

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2015 and 2014**

# 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 financial statements of Nashville Opera Association (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2015 and 2014, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Opera Association, as of July 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.

*Frasier, Dean & Howard, PLLC*

November 16, 2015  
Nashville, Tennessee

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**July 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 227,430	\$ 186,801
Contributions receivable	651,041	705,291
Accounts receivable	25,952	50,499
Prepaid expenses and other	35,885	84,612
Total current assets	940,308	1,027,203
Investments	1,136,540	1,046,333
Noncurrent contributions receivable, net of discount	414,945	759,565
Land, building and equipment, net	6,197,266	6,296,977
Total assets	<u>\$ 8,689,059</u>	<u>\$ 9,130,078</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,487	\$ 7,216
Unearned revenue	245,261	246,205
Lines of credit	200,000	150,000
Total current liabilities	452,748	403,421
Net assets:		
Unrestricted	6,462,160	6,573,800
Temporarily restricted	1,065,986	1,444,692
Permanently restricted	708,165	708,165
Total net assets	8,236,311	8,726,657
Total liabilities and net assets	<u>\$ 8,689,059</u>	<u>\$ 9,130,078</u>

See notes to consolidated financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended July 31, 2015**

	Unrestricted	Operating	Temporarily Restricted Capital	Total	Permanently Restricted	Total
Support and revenue:						
Contributions from individuals	\$ 759,431	\$ -	\$ -	\$ -	\$ -	\$ 759,431
Contributions from corporations and foundations	322,866	212,964	-	212,964	-	535,830
Single ticket sales and tour fees	270,025	-	-	-	-	270,025
Grants from governmental agencies	207,200	-	-	-	-	207,200
Rental income	181,565	-	-	-	-	181,565
Subscription ticket sales	174,751	-	-	-	-	174,751
Guild special events	174,466	-	-	-	-	174,466
Other contributions	106,900	-	-	-	-	106,900
Fundraising revenue	87,788	-	-	-	-	87,788
Investment income, net	67,215	-	-	-	-	67,215
Other income	17,923	-	-	-	-	17,923
Capital campaign contributions	10,000	-	-	-	-	10,000
Membership dues	8,275	-	-	-	-	8,275
Interest income	34	-	-	-	-	34
Net assets released from restrictions	591,670	(177,739)	(413,931)	(591,670)	-	-
Total support and revenue	2,980,109	35,225	(413,931)	(378,706)	-	2,601,403
Expenses:						
Production	1,065,849	-	-	-	-	1,065,849
Administrative	715,651	-	-	-	-	715,651
Subcontract labor	596,705	-	-	-	-	596,705
Building expenses	344,765	-	-	-	-	344,765
Development and fundraising	118,223	-	-	-	-	118,223
Marketing	94,427	-	-	-	-	94,427
Special events	88,770	-	-	-	-	88,770
Public relations	48,711	-	-	-	-	48,711
Other	18,648	-	-	-	-	18,648
Total expenses	3,091,749	-	-	-	-	3,091,749
Change in net assets	\$ (111,640)	\$ 35,225	\$ (413,931)	\$ (378,706)	\$ -	\$ (490,346)

See notes to consolidated financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended July 31, 2014**

	Unrestricted	Operating	Temporarily Restricted Capital	Total	Permanently Restricted	Total
Support and revenue:						
Contributions from corporations and foundations	\$ 618,530	\$ 177,739	\$ -	\$ 177,739	\$ -	\$ 796,269
Contributions from individuals	441,708	-	-	-	-	441,708
Fundraising revenue	280,810	-	-	-	-	280,810
Rental income	244,287	-	-	-	-	244,287
Grants from governmental agencies	213,200	-	-	-	-	213,200
Single ticket sales and tour fees	200,810	-	-	-	-	200,810
Subscription ticket sales	188,724	-	-	-	-	188,724
Guild special events	186,463	-	-	-	-	186,463
Investment income, net	115,314	-	-	-	-	115,314
Other contributions	104,000	-	-	-	-	104,000
Other income	18,422	-	-	-	-	18,422
Capital campaign contributions	14,035	-	-	-	-	14,035
Membership dues	8,110	-	-	-	-	8,110
Interest income	14	-	-	-	-	14
Net assets released from restrictions	625,252	(310,000)	(315,252)	(625,252)	-	-
Total support and revenue	3,259,679	(132,261)	(315,252)	(447,513)	-	2,812,166
Expenses:						
Production	998,345	-	-	-	-	998,345
Administrative	723,680	-	-	-	-	723,680
Subcontract labor	607,771	-	-	-	-	607,771
Building expenses	357,037	-	-	-	-	357,037
Development and fundraising	167,813	-	-	-	-	167,813
Special events	102,807	-	-	-	-	102,807
Marketing	97,656	-	-	-	-	97,656
Public relations	43,146	-	-	-	-	43,146
Other	20,445	-	-	-	-	20,445
Total expenses	3,118,700	-	-	-	-	3,118,700
Change in net assets	\$ 140,979	\$ (132,261)	\$ (315,252)	\$ (447,513)	\$ -	\$ (306,534)

