 5,463,635	\$ 4,305,155	\$ 28,740,285	\$ 38,509,075

See accompanying notes to financial statements.

# Utah Symphony & Opera

## Statements of Cash Flows

	Years Ended August 31,	
	2014	2013
<b>Operating activities</b>		
Change in net assets	\$ 4,030,393	\$ (307,128)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	291,536	315,595
Bad debt expense (recovery)	(10,285)	8,425
Net gain on sale of equipment	(2,500)	(15,978)
Non-cash reduction of debt	(50,000)	(50,000)
Interest and dividends restricted for long-term investments	(649,132)	(642,437)
Net unrealized and realized gains on long-term investments	(3,588,741)	(2,130,456)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(1,257,136)	2,625,225
Interest and dividends receivable	(5,022)	(4,999)
Prepaid expenses	(36,479)	133,597
Accounts payable and accrued expenses	289,135	124,882
Deferred revenue	165,705	(114,296)
Net cash used by operating activities	(822,526)	(57,570)
<b>Investing activities</b>		
Purchases of property and equipment	(24,846)	(201,853)
Proceeds from sale of equipment	2,500	50,000
Net proceeds from sale of long-term investments	811,027	749,310
Net cash provided by investing activities	788,681	597,457
<b>Financing activities</b>		
Proceeds from line of credit	9,018,850	3,966,208
Payments on line of credit	(8,420,389)	(4,154,556)
Net cash provided by (used in) financing activities	598,461	(188,348)
Net increase in cash and cash equivalents	564,616	351,539
Cash and cash equivalents:		
Beginning of the year	572,181	220,642
End of the year	\$ 1,136,797	\$ 572,181

See accompanying notes to financial statements.



# Utah Symphony & Opera

## Notes to Financial Statements

August 31, 2014 and 2013

### **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 Trustees (Board of Trustees or Board) 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.

Utah Symphony Guild and Ogden Opera Guild serve as support organizations for the Symphony & Opera, which exist to increase public recognition of opera and symphonic works and to solicit donations. . The results of these fundraising activities are recorded in the Board Designated Fund.

Utah Symphony & Opera funds its operations with revenues received from ticket sales, concert presenter's fees, costume and set rentals, governmental and other grants, investment income, and contributions.

#### **Risks and Uncertainties**

Risks and uncertainties are inherent with the Collective Bargaining Agreement (CBA) that the Organization has with the American Federations of Musicians, Local 104. The Organization employs approximately 145 individuals on a full-time basis. Members of the American Federation of Musicians Local 104 union make up 60% of the total full-time employees. The current CBA was entered into on September 1, 2007 and was originally set to expire August 31, 2010. The CBA has been renegotiated three times with a new expiration date of August 31, 2015.

#### **Concentration of Credit Risk**

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of August 31, 2014, the Organization had cash of approximately \$1,130,000 that exceeded federally insured limits. To date, the Organization has not experienced any loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### **1. Significant Accounting Policies (continued)**

#### **Concentration of Credit Risk (continued)**

Certain assets that potentially subject the Organization to concentration of credit risk consist primarily of accounts and contributions receivable. In the normal course of its activities, the Organization records receivables from customers and donors. Accordingly, the Organization performs ongoing evaluations of accounts and contributions receivable and maintains allowances for possible losses on accounts and contributions receivable, which when realized, have been within the range of management's expectations. Credit risk pertaining to accounts and contributions receivable is comprised of numerous factors including the overall economic conditions in the geographic area in which the Organizations customers and donors are located.

#### **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 reporting period. Actual results could differ from those estimates.

#### **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. Cash and cash equivalents that are part of restricted funds are included in investments.

#### **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 utilizing "fund accounting" and by applying the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to endowment funds. Fund accounting 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 with 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.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Fund Accounting and Net Asset Classifications (continued)

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The State of Utah has adopted UPMIFA.

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and to maintain the fair value of the accumulated contributions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

#### Investments

Investments in equity and debt securities are measured at fair value in the statements of financial position. Net realized and unrealized gains and losses on unrestricted net asset investments, including those held within the Board Designated Fund, are included in unrestricted investment income in the statements of activities. 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 activities. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately \$310,000 and \$209,000 for the years ended August 31, 2014 and 2013, respectively and are recorded in management and general expenses.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### **1. Significant Accounting Policies (continued)**

#### **Investments (continued)**

Management of the Symphony & Opera has retained the separate and distinct character of the respective Symphony and Opera endowment investment funds. New endowment funds have been created for donations received subsequent to the merger.

