

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

July 31, 2011 and 2010

NASHVILLE OPERA ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nashville Opera Association
Nashville, Tennessee

We have audited the accompanying consolidated statements of financial position of Nashville Opera Association (a nonprofit organization) as of July 31, 2011 and 2010, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Opera Association as of July 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

November 21, 2011

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
July 31, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 236,093	\$ 412,199
Contributions receivable	1,671,733	1,440,694
Accounts receivable	-	4,050
Prepaid expenses and other	20,792	114,870
Total current assets	1,928,618	1,971,813
Investments	265,434	304,915
Noncurrent contributions receivable, net of discount	1,033,180	1,592,064
Building, equipment and building improvements, net	6,976,639	7,133,568
Total assets	<u>\$ 10,203,871</u>	<u>\$ 11,002,360</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,426	\$ 18,951
Unearned revenue	162,235	240,408
Lines of credit	481,500	164,469
Note payable-furniture and fixtures	25,000	-
Note payable-building and building improvements	600,000	880,129
Total current liabilities	1,286,161	1,303,957
Note payable-building and building improvements, noncurrent	-	600,000
Total liabilities	<u>1,286,161</u>	<u>1,903,957</u>
Net assets:		
Unrestricted	5,853,570	5,657,480
Temporarily restricted	2,655,975	3,032,758
Permanently restricted	408,165	408,165
Total net assets	<u>8,917,710</u>	<u>9,098,403</u>
Total liabilities and net assets	<u>\$ 10,203,871</u>	<u>\$ 11,002,360</u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2011

	Unrestricted	Temporarily Restricted Operating	Temporarily Restricted Capital	Total Temporarily Restricted	Permanently Restricted	Total
Support and revenue:						
Contributions from corporations and foundations	\$ 377,433	\$ 217,500	\$ -	\$ 217,500	\$ -	\$ 594,933
Capital campaign contributions	155,985	-	293,800	293,800	-	449,785
Contributions from individuals	267,829	52,000	-	52,000	-	319,829
Single ticket sales and tour fees	282,642	-	-	-	-	282,642
Subscription ticket sales	237,597	-	-	-	-	237,597
Grants from governmental agencies	216,250	-	-	-	-	216,250
Guild special events	165,775	-	-	-	-	165,775
Other contributions	162,034	-	-	-	-	162,034
Rental income	81,490	-	-	-	-	81,490
Investment income, net	25,698	-	-	-	-	25,698
Fundraising revenue	24,594	-	-	-	-	24,594
Other income	10,681	-	-	-	-	10,681
Membership dues	6,465	-	-	-	-	6,465
Interest income	263	-	-	-	-	263
Net assets released from restrictions	940,083	(90,672)	(849,411)	(940,083)	-	-
Total support and revenue	2,954,819	178,828	(555,611)	(376,783)	-	2,578,036
Expenses:						
Production	1,046,382	-	-	-	-	1,046,382
Administrative	656,737	-	-	-	-	656,737
Subcontract labor	415,145	-	-	-	-	415,145
Building expenses	369,968	-	-	-	-	369,968
Marketing	86,880	-	-	-	-	86,880
Special events	69,530	-	-	-	-	69,530
Public relations	36,055	-	-	-	-	36,055
Development and fundraising	27,324	-	-	-	-	27,324
Other	50,708	-	-	-	-	50,708
Total expenses	2,758,729	-	-	-	-	2,758,729
Change in net assets	\$ 196,090	\$ 178,828	\$ (555,611)	\$ (376,783)	\$ -	\$ (180,693)

