

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Deen + Howard, PLLC

November 13, 2014
Nashville, Tennessee

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
July 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 186,801	\$ 155,116
Contributions receivable	705,291	1,173,492
Accounts receivable	50,499	-
Prepaid expenses and other	84,612	26,813
	<u>1,027,203</u>	<u>1,355,421</u>
Total current assets		
Investments	1,046,333	730,122
Noncurrent contributions receivable, net of discount	759,565	934,670
Building, equipment and building improvements, net	6,296,977	6,490,641
	<u>6,296,977</u>	<u>6,490,641</u>
Total assets	<u><u>\$ 9,130,078</u></u>	<u><u>\$ 9,510,854</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,216	\$ 13,322
Unearned revenue	246,205	264,341
Lines of credit	150,000	200,000
	<u>403,421</u>	<u>477,663</u>
Total current liabilities		
Net assets:		
Unrestricted	6,573,800	6,432,821
Temporarily restricted	1,444,692	1,892,205
Permanently restricted	708,165	708,165
	<u>8,726,657</u>	<u>9,033,191</u>
Total net assets		
Total liabilities and net assets	<u><u>\$ 9,130,078</u></u>	<u><u>\$ 9,510,854</u></u>

See notes to consolidated financial statements.

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

	Unrestricted	Temporarily Restricted		Permanently Restricted	Total
		Operating	Capital		
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	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)	-	-
Total support and revenue	3,259,679	(132,261)	(315,252)	-	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)	\$ -	\$ (306,534)

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2013

	Unrestricted	Temporarily Restricted			Permanently Restricted	Total
		Operating	Capital	Total		
Support and revenue:						
Contributions from corporations and foundations	\$ 206,821	\$ 310,000	\$ -	\$ 310,000	\$ -	\$ 516,821
Contributions from individuals	491,314	-	-	-	-	491,314
Single ticket sales and tour fees	281,563	-	-	-	-	281,563
Rental income	241,689	-	-	-	-	241,689
Subscription ticket sales	224,715	-	-	-	-	224,715
Grants from governmental agencies	219,240	-	-	-	-	219,240
Guild special events	182,075	-	-	-	-	182,075
Other contributions	145,770	-	-	-	-	145,770
Investment income, net	122,097	-	-	-	-	122,097
Other income	23,136	-	-	-	-	23,136
Fundraising revenue	19,926	-	-	-	-	19,926
Capital campaign contributions	9,468	-	-	-	-	9,468
Membership dues	8,515	-	-	-	-	8,515
Interest income	10	-	-	-	-	10
Net assets released from restrictions	724,485	(268,200)	(456,285)	(724,485)	-	-
Total support and revenue	2,900,824	41,800	(456,285)	(414,485)	-	2,486,339
Expenses:						
Production	1,006,026	-	-	-	-	1,006,026
Administrative	666,118	-	-	-	-	666,118
Building expenses	400,798	-	-	-	-	400,798
Subcontract labor	394,090	-	-	-	-	394,090
Special events	96,024	-	-	-	-	96,024
Marketing	90,753	-	-	-	-	90,753
Public relations	40,835	-	-	-	-	40,835
Development and fundraising	38,381	-	-	-	-	38,381
Other	18,723	-	-	-	-	18,723
Total expenses	2,751,748	-	-	-	-	2,751,748
Transfer to restricted	(100,000)	-	-	-	100,000	-
Change in net assets	\$ 49,076	\$ 41,800	\$ (456,285)	\$ (414,485)	\$ 100,000	\$ (265,409)

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended July 31, 2014 and 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>			<u>Permanently Restricted</u>	<u>Total</u>
		<u>Operating</u>	<u>Capital</u>	<u>Total</u>		
Net assets at July 31, 2012	\$ 6,383,745	\$ 268,200	\$ 2,038,490	\$ 2,306,690	\$ 608,165	\$ 9,298,600
Change in net assets	<u>49,076</u>	<u>41,800</u>	<u>(456,285)</u>	<u>(414,485)</u>	<u>100,000</u>	<u>(265,409)</u>
Net assets at July 31, 2013	6,432,821	310,000	1,582,205	1,892,205	708,165	9,033,191
Change in net assets	<u>140,979</u>	<u>(132,261)</u>	<u>(315,252)</u>	<u>(447,513)</u>	<u>-</u>	<u>(306,534)</u>
Net assets at July 31, 2014	<u>\$ 6,573,800</u>	<u>\$ 177,739</u>	<u>\$ 1,266,953</u>	<u>\$ 1,444,692</u>	<u>\$ 708,165</u>	<u>\$ 8,726,657</u>

See notes to consolidated financial statements.