Effective September 1, 2002, the Symphony & Opera's Board of Trustees 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 preceding the start of the fiscal year.

The Organization's Investment Policy states that no more than 75% of investments may be equities in the investment mix of equities and fixed income. 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 timing cash withdrawals with portfolio returns, and preserving capital by avoiding significant and sustained loss in market value.

#### **Land, Building and Equipment**

Land, building and equipment are stated at cost or estimated fair 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 the building 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 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.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Revenue Recognition and Deferred Revenue (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 statement of activities as net assets released from restriction.

Utah Symphony & Opera rents its costumes, wigs, sets and props to individuals and other organizations across North America. It also constructs costumes and sets for other organizations. Rental and construction income of approximately \$483,000 and \$645,000 is included on the statement of activities for the years ended August 31, 2014 and 2013, respectively.

Deferred revenue arises from subscription ticket sales and advance ticket sales, including refundable gift certificates, and is recognized as revenue when the performance for which the tickets have been sold occurs.

As part of the Zoo, Arts and Parks Sales Tax Initiative passed in 1996, and reaffirmed in November 2014, 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. 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, 2014, the total adjustment decreased government grants and fees by approximately \$66,000. For the year ended August 31, 2013, the total adjustment increased government grants and fees by approximately \$101,000.

#### Pledges to Contribute

Pledges to contribute over future periods are discounted at the Organizations current borrowing rate to present values and recorded in the current period as restricted revenue and contributions receivable. As of August 31, 2014 and 2013, the discount on these pledges was approximately \$294,000 and \$354,000, respectively. These contributions represent unconditional promises to donate within the next one to ten years. The Organization also records an estimate for uncollectible receivables based on historical payment experience coupled with projections and estimates of pledges and actual amounts expected to be received.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Contributions-in-Kind

The Symphony & Opera receives donated services and materials that are used in the operations of the Organization. These donated services and materials are recorded at estimated fair value.

The following is a summary of amounts that were recorded as both revenues and expenses from unrestricted in-kind contributions for the years ended August 31:

	<u>2014</u>	<u>2013</u>
Program expenses:		
Advertising expenses	\$ 726,489	\$ 811,666
Production expenses	134,885	115,385
Management and general and Fundraising expenses	231,858	378,313
	<u>\$ 1,093,232</u>	<u>\$ 1,305,364</u>

Certain members of the Utah Symphony & Opera's Board of Trustees, 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 contributions-in-kind 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 \$1,926,000 and \$1,865,000 for the years ended August 31, 2014 and 2013, respectively.

#### Income Tax Status

The Internal Revenue Service has ruled that Utah Symphony & Opera's predecessor organization, Utah Opera Company, qualifies under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is, therefore, not subject to tax under present income tax laws. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Based on communication with the IRS, the combination of the Opera and the Symphony has not negatively affected the tax qualification under section 501(c)(3). The Organization is required to operate in conformity with the IRC in order to maintain its tax exempt qualification.

As of August 31, 2014, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's tax years subject to tax examination are 2014, 2013, 2012, and 2011.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Subsequent Events

Management has evaluated subsequent events that have occurred through December 5, 2014, the date the financial statements were available to be issued, and determined that no additional disclosures are required to be made.

### 2. Accounts, Grants and Contributions Receivable

The net balance of accounts, grants and contributions receivable consist of the following as of August 31, 2014:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Accounts and grants receivable	\$ 1,005,150	\$ 1,325,778	\$ -	\$ 2,330,928
Contributions receivable, less than one year	920,337	1,103,000	-	2,023,337
Contributions receivable, over one year	-	1,869,146	-	1,869,146
Endowment contributions receivable	-	-	1,678,057	1,678,057
	<b>\$ 1,925,487</b>	<b>\$ 4,297,924</b>	<b>\$ 1,678,057</b>	<b>\$ 7,901,468</b>

As of August 31, 2014, approximately \$1.1 million or 65% of permanently restricted receivables was from Donor A. During the year ended August 31, 2014, Donor B contributed \$1.75 million or 8% towards operations. As of August 31, 2014, approximately \$1 million or 22% of temporarily restricted receivables was from Donor C. During the year ended August 31, 2014, the Utah State Office of Education granted \$1.3 million and Salt Lake County granted \$2.5 million. As of August 31, 2014, the Utah State Office of Education represented \$1.3 million or 31% of the temporarily restricted receivables and Salt Lake County represented approximately \$882,000 or 46% of the unrestricted receivables.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 2. Accounts, Grants and Contributions Receivable (continued)

