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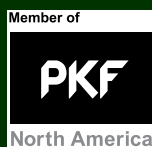


PROACTIVE INSIGHT

UTAH SYMPHONY | UTAH OPERA

Financial Statements
As of August 31, 2015 and 2014 and
For the Years then Ended

Together with Independent Auditors' Report



Utah Symphony & Opera

Financial Statements

As of August 31, 2015 and 2014 and

For the Years then Ended

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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, 2015 and 2014, 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, 2015 and 2014, 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 11, 2015

Utah Symphony & Opera
Statements of Financial Position

	August 31,	
	2015	2014
Assets		
Cash and cash equivalents	\$ 849,983	\$ 1,136,797
Accounts and grants receivable <i>(Note 2)</i>	3,431,437	2,330,928
Contributions receivable, less than one year, net of estimated uncollectible receivables of approximately \$20,000 <i>(Note 2)</i>	1,855,168	2,023,337
Interest and dividends receivable	56,627	57,991
Prepaid expenses	577,142	336,167
Contributions receivable, over one year <i>(Note 2)</i>	2,608,035	1,869,146
Endowment contributions receivable, net of estimated uncollectible receivables of approximately \$2,000 <i>(Note 2)</i>	807,066	1,678,057
Long-term investments <i>(Notes 3 and 4)</i>	31,513,716	33,896,904
Other investments <i>(Note 3)</i>	57,748	57,748
Land, building and equipment, net <i>(Note 5)</i>	3,677,585	3,741,915
Total assets	<u>\$ 45,434,507</u>	<u>\$ 47,128,990</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 975,989	\$ 1,432,181
Line of credit <i>(Note 6)</i>	1,087,709	1,006,820
Deferred revenue	1,895,672	1,850,521
Note payable <i>(Note 7)</i>	250,000	300,000
Total liabilities	<u>4,209,370</u>	<u>4,589,522</u>
Net assets:		
Unrestricted <i>(Note 8)</i> :		
Operating fund	(732,149)	(741,188)
Board designated fund	6,348,338	6,401,095
Total unrestricted net assets	<u>5,616,189</u>	<u>5,659,907</u>
Temporarily restricted net assets <i>(Note 9)</i>	7,581,594	5,705,441
Permanently restricted net assets <i>(Note 10)</i>	28,027,354	31,174,120
Total net assets	<u>41,225,137</u>	<u>42,539,468</u>
Total liabilities and net assets	<u>\$ 45,434,507</u>	<u>\$ 47,128,990</u>

Utah Symphony & Opera

Statement of Activities

Year Ended August 31, 2015

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	Operating	Board Designated				Total Unrestricted
Revenues:						
Performance revenues	\$ 5,341,698	\$ -	\$ 5,341,698	\$ -	\$ -	\$ 5,341,698
Government grants and fees:						
Awarded	2,827,924	-	2,827,924	2,614,967	-	5,442,891
Released from restriction	1,445,778	-	1,445,778	(1,445,778)	-	-
Total government grants and fees	4,273,702	-	4,273,702	1,169,189	-	5,442,891
Contributions:						
Awarded	6,850,629	120,627	6,971,256	2,413,746	86,339	9,471,341
In-kind	1,471,716	-	1,471,716	-	-	1,471,716
Released from restriction	1,982,691	190,600	2,173,291	(1,472,691)	(700,600)	-
Total contributions	10,305,036	311,227	10,616,263	941,055	(614,261)	10,943,057
Other:						
Set and costume rentals	526,352	-	526,352	-	-	526,352
Other income	50,016	-	50,016	-	-	50,016
Investment income (loss), net of transfers (Notes 1 and 3)	1,443,005	(228,803)	1,214,202	(219,581)	(2,282,290)	(1,287,669)
Total other	2,019,373	(228,803)	1,790,570	(219,581)	(2,282,290)	(711,301)
Total revenues	21,939,809	82,424	22,022,233	1,890,663	(2,896,551)	21,016,345
Expenses (Note 12):						
Program expenses	18,738,549	-	18,738,549	-	-	18,738,549
Management and general	2,224,263	21,229	2,245,492	11,959	218,585	2,476,036
Fundraising	967,958	113,952	1,081,910	2,551	31,630	1,116,091
Total expenses	21,930,770	135,181	22,065,951	14,510	250,215	22,330,676
Changes in net assets	9,039	(52,757)	(43,718)	1,876,153	(3,146,766)	(1,314,331)
Net assets (deficit) at beginning of the year	(741,188)	6,401,095	5,659,907	5,705,441	31,174,120	42,539,468
Net assets (deficit) at end of the year	\$ (732,149)	\$ 6,348,338	\$ 5,616,189	\$ 7,581,594	\$ 28,027,354	\$ 41,225,137