See notes to consolidated financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**For the Years Ended July 31, 2015 and 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>	<u>Total</u>
		<u>Operating</u>	<u>Capital</u>		
Net assets at July 31, 2013	\$ 6,432,821	\$ 310,000	\$ 1,582,205	\$ 708,165	\$ 9,033,191
Change in net assets	140,979	(132,261)	(315,252)	-	(306,534)
Net assets at July 31, 2014	6,573,800	177,739	1,266,953	708,165	8,726,657
Change in net assets	(111,640)	35,225	(413,931)	-	(490,346)
Net assets at July 31, 2015	<u>\$ 6,462,160</u>	<u>\$ 212,964</u>	<u>\$ 853,022</u>	<u>\$ 708,165</u>	<u>\$ 8,236,311</u>

See notes to consolidated financial statements.



**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended July 31, 2015**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 342,322	\$ 284,537	\$ 196,901	\$ 823,760
Production subcontract labor	596,705	-	-	596,705
Production expense	422,737	-	-	422,737
Depreciation and amortization	190,553	62,381	-	252,934
Miscellaneous	113,378	45,015	38,224	196,617
Fundraising events	-	-	161,922	161,922
Building expense	85,776	55,744	-	141,520
Employee benefits	46,552	30,258	20,906	97,716
Marketing	-	70,543	-	70,543
Payroll taxes	27,194	25,698	14,145	67,037
Utilities	33,885	11,295	-	45,180
Printing and publications	-	29,472	4,837	34,309
Insurance	15,349	15,349	-	30,698
Public relations	-	23,898	-	23,898
Interest	-	20,897	-	20,897
Postage	-	18,154	2,010	20,164
Legal and professional	-	16,468	-	16,468
Dues and subscriptions	6,500	7,553	-	14,053
Bank fees	-	14,010	-	14,010
Pension	5,830	3,391	3,038	12,259
Telephone	6,221	2,154	-	8,375
Conferences	-	7,521	-	7,521
Equipment maintenance	-	6,450	-	6,450
Supplies	-	5,976	-	5,976
Total expenses	<u>\$ 1,893,002</u>	<u>\$ 756,764</u>	<u>\$ 441,983</u>	<u>\$ 3,091,749</u>

See notes to consolidated financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended July 31, 2014**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 343,676	\$ 290,829	\$ 166,872	\$ 801,377
Production subcontract labor	607,771	-	-	607,771
Production expense	407,500	-	-	407,500
Depreciation and amortization	189,786	63,262	-	253,048
Fundraising events	-	-	236,367	236,367
Miscellaneous	70,779	70,273	25,358	166,410
Building expense	85,296	57,443	-	142,739
Employee benefits	46,792	30,337	17,978	95,107
Marketing	-	66,635	-	66,635
Payroll taxes	28,381	23,978	12,766	65,125
Utilities	35,155	11,718	-	46,873
Printing and publications	-	32,713	5,068	37,781
Insurance	13,488	13,488	-	26,976
Equipment maintenance	-	25,838	-	25,838
Interest	-	21,157	-	21,157
Public relations	-	20,383	-	20,383
Postage	-	15,948	3,827	19,775
Bank fees	-	15,999	-	15,999
Legal and professional	-	15,957	-	15,957
Dues and subscriptions	6,500	6,335	-	12,835
Pension	5,724	3,623	2,952	12,299
Conferences	-	7,392	-	7,392
Telephone	5,428	1,820	-	7,248
Supplies	-	6,108	-	6,108
Total expenses	<u>\$ 1,846,276</u>	<u>\$ 801,236</u>	<u>\$ 471,188</u>	<u>\$ 3,118,700</u>