The net balance of accounts, grants and contributions receivable consist of the following as of August 31, 2013:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Accounts and grants receivable	\$ 666,100	\$ 1,327,777	\$ —	\$ 1,993,877
Contributions receivable, less than one year	288,747	868,654	—	1,157,401
Contributions receivable, over one year	—	1,245,847	—	1,245,847
Endowment contributions receivable	—	—	2,236,922	2,236,922
	<b>\$ 954,847</b>	<b>\$ 3,442,278</b>	<b>\$ 2,236,922</b>	<b>\$ 6,634,047</b>

All accounts and contributions receivable as of August 31, 2014 are receivable within one to eight years as noted below:

	<b>Accounts, Grants and Contributions</b>	<b>Endowment</b>	<b>Total</b>
Current through August 31, 2015	<b>\$ 4,362,250</b>	<b>\$ 109,900</b>	<b>\$ 4,472,150</b>
From September 1, 2015 to August 31, 2019	<b>1,849,558</b>	<b>1,568,157</b>	<b>3,417,715</b>
More than five years	<b>19,588</b>	<b>—</b>	<b>19,588</b>
	<b>6,231,396</b>	<b>1,678,057</b>	<b>7,909,453</b>
Less estimated uncollectible receivables	<b>(7,985)</b>	<b>—</b>	<b>(7,985)</b>
	<b>\$ 6,223,411</b>	<b>\$ 1,678,057</b>	<b>\$ 7,901,468</b>



# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 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 has been extended through January 2015. As of August 31, 2014, the fair value of these investments was approximately \$51,000.

The following is a summary of investments as of August 31:

	2014	2013
Long-term investments:		
Corporate stocks	\$ 23,436,381	\$ 19,833,425
Corporate bonds	5,793,869	4,373,118
Government bonds	2,750,332	3,798,814
Instrument loans	75,126	128,775
Hedge funds	51,268	75,705
Money market	1,789,928	2,260,221
	\$ 33,896,904	\$ 30,470,058
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 are summarized as follows:

	For the Year Ended August 31, 2014				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
Interest	\$ 2,101	\$ 13,576	\$ 8,367	\$ 147,649	\$ 171,693
Dividends	6,030	45,435	27,205	465,911	544,581
	8,131	59,011	35,572	613,560	716,274
Unrealized gains	40,308	155,025	108,195	1,801,116	2,104,644
Realized gains	54,529	122,564	72,286	1,234,718	1,484,097
	94,837	277,589	180,481	3,035,834	3,588,741
Investment income, before transfers	102,968	336,600	216,053	3,649,394	4,305,015
Transfers	1,410,803	(108,218)	(119,087)	(1,183,498)	-
Investment income, net of transfers	\$ 1,513,771	\$ 228,382	\$ 96,966	\$ 2,465,896	\$ 4,305,015

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 3. Investments (continued)

	For the Year Ended August 31, 2013				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 1,153	\$ 13,669	\$ 9,669	\$ 159,854	\$ 184,345
Dividends	3,264	39,657	28,045	444,869	515,835
	4,417	53,326	37,714	604,723	700,180
Unrealized gains	6,002	108,232	77,221	1,198,466	1,389,921
Realized gains	34,029	55,257	38,965	628,262	756,513
	40,031	163,489	116,186	1,826,728	2,146,434
Investment income, before transfers	44,448	216,815	153,900	2,431,451	2,846,614
Transfers	1,428,542	(109,571)	(133,682)	(1,185,289)	—
Investment income, net of transfers	\$ 1,472,990	\$ 107,244	\$ 20,218	\$ 1,246,162	\$ 2,846,614

### 4. Fair Value Measurements

The Organization measures fair value using the following 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, estimated using pricing models, quoted prices or securities with similar characteristics are categorized within level 2 of the hierarchy. Level 3 investments are valued using a discounted cash flows and cost approach.

