NASHVILLE SYMPHONY ASSOCIATION

FINANCIAL STATEMENTS

July 31, 2008 and 2007

NASHVILLE SYMPHONY ASSOCIATION
Nashville, Tennessee

FINANCIAL STATEMENTS
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Crowe Horwath.

Crowe Horwath LLP
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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Nashville Symphony Association
Nashville, Tennessee

We have audited the accompanying statements of financial position of the Nashville Symphony Association (a nonprofit organization), as of July 31, 2008 and 2007, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association'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 the Nashville Symphony Association as of July 31, 2008 and 2007, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Brentwood, Tennessee
December 5, 2008

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
July 31, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,383,356	$ 2,925,154
Accounts receivable	547,385	297,430
Prepaid expenses	2,117,982	1,940,765
Contributions and grants receivable, net	4,300,366	9,714,040
Total current assets	9,349,089	14,877,389
Noncurrent assets		
Contributions receivable, net	13,105,676	15,375,681
Investments	91,640,029	75,061,245
Property and equipment, net	126,021,488	132,867,300
Fair value of derivative instrument	-	1,683,929
Deferred bond issuance costs, net	1,227,220	1,280,385
Total noncurrent assets	231,994,413	226,268,540
Total assets	$ 241,343,502	$ 241,145,929
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 963,579	$ 3,565,919
Deferred revenues	5,429,586	4,403,816
Bonds payable - current	4,080,000	4,080,000
Total current liabilities	10,473,165	12,049,735
Long-term liabilities		
Bonds payable	93,840,000	97,920,000
Notes payable	10,000,000	15,000,000
Fair value of derivative instrument	3,088,918	-
Total long-term liabilities	106,928,918	112,920,000
Total liabilities	117,402,083	124,969,735
Net assets		
Unrestricted	95,680,205	85,538,170
Temporarily restricted	17,393,011	19,774,847
Permanently restricted	10,868,203	10,863,177
Total net assets	123,941,419	116,176,194
Total liabilities and net assets	$ 241,343,502	$ 241,145,929

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
Operating revenues					
Program revenues					
Ticket sales	$ 6,271,199	$ -	$ -	$ 6,271,199	$ 6,638,783
Orchestra fee engagements	503,350	-	-	503,350	373,536
Concert hall rental	377,730	-	-	377,730	593,730
Ancillary rental	119,875	-	-	119,875	85,325
Concessions (Net)	(179,976)	-	-	(179,976)	(97,942)
Expense reimbursements	332,901	-	-	332,901	151,530
Interest income	218,893	-	-	218,893	420,999
Other income	221,584	-	-	221,584	231,709
Total program revenues	7,865,556	-	-	7,865,556	8,397,670
Distribution from CFMT	2,534,040	-	-	2,534,040	1,865,280
Total transfers	2,534,040	-	-	2,534,040	1,865,280
Total operating revenues	10,399,596	-	-	10,399,596	10,262,950
Operating expenses					
Orchestra Operations					
Operations and artistic administration	11,325,119	-	-	11,325,119	11,476,818
Education	514,059	-	-	514,059	400,170
Marketing	2,367,174	-	-	2,367,174	2,893,000
Administration and support	2,373,216	-	-	2,373,216	2,430,197
Fundraising	1,718,783	-	-	1,718,783	1,765,531
In-kind expenses	258,656	-	-	258,656	217,286
Total orchestra expenses	18,557,007	-	-	18,557,007	19,183,002
SSC Operations					
Concert hall expenses	219,349	-	-	219,349	628,107
Management and building operations	2,844,829	-	-	2,844,829	3,172,297
Debt service	4,423,883	-	-	4,423,883	4,085,406
In-kind expenses	11,228	-	-	11,228	52,000
Total SSC expenses	7,499,289	-	-	7,499,289	7,937,810
Total operating expenses before non-cash Expense (revenue) items	26,056,296	-	-	26,056,296	27,120,812
Deficiency from operations Before non-cash expense items	(15,656,700)	-	-	(15,656,700)	(16,857,862)
Non-Cash Expense (Revenue) Items					
Change in Fair Value of Derivitive Instrume	4,772,847	-	-	4,772,847	(566,408)
Amortization of Bond Issuance Costs	369,676	-	-	369,676	51,284
Subordinated Debt Service	1,111,789	-	-	1,111,789	1,539,464
Depreciation	7,497,862	-	-	7,497,862	6,948,142
Total non-cash expense items	13,752,174	-	-	13,752,174	7,972,482
Deficiency from operations	(29,408,874)	-	-	(29,408,874)	(24,830,344)