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	18,255,224	-	18,255,224	-	-	18,255,224
Management and general	2,197,215	25,487	2,222,702	15,381	263,087	2,501,170
Fundraising	1,054,391	124,270	1,178,661	-	-	1,178,661
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

Utah Symphony & Opera

Statements of Cash Flows

	Years Ended August 31,	
	2015	2014
Operating activities		
Change in net assets	\$ (1,314,331)	\$ 4,030,393
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	298,032	291,536
Contributed equipment	(79,434)	-
Bad debt expense (recovery)	72,302	(10,285)
Net loss (gain) on sale or disposition of equipment	551	(2,500)
Non-cash reduction of debt	(50,000)	(50,000)
Interest and dividends restricted for long-term investments	(701,286)	(649,132)
Net unrealized and realized losses (gains) on long-term investments	2,064,267	(3,588,741)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(872,540)	(1,257,136)
Interest and dividends receivable	1,364	(5,022)
Prepaid expenses	(240,975)	(36,479)
Accounts payable and accrued expenses	(456,192)	289,135
Deferred revenue	45,151	165,705
Net cash used by operating activities	<u>(1,233,091)</u>	<u>(822,526)</u>
Investing activities		
Purchases of property and equipment	(154,819)	(24,846)
Proceeds from sale of equipment	-	2,500
Net proceeds from sale of long-term investments	1,020,207	811,027
Net cash provided by investing activities	<u>865,388</u>	<u>788,681</u>
Financing activities		
Proceeds from line of credit	8,046,883	9,018,850
Payments on line of credit	(7,965,994)	(8,420,389)
Net cash provided by financing activities	<u>80,889</u>	<u>598,461</u>
Net increase (decrease) in cash and cash equivalents	(286,814)	564,616
Cash and cash equivalents:		
Beginning of the year	1,136,797	572,181
End of the year	<u>\$ 849,983</u>	<u>\$ 1,136,797</u>

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2015 and 2014

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, 2018.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of August 31, 2015, the Organization had cash of approximately \$930,000 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, grants, 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, grants, and contributions receivable and maintains allowances for possible losses on accounts, grants, and contributions receivable, which, when realized, have been within the range of management's expectations. Credit risk pertaining to accounts, grants, and contributions receivable is comprised of numerous factors including the overall economic conditions in the geographic area in which the Organization's 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 \$257,000 and \$310,000 for the years ended August 31, 2015 and 2014, 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 \$526,000 and \$483,000 is included on the statement of activities for the years ended August 31, 2015 and 2014, 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. As of August 31, 2015 and 2014, approximately \$548,000 and \$532,000, respectively, was recorded as an unrestricted receivable and increase in unrestricted grants and fees. As of August 31, 2015 and 2014, approximately \$730,000 and \$0, respectively, was recorded as a temporarily restricted receivable and increase in temporarily restricted grants and fees. The increase in temporarily restricted receivable reflects a current evaluation of reliable historical estimated allotments. Revenue for these transactions are recorded as temporarily restricted revenues and released into operations when the purpose is met. Periodically, the County reconciles actual sales tax receipts with payments already made to the Organization and retroactively adjusts the estimated allotment. 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, 2015, the total adjustment increased government grants and fees by approximately \$105,000. For the year ended August 31, 2014, the total adjustment decreased government grants and fees by approximately \$66,000.

