

**NASHVILLE OPERA ASSOCIATION**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**July 31, 2007 and 2006**

# NASHVILLE OPERA ASSOCIATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Nashville Opera Association  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Opera Association (a nonprofit organization) as of July 31, 2007 and 2006, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Nashville Opera Association as of July 31, 2007 and 2006, and the changes in its net assets and 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 30, 2007

**NASHVILLE OPERA ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**July 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,217,474	\$ 41,086
Contributions receivable	846,520	665,610
Accounts receivable	2,330	-
Prepaid expenses and other	<u>54,202</u>	<u>51,009</u>
Total current assets	3,120,526	757,705
Investments	303,955	357,087
Noncurrent contributions receivable, net of discount	621,725	956,285
Deposits	7,010	7,010
Building, equipment and leasehold improvements, net	618,543	662,490
Deferred loan cost, net	<u>2,295</u>	<u>4,132</u>
Total assets	<u>\$ 4,674,054</u>	<u>\$ 2,744,709</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,732	\$ 10,673
Unearned revenue	257,015	278,844
Lines of credit	-	90,000
Note payable-building lines of credit, current	<u>-</u>	<u>300,000</u>
Total current liabilities	<u>261,747</u>	<u>679,517</u>
Note payable-building lines of credit, noncurrent	<u>-</u>	<u>300,000</u>
Total liabilities	<u>261,747</u>	<u>979,517</u>
Net assets:		
Unrestricted	523,549	(138,577)
Temporarily restricted	3,480,593	1,553,534
Permanently restricted	<u>408,165</u>	<u>350,235</u>
Total net assets	<u>4,412,307</u>	<u>1,765,192</u>
Total liabilities and net assets	<u>\$ 4,674,054</u>	<u>\$ 2,744,709</u>

See notes to financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
Year ended July 31, 2007

	Unrestricted	Temporarily Restricted Operating	Temporarily Restricted Building	Total Temporarily Restricted	Permanently Restricted	Total
Support and revenue:						
Contributions	\$ 1,274,113	\$ 48,750	\$ 2,586,554	\$ 2,635,304	\$ 57,930	\$ 3,967,347
Ticket sales	644,499	-	-	-	-	644,499
Grants from governmental agencies	201,052	-	-	-	-	201,052
Special events	200,475	-	-	-	-	200,475
Association fundraiser	92,100	-	-	-	-	92,100
Investment income - net	38,652	-	-	-	-	38,652
Interest income	30,035	-	-	-	-	30,035
Other income	20,005	-	-	-	-	20,005
Rental income	-	-	8,460	8,460	-	8,460
Membership dues	6,915	-	-	-	-	6,915
Net assets released from restrictions	716,705	(449,131)	(267,574)	(716,705)	-	-
Total support and revenue	3,224,551	(400,381)	2,327,440	1,927,059	57,930	5,209,540
Expenses:						
Production	902,005	-	-	-	-	902,005
Subcontract labor	488,485	-	-	-	-	488,485
Administrative	371,878	-	-	-	-	371,878
Development and fundraising	199,804	-	-	-	-	199,804
Marketing	195,296	-	-	-	-	195,296
Public relations	134,562	-	-	-	-	134,562
Building expenses	123,620	-	-	-	-	123,620
Special events	82,105	-	-	-	-	82,105
Other	64,670	-	-	-	-	64,670
Total expenses	2,562,425	-	-	-	-	2,562,425
Change in net assets	\$ 662,126	\$ (400,381)	\$ 2,327,440	\$ 1,927,059	\$ 57,930	\$ 2,647,115

See notes to financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
Year ended July 31, 2006

	Unrestricted	Temporarily Restricted Operating	Temporarily Restricted Building	Total Temporarily Restricted	Permanently Restricted	Total
Support and revenue:						
Contributions	\$ 954,335	\$ 371,200	\$ 948,526	\$ 1,319,726	\$ 25,093	\$ 2,299,154
Ticket sales	517,079	-	-	-	-	517,079
Grants from governmental agencies	227,968	-	-	-	-	227,968
Special events	184,912	-	-	-	-	184,912
Rental income	35,955	-	-	-	-	35,955
Other income	27,363	-	-	-	-	27,363
Investment income - net	17,457	-	-	-	-	17,457
Association fundraiser	17,310	-	-	-	-	17,310
Membership dues	8,145	-	-	-	-	8,145
Net assets released from restrictions	124,483	(124,483)	-	(124,483)	-	-
Total support and revenue	2,115,007	246,717	948,526	1,195,243	25,093	3,335,343
Expenses:						
Production	865,376	-	-	-	-	865,376
Subcontract labor	392,344	-	-	-	-	392,344
Administrative	341,689	-	-	-	-	341,689
Marketing	290,557	-	-	-	-	290,557
Development and fundraising	209,827	-	-	-	-	209,827
Special events	90,325	-	-	-	-	90,325
Public relations	85,319	-	-	-	-	85,319
Building expenses	41,526	-	-	-	-	41,526
Other	2,250	-	-	-	-	2,250
Total expenses	2,319,213	-	-	-	-	2,319,213
Change in net assets	\$ (204,206)	\$ 246,717	\$ 948,526	\$ 1,195,243	\$ 25,093	\$ 1,016,130