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
Support					
Contributions	37,011,741	1,500,097	5,026	38,516,864	20,035,370
Grants	533,878	-	-	533,878	505,677
Fund-raising events	742,711	25,780	-	768,491	459,034
In-kind contributions	269,884	-	-	269,884	269,286
Total support	38,558,214	1,525,877	5,026	40,089,117	21,269,367
Net assets released from restrictions	3,907,714	(3,907,714)	-	-	-
Income (deficiency) from operations and fund-raising	13,057,054	(2,381,837)	5,026	10,680,243	(3,560,977)
Endowment and ATFG activity					
Net ATFG activity	(2,186,058)	-	-	(2,186,058)	7,224,182
Net endowment activity	(225,916)	-	-	(225,916)	1,242,712
Total endowment expenses	(503,045)	-	-	(503,045)	(476,319)
Net endowment and ATFG activity	(2,915,019)	-	-	(2,915,019)	7,990,575
Increase (decrease) in net assets	10,142,035	(2,381,837)	5,026	7,765,224	4,429,598
Net assets at beginning of year	85,538,170	19,774,848	10,863,177	116,176,195	111,746,596
Net assets at end of year	$ 95,680,205	$ 17,393,011	$ 10,868,203	$ 123,941,419	$ 116,176,194

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2007

	Permanently Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total
Operating revenues				
Program revenues				
Ticket sales	$ 6,638,783	$ -	$ -	$ 6,638,783
Orchestra fee engagements	373,536	-	-	373,536
Concert hall rental	593,730	-	-	593,730
Ancillary rental	85,325	-	-	85,325
Concessions (Net)	(97,942)	-	-	(97,942)
Expense reimbursements	151,530	-	-	151,530
Interest income	420,999	-	-	420,999
Other income	231,709	-	-	231,709
Total program revenues	8,397,670	-	-	8,397,670
Distribution from CFMT	1,865,280	-	-	1,865,280
Total transfers	1,865,280	-	-	1,865,280
Total operating revenues	10,262,950	-	-	10,262,950
Operating expenses				
Orchestra Operations				
Operations and artistic administration	11,476,818	-	-	11,476,818
Education	400,170	-	-	400,170
Marketing	2,893,000	-	-	2,893,000
Administration and support	2,430,197	-	-	2,430,197
Fundraising	1,765,531	-	-	1,765,531
In-kind expenses	217,286	-	-	217,286
Total orchestra expenses	19,183,002	-	-	19,183,002
SSC Operations				
Concert hall expenses	628,107	-	-	628,107
Management	3,172,297	-	-	3,172,297
Debt service	4,085,406	-	-	4,085,406
In-kind expenses	52,000	-	-	52,000
Total SSC expenses	7,937,810	-	-	7,937,810
Total operating expenses before non-cash Expense (revenue) items	27,120,812	-	-	27,120,812
Deficiency from operations Before non-cash expense items	(16,857,862)	-	-	(16,857,862)
Non-Cash Expense (Revenue) Items				
Change in Fair Value of Derivitive Instrume	(566,408)	-	-	(566,408)
Amortization of Bond Issuance Costs	51,284	-	-	51,284
Subordinated Debt Service	1,539,464	-	-	1,539,464
Depreciation	6,948,142	-	-	6,948,142
Total non-cash expense items	7,972,482	-	-	7,972,482
Deficiency from operations	(24,830,344)	-	-	(24,830,344)

