NASHVILLE SYMPHONY ASSOCIATION

FINANCIAL STATEMENTS

July 31, 2013

NASHVILLE SYMPHONY ASSOCIATION
Nashville, Tennessee

FINANCIAL STATEMENTS
July 31, 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville Symphony Association
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Nashville Symphony Association (a nonprofit organization), which comprise the statement of financial position as of July 31, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Symphony Association as of July 31, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Brentwood, Tennessee
April 11, 2014

NASHVILLE SYMPHONY ASSOCIATION
STATEMENT OF FINANCIAL POSITION
July 31, 2013

ASSETS		
Current assets		
Cash and cash equivalents	$	5,698,428
Accounts receivable		586,264
Investments		4,268,725
Prepaid expenses, and other current assets		844,276
Contributions receivable, net		3,350,665
Total current assets		14,748,358
Noncurrent assets		
Contributions receivable, net		4,688,018
Other receivable		2,768,853
Investments		655,327
Beneficial interests in trusts		9,293,023
Property and equipment, net		96,049,200
Total noncurrent assets		113,454,421
Total assets	$	128,202,779
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$	508,635
Deferred revenues		4,567,584
Notes payable - current		2,650,000
Total current liabilities		7,726,219
Long-term liabilities		
Notes payable		22,600,000
Total long-term liabilities		22,600,000
Total liabilities		30,326,219
Net assets		
Unrestricted		86,270,646
Temporarily restricted		9,068,064
Permanently restricted		2,537,850
Total net assets		97,876,560
Total liabilities and net assets	$	128,202,779

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended July 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Operating revenues				
Program revenues				
Ticket sales	$ 6,940,891	$ -	$ -	$ 6,940,891
Orchestra fee engagements	490,120	-	-	490,120
Concert hall rental	256,098	-	-	256,098
Ancillary rental	142,150	-	-	142,150
Concessions	1,707,490	-	-	1,707,490
Expense reimbursements	294,377	-	-	294,377
Interest income	2,490	-	-	2,490
Other income	648,483	-	-	648,483
Total program revenues	10,482,099	-	-	10,482,099
Distribution from CFMT	552,550	-	-	552,550
Total transfers	552,550	-	-	552,550
Total operating revenues	11,034,649	-	-	11,034,649
Operating expenses				
Orchestra Operations				
Operations and artistic administration	12,754,516	-	-	12,754,516
Education	374,833	-	-	374,833
Marketing	2,410,019	-	-	2,410,019
Administration and support	2,710,563	-	-	2,710,563
Fundraising	1,014,298	-	-	1,014,298
Bad debt expense	883,753	-	-	883,753
In-kind expenses	249,198	-	-	249,198
Total orchestra expenses	20,397,180	-	-	20,397,180
SSC operations				
Concession expenses	1,973,992	-	-	1,973,992
Management and building operations	4,057,139	-	-	4,057,139
Debt service	6,036,994	-	-	6,036,994
Total SSC expenses	12,068,125	-	-	12,068,125
Total operating expenses before non-cash expense items	32,465,305	-	-	32,465,305
Income (deficiency) from operations before non-cash expense items	(21,430,656)	-	-	(21,430,656)
Non-cash expense items				
Change in fair value of derivative instruments	(3,859,429)	-	-	(3,859,429)
Amortization of bond issuance costs	48,734	-	-	48,734
Depreciation	5,831,989	-	-	5,831,989
Total non-cash expense items	2,021,294	-	-	2,021,294
Income (deficiency) from operations	(23,451,950)	-	-	(23,451,950)
Support				
Contributions	2,284,587	1,400,588	12,664	3,697,839
Grants	322,850	-	-	322,850
Fund-raising events	631,668	-	-	631,668
In-kind contributions	249,298	-	-	249,298
Total support	3,488,403	1,400,588	12,664	4,901,655
Net assets released from restrictions	10,389,637	(10,389,637)	-	-
Income (deficiency) from operations and fund-raising	(9,573,910)	(8,989,049)	12,664	(18,550,295)
Investment and campaign activity				
Net investment activity	1,249,339	-	-	1,249,339
Net ATFG and SG campaign activity	2,705,640	-	-	2,705,640
Net beneficial interests in trusts activity	1,208,457	-	-	1,208,457
Total investment expenses	(179,531)	-	-	(179,531)
Net investment and campaign activity	4,983,905	-	-	4,983,905
Gain on debt modification, net				
Gain on debt modification, net	39,392,096	-	-	39,392,096
Total gain on debt modification, net	39,392,096	-	-	39,392,096
Increase (decrease) in net assets	34,802,091	(8,989,049)	12,664	25,825,706
Net assets at beginning of year	51,468,555	18,057,113	2,525,186	72,050,854
Net assets at end of year	$ 86,270,646	$ 9,068,064	$ 2,537,850	$ 97,876,560