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted Operating</u>	<u>Temporarily Restricted Capital</u>	<u>Total Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:						
Contributions from corporations and foundations	\$ 340,440	\$ 37,500	\$ -	\$ 37,500	\$ -	\$ 377,940
Contributions from individuals	239,164	53,172	-	53,172	-	292,336
Grants from governmental agencies	254,284	-	-	-	-	254,284
Subscription ticket sales	223,439	-	-	-	-	223,439
Guild special events	198,381	-	-	-	-	198,381
Single ticket sales	195,608	-	-	-	-	195,608
Other contributions	135,309	-	-	-	-	135,309
Capital campaign contributions	45,600	-	25,100	25,100	-	70,700
Rental income	62,275	-	-	-	-	62,275
Other income	30,369	-	-	-	-	30,369
Investment income, net	27,897	-	-	-	-	27,897
Membership dues	6,400	-	-	-	-	6,400
Interest income	897	-	-	-	-	897
Net assets released from restrictions	831,255	(87,500)	(743,755)	(831,255)	-	-
Total support and revenue	<u>2,591,318</u>	<u>3,172</u>	<u>(718,655)</u>	<u>(715,483)</u>	<u>-</u>	<u>1,875,835</u>
Expenses:						
Production	905,395	-	-	-	-	905,395
Administrative	607,709	-	-	-	-	607,709
Subcontract labor	324,978	-	-	-	-	324,978
Building expenses	314,888	-	-	-	-	314,888
Marketing	103,166	-	-	-	-	103,166
Special events	90,905	-	-	-	-	90,905
Public relations	44,463	-	-	-	-	44,463
Development and fundraising	26,675	-	-	-	-	26,675
Other	16,255	-	-	-	-	16,255
Total expenses	<u>2,434,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,434,434</u>
Change in net assets	<u>\$ 156,884</u>	<u>\$ 3,172</u>	<u>\$ (718,655)</u>	<u>\$ (715,483)</u>	<u>\$ -</u>	<u>\$ (558,599)</u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended July 31, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted Operating</u>	<u>Temporarily Restricted Capital</u>	<u>Total Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets at July 31, 2009	\$ 5,500,596	\$ 87,500	\$ 3,660,741	\$ 3,748,241	\$ 408,165	\$ 9,657,002
Change in net assets	<u>156,884</u>	<u>3,172</u>	<u>(718,655)</u>	<u>(715,483)</u>	<u>-</u>	<u>(558,599)</u>
Net assets at July 31, 2010	5,657,480	90,672	2,942,086	3,032,758	408,165	9,098,403
Change in net assets	<u>196,090</u>	<u>178,828</u>	<u>(555,611)</u>	<u>(376,783)</u>	<u>-</u>	<u>(180,693)</u>
Net assets at July 31, 2011	<u><u>\$ 5,853,570</u></u>	<u><u>\$ 269,500</u></u>	<u><u>\$ 2,386,475</u></u>	<u><u>\$ 2,655,975</u></u>	<u><u>\$ 408,165</u></u>	<u><u>\$ 8,917,710</u></u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended July 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 290,655	\$ 309,935	\$ 136,825	\$ 737,415
Production expense	580,882	-	-	580,882
Production subcontract labor	428,145	-	-	428,145
Depreciation and amortization	202,481	67,494	-	269,975
Building expense	90,402	25,323	-	115,725
Miscellaneous	25,015	40,703	12,806	78,524
Fundraising events	-	-	72,942	72,942
Employee benefits	34,103	25,935	8,869	68,907
Marketing	-	61,887	-	61,887
Payroll taxes	26,190	25,175	10,467	61,832
Utilities	35,308	11,769	-	47,077
Bad debt expense	-	37,000	-	37,000
Postage	-	20,202	4,354	24,556
Printing and publications	-	18,567	5,252	23,819
Insurance	10,949	10,949	-	21,898
Pension	7,594	11,290	2,675	21,559
Interest	-	19,457	-	19,457
Public relations	-	14,908	-	14,908
Dues and subscriptions	6,500	7,475	-	13,975
Bank fees	-	12,781	-	12,781
Legal and professional	-	12,100	-	12,100
Telephone	8,254	2,813	-	11,067
Conferences	-	8,741	-	8,741