See notes to financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**Years ended July 31, 2007 and 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted Operating</u>	<u>Temporarily Restricted Building</u>	<u>Total Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets at July 31, 2005	\$ 65,629	\$ 358,291	\$ -	\$ 358,291	\$ 325,142	\$ 749,062
Change in net assets	<u>(204,206)</u>	<u>246,717</u>	<u>948,526</u>	<u>1,195,243</u>	<u>25,093</u>	<u>1,016,130</u>
Net assets at July 31, 2006	(138,577)	605,008	948,526	1,553,534	350,235	1,765,192
Change in net assets	<u>662,126</u>	<u>(400,381)</u>	<u>2,327,440</u>	<u>1,927,059</u>	<u>57,930</u>	<u>2,647,115</u>
Net assets at July 31, 2007	<u>\$ 523,549</u>	<u>\$ 204,627</u>	<u>\$ 3,275,966</u>	<u>\$ 3,480,593</u>	<u>\$ 408,165</u>	<u>\$ 4,412,307</u>

See accompanying notes.

**NASHVILLE OPERA ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended July 31, 2007**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 174,124	\$ 315,512	\$ 98,734	\$ 588,370
Production expense	1,095,826	-	-	1,095,826
Fundraising events	-	-	129,000	129,000
Marketing	-	119,872	-	119,872
Miscellaneous	43,840	36,980	25,161	105,981
Bad debt	-	63,570	-	63,570
Depreciation and amortization	-	54,082	-	54,082
Building campaign	53,273	-	-	53,273
Employee benefits	16,840	21,456	9,376	47,672
Payroll taxes	15,327	24,418	7,050	46,795
Printing and publications	-	32,925	6,052	38,977
Interest	-	33,564	-	33,564
Building expense	-	28,673	-	28,673
Scenery and costume storage	22,662	-	-	22,662
Public relations	-	16,428	-	16,428
Postage	-	13,837	2,034	15,871
Pension	4,238	5,142	4,502	13,882
Occupancy	-	13,446	-	13,446
Rehearsal hall rent	12,005	-	-	12,005
Dues and subscriptions	-	11,840	-	11,840
Bank fees	-	11,198	-	11,198
Supplies	-	9,453	-	9,453
Legal and professional	-	9,101	-	9,101
Telephone	6,727	2,109	-	8,836
Equipment maintenance	-	5,911	-	5,911
Conferences	-	4,156	-	4,156
Utilities	-	1,981	-	1,981
Total expenses	<u>\$ 1,444,862</u>	<u>\$ 835,654</u>	<u>\$ 281,909</u>	<u>\$ 2,562,425</u>



**NASHVILLE OPERA ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended July 31, 2006**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 167,109	\$ 276,082	\$ 111,935	\$ 555,126
Production expense	979,568	-	-	979,568
Marketing	-	202,151	-	202,151
Miscellaneous	34,035	30,937	56,425	121,397
Fundraising events	-	-	105,075	105,075
Depreciation and amortization	-	45,358	-	45,358
Payroll taxes	13,850	20,587	8,131	42,568
Employee benefits	16,911	16,020	7,771	40,702
Interest	-	31,525	-	31,525
Printing and publications	-	22,430	5,203	27,633
Legal and professional	-	26,220	-	26,220
Scenery and costume storage	22,524	-	-	22,524
Occupancy	-	13,419	-	13,419
Pension	5,736	5,578	1,329	12,643
Dues and subscriptions	-	12,273	-	12,273
Rehearsal hall rent	11,981	-	-	11,981
Public relations	-	11,801	-	11,801
Building expense	-	11,517	-	11,517
Bank fees	-	10,882	-	10,882
Telephone	6,006	1,874	-	7,880
Supplies	-	6,497	1,125	7,622
Equipment maintenance	-	7,381	-	7,381
Postage	-	4,121	3,158	7,279
Conferences	-	2,361	-	2,361
Utilities	-	2,327	-	2,327
Total expenses	<u>\$ 1,257,720</u>	<u>\$ 761,341</u>	<u>\$ 300,152</u>	<u>\$ 2,319,213</u>