See notes to consolidated financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended July 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (490,346)	\$ (306,534)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	252,934	253,048
Donated investments	(109,847)	(46,902)
Unrealized gains on investments	(20,067)	(87,940)
Changes in operating assets and liabilities:		
Contributions receivable	(15,061)	328,054
Accounts receivable	24,547	(50,499)
Prepaid expenses and other	48,727	(57,799)
Accounts payable and accrued expenses	271	(6,106)
Unearned revenue	(944)	(18,136)
Contributions restricted for long-term purposes	<u>(10,000)</u>	<u>(250)</u>
Net cash (used in) provided by operating activities	<u>(319,786)</u>	<u>6,936</u>
Cash flows from investing activities:		
Purchase of building and equipment	(153,223)	(59,384)
Purchases of investments, net	(403,140)	(591,771)
Proceeds from sales of investments, net	<u>442,847</u>	<u>410,402</u>
Net cash used in investing activities	<u>(113,516)</u>	<u>(240,753)</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	423,931	315,502
Borrowings on lines of credit	350,000	300,000
Payments on lines of credit	<u>(300,000)</u>	<u>(350,000)</u>
Net cash provided by financing activities	<u>473,931</u>	<u>265,502</u>
Net increase in cash and cash equivalents	40,629	31,685
Cash and cash equivalents, beginning of year	<u>186,801</u>	<u>155,116</u>
Cash and cash equivalents, end of year	<u>\$ 227,430</u>	<u>\$ 186,801</u>
Supplemental information:		
Interest paid	<u>\$ 20,897</u>	<u>\$ 21,157</u>
Taxes paid	<u>\$ 3,894</u>	<u>\$ 12,263</u>
Noncash financing transactions:		
Decrease in discount on contributions receivable	<u>\$ -</u>	<u>\$ (13,785)</u>

See notes to consolidated financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2015 and 2014**

**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 consolidated 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 to herein collectively as the “Organization.” All significant inter-entity transactions and balances have been eliminated in consolidation.

**Accounting Method**

The accompanying consolidated 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, 2015 and 2014**

**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 of 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 9.

**Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated 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, 2015 and 2014**

**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 of 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. Contributions receivable due in the next year are reflected as current contributions receivable and are recorded at their net realizable value. Contributions receivable due in subsequent years are reflected as noncurrent contributions receivable and are recorded at the present value of their net realizable value, by discounting the contributions receivable at an appropriate rate commensurate with the risk involved.

The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. 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, 2015 and 2014, and accordingly no allowance for uncollectible contributions receivable has been provided at July 31, 2015 and 2014.

**Building, Equipment and Building Improvements**

Building, 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.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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 consolidated statements 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 from advance ticket sales and deposits for future rental agreements. These advance ticket sales and related expenses are reflected in operations in the year the production is performed. The facility and production set rental income is reflected in the year the rental occurs.

**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.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributed Services and Facilities**

Contributed services are reflected in the consolidated 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 amounts of \$96,680 and \$117,775 in fiscal 2015 and 2014, respectively.

**Advertising Costs**

Advertising costs are expensed as incurred and are reflected in marketing in the accompanying consolidated statements of activities. Advertising expense totaled \$57,656 and \$58,865 for fiscal 2015 and 2014, 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 income 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 guidance 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, 2012 through July 31, 2015.

**Subsequent Events**

The Organization evaluated subsequent events through November 16, 2015, when these consolidated financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying consolidated financial statements.



**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**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 ratings of its financial institutions.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

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

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 651,041	\$ 705,291
Receivable in one to five years	<u>450,000</u>	<u>794,620</u>
Total contributions receivable	1,101,041	1,499,911
Less discounts to net present value (2%-5%)	<u>(35,055)</u>	<u>(35,055)</u>
Net contributions receivable	<u>\$ 1,065,986</u>	<u>\$ 1,464,856</u>

Approximately 71% of contributions receivable at July 31, 2015 consist of amounts due from two donors, while approximately 75% of contributions receivable at July 31, 2014 consists of amounts due from two donors.

Approximately 11% and 12% of contributions in fiscal 2015 and fiscal 2014, respectively, were made by one donor.