Equipment maintenance	-	8,266	-	8,266
Supplies	-	5,291	-	5,291
Total expenses	<u>\$ 1,746,478</u>	<u>\$ 758,061</u>	<u>\$ 254,190</u>	<u>\$ 2,758,729</u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended July 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 287,562	\$ 291,519	\$ 109,582	\$ 688,663
Production expense	469,494	-	-	469,494
Production subcontract labor	324,978	-	-	324,978
Depreciation and amortization	198,414	66,138	-	264,552
Fundraising events	-	-	102,257	102,257
Building expense	68,871	18,114	-	86,985
Marketing	-	77,311	-	77,311
Employee benefits	30,549	24,454	9,706	64,709
Miscellaneous	20,553	32,012	10,953	63,518
Payroll taxes	24,850	24,043	8,377	57,270
Utilities	33,693	11,231	-	44,924
Printing and publications	-	27,564	6,731	34,295
Insurance	10,062	10,112	-	20,174
Pension	5,461	12,355	1,282	19,098
Public relations	-	18,173	-	18,173
Interest	-	17,482	-	17,482
Postage	-	15,160	2,261	17,421
Legal and professional	-	13,184	-	13,184
Dues and subscriptions	6,500	6,248	-	12,748
Telephone	8,643	2,926	-	11,569
Bank fees	-	10,331	-	10,331
Equipment maintenance	-	5,660	-	5,660
Conferences	-	5,256	-	5,256
Supplies	-	4,382	-	4,382
Total expenses	<u>\$ 1,489,630</u>	<u>\$ 693,655</u>	<u>\$ 251,149</u>	<u>\$ 2,434,434</u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (180,693)	\$ (558,599)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	269,975	264,552
Unrealized (gains) losses on investments	(10,096)	(18,068)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	4,050	(3,050)
Decrease (increase) in prepaid expenses and other	94,078	(84,477)
(Increase) decrease in contributions receivable	(227,766)	49,327
Decrease in deposits	-	5,000
(Decrease) increase in accounts payable and accrued expenses	(1,525)	1,327
(Decrease) increase in unearned revenue	(78,173)	84,711
Contributions restricted for long-term purposes	(449,785)	(70,700)
Net cash used in operating activities	<u>(579,935)</u>	<u>(329,977)</u>
Cash flows from investing activities:		
Purchase of building and equipment	(113,046)	(26,912)
Purchases of investments, net	(13,923)	(9,154)
Proceeds from sales of investments, net	63,500	15,000
Net cash used in investing activities	<u>(63,469)</u>	<u>(21,066)</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	1,005,396	789,355
Borrowings on lines of credit	581,500	138,171
Payments on lines of credit	(264,469)	(213,171)
Borrowing on note payable-furniture and equipment	25,000	-
Payments on notes payable	(880,129)	(550,000)
Net cash provided by financing activities	<u>467,298</u>	<u>164,355</u>
Net decrease in cash and cash equivalents	(176,106)	(186,688)
Cash and cash equivalents, beginning of year	412,199	598,887
Cash and cash equivalents, end of year	<u>\$ 236,093</u>	<u>\$ 412,199</u>
Supplemental information:		
Interest paid	<u>\$ 39,669</u>	<u>\$ 44,824</u>
Taxes paid	<u>\$ 3,028</u>	<u>\$ 377</u>
Noncash financing transactions:		
Decrease in discount on contributions receivable	<u>\$ (43,010)</u>	<u>\$ (60,672)</u>
Change in provision for doubtful pledges receivable	<u>\$ (25,000)</u>	<u>\$ 25,000</u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nashville Opera Association (the “Organization”) was organized in 1981 to make a difference by creating legendary productions and programs and providing exceptional service. The Nashville Opera Association is supported primarily through donor contributions.

