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# TANNER

BUSINESS ADVISORS AND CERTIFIED  
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## UTAH SYMPHONY | UTAH OPERA

Financial Statements  
As of August 31, 2012 and For the Year then Ended

Together with Independent Auditors' Report

Member of  
**PKF**  
North America

**Utah Symphony & Opera**

**Financial Statements**

**As of August 31, 2012 and**

**For the Year then Ended**

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**TANNER**  
BUSINESS ADVISORS AND CERTIFIED  
PUBLIC ACCOUNTANTS

## Independent Auditors' Report

The Board of Trustees  
Utah Symphony & Opera

We have audited the accompanying statement of financial position of Utah Symphony & Opera (the Organization) as of August 31, 2012, and the related statement of activities, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit 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 audit provides 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 as of August 31, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Tanner LLC*

December 4, 2012

**Utah Symphony & Opera**  
**Statement of Financial Position**  
**August 31, 2012**

**Assets**

Cash and cash equivalents	\$ 220,642
Accounts receivable ( <i>Note 2</i> )	1,795,059
Contributions receivable, less than one year, net of estimated uncollectible receivables of \$11,053 ( <i>Note 2</i> )	2,209,787
Interest and dividends receivable	47,970
Prepaid expenses	433,285
Contributions receivable, over one year ( <i>Note 2</i> )	1,399,783
Endowment contributions receivable ( <i>Note 2</i> )	3,863,068
Long-term investments ( <i>Notes 3 and 4</i> )	28,446,475
Other investments ( <i>Notes 3 and 4</i> )	57,748
Land, building and equipment, net ( <i>Note 5</i> )	4,156,369
Total assets	<u><u>\$ 42,630,186</u></u>

**Liabilities and net assets**

Liabilities:

Accounts payable and accrued expenses	\$ 1,018,164
Line of credit ( <i>Note 6</i> )	596,707
Deferred revenue	1,799,112
Note payable ( <i>Note 7</i> )	400,000
Total liabilities	<u>3,813,983</u>

Net assets:

Unrestricted ( <i>Note 8</i> ):	
Operating fund	(479,726)
Board designated fund	5,712,440
Total unrestricted net assets	<u>5,232,714</u>
Temporarily restricted net assets ( <i>Note 9</i> )	5,692,366
Permanently restricted net assets ( <i>Note 10</i> )	27,891,123
Total net assets	<u>38,816,203</u>
Total liabilities and net assets	<u><u>\$ 42,630,186</u></u>

*See accompanying notes to financial statements.*

# Utah Symphony & Opera

## Statement of Activities

Year Ended August 31, 2012

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	Operating	Board Designated Unrestricted				
Revenues:						
Performance revenues	\$ 4,759,876	\$ -	\$ 4,759,876	\$ -	\$ 4,759,876	
Government grants and fees:						
Awarded	2,206,315	-	2,206,315	1,386,862	-	3,593,177
Released from restriction	1,368,978	-	1,368,978	(1,368,978)	-	-
Total government grants and fees	3,575,293	-	3,575,293	17,884	-	3,593,177
Contributions:						
Awarded	6,059,510	159,379	6,218,889	2,342,579	3,811,101	12,372,569
In-kind	1,318,558	-	1,318,558	-	-	1,318,558
Released from restriction	1,495,845	-	1,495,845	(1,495,845)	-	-
Total contributions	8,873,913	159,379	9,033,292	846,734	3,811,101	13,691,127
Other:						
Set and costume rentals	457,857	-	457,857	-	-	457,857
Other income	50,745	-	50,745	-	-	50,745
Investment income (loss), net of transfers ( <i>Notes 1 and 3</i> )	1,423,045	(96,433)	1,326,612	(80,325)	(139,721)	1,106,566
Total other	1,931,647	(96,433)	1,835,214	(80,325)	(139,721)	1,615,168
Total revenues	19,140,729	62,946	19,203,675	784,293	3,671,380	23,659,348
Expenses ( <i>Note 12</i> ):						
Program expenses	16,779,905	-	16,779,905	-	-	16,779,905
Management and general	1,806,859	22,084	1,828,943	14,741	214,537	2,058,221
Fundraising	1,237,345	182,423	1,419,768	(13,399)	-	1,406,369
Total expenses	19,824,109	204,507	20,028,616	1,342	214,537	20,244,495
Changes in net assets	(683,380)	(141,561)	(824,941)	782,951	3,456,843	3,414,853
Net assets at beginning of the year	203,654	5,854,001	6,057,655	4,909,415	24,434,280	35,401,350
Net assets at end of the year	\$ (479,726)	\$ 5,712,440	\$ 5,232,714	\$ 5,692,366	\$27,891,123	\$38,816,203