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF CASH FLOWS
Year Ended July 31, 2013

Cash flows from operating activities	
Increase in net assets	$ 25,825,706
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	6,850,980
Gain on debt modification	(39,392,096)
Gain on sale of investments	(7,035,646)
Unrealized gain (loss) on investments, net	3,310,120
Bad debt expense	883,753
Change in fair market value of derivative instruments	(3,859,429)
Contributions to permanently restricted net assets	(12,664)
Net change in assets and liabilities:	
Accounts, contributions and grants receivable	10,785,407
Prepaid expenses	1,481,389
Accounts payable and accrued liabilities	(300,464)
Construction and accrued liabilities	-
Deferred revenue	867,100
Net cash used in operating activities	(595,844)
Cash flows from investing activities	
Purchases of property and equipment	(142,094)
Proceeds from sale of fixed assets	-
Sales of investments	44,763,596
Purchases of investments	(11,494,857)
Net cash provided by investing activities	33,126,645
Cash flow from financing activities	
Payments on long-term debt	(38,255,000)
Proceeds from issuance of demand note payable	2,000,000
Proceeds from contributions of permanently restricted contributions	12,664
Net cash used in financing activities	(36,242,336)
Net change in cash	(3,711,535)
Cash and cash equivalents at beginning of year	9,409,963
Cash and cash equivalents at end of year	$ 5,698,428
Supplemental disclosures of cash flow information	
Cash paid during the year for interest	$ 5,227,411

Supplemental disclosures of noncash transaction

During the year ended July 31, 2013, the Association refinanced $23,250,000 of debt outstanding. See Note 8.

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities: The Nashville Symphony Association (the "Association") is dedicated to achieving the highest standard for excellence in musical performance and educational programs, while engaging the community, enriching audiences and shaping cultural life. Funding for operations comes primarily from ticket sales, concert and other sponsorships, grants, venue rental, concessions and catering, and contributions. Contributions are received from individuals, guilds, foundations, corporations and other donating bodies.

The Nashville Symphony Endowment Trust ("NSET") is a separate entity that was formed in 1989 for the purpose of supporting the Association. The NSET, structured as a Board-imposed irrevocable trust, was intended by the Association's Board of Directors to support the general operation of the Association in perpetuity subject to the terms of the NSET and was funded with proceeds of the Association's 1989 capital campaign.

Due to the purpose for which the NSET was formed, the Association and the NSET are considered to be financially interrelated organizations. The Association has recognized its interest in the net assets of the NSET in its financial statements. NSET qualifies under Internal Revenue Service guidelines as a functionally integrated Type I supporting organization.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis and include the assets, liabilities and financial activities of all program services of the Association.

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

Investments and Beneficial Interests in Trusts: The Association engages an investment firm to provide direction and reporting of its investing activity, with oversight by the Association's management and Board's Trust Advisory Board. The Association's investments and beneficial interests in trusts are held in various financial institutions, which manage the funds they hold within guidelines established by the Trust Advisory Board and implemented by the investment firm. The financial institutions report directly to the Association.

A portion of the Association's holdings are held in two Board-imposed irrevocable trusts established by the Association's Board of Directors in 1999. They were intended to support the general operation of the Association in perpetuity, subject to the terms of the trusts. These funds, along with the NSET, are reported in non-current assets as beneficial interests in trusts, and qualify as an unrestricted board-designated endowment. The Association receives regular distributions from the irrevocable trusts and the NSET according to the terms of the trusts.

Investments are valued at fair value as determined by the investment advisors, and are based on quoted prices in an active market. Unrealized gains and losses in fair value are recognized as changes in net assets in the period such gains and losses occur. Investments budgeted for use in operations during the next fiscal year are classified as current assets. At July 31, 2013, there are no investments classified as current for this purpose and $4,268,725 is classified as current and held for sale, as these investments were sold subsequent to year end as described in Note 11.