# 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, 2014 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 23,436,381	\$ -	\$ -	\$ 23,436,381
Corporate bonds	-	5,793,869	-	5,793,869
Government bonds	-	2,750,332	-	2,750,332
Instrument loans	-	-	75,126	75,126
Hedge funds	-	-	51,268	51,268
Money market	1,789,928	-	-	1,789,928
<b>Total</b>	<b>\$ 25,226,309</b>	<b>\$ 8,544,201</b>	<b>\$ 126,394</b>	<b>\$ 33,896,904</b>

Assets measured at fair value on a recurring basis as of August 31, 2013 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 19,833,425	\$ -	\$ -	\$ 19,833,425
Corporate bonds	-	4,373,118	-	4,373,118
Government bonds	-	3,798,814	-	3,798,814
Instrument loans	-	-	128,775	128,775
Hedge funds	-	-	75,705	75,705
Money market	2,260,221	-	-	2,260,221
<b>Total</b>	<b>\$ 22,093,646</b>	<b>\$ 8,171,932</b>	<b>\$ 204,480</b>	<b>\$ 30,470,058</b>

Level 3 assets are summarized as follows:

	Instrument Loans	Hedge Funds
Balance as of September 1, 2012	\$ 128,186	\$ 128,556
Total gains (realized/unrealized/interest)	5,650	1,461
Net Purchases/loans and settlements/payments	(5,061)	(54,312)
Balance as of August 31, 2013	128,775	75,705
Total gains (realized/unrealized/interest)	5,170	9,150
Net Purchases/loans and settlements/payments	(58,819)	(33,587)
Balance as of August 31, 2014	<b>\$ 75,126</b>	<b>\$ 51,268</b>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 5. Land, Building and Equipment

Land, building and equipment as of August 31, are summarized as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 229,500	\$ 229,500
Building and improvements	5,618,145	5,618,145
Office equipment	307,219	310,019
Hall equipment	544,052	622,876
Production equipment	196,057	191,658
Production sets	1,184,064	1,184,064
Vehicles	179,450	163,221
Construction in process	27,404	23,186
	<u>8,285,891</u>	<u>8,342,669</u>
Less accumulated depreciation	<u>(4,543,976)</u>	<u>(4,334,064)</u>
	<u>\$ 3,741,915</u>	<u>\$ 4,008,605</u>

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 \$354,000 and \$346,000 for the years ended August 31, 2014 and 2013, respectfully.

### 6. Line of Credit

The Organization has a line of credit for \$1,800,000. The interest rate is at prime rate less 1.0%, but is limited to a rate of at least 4%. The Organization had \$1,006,820 and \$408,359 outstanding under the line of credit as of August 31, 2014 and 2013, respectively. The line of credit is secured by certain assets of the Board Designated Utah Opera Surplus Endowment 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. As of August 31, 2014, the line of credit was limited to \$1,790,000. The Organization expects to renew the line of credit when it expires on March 15, 2015.

Interest expense for the years ended August 31, 2014 and 2013 was \$27,563 and \$21,069, respectively. Cash paid for interest was \$17,108 and \$9,139 for the years ended August 31, 2014 and 2013, respectively. Interest expense is recorded in management and general expenses.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 7. Note Payable

The note payable consists of a promissory note payable to the Redevelopment Agency of Salt Lake City and is due September 30, 2016, with interest at 3%. The principal balance of the note payable as of August 31, 2014 and 2013 was \$300,000 and \$350,000, respectively. During September 2011, the loan agreement was amended to allow for a credit against the principal of the loan in the amount of \$50,000 annually through 2015 if the Organization performs one concert at the Gallivan Center annually. The remaining available credit is \$50,000. In fiscal 2014 and 2013, the Organization performed the required concerts to receive the credit. Accrued interest on the note was \$10,455 and \$11,930 as of August 31, 2014 and 2013, respectively. The Symphony & Opera has the option of paying the interest on the note in cash or by receiving credit for value in-kind or a combination of cash and in-kind services. Through fiscal 2014, 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.

### 8. Unrestricted Net Assets

Unrestricted net assets include amounts from the Operating Fund and from the Board Designated Fund. All general operating revenues and expenses related to the program activities of the Organization, which are included in the Operating Fund, are presented in the unrestricted section of the statements of activities.

The Board of Trustees approved lending \$3,220,000 from the Board Designated Fund to assist in financing operating deficits between December 2008 and November 2011. On November 20, 2013, the Board amended the original terms of the loan. Currently the loan is non-interest bearing and is required to be repaid in 10 equal annual installments beginning August 31, 2019. For the year ended August 31, 2013 the Board designated a \$400,000 gift to pay down the board loan. The balance of the loan as of August 31, 2014 was \$2,820,000.