# Utah Symphony & Opera

## Statement of Cash Flows

Year Ended August 31, 2012

### Operating activities

Increase in net assets	\$ 3,414,853
Adjustments to reconcile change in net assets to cash used by operating activities:	
Depreciation expense	338,942
Bad debt expense	12,526
Non-cash reduction of debt	(50,000)
Interest and dividends restricted for long-term investments	(636,351)
Net unrealized and realized gains on long-term investments	(408,830)
Changes in operating assets and liabilities:	
Accounts and contributions receivable	(3,415,219)
Interest and dividends receivable	17,731
Prepaid expenses	(173,602)
Accounts payable and accrued expenses	(67,756)
Deferred revenue	170,213
Net cash used by operating activities	<u>(797,493)</u>

### Investing activities

Purchases of property and equipment	(55,981)
Net proceeds from sale of long-term investments	713,910
Net cash provided by investing activities	<u>657,929</u>

### Financing activities

Proceeds from line of credit and long-term borrowing	6,464,110
Payments on line of credit and long-term borrowing	(6,710,108)
Net cash used in financing activities	<u>(245,998)</u>

Net decrease in cash and cash equivalents	(385,562)
Cash and cash equivalents:	
Beginning of the year	606,204
End of the year	<u>\$ 220,642</u>

*See accompanying notes to financial statements.*

# Utah Symphony & Opera

## Notes to Financial Statements

August 31, 2012

### **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.

Two 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 two entities include Utah Symphony Guild and Ogden Opera Guild. The operations of these entities are recorded in the Board Designated Fund.

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

#### **Risks and Uncertainties**

Risks and uncertainties are inherent with the Collective Bargaining Agreement (CBA) that the Organization has with members of the orchestra. The Organization employs approximately 140 individuals on a full-time basis. Members of the American Federation of Musicians Local 104 union make up 61% 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, 2012, the Organization did not have any cash 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)**

Financial instruments 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 receives 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 reported 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.

#### **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)**

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 the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Utah has adopted UPMIFA. Due to the nature of the donor restrictions accompanying the net assets, the adoption of ASC 958 did not change the way the Organization classifies investment gains (losses) earned on endowment funds.

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

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

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

#### **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 statement 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 statement of activities. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately \$253,000 for the year ended August 31, 2012 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. 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 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 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.

# 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 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 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 \$458,000 is included on the statement of activities for the year ended August 31, 2012.

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, 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, 2012, the total adjustment increased government grants and fees by approximately \$67,000.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Pledges to Contribute

Pledges to contribute over future periods are discounted to present values and recorded in the current period as restricted revenue and contributions receivable. As of August 31, 2012, the discount on these pledges was approximately \$555,000. 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.

#### 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 for the year ended August 31, 2012, that were recorded as both revenue and expenses from unrestricted in-kind contributions:

Program expenses:	
Advertising expense	\$ 899,851
Production expense	182,426
Management and general expenses	236,281
	<u>\$ 1,318,558</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 \$1,945,000 for the year ended August 31, 2012.

# 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 tax exempt qualification.

As of August 31, 2012, 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 2012, 2011, 2010 and 2009.