Included in contributions receivable is \$853,022 and \$1,266,953 net receivable at July 31, 2015 and 2014, respectively, to be used for 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>2015</u>	<u>2014</u>
Mutual funds	\$ 663,690	\$ 681,840
Exchange-traded funds	389,492	307,964
Money market	<u>83,358</u>	<u>56,529</u>
Total investments	<u>\$ 1,136,540</u>	<u>\$ 1,046,333</u>

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 5 – FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United State of America 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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 83,358	\$ -	\$ -	\$ 83,358
Mutual funds:				
Bond funds-fixed income	214,929	-	-	214,929
Common stock funds-growth funds	192,672	-	-	192,672
Common stock funds-value funds	166,772	-	-	166,772
Common stock funds-blend funds	89,317	-	-	89,317
Total mutual funds	<u>663,690</u>	<u>-</u>	<u>-</u>	<u>663,690</u>
Exchange-traded funds:				
Common stock funds-growth funds	220,944	-	-	220,944
Common stock funds-value funds	168,548	-	-	168,548
Total exchange-traded funds	<u>389,492</u>	<u>-</u>	<u>-</u>	<u>389,492</u>
Total investments	<u>\$ 1,136,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,136,540</u>

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of July 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 56,529	\$ -	\$ -	\$ 56,529
Mutual funds:				
Common stock funds-growth funds	214,818	-	-	214,818
Bond funds-fixed income	210,465	-	-	210,465
Common stock funds-value funds	161,253	-	-	161,253
Common stock funds-blend funds	95,304	-	-	95,304
Total mutual funds	<u>681,840</u>	<u>-</u>	<u>-</u>	<u>681,840</u>
Exchange-traded funds:				
Common stock funds-growth funds	151,940	-	-	151,940
Common stock funds-value funds	156,024	-	-	156,024
Total exchange-traded funds	<u>307,964</u>	<u>-</u>	<u>-</u>	<u>307,964</u>
Total investments	<u>\$ 1,046,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046,333</u>

**NOTE 6 – BUILDING, EQUIPMENT AND BUILDING IMPROVEMENTS**

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

	<u>2015</u>	<u>2014</u>
Building, land and land improvements	\$ 623,400	\$ 600,000
Building improvements	6,498,547	6,491,124
Furniture and equipment	718,240	734,488
Production scenery	113,717	-
	<u>7,953,904</u>	<u>7,825,612</u>
Accumulated depreciation and amortization	<u>(1,756,638)</u>	<u>(1,528,635)</u>
	<u>\$ 6,197,266</u>	<u>\$ 6,296,977</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 2016, and \$200,000, payable on demand, with interest computed at a variable rate consisting of the bank's prime rate plus 1.3% (minimum 4.55%), and the bank's prime rate plus 1.0% (4.25%), respectively. As of July 31, 2015 and 2014, total borrowings outstanding were \$200,000 and \$150,000, respectively. The second line of credit noted above is secured by the Organization's cash and investments. The other line of credit is unsecured.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 8 – RESTRICTIONS ON NET ASSETS**

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

	<u><b>2015</b></u>	<u><b>2014</b></u>
Promises to give for future periods	\$ 212,964	\$ 103,500
Stage set building and production expenses	<u>-</u>	<u>74,239</u>
	<u><u>\$ 212,964</u></u>	<u><u>\$ 177,739</u></u>

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

	<u><b>2015</b></u>	<u><b>2014</b></u>
Promises to give for building acquisition, renovation and maintenance or the Fund for Artistic Excellence	<u>\$ 853,022</u>	<u>\$ 1,266,953</u>

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

	<u><b>2015</b></u>	<u><b>2014</b></u>
Endowment fund for operating expenses	\$ 608,165	\$ 608,165
Young Artist Scholarship program	<u>100,000</u>	<u>100,000</u>
	<u><u>\$ 708,165</u></u>	<u><u>\$ 708,165</u></u>

The dividend and interest income earned on permanently restricted net assets is generally available to the Organization on an unrestricted basis.

**NOTE 9 – ENDOWMENT FUND**

The Organization's endowment consists of unrestricted and 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.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 9 – ENDOWMENT FUND (Continued)**

**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. The endowment also includes unrestricted assets for the Fund for Artistic Excellence from contributions receivable as disclosed in Note 3.