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total
Support				
Contributions	$ 17,739,688	$ 2,245,996	$ 49,686	$ 20,035,370
Grants	505,677	-	-	505,677
Fund-raising events	459,034	-	-	459,034
In-kind contributions	269,286	-	-	269,286
Total support	18,973,685	2,245,996	49,686	21,269,367
Net assets released from restrictions	24,720,124	(24,720,124)	-	-
Income (deficiency) from operations and fund-raising	18,863,465	(22,474,128)	49,686	(3,560,977)
Endowment and ATFG activity				
Net ATFG activity	7,224,182	-	-	7,224,182
Net endowment activity	1,242,712	-	-	1,242,712
Total endowment expenses	(476,319)	-	-	(476,319)
Net endowment and ATFG activity	7,990,575	-	-	7,990,575
Increase (decrease) in net assets	26,854,040	(22,474,128)	49,686	4,429,598
Net assets at beginning of year	58,684,130	42,248,976	10,813,491	111,746,596
Net assets at end of year	$ 85,538,170	$ 19,774,848	$ 10,863,177	$ 116,176,194

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended July 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Increase in net assets	$ 7,765,224	$ 4,429,598
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	7,867,538	6,999,426
Non-expendable endowment gifts	(5,026)	(49,686)
Gain on sale of investments	(852,453)	(2,823,521)
Unrealized loss (gain) on investments, net	7,084,192	(2,213,493)
Bad debt expense	54,448	458,877
Change in fair market value of derivative instruments	4,772,847	(566,408)
Net change in assets and liabilities:		
Decrease in accounts, contributions and grants receivable	7,379,277	3,794,999
(Increase) decrease in prepaid expenses	(177,217)	421,585
Increase (decrease) in accounts payable and accrued liabilities	(2,602,340)	855,556
Increase in deferred revenues	1,025,770	229,306
Net cash from operating activities	32,312,260	11,536,239
Cash flows from investing activities		
Capital expenditures, net	(968,561)	(15,523,500)
Purchases of investments, net	(22,810,523)	(4,557,131)
Net cash used in investing activities	(23,779,084)	(20,080,631)
Cash flows from financing activities		
Proceeds from borrowings on long-term debt	-	10,000,000
Payments on long-term debt	(9,080,000)	(5,000,000)
Proceeds from contributions permanently restricted by donors	5,026	49,686
Net cash (used in) from financing activities	(9,074,974)	5,049,686
Net change in cash	(541,798)	(3,494,706)
Cash and cash equivalents at beginning of year	2,925,154	6,419,860
Cash and cash equivalents at end of year	$ 2,383,356	$ 2,925,154
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 2,731,584	$ 3,402,860

See accompanying notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

The Nashville Symphony Association (the "Association") is dedicated to enhancing the quality of life in Nashville and the surrounding region by providing opportunities for all citizens to enjoy the highest quality live performances of symphonic music in its various forms. Funding for operations comes from ticket sales, concert sponsorships, concert hall rental and contributions. Contributions are received from corporations, individuals, guilds, foundations, and other donating bodies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents for the Statement of Cash Flows.

Investments: The Association uses Bank of America, SunTrust, First Tennessee and Regions as their trustees and investment advisors. Each advisor independently manages the funds it holds in trust and reports directly to the Association.

Investments in marketable securities are valued at fair market as determined by the investment advisors, and are based on quoted prices in an active market. Unrealized gains and losses in market value are recognized as changes in net assets in the period such gains and losses occur.

Investment income is recorded on the accrual basis and considered unrestricted unless specifically restricted by the donor. Realized gains and losses on investment transactions are recorded as the difference between proceeds received and cost, net of any commissions or related management expenses.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Association.

Property and Equipment: Property and equipment are stated at cost. The Association capitalizes all property and equipment greater than $5,000 individually or in the aggregate. Donated property is recorded at fair value. Depreciation is computed on a straight-line basis over the estimated useful lives of assets, ranging from three to fifty years.

The Association owns a viola and cello to be used in its performances. The Association has the ability and intent to maintain the value of the instruments. In accordance with Statement of Financial Accounting Standard No. 93, "Recognition of Depreciation by Non-Profit Organization," the instruments are recorded at cost and are not depreciated.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issue Costs: Bond issue costs of $1,471,828, net of accumulated amortization of $244,608, are being amortized over the life of the bonds, which is 30 years. Amortization expense for each year ended July 31, 2008 and 2007 amounted to $51,284.