During fiscal 2002, the Nashville Opera Guild, an organization created to support the Nashville Opera Association primarily through volunteer efforts, merged with the Nashville Opera Association. The accompanying consolidated financial statements include the activities of both the Nashville Opera Association and the Nashville Opera Guild.

The Nashville Opera Association also owns a 100 percent membership interest in three single member limited liability companies, Nashville Opera Company, LLC, (which comprises the operating activities of the Organization, including the operatic productions); Noah Liff Opera Center, LLC, (which comprises the Organization’s building); and NOA Foundation, LLC (which comprises the Organization’s restricted net assets and other investments). The limited liability companies were formed on January 1, 2008.

Principles of Consolidation

The financial statements include the accounts of the Nashville Opera Association, Nashville Opera Guild, Nashville Opera Company, LLC, Noah Liff Opera Center, LLC, and NOA Foundation, LLC, referred herein as the “Organization”. All significant inter-entity transactions and balances have been eliminated in consolidation.

Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the Organization are presented as follows:

Unrestricted

Represents unrestricted contributions that are available for the Organization’s operations.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted

Operating—Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Capital—Represents net assets subject to donor-imposed stipulations that they be used for acquisition, renovation and maintenance of a long-lived asset or the Fund for Artistic Excellence.

Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes.

Restricted Endowment Funds

The Financial Accounting Standards Board Accounting Standards Codification provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management Institutional Funds Act (“UPMIFA”). The guidance requires that the amount of permanently restricted net assets cannot be reduced by losses on investments of the funds or by an organization’s expenditures from the fund unless the donor required the gift to be held in specific investments. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures, which are disclosed in Note 10.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. See Note 5 for discussion on fair value measurements. Gains or losses on such investments are reported as a change in net assets in the period they occur. The Organization's policy is to allocate investments between fixed income securities and equity securities.

Contributions Receivable (Promises to Give)

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Pledges due in subsequent years are reflected as noncurrent pledges receivable and are recorded at the present value of their net realizable value, by discounting pledges at an appropriate rate commensurate with the risk involved.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management considers contributions receivable to be fully collectible as of July 31, 2011, and accordingly no allowance for uncollectible pledges has been provided at July 31, 2011.

Building, Equipment and Building Improvements

Building, furniture, equipment and building improvements are recorded at cost as of the date purchased or at fair value as of the date contributed. Expenditures for ordinary maintenance and repair are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the costs of the various classes of assets using straight-line methods over the estimated useful lives of the respective assets, generally ranging from 5 to 40 years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are shown as increases in unrestricted net assets. The Organization recognizes revenue received related to the Impresario Council as an annual unrestricted contribution.

Support and Revenue

The Organization receives grants and support from the National Endowment for the Arts, Tennessee Arts Commission and Metropolitan Nashville Arts Commission. The Organization also receives foundation, individual, board and corporate contributions, as well as ticket sale proceeds for its performances.

Unearned revenue represents amounts received or receivable from advance ticket sales. These advance ticket sales and related expenses are reflected in operations in the year the production is performed.

Donated Assets

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed Services and Facilities

Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services include the value of production services, advertising and professional services donated by individuals in the estimated amount of \$61,134 and \$42,959 in fiscal 2011 and 2010, respectively.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred and are reflected in marketing in the accompanying consolidated statements of activities. Advertising expense totaled \$37,675 and \$43,609 for fiscal 2011 and 2010, respectively.

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation. Accordingly, no provision for taxes has been made in the consolidated financial statements.

The Organization follows guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying consolidated financial statements. Tax years that remain open for examination include years ended July 31, 2008 through July 31, 2011. Adoption of this pronouncement had no impact on the Organization's accompanying consolidated financial statements.

Subsequent Events

The Organization evaluated subsequent events through November 21, 2011, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2010 statement of cash flows in order to conform with the 2011 presentation.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

At various times during the year, the Organization's cash and cash equivalent balances exceeded federally insured limits. In management's opinion, the risks relating to these deposits is minimal based on the credit rating of its financial institutions.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

The Organization's contributions receivable consist of the following at July 31:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 1,671,733	\$ 1,465,694
Receivable in one to five years	<u>1,082,720</u>	<u>1,684,614</u>
Total contributions receivable	2,754,453	3,150,308
Less allowance for doubtful accounts	-	(25,000)
Less discounts to net present value (2-5%)	<u>(49,540)</u>	<u>(92,550)</u>
Net contributions receivable	<u><u>\$ 2,704,913</u></u>	<u><u>\$ 3,032,758</u></u>

Approximately 61% of contributions receivable at July 31, 2011 consist of amounts due from two donors, while approximately 64% of contributions receivable at July 31, 2010 consists of amounts due from two donors.

Approximately 23% of contributions in fiscal 2011 were made by one donor, while approximately 36% of contributions in fiscal 2010 were made by two donors.

Included in the contributions receivable is \$2,386,475 and \$2,942,086 net receivable at July 31, 2011 and 2010, respectively, to be used for payment of the building acquisition and renovation cost or the Fund for Artistic Excellence. This fund will be used to expand the Organization's educational programs outside of Nashville and enhance the quality of the productions.

NOTE 4 – INVESTMENTS

Investments, at fair value, consist of the following at July 31:

	<u>2011</u>	<u>2010</u>
Mutual Funds	\$ 107,694	\$ 302,486
Exchange-traded funds	152,422	-
Money Market	<u>5,318</u>	<u>2,429</u>
Total investments:	<u><u>\$ 265,434</u></u>	<u><u>\$ 304,915</u></u>

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value measurement hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization uses the higher priority valuation techniques based on available inputs to measure fair values. A description of the valuation methodologies used for assets measured at fair value is as follows:

Money market funds and mutual funds: Valued at the net asset value of shares held by the fund at year end.