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, liquidity and credit risks. Due to the level of risk associated with certain investment securities and the sensitivity of certain fair value estimates to changes in valuation assumptions, 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, with a cost of $1,975,000, that are used in its performances on a permanent basis. The Association has the ability and intent to retain the instruments. The instruments are classified as permanently restricted, recorded at cost and are not depreciated.

Bond Issue Costs: Bond issue costs were being amortized on the straight line basis over the life of the bonds, which approximates the effective interest method. Amortization expense for the year ended July 31, 2013 amounted to $48,734. At the date of debt extinguishment, as described in Note 8, all unamortized bond issue costs, totaling $966,187, were written off as part of the extinguishment accounting.

Advertising**:** At July 31, 2013, prepaid expenses included $275,250, 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 $2,410,019 in 2013.

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 investments and beneficial interests in trusts and related activities, as well as activity related to the "A Time for Greatness" (ATFG) and "Sustaining Greatness" (SG) campaigns are not considered to be part of operations and are reported separately.

Unrestricted Net Assets: Unrestricted net assets consist of funds that are available for use in current operations.

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 2013, the Association released $10,389,637, of temporarily restricted assets to unrestricted assets after meeting stipulated time restrictions.

Temporarily restricted net assets are available for the following purposes:

	2013
Pledges receivable – "ATFG" & "SG" – available for operating expenditures	$ 5,612,319
Annual Campaign & Fundraising Events	937,814
Debt Service	2,517,931
	$ 9,068,064

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The earnings from permanently restricted net assets are temporarily restricted until appropriated for use in current operating expenses by the board, as permanently restricted donations were silent to usage of earnings.

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 may differ from these estimates.

Fair Value Measurements: Fair value is the price that would be received by the Association for an asset or paid by the Association to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Association's principal or most advantageous market for the asset or liability. Fair value measurements are determined by maximizing the use of observable inputs and minimizing the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

> Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Association has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect the Association's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. 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 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.

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.

Accounts Receivable: Accounts receivable primarily consists of balances owed for catering and venue rental for special events hosted at the SSC. Interest is not charged on past due accounts receivable.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable: Contributions 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 calculates the net present value of the contribution using the treasury rate and payment streams as of the date of the pledge made by the donor.

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 grants 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 $671,288 at July 31, 2013.

Impairment of Long-Lived Assets: On an ongoing basis, the Association reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Association recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of July 31, 2013, management believes that no impairment existed.

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 $249,298 in 2013.

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, investments, and beneficial interests in trusts. 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, hedge funds and private equity funds. 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.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to July 31, 2013 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended July 31, 2013. Management has performed their analysis through April 11, 2014, the date the financial statements were issued.

NOTE 2 - RECEIVABLES

Contributions receivable at July 31, 2013 consist of promises to give based on commitments made by corporate and individual donors, including board members. Unrestricted receivables include donations to the general fund 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:

Year Ending July 31,	"A Time for Greatness" and "Sustaining Greatness"	Other	2013 Total
2014	$ 2,363,049	$ 1,202,000	$ 3,565,049
2015	1,880,591	607,500	2,488,091
2016	704,500	107,500	812,000
2017	295,833	7,500	303,333
2018	424,000	5,000	429,000
2019	268,000	5,000	273,000
Thereafter	1,884,000	10,000	1,894,000
Total	7,819,973	1,944,500	9,764,473
Less discount	(1,038,627)	(15,875)	(1,054,502)
Net present value of receivables	6,781,346	1,928,625	8,709,971
Less allowance for doubtful receivables	(611,288)	(60,000)	(671,288)
Contributions receivable, net	6,170,058	1,868,625	8,038,683
Current maturities, net	2,208,665	1,142,000	3,350,665
Noncurrent maturities, net	$ 3,961,393	$ 726,625	$ 4,688,018

Contributions receivable from the "ATFG" and "SG" campaigns include $5,612,319 of temporarily restricted assets.

The Association's fundraising campaign "A Time for Greatness" concluded in 2008. In 2010, the Association launched a new campaign, "Sustaining Greatness", to raise funds to support operations.

During May 2010, the Schermerhorn Symphony Center sustained significant losses for the worst flood in Nashville's history. The Association received partial reimbursement for repairs from its insurance policies and from a $24.4 million FEMA grant approval. As of July 31, 2013, $2.8 million was still receivable from FEMA pending a final walkthrough and inspection of the SSC by FEMA and TEMA officials, which represents management's final estimate of amounts due.