Advertising: At July 31, 2008 and 2007, prepaid expenses included $476,862 and $426,575, respectively, of capitalized direct response advertising costs. The costs are related to the annual season ticket drive, which incorporates brochure and telemarketing solicitation of potential season ticket holders. The capitalized direct response advertising costs are amortized over the following year's symphony season. Outside of the annual season ticket drive, all other advertising costs are expensed as incurred. Total promotional, marketing, telemarketing and advertising expense was $2,367,169 and $2,893,000 in 2008 and in 2007, respectively.

Unrestricted Net Assets: Unrestricted net assets consist of funds that are used to fund current operations or that are available for use in current operations including investment income from board designated endowments.

Temporarily Restricted Net Assets: Temporarily restricted net assets include certain grants and other contributions with donor imposed restrictions. These restrictions may be purpose-restricted or time-restricted. Unconditional promises to give are recognized when such promises are received. Contributions to support future symphony seasons received prior to year-end are recognized as temporarily restricted income. If a restriction has been met in the same year that it was imposed, then the revenues are reflected in unrestricted net assets. During 2008 and 2007, the Association released $3,907,714 and $24,720,124, respectively, of temporarily restricted assets to fund current operations of the Nashville Symphony Orchestra after meeting stipulated time restrictions.

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Unrestricted Endowment Fund	$ 15,812,640	$ 18,338,396
Annual Campaign & Fundraising Events	1,580,371	1,436,451
	$ 17,393,011	$ 19,774,847

Permanently Restricted Net Assets: Contributions received in which donors have stipulated that the principal be maintained in perpetuity are classified as permanently restricted net assets. Investment income generated from permanently restricted net assets is unrestricted and is to be used to fund current operations of the Association or to be reinvested.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions. The Association's carrying amount for its accounts receivable, accounts payable, short-term debt, long-term debt and swaps approximates fair value. The fair value of investments is based on market prices or dealer quotes. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Revenue Recognition: Concert sponsorships, contributions, and grants are recognized as support upon receipt of the pledge from donor or grant approval for the donating entity. Season ticket sales and other support attributable to or designated from the current concert season are recorded as deferred revenue and recognized over the course of the season. Season ticket sales for the next concert season are recorded as deferred revenue in the current year.

Operations: The nature of the Association's operations involves support from donors and activities directly related to the production of concerts and fundraising expenses. The Association's Endowment and ATFG activity are not considered to be part of operations and are reported separately.

Donated Services: Donated services from volunteers for fund-raising are not recorded in the accounts of the Association as a clear, measurable basis, for the monetary value of such services does not exist and the Association does not exercise control over these activities.

Contributions and Grants Receivable: Donations to be received within the next 12 months or with restrictions that have been met at year-end are classified as current assets. Contributions designated by the donor to be received more than 12 months after year-end are discounted and have been classified as non-current assets. The Association does not require collateral or other security to support the receivables or accrue interest on any of its receivables. The allowance for doubtful accounts is determined by management based on the historical collection of pledges, specific donor circumstances, and general economic conditions. Periodically, management reviews contributions and accounts receivable and records an allowance for specific donors based on current circumstances. Receivables are charged off against the allowance when all attempts to collect the receivable have failed. Management has recorded an allowance for uncollectible pledges of $475,921 and $560,000 at July 31, 2008 and 2007, respectively.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions and Expenses: The Association receives donated services such as advertising, professional services and guest artist services that are recognized as in-kind contributions. The Association also incurs expenses related to the use of such services, which are reflected in operating expenses. In-kind contributions were $269,884 and $269,286 in 2008 and 2007, respectively.

Concentrations of Credit Risk: Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash on deposit, accounts, contributions and grants receivable, and investments. The Association's cash deposits are primarily in financial institutions in Tennessee and may at times exceed federally insured amounts. Concentrations of credit risk with respect to accounts, contributions and grants receivable are limited to individuals, corporations, ticket subscribers, patrons and associations and are not collateralized. Investments consist primarily of publicly-traded securities in an open market. Management does not believe the Association has any significant credit risk related to its financial instruments.