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
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 STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended July 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 318,556	\$ 298,295	\$ 142,400	\$ 759,251
Production expense	519,622	-	-	519,622
Production subcontract labor	393,962	-	-	393,962
Depreciation and amortization	206,987	68,996	-	275,983
Building expense	78,566	60,943	-	139,509
Fundraising events	-	-	112,470	112,470
Miscellaneous	27,882	47,034	17,138	92,054
Employee benefits	40,607	21,761	14,467	76,835
Marketing	-	65,938	-	65,938
Payroll taxes	27,394	24,252	10,894	62,540
Utilities	32,094	10,698	-	42,792
Printing and publications	-	26,294	3,858	30,152
Public relations	-	26,072	-	26,072
Interest	-	25,432	-	25,432
Insurance	11,628	11,678	-	23,306
Bank fees	-	19,568	-	19,568
Dues and subscriptions	13,000	5,864	-	18,864
Postage	-	16,711	1,439	18,150
Legal and professional	-	15,179	-	15,179
Pension	6,522	1,758	2,848	11,128
Telephone	8,123	2,725	-	10,848
Equipment maintenance	-	5,312	-	5,312
Supplies	-	4,656	-	4,656
Conferences	-	2,125	-	2,125
Total expenses	<u>\$ 1,684,943</u>	<u>\$ 761,291</u>	<u>\$ 305,514</u>	<u>\$ 2,751,748</u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended July 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (306,534)	\$ (265,409)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	253,048	275,983
Donated investments	(46,902)	(35,710)
Unrealized gains on investments	(87,940)	(102,572)
Changes in operating assets and liabilities:		
Contributions receivable	328,054	(187,371)
Accounts receivable	(50,499)	-
Prepaid expenses and other	(57,799)	9,173
Accounts payable and accrued expenses	(6,106)	(4,825)
Unearned revenue	(18,136)	(12,942)
Contributions restricted for long-term purposes	(250)	(8,768)
Net cash provided by (used in) operating activities	<u>6,936</u>	<u>(332,441)</u>
Cash flows from investing activities:		
Purchase of building and equipment	(59,384)	(37,628)
Purchases of investments, net	(591,771)	(624,804)
Proceeds from sales of investments, net	410,402	473,710
Net cash used in investing activities	<u>(240,753)</u>	<u>(188,722)</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	315,502	465,053
Borrowings on lines of credit	300,000	300,000
Payments on lines of credit	(350,000)	(300,000)
Payments on notes payable	-	(19,000)
Net cash provided by financing activities	<u>265,502</u>	<u>446,053</u>
Net increase (decrease) in cash and cash equivalents	31,685	(75,110)
Cash and cash equivalents, beginning of year	<u>155,116</u>	<u>230,226</u>
Cash and cash equivalents, end of year	<u><u>\$ 186,801</u></u>	<u><u>\$ 155,116</u></u>
Supplemental information:		
Interest paid	<u>\$ 21,157</u>	<u>\$ 25,432</u>
Taxes paid	<u>\$ 12,263</u>	<u>\$ 651</u>
Noncash financing transactions:		
Decrease in discount on contributions receivable	<u>\$ (13,785)</u>	<u>\$ (700)</u>

See notes to consolidated financial statements.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2014 and 2013

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, 2014 and 2013

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 10.

Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 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, 2014 and 2013

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, 2014 and 2013, and accordingly no allowance for uncollectible contributions receivable has been provided at July 31, 2014 and 2013.

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, 2014 and 2013

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, 2014 and 2013

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 \$117,775 and \$69,890 in fiscal 2014 and 2013, respectively.

Advertising Costs

Advertising costs are expensed as incurred and are reflected in marketing in the accompanying consolidated statements of activities. Advertising expense totaled \$58,865 and \$50,850 for fiscal 2014 and 2013, 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, 2011 through July 31, 2014.

Subsequent Events

The Organization evaluated subsequent events through November 13, 2014, 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, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2013 statement of cash flows in order to conform with the 2014 presentation.