(Continued)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	$ 4,824,167
Building	127,215,290
Musical instruments - depreciable	2,091,902
Musical instruments – non-depreciable	1,975,000
Furniture and equipment	4,680,273
Art, décor & sculptures – non-depreciable	1,194,855
	141,981,487
Less accumulated depreciation	(45,932,287)
	$ 96,049,200

Depreciation expense was $5,831,989 for the year ended July 31, 2013.

NOTE 4 – INVESTMENTS AND BENEFICIAL INTERESTS IN TRUSTS

As noted in NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Investments and beneficial interests in trusts consist of the following:

	2013		
	Cost	Unrealized Gain (Loss), net	Fair Value
Investments:			
Corporate bond securities	$ 525,000	$ -	$ 525,000
Mutual funds – money market	36,363	1,171	37,534
Mutual funds – equities	86,628	-	86,628
Mutual funds – fixed income	6,165	-	6,165
Private equity funds	3,568,409	700,316	4,268,725
	4,222,565	701,487	4,924,052
Beneficial interests in trusts:			
Common stock securities	3,906,701	1,049,092	4,955,793
Corporate bond securities	1,673,491	(90,934)	1,582,557
U.S. Treasury and agency securities	95,536	69,189	164,725
Mutual funds – money market	409,843	-	409,843
Mutual funds – equities	1,484,852	175,192	1,660,044
Mutual funds – fixed income	525,151	(5,090)	520,061
	8,095,574	1,197,449	9,293,023
	$ 12,318,139	$ 1,898,936	$ 14,217,075

(Continued)

NOTE 4 – INVESTMENTS AND BENEFICIAL INTERESTS IN TRUSTS (Continued)

Investment income, net of related fees and expenses, consists of the following for the year ended July 31, 2013:

Interest	$ 3,200
Dividends	1,709,532
Realized gains, net	7,035,646
Unrealized losses, net	(3,310,120)
Other	(118,383)
Trustee, management and professional fees	(335,970)
	$ 4,983,905

Fair values of financial instruments are estimated using relevant market information and other assumptions. The Association's carrying amount for its cash and cash equivalents, accounts receivable, accounts payable, and short-term and long-term debt approximate fair value.

Return Objectives and Risk Parameters: The Association's investment objectives are 1) to preserve principal assets, 2) to grow the real purchasing power of the assets above inflation, and 3) to control and mitigate the risks that act against the long-term growth of the assets, such as poor performance by investment managers and excessive fees. A key component in pursuit of these objectives is the adequate diversification of investment funds among and within asset classes. The Association's investments may from time to time be subject to constraints that will dictate changes in the asset mix, liquidity characteristics, and, potentially, time horizon.

Spending Policy: The Association's beneficial interests in trusts are subject to distribution restrictions. The NSET's distributions are limited to net income of the trust; the two 1999 trusts are limited to quarterly amounts equal to 1.25% of average market value for the preceding twelve quarters.

Following are descriptions of the valuation methods and assumptions used by the Association to estimate the fair values of investments and derivative instruments.

Common stock securities and mutual funds: The fair values of common stock, common stock-based exchange-traded funds (ETF) and mutual fund investments are determined by obtaining quoted prices from a nationally recognized exchange (level 1 inputs).

U.S. Treasury and agency securities: Fair values reflect the closing price reported in the active market in which the security is traded (level 1 inputs). Mortgage-backed securities are valued based upon recent market bid prices or the average of recent market bid and asked prices when available (level 2 inputs) and, if not available, they are valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (level 2 inputs).

(Continued)

NOTE 4 – INVESTMENTS AND BENEFICIAL INTERESTS IN TRUSTS (Continued)

Derivative instruments: The fair values of exchange-traded derivatives are based upon quoted market prices (level 1 inputs). The fair values of derivatives that are not traded on an exchange are based upon valuation models using observable market data as of the measurement date (level 2 inputs).

Corporate Bonds: Certain corporate bonds and bond-related ETF's are valued at the closing price reported in the active market in which the bond or ETF is traded (level 1 inputs). Other corporate bonds may be valued based upon recent market bid prices or the average of recent market bid and asked prices when available (level 2 inputs) and, if not available, they are valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (level 2 inputs).