Federal Income Taxes: The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassification: Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at July 31, 2008 and 2007 consist of promises to give based on commitments made by individual donors, including board members. Unrestricted receivables include donations to the endowment and to the annual campaign. Temporarily restricted receivables include contributions to fund specific programs that will occur in the future. Collection of contributions receivable is anticipated over the following maturity schedules:

(Continued)

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

Year Ending July 31,	"A Time for Greatness"	Other	2008 Total	2007 Total
2009	$ 3,838,613	$ 779,493	$ 4,618,106	$ 10,084,041
2010	3,184,532	345,000	3,529,532	3,968,155
2011	3,879,290	345,000	4,224,290	3,417,758
2012	1,714,766	250,000	1,964,766	4,121,310
2013	1,745,200	-	1,745,200	1,864,840
Thereafter	4,766,252	-	4,766,252	6,551,200
Total	19,128,653	1,719,493	20,848,146	30,007,304
Less discount	2,866,024	100,159	2,966,183	4,357,582
Net present value of receivables	16,262,629	1,619,334	17,881,963	25,649,722
Less allowance for Doubtful receivables	415,921	60,000	475,921	560,000
Accounts receivable, net	15,846,708	1,559,334	17,406,042	25,089,722
Current maturities	3,580,873	719,493	4,300,366	9,714,041
	$ 12,265,835	$ 839,841	$ 13,105,676	$ 15,375,681

The Association has discontinued their fund raising campaign, "A Time For Greatness," in 2008. The Association has begun work to launch a new campaign, "Maestro's Imperative" to insure the orchestra's future and to endow its expanded operations in the Schermerhorn Symphony Center. Support for the years ended July 31, 2008 and 2007 totaled $33,167,484 and $35,304,687 including receipts of $14,038,831 and $7,073,954 and pledges receivable of $19,128,653 and $28,230,733 at July 31, 2008 and 2007, respectively.

In 2008 and 2007, long-term contribution receivables have been discounted using the Association's anticipated risk free rate of return of 3.98% and 4.8%, respectively.

NOTE 4 - CONCERT HALL

The Association recently constructed a new world class concert hall known as Schermerhorn Symphony Center. In conjunction with the project, the Association issued bonds totaling $102 million to finance the construction of the new concert hall. The bonds were issued in January 2004.

(Continued)

NOTE 4 - CONCERT HALL (Continued)

Construction expenses related to the new concert hall total $968,364 and $15,067,131 for the years ended July 31, 2008 and 2007, and are reflected in property and equipment. In addition to the capitalized costs previously disclosed, the Association capitalized bond interest net of interest earned on tax-exempt funds and amortization amounting to $6,990,211 and $7,293,036 in 2008 and 2007, respectively. Construction of the concert hall began in 2004 and was completed in September 2006.

During the year ended July 31, 2008, the Association made a transfer from its unrestricted endowment fund to its unrestricted operating fund in the amount of $10,514,106, or approximately 13% of the ending market value of the unrestricted endowment fund. Also, during the year ended July 31, 2008, the Association made an additional transfer from its unrestricted endowment fund to the Schermerhorn Symphony Center project in the amount of $5,171,699. These transfers were made in accordance with the Association's long-range financial plans and its bank covenants. As these transfers occurred within the unrestricted activity of the Association, they have no effect on the Statement of Activities and Changes in Net Assets for the year ended July 31, 2008. These transfers are reported in the Supplemental Combining Statement of Activities and Changes in Net Assets.

NOTE 5 - INVESTMENTS

Investments consist of the following:

	2008			2007		
	Cost	Market	Unrealized Gain (Loss)	Cost	Market	Unrealized Gain (Loss)
Investments in bank						
Managed trust funds:						
Money markets	$ 21,836,361	$ 21,836,361	$ -	$ 3,373,481	$ 3,373,481	$ -
Equities	41,282,322	40,698,696	(583,626)	29,266,228	33,279,756	4,013,528
Corporate bonds	151,912	148,081	(3,831)	2,882,490	2,822,624	(59,866)
U.S. Government securities	29,971,025	28,466,397	(1,504,628)	34,504,814	35,549,779	1,044,965
Other Securities	488,753	490,494	1,741	40,384	35,605	(4,779)
	$ 93,730,373	$ 91,640,029	$ (2,090,344)	$ 70,067,397	$ 75,061,245	$ 4,993,848

	2008	2007
Change in cumulative unrealized gains (losses) on investments	$ (7,084,192)	$ 2,213,493