Pledges to Contribute

Pledges to contribute over future periods are discounted at the Organization's current borrowing rate to present values and recorded in the current period as restricted revenue and contributions receivable. As of August 31, 2015 and 2014, the discount on these pledges was approximately \$173,000 and \$294,000, 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 (or assets) from unrestricted in-kind contributions for the years ended August 31:

	<u>2015</u>	<u>2014</u>
Program expenses:		
Advertising expenses	\$ 1,009,844	\$ 726,489
Production expenses	106,513	134,885
Management and general and fundraising expenses	275,925	231,858
Contributed equipment	79,434	—
	<u>\$ 1,471,716</u>	<u>\$ 1,093,232</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.

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, 2015, 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 2015, 2014, 2013, and 2012.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Advertising Expenses

The Symphony & Opera expenses advertising costs as incurred. Amounts expensed for advertising, including in-kind expenses, were approximately \$2,306,000 and \$2,123,000 for the years ended August 31, 2015 and 2014, respectively.

Subsequent Events

Management has evaluated subsequent events that have occurred through December xx, 2015, the date the financial statements were available to be issued, and determined that no additional disclosures are required to be made.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to conform to the 2015 presentation.

2. Accounts, Grants, and Contributions Receivable

The net balance of accounts, grants, and contributions receivable consists of the following as of August 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts and grants receivable	\$ 1,186,470	\$ 2,244,967	\$ -	\$ 3,431,437
Contributions receivable, less than one year	986,654	868,514	-	1,855,168
Contributions receivable, over one year	34,625	2,573,410	-	2,608,035
Endowment contributions receivable	-	-	807,066	807,066
	\$ 2,207,749	\$ 5,686,891	\$ 807,066	\$ 8,701,706

As of August 31, 2015, approximately \$994,000 (11% of unrestricted receivables and 92% of permanently restricted receivables) was receivable from Donor A. Contributions for operations received from Donor A were approximately \$967,000. As of August 31, 2015, approximately \$1 million (18% of temporarily restricted receivables) was receivable from Donor B. Contributions for operations received from Donor B were approximately \$1.25 million. As of August 31, 2015, approximately \$577,000 (10% of temporarily restricted receivables) was receivable from Donor C. Contributions for operations received from Donor C were approximately \$400,000.

Utah Symphony & Opera

Notes to Financial Statements (continued)

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

As of August 31, 2015, approximately \$755,000 (13% of temporarily restricted receivables) was receivable from Donor D. Contributions for operations received from Donor D were approximately \$200,000. As of August 31, 2015, approximately \$507,000 (23% of unrestricted receivables) was receivable from Donor E. During the year ended August 31, 2015, the Utah State Office of Education granted \$1.3 million and Salt Lake County granted \$2.6 million. As of August 31, 2015, the Utah State Office of Education represented \$1.5 million or 26% of the temporarily restricted receivables and Salt Lake County represented approximately \$898,000 or 40% of the unrestricted receivables and \$730,000 or 13% of temporarily restricted receivables.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
	<u>\$ 1,925,487</u>	<u>\$ 4,297,924</u>	<u>\$ 1,678,057</u>	<u>\$ 7,901,468</u>

All accounts and contributions receivable as of August 31, 2015 are receivable within one to five years as noted below:

	Accounts, Grants, and Contributions	Endowment	Total
Current through August 31, 2016	\$ 6,451,548	\$ 15,000	\$ 6,466,548
From September 1, 2016 to August 31, 2020	1,463,086	793,696	2,256,782
	<u>7,914,634</u>	<u>808,696</u>	<u>8,723,330</u>
Less estimated uncollectible receivables	(19,994)	(1,630)	(21,624)
	<u>\$ 7,894,640</u>	<u>\$ 807,066</u>	<u>\$ 8,701,706</u>

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 2016. As of August 31, 2015, the fair value of these investments was approximately \$35,000.