Exchange-traded funds: Valued at the closing price reported on the active market on which the securities are traded.

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of July 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 5,318	\$ -	\$ -	\$ 5,318
Mutual funds:				
Bond funds-fixed income	13,407	-	-	13,407
Common stock funds-growth funds	94,287	-	-	94,287
Total mutual funds	107,694	-	-	107,694
Exchange-traded funds				
Bond funds-fixed income	73,566	-	-	73,566
Common stock funds-growth funds	78,856	-	-	78,856
Total exchange-traded funds	152,422	-	-	152,422
Total investments	\$ 265,434	\$ -	\$ -	\$ 265,434

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of July 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 2,429	\$ -	\$ -	\$ 2,429
Mutual funds:				
Bond funds: intermediate term	205,102	-	-	205,102
Common stock funds-growth funds	97,384	-	-	97,384
Total mutual funds	302,486	-	-	302,486
Total investments	\$ 304,915	\$ -	\$ -	\$ 304,915

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 6 – BUILDING, EQUIPMENT AND BUILDING IMPROVEMENTS

Building, equipment and building improvements at July 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Building	\$ 600,000	\$ 600,000
Building improvements	6,489,164	6,402,002
Furniture and equipment	<u>615,818</u>	<u>589,934</u>
	7,704,982	7,591,936
Accumulated depreciation and amortization	<u>(728,343)</u>	<u>(458,368)</u>
	<u><u>\$ 6,976,639</u></u>	<u><u>\$ 7,133,568</u></u>

NOTE 7 – LINES OF CREDIT

The Organization maintains two lines of credit with local financial institutions allowing for maximum borrowings of \$300,000, maturing April 2013, and \$200,000, maturing February 2012, with interest computed at a variable rate consisting of the bank's prime rate plus 3.35% and 1.0%, respectively. As of July 31, 2011 and 2010, borrowings outstanding were \$481,500 and \$164,469, respectively. The second line of credit noted above is secured by the Organization's cash and investments. The other line of credit is unsecured.

NOTE 8 – NOTE PAYABLE

On January 30, 2008, the Organization entered into a note payable agreement with the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, which allows the Organization to borrow up to \$3,000,000. The related note was subsequently assigned to a financial institution under the original terms of the note. The interest rate is 79% of the 30-day LIBOR plus 1.59%, to be paid monthly. The note matures February 2012 and is secured by a negative pledge on the Organization's building and building improvements. As of July 31, 2011 and 2010, borrowings outstanding were \$600,000 and \$1,480,129, respectively.

During May 2011, the Organization entered into a demand note payable with a board member in the amount of \$25,000. The interest rate is 2% to be paid annually in arrears. The demand note is unsecured. As of July 31, 2011, borrowings outstanding were \$25,000.

Principal payments on the note payable and the lines of credit described in Note 7 are all classified as current due to the maturity date or type of note payable.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets – operating consist of the following at July 31:

	<u>2011</u>	<u>2010</u>
Promises to give for future periods	\$ 269,500	\$ 90,672

Temporarily restricted net assets – capital consist of the following at July 31:

	<u>2011</u>	<u>2010</u>
Promises to give for building acquisition, renovation and maintenance or the Fund for Artistic Excellence	\$ 2,386,475	\$ 2,942,086

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of assets held for the following purposes at July 31:

	<u>2011</u>	<u>2010</u>
Endowment fund for operating expenses	\$ 308,165	\$ 308,165
Young Artist Scholarship program	<u>100,000</u>	<u>100,000</u>
	<u>\$ 408,165</u>	<u>\$ 408,165</u>

The dividend and interest income earned on permanently restricted net assets is available to the Organization on an unrestricted basis. The Organization's endowment consists of donor restricted gifts held in investment accounts. As required, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the 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. 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.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

2011 Endowment Net Asset Composition by Type of Fund as of July 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (142,731)	\$ -	\$ 408,165	\$ 265,434

Changes in Endowment Net Assets for the fiscal year ended July 31, 2011:

Endowment net assets, beginning of year	\$ (103,250)	\$ -	\$ 408,165	\$ 304,915
Investment income, net	13,923	-	-	13,923
Net appreciation	10,096	-	-	10,096
Amounts appropriated for expenditure	(63,500)	-	-	(63,500)
Endowment net assets, end of year	\$ (142,731)	\$ -	\$ 408,165	\$ 265,434

2010 Endowment Net Asset Composition by Type of Fund as of July 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (103,250)	\$ -	\$ 408,165	\$ 304,915

Changes in Endowment Net Assets for the fiscal year ended July 31, 2010:

Endowment net assets, beginning of year	\$ (115,472)	\$ -	\$ 408,165	\$ 292,693
Investment income, net	9,154	-	-	9,154
Net appreciation	18,068	-	-	18,068
Amounts appropriated for expenditure	(15,000)	-	-	(15,000)
Endowment net assets, end of year	\$ (103,250)	\$ -	\$ 408,165	\$ 304,915

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Client to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$142,731 and \$103,250 as of July 31, 2011 and 2010, respectively.

Endowment Investment Policy and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a secure source of sufficient income to enable the Organization to underwrite the majority of its operating cost. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Under this policy, as approved by the Board of Directors, the general policy is to diversify investments among both equity and fixed income securities so as to enhance total return while avoiding undue risk concentration in any investment class. It is expected that the allocations will fall within the ranges below:

Equities:	25-45%
Fixed income:	55-75%
Cash or equivalent:	0-10%

Investments of a single issuer may not exceed 5% of the total market value of the endowment, and no more than 25% of the market value of the endowment should be in one industry.

Strategies Employed for Achieving Investment Objectives

To satisfy its long term objectives, the Organization relies on a strategy meant to preserve the principal of operating cash and reserves while producing market-level income. The objective is for the endowment to realize at least a rate-of-return of 5%, to realize rates of return commensurate with relative market measures, such as securities indices, and to achieve a total rate of return that is above median performance of similarly managed funds over a time period.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2011 and 2010

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Client has a policy of appropriating, no more often than quarterly, dividend and interest income from the endowment fund. Appropriations will be equal to 5% of the average market value on an annual basis based on a twelve month moving average of market value. Under unusual circumstances, this percentage may be raised or lowered temporarily on approval by the Board of Directors.

NOTE 11 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE

The Community Foundation of Middle Tennessee (the “Foundation”) maintains investments on behalf of the Organization. The Foundation has ultimate authority and control over the investments; accordingly, the net assets of the Organization do not include these investments.

The Organization does anticipate receiving periodic investment earnings on its pro-rata share of the Foundation’s assets. The balance of the endowment fund held for the benefit of the Organization totals \$2,019,715 and \$1,762,154 at July 31, 2011 and 2010, respectively.

The Organization received contributions from the Foundation of \$92,800 and \$93,450 in fiscal 2011 and 2010, respectively.

NOTE 12 – EMPLOYEE BENEFIT PLAN

Effective January 1, 2005, the Organization established a defined contribution benefit plan (the “Plan”) in which all qualified employees 21 years of age and over may participate. The Plan provides for participants’ pretax contributions to the Plan pursuant to Section 401(k) of the Internal Revenue Code. The Organization will make a matching contribution equal to 100% of employee salary deferrals that do not exceed 4% of salary. Both employee and employer contributions are 100% vested. The Organization’s contribution to the Plan was approximately \$21,559 and \$19,098 for the years ended July 31, 2011 and 2010, respectively. Subsequent to year end, the Plan was amended to change the matching contributions to a discretionary employer match.

NOTE 13 – RELATED PARTY TRANSACTIONS

As discussed in Note 8, during 2011, the Organization received a loan of \$25,000 from a member of the Board of Directors. At July 31, 2011 the outstanding balance on the loan was \$25,000.

SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

The Board of Directors of
Nashville Opera Association
Nashville, Tennessee

Our report on our audit of the consolidated financial statements of Nashville Opera Association appears on page 2. That audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating statements of activities that follow on pages 23 and 24, are presented for purposes of additional analysis, and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

November 21, 2011

NASHVILLE OPERA ASSOCIATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2011

	Nashville Opera Company, LLC	Noah Liff Opera Center, LLC	NOA Foundation, LLC	Nashville Opera Guild	Eliminations	Consolidated
Support and revenue:						
Contributions from corporations and foundations	\$ 594,933	\$ -	\$ -	\$ -	\$ -	\$ 594,933
Capital campaign contributions	-	293,010	156,775	-	-	449,785
Contributions from individuals	319,829	-	-	-	-	319,829
Single ticket sales and tour fees	282,642	-	-	-	-	282,642
Subscription ticket sales	237,597	-	-	-	-	237,597
Grants from governmental agencies	216,250	-	-	-	-	216,250
Guild special events	-	-	-	165,775	-	165,775
Other contributions	509,534	-	-	-	(347,500)	162,034
Rental income	81,490	-	-	-	-	81,490
Investment income, net	-	-	25,698	-	-	25,698
Fundraising revenue	24,594	-	-	-	-	24,594
Other income	7,250	-	-	3,431	-	10,681
Membership dues	-	-	-	6,465	-	6,465
Interest income	-	251	-	12	-	263
Total support and revenue	<u>2,274,119</u>	<u>293,261</u>	<u>182,473</u>	<u>175,683</u>	<u>(347,500)</u>	<u>2,578,036</u>
Expenses:						
Production	1,046,382	-	-	-	-	1,046,382
Administrative	656,737	-	-	-	-	656,737
Subcontract labor	415,145	-	-	-	-	415,145
Building expenses	27,467	342,501	-	-	-	369,968
Marketing	86,880	-	-	-	-	86,880
Special events	-	-	-	69,530	-	69,530
Public relations	36,055	-	-	-	-	36,055
Development and fundraising	27,324	-	-	-	-	27,324
Other	37,000	-	1,679	12,029	-	50,708
Contributions	-	190,000	63,500	94,000	(347,500)	-
Total expenses	<u>2,332,990</u>	<u>532,501</u>	<u>65,179</u>	<u>175,559</u>	<u>(347,500)</u>	<u>2,758,729</u>
Change in net assets	<u>\$ (58,871)</u>	<u>\$ (239,240)</u>	<u>\$ 117,294</u>	<u>\$ 124</u>	<u>\$ -</u>	<u>\$ (180,693)</u>

NASHVILLE OPERA ASSOCIATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2010

	Nashville Opera Company, LLC	Noah Liff Opera Center, LLC	NOA Foundation, LLC	Nashville Opera Guild	Eliminations	Consolidated
Support and revenue:						
Contributions from corporations and foundations	\$ 377,940	\$ -	\$ -	\$ -	\$ -	\$ 377,940
Contributions from individuals	292,336					292,336
Grants from governmental agencies	254,284	-	-	-	-	254,284
Subscription ticket sales	223,439					223,439
Guild special events	-	-	-	198,381	-	198,381
Single ticket sales	195,608	-	-	-	-	195,608
Other contributions	517,309	15,000	131,250		(528,250)	135,309
Capital campaign contributions	-	70,700	-	-	-	70,700
Rental income	62,275	-	-	-	-	62,275
Other income	22,593	-	-	7,776	-	30,369
Investment income, net	-	-	27,897	-	-	27,897
Membership dues	-	-	-	6,400	-	6,400
Interest income	-	884	-	13	-	897
Total support and revenue	<u>1,945,784</u>	<u>86,584</u>	<u>159,147</u>	<u>212,570</u>	<u>(528,250)</u>	<u>1,875,835</u>
Expenses:						
Production	905,395	-	-	-	-	905,395
Administrative	607,709	-	-	-	-	607,709
Subcontract labor	324,978	-	-	-	-	324,978
Building expenses	-	314,888	-	-	-	314,888
Marketing	103,166	-	-	-	-	103,166
Special events	-	-	-	90,905	-	90,905
Public relations	44,463	-	-	-	-	44,463
Development and fundraising	26,675	-	-	-	-	26,675
Other	-	-	675	15,580	-	16,255
Contributions	-	275,000	146,250	107,000	(528,250)	-
Total expenses	<u>2,012,386</u>	<u>589,888</u>	<u>146,925</u>	<u>213,485</u>	<u>(528,250)</u>	<u>2,434,434</u>
Change in net assets	<u>\$ (66,602)</u>	<u>\$ (503,304)</u>	<u>\$ 12,222</u>	<u>\$ (915)</u>	<u>\$ -</u>	<u>\$ (558,599)</u>