**NASHVILLE OPERA ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**Years ended July 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,647,115	\$ 1,016,130
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	54,082	45,358
Discount on contributions receivable	(33,000)	47,409
Unrealized gains on investments	(21,978)	(2,108)
Contributions restricted for financing activities	(57,930)	(25,093)
Changes in operating assets and liabilities:		
Increase in receivables	(2,330)	-
Increase (decrease) in prepaid expenses and other	(3,193)	24,521
Decrease (increase) in contributions receivable	186,650	(1,332,027)
(Decrease) increase in accounts payable and accrued expenses	(5,941)	2,616
(Decrease) increase in unearned revenue	(21,829)	84,374
Net cash provided by (used in) operating activities	<u>2,741,646</u>	<u>(138,820)</u>
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	(8,298)	(893)
Payment of loan costs	-	(5,510)
Purchases of investments - net	(71,950)	(67,921)
Proceeds from sales of investments - net	<u>147,060</u>	<u>31,416</u>
Net cash provided by (used in) investing activities	<u>66,812</u>	<u>(42,908)</u>
Cash flows from financing activities:		
Borrowings on lines of credit	108,000	240,000
Payments on lines of credit	(198,000)	(150,000)
Borrowing on note payable	50,000	-
Payments on notes payable	(650,000)	-
Contributions to permanently restricted endowment	<u>57,930</u>	<u>25,093</u>
Net cash (used in) provided by financing activities	<u>(632,070)</u>	<u>115,093</u>
Net increase (decrease) in cash and cash equivalents	2,176,388	(66,635)
Cash and cash equivalents, beginning of year	<u>41,086</u>	<u>107,721</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,217,474</u></u>	<u><u>\$ 41,086</u></u>
Supplemental information:		
Interest paid	<u>\$ 33,564</u>	<u>\$ 31,526</u>
Property financed through issuance of note payable	<u>\$ -</u>	<u>\$ 600,000</u>

See notes to financial statements.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**July 31, 2007 and 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nashville Opera Association (the “Organization”) was organized in 1981 to present quality operatic and musical productions featuring casts of nationally and internationally known singers to Nashville audiences. 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 financial statements include the activities of both the Nashville Opera Association and the Nashville Opera Guild. Significant transactions between the organizations have been eliminated.

**Accounting Method**

The Organization’s accounting records are maintained in accordance with requirements as stated in Not-for-Profit Organizations as published by the American Institute of Certified Public Accountants. In that respect, the Organization reports on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the obligation is incurred.

**Financial Statement Presentation**

The Organization has adopted Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows. Net assets of the Organization are presented as follows:

**Unrestricted**

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

**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.

**Building**—Represents net assets subject to donor-imposed stipulations that they be used for acquisition or improvement of a long-lived asset.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**July 31, 2007 and 2006**

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

**Permanently Restricted**

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

**Contributions**

The Organization has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted amounts received and expended in the same year are reflected as unrestricted contributions.

**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 that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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, 2007 and 2006, and accordingly, no allowance for doubtful receivables has been provided.

**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.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**July 31, 2007 and 2006**

**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 quoted market values. Gains or losses on such investments are reported as a change in net assets in the period they occur.

**Building, Equipment and Leasehold Improvements**

Building, equipment and leasehold improvements are recorded at cost or at fair value as of the date purchased or 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 five to 25 years. Leasehold improvements are amortized over the relative lease term.

**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 \$22,445 and \$41,389 in 2007 and 2006, respectively.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**July 31, 2007 and 2006**

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

**Deferred Loan Costs**

Costs relating to debt financing are amortized over the term of the debt agreement using the straight-line method. Amortization expense totaled \$1,837 and \$1,378 in fiscal 2007 and 2006, respectively.

**Advertising Costs**

Advertising costs are expensed as incurred and are reflected in marketing in the accompanying statements of activities. Advertising expense totaled \$74,696 and \$83,097 for fiscal 2007 and 2006, respectively.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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 financial statements.

**Reclassifications**

Certain reclassifications have been made to the 2006 financial statements in order to conform with the 2007 presentation.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

At various times during the fiscal 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.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**July 31, 2007 and 2006**

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

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

	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 846,520	\$ 665,610
Receivable in one to five years	<u>662,940</u>	<u>1,030,500</u>
Total contributions receivable	1,509,460	1,696,110
Less discounts to net present value (5%)	<u>(41,215)</u>	<u>(74,215)</u>
Net contributions receivable	<u>\$ 1,468,245</u>	<u>\$ 1,621,895</u>

Approximately 78% of contributions receivable at July 31, 2007 consist of amounts due from four donors, while approximately 87% of contributions receivable at July 31, 2006 consists of amounts due from four donors.

Approximately 66% of contributions in 2007 were made by one donor, while approximately 68% of contributions were made by three donors in 2006.