(Continued)

NOTE 5 – INVESTMENTS (Continued)

Investment income, net of related fees and expenses, consists of the following:

	2008	2007
Interest	$ 1,091,872	$ 756,001
Dividends	1,419,130	1,429,085
Realized gains, net	852,453	2,823,521
Unrealized gains (losses), net	(7,084,192)	2,213,493
Trustee, management and professional fees	(502,469)	(475,789)
	$ (4,223,205)	$ 6,746,312

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2008	2007
Land	$ 4,651,338	$ 4,651,338
Building	126,071,255	126,064,785
Musical instruments	3,923,219	3,650,316
Furniture and equipment	4,661,526	4,573,033
Art, décor & sculptures	1,133,595	1,133,595
	140,440,933	140,073,067
Less accumulated depreciation	(14,419,446)	(7,205,767)
	$ 126,021,488	$ 132,867,300

Depreciation expense was $7,497,862 and $6,948,142 for the years ending July 31, 2008 and 2007, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Association has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes any required reimbursements would not be material to the financial statements of the Association.

The Association is subject to a collective bargaining agreement whereby certain requirements and restrictions are placed upon the Association in return for qualified union musicians. The agreement establishes various requirements including compensation, pension funding and other terms of employment, and places certain other restrictions upon the Association.

(Continued)

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

The Association is party to various legal proceedings incidental to its operations. In management's opinion, all such matters are covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, which would not have a significant effect on the financial position or results of operations of the Association if disposed of unfavorably.

NOTE 8 - COMMUNITY FOUNDATION OF MIDDLE TENNESSEE

The Community Foundation of Middle Tennessee (the "Foundation"), an unrelated entity, had investments with a market value of approximately $12,983,993 and $38,598,759 at July 31, 2008 and 2007, respectively, in which the Association has been designated the primary income beneficiary. Management believes these funds will be advised for the Association. Investment income is recorded as a contribution when received from the Foundation and totaled $2,534,040 and $1,865,280 for the years ended July 31, 2008 and 2007, respectively. As the Association has no claim to the investments, the principal has not been reflected in the financial statements. During the year ended July 31, 2008, approximately $20 million of investments previously held by the Foundation were contributed to the Association.

NOTE 9 - BENEFIT PLANS

The Association has a defined contribution pension plan, which covers all full-time non-orchestra employees of the Association with one year of credited service. The plan is designed to conform to Internal Revenue Code Section 403(b) and to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The Association's contributions to the plan are based upon a percentage of the participant's salary and are entirely discretionary. The Association's contributions to the plan were $217,448 and $176,275 in 2008 and 2007, respectively.

The Association also has a voluntary tax-sheltered annuity plan, which covers all full-time employees of the Association. The plan is designed to conform to Internal Revenue Code Section 403(b) and to the requirements of ERISA. It is a contributory plan whereby contributions are made entirely by plan participants.

In addition, the Association participates in a multi-employer defined benefit plan administered by a national trust, known as the American Federation of Musicians and Employers Pension Fund, which covers all union musician employees of the Association. This plan is also designed to conform with the requirements of ERISA. Contributions to the plan are based upon a percentage of the participant's salary, as determined by the terms of the Collective Bargaining Agreement between the Association and American Federation of Musicians Local 257. It is a non-contributory plan. The Association contributed $355,537 and $313,722 to the plan in 2008 and 2007, respectively.

(Continued)

NOTE 10 - NOTES PAYABLE AND LINE OF CREDIT

The Association entered into a subordinated loan agreement with the Community Foundation of Middle Tennessee on June 15, 2005. The note bears interest at 7.5% and matures December 1, 2031. The balance due on the note at July 31, 2008 and 2007 was $10,000,000 and $15,000,000, respectively. The Association incurred debt service totaling $1,111,789 and $1,539,464 for the years ended July 31, 2008 and 2007, respectively.

The Association maintains an unsecured $1,200,000 line of credit with a third-party bank, bearing interest at LIBOR, which was 2.46% as of July 31, 2008. The Association had no balance at July 31, 2008, and it matures on January 31, 2009. There were no covenants or commitment fees related to this line of credit.