The Board Designated Fund consists of funds with no donor or legal restrictions, but through Board resolutions have been set aside for specific purposes. As of August 31, the fund consists of the following:

	<u>2014</u>	<u>2013</u>
Board Designated Reserve Fund	\$ 3,902,439	\$ 3,884,288
Utah Opera Surplus Endowment Fund	2,503,176	2,318,432
Guild Operations	(4,520)	3,254
	<u>\$ 6,401,095</u>	<u>\$ 6,205,974</u>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 8. Unrestricted Net Assets (continued)

Assets underlying the Utah Opera Surplus Endowment Fund have been pledged as security on the line of credit. The Utah Opera Surplus Endowment Fund requires a 90% vote of the full Board to access such funds. The Board Designated Reserve Fund is used to offset any year-end deficits in the Operating Fund and for such other purposes as the Board may from time to time determine. For the years ended August 31, 2014 and 2013, there were no transfers from the Board Designated Reserve Fund to the Operating Fund except for the loan described above.

### 9. Temporarily Restricted Net Assets

As of August 31, temporarily restricted net assets are available for the following purposes or periods:

	<u>2014</u>	<u>2013</u>
Funds for use in future periods	\$ 3,373,051	\$ 1,947,642
Governmental grants received for use in future periods	1,445,778	1,487,778
Opera Production Studio Expansion	670,495	588,910
Deer Valley Music Festival	216,117	280,825
	<u>\$ 5,705,441</u>	<u>\$ 4,305,155</u>

All amounts released from temporary restriction during the years ended August 31, 2014 and 2013 were released following the fulfillment of purpose or expiration of time restrictions placed on the assets.

The Opera Production Studio 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 years ended August 31, 2014 and 2013, approximately \$119,000 and \$134,000, 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 Trustees 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.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 10. Permanently Restricted Net Assets (continued)

As of August 31, categories of permanently restricted net assets are as follows:

	<u>2014</u>	<u>2013</u>
General Operations for Symphony	\$ 13,377,212	\$ 12,405,697
General Operations for Symphony & Opera	13,140,846	12,059,011
General Operations for Deer Valley Music Festival	1,041,412	970,049
Park City Enhancement (Capital Improvements)	963,274	857,692
Ogden/Weber Outreach	797,730	745,534
General Operations for Opera	744,856	692,759
Opera Ensemble/Education Programs	700,017	639,926
Instrument Loan Fund	271,047	246,285
Symphony Chorus	125,726	111,332
Orchestra Refreshment Fund	12,000	12,000
	<u>\$ 31,174,120</u>	<u>\$ 28,740,285</u>

### 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 401(k) 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 or 9% for musicians employed for 15 years or more. Additional contributions based upon media services are computed according to the current rates of the AFM-EPW. Assets and vested benefits are not segregated by unit within the Union Plan. As a result, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the Union Plan that are applicable to the Symphony musicians.

In March 2010, the AFM-EPW notified the Organization that it certified 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 currently 9% of contributions.

Beginning December 12, 2009 the Organization created two 401(k) retirement plans. One plan is for the benefit of full-time AFM Union members and one is 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 \$516,000 and \$605,000 for the years ended August 31, 2014 and 2013, respectively.

# 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, 2014			
	Program	Management and General	Fund- Raising	Total
Salaries and wages	\$ 11,339,400	\$ 1,025,905	\$ 696,511	\$ 13,061,816
Guest artists	2,155,920	-	-	2,155,920
Marketing	1,849,716	-	75,807	1,925,523
Production	2,093,409	5,216	-	2,098,625
Cultivation events	-	-	253,937	253,937
Rent	386,601	58,790	-	445,391
Set and costume rental	292,065	-	-	292,065
Professional	-	82,489	-	82,489
Depreciation	96,820	194,716	-	291,536
Guild	-	-	124,270	124,270
Bad debts	-	-	(10,285)	(10,285)
Other	-	1,176,121	37,647	1,213,768
	<b>\$ 18,213,931</b>	<b>\$ 2,543,237</b>	<b>\$ 1,177,887</b>	<b>\$ 21,935,055</b>

	Year Ended August 31, 2013			
	Program	Management and General	Fund- Raising	Total
Salaries and wages	\$ 10,827,503	\$ 981,385	\$ 645,425	\$ 12,454,313
Guest artists	2,021,025	-	-	2,021,025
Marketing	1,838,273	-	27,067	1,865,340
Production	1,709,554	8,220	-	1,717,774
Cultivation events	-	-	511,266	511,266
Rent	361,340	57,305	9,084	427,729
Set and costume rental	418,756	-	-	418,756
Professional	-	169,650	170,000	339,650
Depreciation	114,064	201,531	-	315,595
Guild	-	-	160,082	160,082
Bad debts	-	-	8,425	8,425
Other	-	940,067	38,969	979,036
	<b>\$ 17,290,515</b>	<b>\$ 2,358,158</b>	<b>\$ 1,570,318</b>	<b>\$ 21,218,991</b>