**Endowment Net Asset Composition by Type of Fund as of July 31, 2015:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 254,249	\$ -	\$ 708,165	\$ 962,414
Unrestricted Fund for Artistic Excellence	<u>174,126</u>	<u>-</u>	<u>-</u>	<u>174,126</u>
Total	<u>\$ 428,375</u>	<u>\$ -</u>	<u>\$ 708,165</u>	<u>\$ 1,136,540</u>

**Changes in Endowment Net Assets for the fiscal year ended July 31, 2015:**

Endowment net assets, beginning of year	\$ 338,168	\$ -	\$ 708,165	\$ 1,046,333
Investment income, net	41,762	-	-	41,762
Net appreciation	20,067	-	-	20,067
Transfers into endowment	361,378	-	-	361,378
Amounts appropriated for expenditure	<u>(333,000)</u>	<u>-</u>	<u>-</u>	<u>(333,000)</u>
Endowment net assets, end of year	<u>\$ 428,375</u>	<u>\$ -</u>	<u>\$ 708,165</u>	<u>\$ 1,136,540</u>

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 9 – ENDOWMENT FUND (Continued)**

**Endowment Net Asset Composition by Type of Fund as of July 31, 2014:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 5,106	\$ -	\$ 708,165	\$ 713,271
Unrestricted Fund for Artistic Excellence	<u>333,062</u>	<u>-</u>	<u>-</u>	<u>333,062</u>
Total	<u>\$ 338,168</u>	<u>\$ -</u>	<u>\$ 708,165</u>	<u>\$ 1,046,333</u>

**Changes in Endowment Net Assets for the fiscal year ended July 31, 2014:**

Endowment net assets, beginning of year	\$ 21,957	\$ -	\$ 708,165	\$ 730,122
Investment income, net	26,924	-	-	26,924
Net appreciation	87,940	-	-	87,940
Transfers into endowment	564,847	-	-	564,847
Amounts appropriated for expenditure	<u>(363,500)</u>	<u>-</u>	<u>-</u>	<u>(363,500)</u>
Endowment net assets, end of year	<u>\$ 338,168</u>	<u>\$ -</u>	<u>\$ 708,165</u>	<u>\$ 1,046,333</u>

**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 and unrestricted funds. The unrestricted funds are the Fund for Artistic Excellence which is created to support the mission of the Nashville Opera Association.

Under this policy, as approved by the Board of Directors, the general policy is to diversify investments through a portfolio of stocks, bonds and other investments 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 as follows:

Equities	50% - 75%
Fixed income	20% - 40%
Non-Traditional	0% - 25%
Cash or equivalent	5% - 15%

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 9 – ENDOWMENT FUND (Continued)**

**Endowment Investment Policy and Risk Parameters (Continued)**

Investments of a single issuer may not exceed 5% of the total market value of the endowment.

**Strategies Employed for Achieving Investment Objectives**

To satisfy its long-term objectives, the Organization's investment strategy for the donor restricted funds and the Fund for Artistic Excellence is to invest in moderately aggressive funds with an emphasis on long-term growth. The objective is for the funds to realize a reasonable level of income. The goal for growth of the endowment funds is to grow in excess of the inflation rate over a full market cycle, after distributions for spending and management fees.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization's policy for the donor restricted fund is to appropriate dividend and interest income from the endowment fund annually. Appropriations will be equal to 5% of the market value, defined as the 3 year rolling average of the December 31 balance.

The Organization's policy for the Fund for Artistic Excellence is to appropriate 5% of the market value, defined as the 3 year rolling average of the December 31 balance, plus an annual amount of approximately \$150,000 for operating purposes. Additional withdrawals may be requested for approval by the NOA Foundation, LLC board of directors.

**NOTE 10 – 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 can make a discretionary matching contribution. Both employee and employer contributions are 100% vested. The Organization's contribution to the Plan was \$12,259 and \$12,299 for the years ended July 31, 2015 and 2014, respectively.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**July 31, 2015 and 2014**

**NOTE 11 – COMMITMENTS**

The Organization leases warehouse space under a noncancellable operating lease. Rental expense amount to \$36,400 and \$20,052 for the years ended July 31, 2015 and 2014, respectively. Future minimum rental payments required under the operating lease in effect at July 31, 2015 are as follows:

Year ending <u>July 31</u>	
2016	\$ 37,500
2017	28,800
2018	-
2019	-
2020	<u>-</u>
	<u>\$ 66,300</u>

The Organization's bank has issued a standby letter of credit in the approximate amount of \$8,000 for the benefit of the Tennessee Performing Arts Center, the Organization's primary venue for its operatic productions, representing the annual season deposit.