Included in the contributions receivable is \$1,189,458 and \$948,526 net receivable at July 31, 2007 and 2006, respectively, to be used for payment of the building acquisition and renovation cost. Any amounts not used for the building will be used toward 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 – BUILDING, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Building, equipment and leasehold improvements at July 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building	\$ 600,000	\$ 600,000
Furniture and equipment	11,673	11,673
Computer equipment	48,439	40,141
Leasehold improvements	<u>215,301</u>	<u>215,301</u>
	875,413	867,115
Accumulated depreciation and amortization	<u>(256,870)</u>	<u>(204,625)</u>
	<u>\$ 618,543</u>	<u>\$ 662,490</u>

During 2006, the Organization acquired a building for the purpose of relocating its operations, expected to occur in 2008. Through September 2006, the Organization leased the building to a tenant for \$4,230 per month.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**July 31, 2007 and 2006**

**NOTE 5 – INVESTMENTS**

Investments consist of the following at July 31:

	<u>2007</u>	<u>2006</u>
Bond funds (fixed income)	\$ 143,393	\$ 163,523
Common stock funds (equities)	<u>160,562</u>	<u>193,564</u>
	<u>\$ 303,955</u>	<u>\$ 357,087</u>

The Organization policy is to allocate investments between fixed income securities (40% to 75% of the total investment balance) and equity securities (25% to 60% of the total investment balance).

**NOTE 6 – LINES OF CREDIT**

The Organization maintains two lines of credit arrangements with local financial institutions allowing for maximum borrowings of \$75,000 maturing April 2008 and \$200,000, maturing February 2008, with interest computed at a variable rate consisting of the bank's prime rate plus 1.5% and 1.0%, respectively. As of July 31, 2007 and 2006, borrowings outstanding were \$0 and \$90,000, respectively. The second line of credit noted above is secured by the Organization's cash and investments.

**NOTE 7 – NOTE PAYABLE-BUILDING LINES OF CREDIT**

In November 2005 the Organization entered into a multi-advance loan agreement provided by two financial institutions who share equally in the loan in which the Organization may borrow up to \$1,000,000 but may not re-borrow amounts that have been repaid, with interest at a fixed rate of 5.9% per annum. As of July 31, 2007 and 2006 borrowings outstanding were \$0 and \$600,000, respectively. During 2007 the loan was paid in full and the note payable was cancelled.

**NOTE 8 – RESTRICTED NET ASSETS**

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

	<u>2007</u>	<u>2006</u>
Young Artist Program	\$ 142,971	\$ 186,162
Promises to give for future periods	61,656	398,846
Future performances	<u>-</u>	<u>20,000</u>
	<u>\$ 204,627</u>	<u>\$ 605,008</u>



**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**July 31, 2007 and 2006**

**NOTE 8 – RESTRICTED NET ASSETS (Continued)**

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

	<u>2007</u>	<u>2006</u>
Promises to give for building acquisition and renovation	\$ 1,189,458	\$ 948,526
Contributions for building renovation	<u>2,086,508</u>	<u>-</u>
	<u>\$3,275,966</u>	<u>\$ 948,526</u>

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

	<u>2007</u>	<u>2006</u>
Endowment fund for operating expenses	\$ 308,165	\$ 250,235
Young Artist Scholarship program	<u>100,000</u>	<u>100,000</u>
	<u>\$ 408,165</u>	<u>\$ 350,235</u>

**NOTE 9 – LEASE AGREEMENT**

In July 1999, the Organization entered into a lease for office space. The original lease term extended through August 2004 and was renewed for an additional five-year period through August 2009 at a base rental of \$3,625 per month. The lease contains certain escalation clauses that increase the base rentals for annual increases in taxes and insurance above specified amounts.

Minimum rentals for the lease commitment as extended are as follows:

Year ending July 31,	
2008	\$ 43,500
2009	43,500
2010	<u>3,625</u>
	<u>\$ 90,625</u>

**NOTE 10 – 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.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**July 31, 2007 and 2006**

**NOTE 10 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE (Continued)**

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 \$2,427,189 and \$2,203,384 at July 31, 2007 and 2006, respectively.

The Organization received contributions from the Foundation of \$111,550 and \$108,207 in fiscal 2007 and fiscal 2006, respectively.

**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 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 \$13,882 and \$12,643 for the years ended July 31, 2007 and 2006, respectively.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent to July 31, 2007 the Organization entered into an agreement with a contractor to renovate the Organization's building. The contract is a cost of work plus a fee with a maximum guaranteed cost of \$5,468,808. Work began in October 2007 and is scheduled to be completed in July 2008. Contributions and pledges restricted for the building as well as bank debt will be used to fund the renovation.

Subsequent to July 31, 2007 the Organization entered into an agreement with a financial institution to provide a construction loan, which allows the Organization to borrow up to \$3,000,000. The interest rate is 79% of 30-day LIBOR plus 1.59% and matures January 2012.

## **SUPPLEMENTAL INFORMATION**