Hedge funds: The fair values of the Association's investments in hedge funds have been estimated using the net asset value per share of the investments, as reported by the fund managers (level 3 inputs). Investments in hedge funds are redeemable on a quarterly basis, with a 60-day redemption notification requirement, after the one-year period subsequent to initial capital contribution. These redemptions may occur with a minimum amount of $10,000, so long as the Association maintains a balance that does not fall below $50,000 or 20% of the capital commitment. The hedge funds attempts to maximize risk-adjusted returns and achieve low correlation to the equity markets by investing in a diversified group of hedge funds.

Private equity funds: The fair values of the Association's investments in private equity funds have been estimated using the net asset value per share of the investments, as reported by the fund managers (level 3 inputs). Redemptions of private equity investments may only be made at the fund manager's approval, but redemptions are not anticipated to be granted until the funds are dissolved, of which dissolution dates range from 2023 through 2027. The objective of the private equity investments is to realize long-term total return by investing via limited partnerships in a diverse portfolio of funds with investments in the US and around the world. The investment objectives are generally classified as real estate, power & infrastructure; venture; buyout; and distressed & debt.

Beneficial Interests in Trusts: The fair values of the Association's investments in beneficial interests in trusts have been determined based on the fair values of the underlying investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

NOTE 4 – INVESTMENTS AND BENEFICIAL INTERESTS IN TRUSTS (Continued)

Investments, beneficial interests in trusts and derivative instrument liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at July 31, 2013 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Corporate bond securities				
Domestic investment grade	$ 525,000	$ -	$ -	$ 525,000
Mutual funds				
Money market funds	37,534	-	-	37,534
Equity				
Domestic blend	11,754	-	-	11,754
Domestic growth	26,494	-	-	26,494
Domestic balanced	48,380	-	-	48,380
Fixed income				
Nontraditional bond	6,165	-	-	6,165
Private equity funds	-	-	4,268,725	4,268,725
Total Investments	655,327	-	4,268,725	4,924,052
Beneficial Interests in Trusts	-	9,293,023	-	9,293,023
Total Investments and Beneficial Interests in Trusts	$ 655,327	$ 9,293,023	$ 4,268,725	$ 14,217,075

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended July 31, 2013:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Hedge Funds	Private Equity Funds
Beginning balance, August 1, 2012	$ 1,485,455	$ 3,268,802
Net earnings – realized and unrealized	17,924	303,762
Purchases	-	696,161
Sales	(1,503,379)	-
Ending balance, July 31, 2013	$ -	$ 4,268,725

Unrealized appreciation of $303,762 related to the private equity funds is reported within net investment activity in the 2013 statement of activities and change in net assets.

No interest rate swaps were held as of July 31, 2013. See Note 7.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

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.

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. The Association entered into a new collective bargaining agreement effective August 1, 2013 through July 31, 2014.

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.

NOTE 6 - 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. This 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 $223,089 in 2013. The Association suspended contributions to the plan during 2013.

The Association also has a voluntary tax-sheltered annuity plan, which covers all full-time employees of the Association. This plan is not subject to ERISA requirements as there is limited involvement by the Association. 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. Participants do not contribute to the plan. The Association contributed $483,327 to the plan in 2013.

The risks of participating in a multi-employer plan differ from single-employer plans. The potential risks include, but are not limited to, the use of the Association's contributions to provide benefits to employees of other participating employers, the Association becoming obligated for other participating employers' unfunded obligations, and, upon the Association's withdrawal from a plan, the Association being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

(Continued)

NOTE 6 - BENEFIT PLANS (Continued)

The plan in which the Association participated in the year ended July 31, 2013 is summarized in the table below. The zone status included in the table is based on information that the Association received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

Pension Fund	EIN/ Pension Plan Number	PPA Zone Status [2]	FIP/RP Status	2013	Contributions Greater Than 5% of Total Plan Contributions [1]	Expiration Date of CBA
American Federation of Musicians and Employers' Pension Plan	51-6120204	Red	Yes	$ 483,327	No	July 2014

(1) This information was obtained from the respective plans' Form 5500 for the most current available filing. These dates may not correspond with the Association's calendar year contributions. The above noted percentage of total plan contributions column is based upon disclosures contained in the plans' Form 5500 filing ("Forms"). Those Forms, among other things, disclose the names of individual participating employers whose annual contributions account for more than 5% of the aggregate annual amount contributed by all participating employers for a plan year.

(2) This zone status represents the most recent available information for the respective MEPP, which is for the plan year ended March 31, 2013 for the 2013 year.