Utah Symphony & Opera

Notes to Financial Statements (continued)

3. Investments (continued)

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

	2015	2014
Long-term investments:		
Corporate stocks	\$ 21,541,972	\$ 23,436,381
Corporate bonds	5,875,839	5,793,869
Government bonds	2,702,919	2,750,332
Instrument loans	107,049	75,126
Hedge funds	34,886	51,268
Money market	1,251,051	1,789,928
	\$ 31,513,716	\$ 33,896,904
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 (losses) are summarized as follows:

	For the Year Ended August 31, 2015				
	Un- restricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 1,771	\$ 10,210	\$ 5,799	\$ 109,341	\$ 127,121
Dividends	9,298	54,033	30,707	555,439	649,477
	11,069	64,243	36,506	664,780	776,598
Unrealized losses	(49,889)	(219,821)	(125,769)	(2,258,760)	(2,654,239)
Realized gains	(22,048)	51,457	29,230	531,333	589,972
(losses)	(71,937)	(168,364)	(96,539)	(1,727,427)	(2,064,267)
Investment losses	(60,868)	(104,121)	(60,033)	(1,062,647)	(1,287,669)
before transfers	1,503,873	(124,682)	(159,548)	(1,219,643)	-
Transfers *	1,503,873	(124,682)	(159,548)	(1,219,643)	-
Investment income	\$1,443,005	\$ (228,803)	\$ (219,581)	\$ (2,282,290)	\$ (1,287,669)
(losses), net of					
transfers	\$1,443,005	\$ (228,803)	\$ (219,581)	\$ (2,282,290)	\$ (1,287,669)

* The Organization transfers five percent of the Permanently Restricted Fund annually, regardless of the actual return.

Utah Symphony & Opera

Notes to Financial Statements (continued)

3. Investments (continued)

	For the Year Ended August 31, 2014				
	Un-restricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
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

* The Organization transfers five percent of the Permanently Restricted Fund annually, regardless of the actual return.

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, 2015 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 21,541,972	\$ -	\$ -	\$ 21,541,972
Corporate bonds	-	5,875,839	-	5,875,839
Government bonds	-	2,702,919	-	2,702,919
Instrument loans	-	-	107,049	107,049
Hedge funds	-	-	34,886	34,886
Money market	1,251,051	-	-	1,251,051
Total	\$ 22,793,023	\$ 8,578,758	\$ 141,935	\$ 31,513,716

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
Total	\$ 25,226,309	\$ 8,544,201	\$ 126,394	\$ 33,896,904

Level 3 assets are summarized as below:

	Instrument Loans	Hedge Funds
Balance as of September 1, 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	75,126	51,268
Total gains (realized/unrealized/interest)	4,385	74
Net purchases/loans and settlements/payments	27,538	(16,456)
Balance as of August 31, 2015	\$ 107,049	\$ 34,886

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>2015</u>	<u>2014</u>
Land	\$ 229,500	\$ 229,500
Building and improvements	5,657,131	5,618,145
Office equipment	353,247	307,219
Hall equipment	549,692	544,052
Production equipment	230,157	196,057
Production sets	1,289,039	1,184,064
Vehicles	141,737	179,450
Construction in process	24,820	27,404
	<u>8,475,323</u>	<u>8,285,891</u>
Less accumulated depreciation	<u>(4,797,738)</u>	<u>(4,543,976)</u>
	<u>\$ 3,677,585</u>	<u>\$ 3,741,915</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 \$357,000 and \$354,000 for the years ended August 31, 2015 and 2014, respectively.

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 \$1,087,709 and \$1,006,820 outstanding under the line of credit as of August 31, 2015 and 2014, 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, 2015, the line of credit was limited to \$1,730,000. The Organization expects to renew the line of credit when it expires on March 15, 2016.