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>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 705,291	\$ 1,173,492
Receivable in one to five years	<u>794,620</u>	<u>983,510</u>
Total contributions receivable	1,499,911	2,157,002
Less discounts to net present value (2%-5%)	<u>(35,055)</u>	<u>(48,840)</u>
Net contributions receivable	<u><u>\$ 1,464,856</u></u>	<u><u>\$ 2,108,162</u></u>

Approximately 75% of contributions receivable at July 31, 2014 consist of amounts due from two donors, while approximately 54% of contributions receivable at July 31, 2013 consists of amounts due from two donors.

Approximately 12% and 15% of contributions in fiscal 2014 and fiscal 2013, respectively, were made by one donor.

Included in contributions receivable is \$1,266,953 and \$1,582,205 net receivable at July 31, 2014 and 2013, 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.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2014 and 2013

NOTE 4 – INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Mutual funds	\$ 681,840	\$ 428,879
Exchange-traded funds	307,964	259,447
Money market	<u>56,529</u>	<u>41,796</u>
Total investments	<u>\$ 1,046,333</u>	<u>\$ 730,122</u>

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, 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	<u>95,304</u>	<u>-</u>	<u>-</u>	<u>95,304</u>
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	<u>156,024</u>	<u>-</u>	<u>-</u>	<u>156,024</u>
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>

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2014 and 2013

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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 41,796	\$ -	\$ -	\$ 41,796
Mutual funds:				
Common stock funds-growth funds	220,559	-	-	220,559
Bond funds-fixed income	79,111	-	-	79,111
Common stock funds-value funds	70,554	-	-	70,554
Common stock funds-blend funds	<u>58,655</u>	<u>-</u>	<u>-</u>	<u>58,655</u>
Total mutual funds	<u>428,879</u>	<u>-</u>	<u>-</u>	<u>428,879</u>
Exchange-traded funds:				
Bond funds-fixed income	126,323	-	-	126,323
Common stock funds-value funds	73,034	-	-	73,034
Common stock funds-growth funds	<u>60,090</u>	<u>-</u>	<u>-</u>	<u>60,090</u>
Total exchange-traded funds	<u>259,447</u>	<u>-</u>	<u>-</u>	<u>259,447</u>
Total investments	<u>\$ 730,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 730,122</u>

NOTE 6 – BUILDING, EQUIPMENT AND BUILDING IMPROVEMENTS

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

	<u>2014</u>	<u>2013</u>
Building	\$ 600,000	\$ 600,000
Building improvements	6,491,124	6,491,124
Furniture and equipment	<u>734,488</u>	<u>675,103</u>
	7,825,612	7,766,227
Accumulated depreciation and amortization	<u>(1,528,635)</u>	<u>(1,275,586)</u>
	<u>\$ 6,296,977</u>	<u>\$ 6,490,641</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 2015, 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, 2014 and 2013, total borrowings outstanding were \$150,000 and \$200,000, 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, 2014 and 2013

NOTE 8 – NOTES PAYABLE

During May 2011, the Organization entered into a demand note payable with a board member in the amount of \$25,000 in order to purchase furniture. The interest rate is 2% to be paid annually in arrears. The demand note is unsecured. The note was paid in full during fiscal year 2013.

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

NOTE 9 – RESTRICTIONS ON NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Promises to give for future periods	\$ 103,500	\$ 310,000
Stage set building and production expenses	<u>74,239</u>	<u>-</u>
	<u><u>\$ 177,739</u></u>	<u><u>\$ 310,000</u></u>

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

	<u>2014</u>	<u>2013</u>
Promises to give for building acquisition, renovation and maintenance or the Fund for Artistic Excellence	<u>\$ 1,266,953</u>	<u>\$ 1,582,205</u>

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

	<u>2014</u>	<u>2013</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 available to the Organization on an unrestricted basis.

NOTE 10 – 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, 2014 and 2013

NOTE 10 – 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, 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>

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2014 and 2013

NOTE 10 – ENDOWMENT FUND (Continued)

Endowment Net Asset Composition by Type of Fund as of July 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted				
endowment funds	\$ (68,088)	\$ -	\$ 708,165	\$ 640,077
Unrestricted Fund for				
Artistic Excellence	<u>90,045</u>	<u>-</u>	<u>-</u>	<u>90,045</u>
Total	<u>\$ 21,957</u>	<u>\$ -</u>	<u>\$ 708,165</u>	<u>\$ 730,122</u>

Changes in Endowment Net Assets for the fiscal year ended July 31, 2013:

Endowment net assets,				
beginning of year	\$ (167,419)	\$ -	\$ 608,165	\$ 440,746
Investment income, net	14,804	-	-	14,804
Net appreciation	102,572	-	-	102,572
Transfers into endowment	510,000	-	100,000	610,000
Amounts appropriated				
for expenditure	<u>(438,000)</u>	<u>-</u>	<u>-</u>	<u>(438,000)</u>
Endowment net assets,				
end of year	<u>\$ 21,957</u>	<u>\$ -</u>	<u>\$ 708,165</u>	<u>\$ 730,122</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, 2014 and 2013

NOTE 10 – 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 11 – 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 \$12,299 and \$11,128 for the years ended July 31, 2014 and 2013, respectively.