NOTE 7 - NOTES PAYABLE AND LETTER OF CREDIT

The Association had issued a note payable held by a single trustee, related to the financing obtained through the original issuance of $102,000,000 in variable rate revenue bonds sponsored 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. At August 1, 2012, the bonds were to bear interest at a variable rate not to exceed 12% and were due December 31, 2031. The note was secured by an irrevocable, direct-pay Letter of Credit issued by certain financial institutions which had an expiration date of April 30, 2013.

The interest rate on the entire outstanding principal amount of the debt was artificially fixed on a cash flow basis on a weighted average interest rate of approximately 3.76% through a series of interest rate SWAP agreements. The bond financing agreement also included a requirement to maintain an account with the equivalent of 35 days of interest accrued at 10% of the current balance. Under the bond financing agreement, the Association had agreed to maintain certain levels of net assets and financial ratios related to debt and cash flows.

The Association was not in compliance with the covenants on the Letter of Credit at October 31, 2012 and January 31, 2013. Effective November 30, 2012, the Association entered into a Forbearance Agreement with the financial institutions, in which, among other terms, the financial institutions agreed to forbear the exercise of its available remedies in connection with the October 31, 2012 covenant defaults. The Forbearance Agreement was amended effective January 22, 2013. Through this period, the Association attempted to negotiate with its lenders, in an attempt to restructure its obligations under the bond issuance and the letter of credit. On April 1, 2013, the standby Letter of Credit was drawn and bonds repurchased by the Trustee.

NOTE 7 - NOTES PAYABLE AND LETTER OF CREDIT (Continued)

On June 21, 2013, the Association reached an agreement with the financial institutions with whom the Association had swap agreements (see Note 8). The agreement was to modify the terms of all debt outstanding (including interest rate swap agreements referenced in Note 8) due to financial difficulties experienced by the Association. The financial institutions agreed to accept cash payment of $35 million and a mortgage note payable in the amount of $20 million bearing interest at prime (3.25% at July 31, 2013) maturing June 2018. Interest payments are due quarterly beginning December 2013. As a result, the amount of the outstanding debt due to all financial institutions was reduced by $59,060,000 to reflect the revised terms, and a gain of $39,392,096 has been included in the Statement of Activities for 2013.

The above referenced mortgage note payable of $20 million has been initially recorded at $23,250,000. In accordance with accounting for troubled debt restructurings, the note has been recorded at an amount that includes an estimate of all future cash payments on this note, including interest.

On June 21, 2013, the above referenced mortgage note payable was sold and assigned to a private entity affiliated with a board member of the Association. The note is secured by the building and maintains the same terms as stated above.

During the year ended July 31, 2013, the Association also entered into an unsecured demand promissory note payable to a board member in the amount of $2,000,000. This note accrues interest at prime (3.25% at July 31, 2013). All interest will be due and payable upon demand of the note. Subsequent to year end, the Association paid this note in full.

Maturities of notes payable at July 31, 2013 are as follows:

July 31,	
2014	$ 2,650,000
2015	650,000
2016	650,000
2017	650,000
2018	20,650,000
	$ 25,250,000

NOTE 8 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On June 21, 2013 (as disclosed in Note 7), the Association dissolved all interest rate swap agreements. The fair value of the swap agreements on that date was $15,534,367. Prior to the date of restructuring, any unrealized gains/losses were reported in statement of activities. No agreements exist at July 31, 2013.

The Association entered into interest rate swap agreements, simultaneously with the bond agreement as discussed in Note 7 above, as part of its interest rate risk management strategy to fix its cost of variable rate debt and designated these swaps as cash flow hedges of its variable rate debt, not for speculation. Although the Association believes the derivatives qualified as a hedge, it has elected for simplicity to report the instruments as freestanding derivatives. As a result, gains and losses are recognized in current earnings, outside of operations.

NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been reported based upon categories prescribed by management in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs of providing the various programs and activities have been summarized on a functional basis for the year ended July 31, 2013 as follows:

Orchestra	$ 16,672,319
SSC Operation	12,449,003
Total program	29,121,322
Administrative (G&A)	2,710,563
Fund raising	1,014,298
Total expenses	$ 32,846,183

NOTE 10 - RESTRICTIONS ON NET ASSETS

Permanently restricted net assets amounted to $2,537,850 at July 31, 2013. Included in these permanently restricted net assets are investment funds of $562,850 to be held indefinitely, the income from which is expendable to support specific educational and operational activities of the Association. The remaining permanently restricted net assets at July 31, 2013 consist of $1,975,000 of musical instruments owned by the Association for indefinite use by the Symphony.