#### Subsequent Events

Management has evaluated subsequent events that have occurred through December 04, 2012, the date the financial statements were available to be issued, and determined that no additional disclosures are required to be made.

### 2. Accounts and Contributions Receivable

The net balance of accounts and contributions receivable consist of the following as of August 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Accounts receivable	\$ 544,197	\$ 1,250,862	\$ –	\$ 1,795,059
Contributions receivable, less than one year	126,537	2,083,250	–	2,209,787
Contributions receivable, over one year	–	1,399,783	–	1,399,783
Endowment contributions receivable	–	–	3,863,068	3,863,068
	<u>\$ 670,734</u>	<u>\$ 4,733,895</u>	<u>\$ 3,863,068</u>	<u>\$ 9,267,697</u>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

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

All accounts and contributions receivable as of August 31, 2012 are receivable within one to eight years as noted below:

	<b>Accounts and Contributions</b>	<b>Endowment</b>	<b>Total</b>
Current through August 31, 2013	<b>\$ 4,015,898</b>	<b>\$ 893,667</b>	<b>\$ 4,909,565</b>
From September 1, 2013 to August 31, 2017	<b>1,343,773</b>	<b>2,597,226</b>	<b>3,940,999</b>
More than five years	<b>56,011</b>	<b>372,175</b>	<b>428,186</b>
	<b>5,415,682</b>	<b>3,863,068</b>	<b>9,278,750</b>
Less estimated uncollectible receivables	<b>(11,053)</b>	<b>–</b>	<b>(11,053)</b>
	<b>\$ 5,404,629</b>	<b>\$ 3,863,068</b>	<b>\$ 9,267,697</b>

### 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, 2012, the fair value of these investments was approximately \$128,000.

The following is a summary of investments as of August 31, 2012:

Long-term investments:	
Government bonds	\$ 4,322,850
Corporate bonds	2,737,367
Corporate stocks	17,734,521
Hedge funds	128,556
Instrument loans	128,186
Money market	3,394,995
	<b>\$ 28,446,475</b>
Other investments:	
Real estate	\$ 6,900
Art	50,848
	<b>\$ 57,748</b>

# 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, 2012				
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 1,693	\$ 23,838	\$ 16,119	\$ 240,158	\$ 281,808
Dividends	1,640	34,214	24,528	355,546	415,928
	<u>3,333</u>	<u>58,052</u>	<u>40,647</u>	<u>595,704</u>	<u>697,736</u>
Unrealized gains	20,091	33,200	32,846	519,836	605,973
Realized gains (losses)	3,934	(22,998)	(11,641)	(166,438)	(197,143)
	<u>24,025</u>	<u>10,202</u>	<u>21,205</u>	<u>353,398</u>	<u>408,830</u>
Investment income, before transfers	27,358	68,254	61,852	949,102	1,106,566
Transfers	1,395,687	(164,687)	(142,177)	(1,088,823)	—
Investment income (loss)	<u>\$ 1,423,045</u>	<u>\$ (96,433)</u>	<u>\$ (80,325)</u>	<u>\$ (139,721)</u>	<u>\$ 1,106,566</u>

### 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, 2012 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Government bonds	\$ —	\$ 4,322,850	\$ —	\$ 4,322,850
Corporate bonds	—	2,737,367	—	2,737,367
Corporate stocks	17,734,521	—	—	17,734,521
Hedge funds	—	—	128,556	128,556
Instrument loans	—	—	128,186	128,186
Money market	3,394,995	—	—	3,394,995
<b>Total</b>	<b>\$ 21,129,516</b>	<b>\$ 7,060,217</b>	<b>\$ 256,742</b>	<b>\$ 28,446,475</b>

#### 5. Land, Building and Equipment

Land, building and equipment as of August 31, 2012, are summarized as follows:

Land	\$ 229,500
Building and improvements	5,702,002
Office equipment	401,444
Hall equipment	578,232
Production sets	1,236,650
Vehicles	128,469
Construction in process	25,174
	8,301,471
Less accumulated depreciation	(4,145,102)
	<b>\$ 4,156,369</b>

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 \$271,000 for the year ended August 31, 2012.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### **6. Line of Credit**

The Organization has a line of credit for \$1,800,000. The interest rate is at the prime rate less 1.0%, but is limited to a rate of at least 5%, (5.0% as of August 31, 2012). The Organization had \$596,707 outstanding under the line of credit as of August 31, 2012. 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. As of August 31, 2012, the line of credit was limited to \$1,500,000. The Organization expects to renew the line of credit when it expires on March 15, 2013.

Interest expense for the year ended August 31, 2012 was \$31,511. Cash paid for interest was \$18,216 for the year ended August 31, 2012. Interest expense is recorded in management and general expenses.

### **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, 2012 was \$400,000. 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 each of the next 5 years if the Organization performs one concert at the Gallivan Center annually. The remaining available credit is \$150,000. In fiscal 2012, the Organization performed the required concert to receive the credit. Accrued interest on the note was \$13,295 as of August 31, 2012. 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 2012, 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 statement of activities.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 8. Unrestricted Net Assets (continued)

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, 2012, the Board Designated Fund loaned \$700,000 to the Operating Fund. The balance of the loan as of August 31, 2012 was \$3,220,000.

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, 2012, the fund currently consists of the following:

Board Designated Reserve Fund	<b>\$ 3,483,994</b>
Utah Opera Surplus Endowment Fund	<b>2,227,300</b>
Guild Operations	<b>1,146</b>
	<b><u>\$ 5,712,440</u></b>

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, 2012, 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, 2012, temporarily restricted net assets are available for the following purposes or periods:

Funds for use in future periods	<b>\$ 3,363,180</b>
Governmental grants received for use in future periods	<b>1,386,862</b>
Opera Production Studio Expansion	<b>579,871</b>
Deer Valley Music Festival	<b>362,453</b>
	<b><u>\$ 5,692,366</u></b>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 9. Temporarily Restricted Net Assets (continued)

All amounts released from temporary restriction during the year ended August 31, 2012 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 year ended August 31, 2012, approximately \$142,000 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 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. As of August 31, 2012, categories of permanently restricted net assets are as follows:

General Operations for Symphony & Opera	\$ 11,917,363
General Operations for Symphony	11,907,295
General Operations for Deer Valley Music Festival	919,615
Park City Enhancement (Capital Improvements)	830,735
General Operations for Opera	662,706
Ogden/Weber Outreach	701,010
Opera Ensemble/Education Programs	610,073
Instrument Loan Fund	228,487
Symphony Chorus	101,839
Orchestra Refreshment Fund	12,000
	<u>\$ 27,891,123</u>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### **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 \$511,000 for the year ended August 31, 2012.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 12. Functional Expenses

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

	<b>Year Ended August 31, 2012</b>			
	<b>Program</b>	<b>Management and General</b>	<b>Fund- raising</b>	<b>Total</b>
Salaries and wages	\$ 10,346,901	\$ 835,503	\$ 585,354	\$ 11,767,758
Marketing	1,948,903	–	14,403	1,963,306
Guest artists	1,842,900	–	–	1,842,900
Production	1,781,932	8,704	–	1,790,636
Professional	–	144,414	360,000	504,414
Rent	337,779	55,644	9,102	402,525
Depreciation	313,896	25,046	–	338,942
Set/costume rental	207,594	–	–	207,594
Guild	–	–	182,423	182,423
Cultivation events	–	–	162,091	162,091
Bad debts	–	–	12,526	12,526
Other	–	988,910	80,470	1,069,380
	<b>\$ 16,779,905</b>	<b>\$ 2,058,221</b>	<b>\$ 1,406,369</b>	<b>\$ 20,244,495</b>