## **SUPPLEMENTAL INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the consolidated financial statements of Nashville Opera Association as of and for the years ended July 31, 2015 and 2014, and our report thereon dated November 16, 2015, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1-2. Our 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 24 and 25, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Frasier, Dean & Howard, PLLC*

November 16, 2015  
Nashville, Tennessee

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended July 31, 2015**

	Nashville Opera Company, LLC	Noah Liff Opera Center, LLC	NOA Foundation, LLC	Nashville Opera Guild	Eliminations	Consolidated
Support and revenue:						
Contributions from individuals	\$ 759,431	\$ -	\$ -	\$ -	\$ -	\$ 759,431
Contributions from corporations and foundations	535,830	-	-	-	-	535,830
Single ticket sales and tour fees	270,025	-	-	-	-	270,025
Grants from governmental agencies	207,200	-	-	-	-	207,200
Rental income	181,565	-	-	-	-	181,565
Subscription ticket sales	174,751	-	-	-	-	174,751
Guild special events	-	-	-	174,466	-	174,466
Other contributions	349,900	150,000	-	-	(393,000)	106,900
Fundraising revenue	87,788	-	-	-	-	87,788
Investment income, net	-	-	67,215	-	-	67,215
Other income	13,817	-	-	4,106	-	17,923
Capital campaign contributions	-	-	10,000	-	-	10,000
Membership dues	-	-	-	8,275	-	8,275
Interest income	-	-	-	34	-	34
Total support and revenue	2,580,307	150,000	77,215	186,881	(393,000)	2,601,403
Expenses:						
Production	1,065,849	-	-	-	-	1,065,849
Administrative	715,651	-	-	-	-	715,651
Subcontract labor	596,705	-	-	-	-	596,705
Building expenses	91,430	253,335	-	-	-	344,765
Development and fundraising	118,223	-	-	-	-	118,223
Marketing	94,427	-	-	-	-	94,427
Special events	-	-	-	88,770	-	88,770
Public relations	48,711	-	-	-	-	48,711
Other	-	-	5,387	13,261	-	18,648
Contributions	-	100,000	208,000	85,000	(393,000)	-
Total expenses	2,730,996	353,335	213,387	187,031	(393,000)	3,091,749
Change in net assets	\$ (150,689)	\$ (203,335)	\$ (136,172)	\$ (150)	\$ -	\$ (490,346)

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended July 31, 2014**

	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	\$ 796,269	\$ -	\$ -	\$ -	\$ -	\$ 796,269
Contributions from individuals	441,708	-	-	-	-	441,708
Fundraising revenue	280,810	-	-	-	-	280,810
Rental income	244,287	-	-	-	-	244,287
Grants from governmental agencies	213,200	-	-	-	-	213,200
Single ticket sales and tour fees	200,810	-	-	-	-	200,810
Subscription ticket sales	188,724	-	-	-	-	188,724
Guild special events	-	-	-	186,463	-	186,463
Investment income, net	-	-	115,314	-	-	115,314
Other contributions	319,000	100,000	-	-	(315,000)	104,000
Other income	13,958	-	-	4,464	-	18,422
Capital campaign contributions	-	-	14,035	-	-	14,035
Membership dues	-	-	-	8,110	-	8,110
Interest income	-	-	-	14	-	14
Total support and revenue	2,698,766	100,000	129,349	199,051	(315,000)	2,812,166
Expenses:						
Production	998,345	-	-	-	-	998,345
Administrative	723,680	-	-	-	-	723,680
Subcontract labor	607,771	-	-	-	-	607,771
Building expenses	83,537	273,500	-	-	-	357,037
Development and fundraising	167,813	-	-	-	-	167,813
Special events	-	-	-	102,807	-	102,807
Marketing	97,656	-	-	-	-	97,656
Public relations	43,146	-	-	-	-	43,146
Other	-	-	5,296	-	-	5,296
Contributions	-	100,000	140,000	75,000	(315,000)	-
Total expenses	2,721,948	373,500	145,296	192,956	(315,000)	3,118,700
Change in net assets	\$ (23,182)	\$ (273,500)	\$ (15,947)	\$ 6,095	\$ -	\$ (306,534)