Restricted net asset composition by type of fund as of July 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2013				
Donor restricted funds	$ -	$ -	$ 562,850	$ 562,850
Board designated endowment	9,293,023	-	-	9,293,023
	$ 9,293,023	$ -	$ 562,850	$ 9,855,873

Changes in restricted net assets for year ended July 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Restricted net assets, August 1, 2012	$ 8,637,012	$ -	$ 550,186	$ 9,187,198
Investment income, net	1,280,803	-	-	1,280,803
Transfers, net	(552,446)	-	-	(552,446)
Administrative expenses	(72,346)	-	-	(72,346)
Donor restricted contributions	-	-	12,664	12,664
Restricted net assets, July 31, 2013	$ 9,293,023	$ -	$ 562,850	$ 9,855,873

(Continued)

NOTE 10 - RESTRICTIONS ON NET ASSETS (Continued)

Interpretation of UPMIFA: The Board of Directors have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of permanently restricted gifts donated to the Association, (b) the original value of subsequently permanently restricted gifts donated to the Association, and (c) accumulation to the Association made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to Associations assets.

From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported as an offset to unrestricted net assets. There were no deficiencies in these funds as of July 31, 2013.

NOTE 11 – MANAGEMENT PLANS (UNAUDITED)

As disclosed in Note 7 and Note 8, the Association reached agreement with its lenders to restructure its debt obligations which resulted in a reduction of the Association's outstanding debt obligations, including cancelation of related interest rate swap liabilities, on the Schermerhorn Symphony Center by approximately $75 million. Subsequent to year end, the Association sold private equity investments held at July 31, 2013 with a carrying value of $4.3 million for cash proceeds of $4.5 million. The proceeds from the sale of investments were used to further reduce $2 million of outstanding debt and provide additional cash liquidity for anticipated fiscal 2014 operations.

During fiscal 2013 the Association liquidated approximately $35 million of investments held to fund repayments required by the negotiated debt restructure. As a result, the Association has also restructured its operations to reduce fixed overhead costs and increased the number of presentations to increase revenue streams. Changes included a reduction in workforce, compensation and benefit cuts for remaining staff and musicians, the outsourcing of catering operations, the repackaging of existing concert series, the addition of new concert series and presentation activities, adjustments to ticket prices and fees, an expanded commitment to education and community engagement, and significantly increased annual fundraising targets. Additionally, the Association restructured its management team in order to strengthen its focus on the execution of its new operating goals. These changes included the addition of a new Chief Operating Officer position, reporting to the President and CEO, allowing the President and CEO to devote more time to promotion and fundraising. Subsequent to the fiscal 2013 year end, the Association also appointed a new Chief Financial Officer.

In achieving pay concessions from its musicians as a part of the restructuring of its operations, the Association negotiated a new one-year collective bargaining agreement with the Nashville Musicians Association, Local 257 of the American Federation of Musicians. This agreement expires on July 31, 2014, requiring that the Association negotiate either an extension or a successor agreement during fiscal 2014.

The Association's increased reliance on annual fundraising currently will require that the Association raise annually approximately $9 million from grants, fundraising events and gifts from individuals, corporations and foundations. To achieve its fundraising goals, the Association has engaged outside professional fundraising counsel, created a comprehensive fundraising plan, and secured three-year challenge grant commitments from two foundations to provide a total of $1.25 million in each of the next three years. In

(Continued)

NOTE 11 – MANAGEMENT PLANS (UNAUDITED) (Continued)

order to receive the challenge grant proceeds, the Association must match the grants by raising new or increased contributions over those contributions raised during fiscal 2013. As of December 31, 2013, the Association had satisfied the matching requirements, earning 100% of the challenge grant funds for fiscal 2014. Much of the new or increased contributed funds matching the challenge grant have been provided by the Association's Board members, reflecting their belief in, and commitment to, the Association's future. The Association's total fiscal 2014 annual campaign stands at $3,977,193 as of December 31, 2013, exceeding the fiscal 2013 full year total in the first five months of fiscal 2014. Though all efforts are being made to ensure the success of the fiscal 2014 annual campaign, the Association does have access to sufficient liquid assets to fund cash requirements from operations should the annual campaign require more time beyond fiscal 2014 to fully develop annually raising the forecasted $9 million.