The Association has a note payable to Regions Bank, Trustee, related to financing obtained through the issuance of $102,000,000 in variable rate revenue bonds by the Industrial Development Board of The Metropolitan Government of Nashville and Davidson County, Tennessee for the acquisition, construction and equipping of a symphony hall facility located in Nashville, Tennessee. Currently, the bonds bear interest at a variable rate (3.5% at July 31, 2008 and 2007) not to exceed 12% and are due December 1, 2031. The bonds mature at an annual amount of $4,080,000 per year. The note is secured by an irrevocable, direct-pay Letter of Credit issued by Bank of America, N.A. with an initial stated expiration date of January 8, 2009. Should the credit institution decide not to extend the termination date, the bonds will become due and payable on January 8, 2009.

Under the Regions Bank financing agreement, the Association has agreed to maintain certain levels of net assets and financial ratios related to debt and cash flows. At July 31, 2008 and 2007, the Association was in compliance with all covenants contained in the loan agreement.

NOTE 11 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During 2005, the Association adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". Under FASB 133, all derivatives are recognized on the balance sheet at their fair value. The Association engages in derivatives classified as cash-flow hedges as identified by management.

The Association formally documents all relations between derivative instruments and the hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions. The Association formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. In evaluating the fair value of financial instruments, including derivatives, the Association generally uses third-party market quotes.

(Continued)

NOTE 11 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

The Association's cash-flow hedges contain credit risk to the extent that its bank counterparties may be unable to meet the terms of the agreements. The Association minimizes such risk by limiting its counterparties to major financial institutions. Management does not expect any material losses as a result of defaults by other parties.

The Association has entered into certain interest rate swaps to receive market rate interest and pay fixed rate interest to various major financial institutions that lock in the Association's interest rate paid on certain variable rate bonds payable.

The following table presents a summary of the notional amounts and fair values of the Association's derivative contract at July 31, 2008.

	Maturity Date	Notional Amounts	Fair Value	Rate
Cash flow hedges:				
Interest rate swaps	12/01/2031	$ 12,240,000	$ (386,855)	3.50%
Interest rate swaps	12/01/2031	24,480,000	(779,794)	3.50%
Interest rate swaps	12/01/2031	24,480,000	(772,753)	3.50%
Interest rate swaps	12/01/2031	36,720,000	(1,149,516)	3.50%
Total		$ 97,920,000	$ (3,088,918)	

The following table presents a summary of the notional amounts and fair values of the Association's derivative contract at July 31, 2007.

	Maturity Date	Notional Amounts	Fair Value	Rate
Cash flow hedges:				
Interest rate swaps	12/01/2031	$ 12,750,000	$ 278,875	3.06%
Interest rate swaps	12/01/2031	25,500,000	417,360	3.50%
Interest rate swaps	12/01/2031	25,500,000	418,864	3.50%
Interest rate swaps	12/01/2031	38,250,000	838,645	3.06%
Total		$ 102,000,000	$ 1,683,929	

The variable interest on the bonds is hedged by forward starting interest rate swaps. Net interest payments will be effectively fixed at the rates indicated, during the period. The Association intends to hold these forward starting interest rate swaps until maturity. Changes in the fair value of these derivatives are reported as a change in net assets.

(Continued)

NOTE 12 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis as follows:

	2008	2007
Orchestra	$ 14,465,008	$ 14,987,274
SSC Operation	21,251,463	15,719,409
Total program	35,716,471	30,706,683
Administrative (G&A)	2,375,857	2,621,080
Fund raising	1,718,783	1,765,531
Total expenses	$ 39,811,111	$ 35,093,294

NOTE 13 – SUBSEQUENT EVENTS "UNAUDITED"

Subsequent to July 31, 2008, due to the downturn in the economy and uncertainty in the financial markets, the Symphony has experienced a decline in the value of its endowment fund investments and increased financing costs. At this time, it is unknown what impact these changes in investment values and financing costs will have in the near term as well as potential long-term implications on the operations of the Symphony. Management, with oversight from the finance committee, plans to work closely with investment advisors, look for options to restructure existing debt, and make changes in current programming and operations of the Symphony. Management believes these strategic initiatives will be successful and will result in adequate liquidity to fund operations in the foreseeable future.

SUPPLEMENTARY INFORMATION