NASHVILLE OPERA ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
July 31, 2014 and 2013

NOTE 12 – LEASE COMMITMENTS

The Organization leases warehouse space under a noncancellable operating lease. Rental expense amount to \$20,052 and \$14,400 for the years ended July 31, 2014 and 2013, respectively. Future minimum rental payments required under the operating lease in effect at July 31, 2014 are as follows:

Year ending July 31	
2015	\$ 36,300
2016	37,500
2017	<u>28,800</u>
	<u>\$ 102,600</u>

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, 2014 and 2013, and our report thereon dated November 13, 2014, 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 13, 2014
Nashville, Tennessee

**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
Rental income	244,287	-	-	-	-	244,287
Fundraising revenue	280,810	-	-	-	-	280,810
Single ticket sales and tour fees	200,810	-	-	-	-	200,810
Grants from governmental agencies	213,200	-	-	-	-	213,200
Subscription ticket sales	188,724	-	-	-	-	188,724
Guild special events	-	-	-	186,463	-	186,463
Investment income	-	-	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	<u>2,698,766</u>	<u>100,000</u>	<u>129,349</u>	<u>199,051</u>	<u>(315,000)</u>	<u>2,812,166</u>
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	15,149	-	20,445
Contributions	-	100,000	140,000	75,000	(315,000)	-
Total expenses	<u>2,721,948</u>	<u>373,500</u>	<u>145,296</u>	<u>192,956</u>	<u>(315,000)</u>	<u>3,118,700</u>
Change in net assets	<u>\$ (23,182)</u>	<u>\$ (273,500)</u>	<u>\$ (15,947)</u>	<u>\$ 6,095</u>	<u>\$ -</u>	<u>\$ (306,534)</u>

NASHVILLE OPERA ASSOCIATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2013

	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	\$ 516,821	\$ -	\$ -	\$ -	\$ -	\$ 516,821
Contributions from individuals	491,314	-	-	-	-	491,314
Single ticket sales and tour fees	281,563	-	-	-	-	281,563
Rental income	241,689	-	-	-	-	241,689
Subscription ticket sales	224,715	-	-	-	-	224,715
Grants from governmental agencies	219,240	-	-	-	-	219,240
Guild special events	-	-	-	182,075	-	182,075
Other contributions	440,770	-	-	-	(295,000)	145,770
Investment income, net	-	-	122,097	-	-	122,097
Other income	21,046	-	-	2,090	-	23,136
Fundraising revenue	19,926	-	-	-	-	19,926
Capital campaign contributions	-	8,768	700	-	-	9,468
Membership dues	-	-	-	8,515	-	8,515
Interest income	-	-	-	10	-	10
Total support and revenue	<u>2,457,084</u>	<u>8,768</u>	<u>122,797</u>	<u>192,690</u>	<u>(295,000)</u>	<u>2,486,339</u>
Expenses:						
Production	1,006,026	-	-	-	-	1,006,026
Administrative	666,118	-	-	-	-	666,118
Subcontract labor	394,090	-	-	-	-	394,090
Building expenses	101,051	299,747	-	-	-	400,798
Special events	-	-	-	96,024	-	96,024
Marketing	90,753	-	-	-	-	90,753
Public relations	40,835	-	-	-	-	40,835
Development and fundraising	38,381	-	-	-	-	38,381
Other	-	-	4,721	14,002	-	18,723
Contributions	-	75,000	135,000	85,000	(295,000)	-
Total expenses	<u>2,337,254</u>	<u>374,747</u>	<u>139,721</u>	<u>195,026</u>	<u>(295,000)</u>	<u>2,751,748</u>
Change in net assets	<u>\$ 119,830</u>	<u>\$ (365,979)</u>	<u>\$ (16,924)</u>	<u>\$ (2,336)</u>	<u>\$ -</u>	<u>\$ (265,409)</u>