Interest expense for the years ended August 31, 2015 and 2014 was \$26,314 and \$27,563, respectively. Cash paid for interest was \$16,102 and \$17,108 for the years ended August 31, 2015 and 2014, 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, 2015 and 2014 was \$250,000 and \$300,000, 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 2015 and 2014, the Organization performed the required concerts to receive the credit. Accrued interest on the note was \$10,212 and \$10,455 as of August 31, 2015 and 2014, 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 2015, 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, 2015 the board designated a \$150,600 gift to pay down the board loan. The balance of the loan as of August 31, 2015 was \$2,669,400.

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

	<u>2015</u>	<u>2014</u>
Board Designated Reserve Fund	\$ 4,058,528	\$ 3,902,439
Utah Opera Surplus Endowment Fund	2,287,656	2,503,176
Guild Operations	2,154	(4,520)
	<u>\$ 6,348,338</u>	<u>\$ 6,401,095</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, 2015 and 2014, there were no transfers between the Board Designated Reserve Fund and 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>2015</u>	<u>2014</u>
Funds for use in future periods	\$ 3,619,218	\$ 3,115,725
Governmental grants received for use in future periods	2,604,967	1,445,778
Funds for a specified purpose	770,281	257,326
Opera Production Studio Expansion	438,955	670,495
Deer Valley Music Festival	148,173	216,117
	<u>\$ 7,581,594</u>	<u>\$ 5,705,441</u>

All amounts released from temporary restriction during the years ended August 31, 2015 and 2014 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, 2015 and 2014, approximately \$160,000 and \$119,000, 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>2015</u>	<u>2014</u>
General Operations for Symphony	\$ 12,242,470	\$ 13,377,212
General Operations for Symphony & Opera	11,429,999	13,140,846
General Operations for Deer Valley Music Festival	954,842	1,041,412
Park City Enhancement (Capital Improvements)	922,880	963,274
Ogden/Weber Outreach	762,707	797,730
General Operations for Opera	683,918	744,856
Opera Ensemble/Education Programs	629,844	700,017
Instrument Loan Fund	268,480	271,047
Symphony Chorus	120,214	125,726
Orchestra Refreshment Fund	12,000	12,000
	<u>\$ 28,027,354</u>	<u>\$ 31,174,120</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 \$607,000 and \$516,000 for the years ended August 31, 2015 and 2014, 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, 2015			Total
	Program	Management and General	Fund- Raising	
Salaries and wages	\$ 11,809,388	\$ 1,020,111	\$ 658,528	\$ 13,488,027
Guest artists	2,341,433	-	-	2,341,433
Marketing	2,305,231	-	837	2,306,068
Production	1,427,999	-	-	1,427,999
Cultivation events	-	-	205,412	205,412
Rent	400,782	60,822	-	461,604
Set and costume rental	330,061	-	-	330,061
Professional	27,948	46,527	1,590	76,065
Depreciation	95,707	202,325	-	298,032
Guild	-	-	113,952	113,952
Bad debts	-	-	72,302	72,302
Other	-	1,146,251	63,470	1,209,721
	\$ 18,738,549	\$ 2,476,036	\$ 1,116,091	\$ 22,330,676

	Year Ended August 31, 2014			Total
	Program	Management and General	Fund- Raising	
Salaries and wages	\$ 11,339,400	\$ 1,025,905	\$ 696,511	\$ 13,061,816
Guest artists	2,155,920	-	-	2,155,920
Marketing	2,046,802	-	75,807	2,122,609
Production	1,901,539	-	-	1,901,539
Cultivation events	-	-	254,711	254,711
Rent	385,828	58,789	-	444,617
Set and costume rental	292,065	-	-	292,065
Professional	36,850	45,639	-	82,489
Depreciation	96,820	194,716	-	291,536
Guild	-	-	124,270	124,270
Bad debt recoveries	-	-	(10,285)	(10,285)
Other	-	1,176,121	37,647	1,213,768
	\$ 18,255,224	\$ 2,501,170	\$ 1,178,661	\$ 21,935,055