

NASHVILLE SYMPHONY ASSOCIATION

FINANCIAL STATEMENTS

July 31, 2006 and 2005

NASHVILLE SYMPHONY ASSOCIATION
Nashville, Tennessee

FINANCIAL STATEMENTS
July 31, 2006 and 2005

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Crowe Chizek and Company LLC
Member Horwath International

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, 2006 and 2005, 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, 2006 and 2005, 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 Chizek and Company LLC
Crowe Chizek and Company LLC

Brentwood, Tennessee
August 31, 2006

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
July 31, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Current assets		
Cash and cash equivalents	\$ 2,791,102	\$ 1,591,077
Accounts receivable	307,135	187,668
Prepaid expenses	2,362,350	1,553,119
Contributions and grants receivable, net	<u>9,476,080</u>	<u>6,312,064</u>
Total current assets	<u>14,936,667</u>	<u>9,643,928</u>
Noncurrent assets		
Restricted cash	3,628,758	53,669,114
Contributions receivable, net	19,857,806	27,340,071
Investments	65,467,100	58,594,595
Property and equipment, net	123,507,159	77,344,515
Fair value of derivative instrument	1,117,520	-
Deferred bond issuance costs, net	<u>2,116,456</u>	<u>1,384,678</u>
Total noncurrent assets	<u>215,694,799</u>	<u>218,332,973</u>
Total assets	<u>\$ 230,631,466</u>	<u>\$ 227,976,901</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,710,356	\$ 4,526,162
Deferred revenues	<u>4,174,514</u>	<u>1,359,523</u>
Total current liabilities	<u>6,884,870</u>	<u>5,885,685</u>
Long-term liabilities		
Bonds payable	102,000,000	102,000,000
Notes payable	10,000,000	15,000,000
Fair value of derivative instrument	<u>-</u>	<u>1,129,326</u>
Total long-term liabilities	<u>112,000,000</u>	<u>118,129,326</u>
Total liabilities	<u>118,884,870</u>	<u>124,015,011</u>
Net assets		
Unrestricted	58,684,130	51,156,445
Temporarily restricted	42,248,975	41,969,773
Permanently restricted	<u>10,813,491</u>	<u>10,835,672</u>
Total net assets	<u>111,746,596</u>	<u>103,961,890</u>
Total liabilities and net assets	<u>\$ 230,631,466</u>	<u>\$ 227,976,901</u>

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
Operating revenues					
Program revenues					
Ticket sales	\$ 2,506,729	\$ -	\$ -	\$ 2,506,729	\$ 2,212,593
Orchestra contract fees	359,845	-	-	359,845	350,894
Other income	179,654	-	-	179,654	47,782
Distribution from CFMT	<u>1,786,840</u>	<u>-</u>	<u>-</u>	<u>1,786,840</u>	<u>1,742,016</u>
Total program revenues	4,833,068	-	-	4,833,068	4,353,285
Operating expenses					
Concert production	8,026,463	-	-	8,026,463	7,191,905
Education	240,369	-	-	240,369	210,051
Marketing	1,956,202	-	-	1,956,202	1,745,721
Administration and support	1,569,709	-	-	1,569,709	1,354,824
Change in fair value of derivative instruments	(2,246,846)	-	-	(2,246,846)	1,129,326
In-kind expenses	<u>283,007</u>	<u>-</u>	<u>-</u>	<u>283,007</u>	<u>182,638</u>
Total operating expenses	<u>9,828,904</u>	<u>-</u>	<u>-</u>	<u>9,828,904</u>	<u>11,814,465</u>
Deficiency from operations	(4,995,836)	-	-	(4,995,836)	(7,461,180)
Support					
Contributions	3,792,156	9,211,873	21,399	13,025,428	12,804,579
Grants	514,966	-	-	514,966	531,109
Fund-raising events	696,167	462,750	-	1,158,917	462,495
In-kind contributions	<u>593,260</u>	<u>-</u>	<u>-</u>	<u>593,260</u>	<u>182,638</u>
Total support	5,596,549	9,674,623	21,399	15,292,571	13,980,821
Fund-raising expenses	1,695,376	554,000	-	2,249,376	1,278,358
Net assets released from restrictions	<u>8,841,421</u>	<u>(8,841,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income from operations and fund-raising	7,746,758	279,202	21,399	8,047,359	5,241,283
Concert hall expenses					
Construction related expenses	<u>2,723,913</u>	<u>-</u>	<u>-</u>	<u>2,723,913</u>	<u>1,487,286</u>
Net concert hall expenses	2,723,913	-	-	2,723,913	1,487,286
Deficiency Income from operations, fund-raising, and concert hall	5,022,845	279,202	21,399	5,323,446	3,753,997
Endowment and ATFG activity					
Net ATFG activity	2,413,422	-	-	2,413,422	4,485,266
Net endowment activity	543,645	-	-	543,645	1,189,560
Total endowment expenses	<u>(452,227)</u>	<u>-</u>	<u>(43,580)</u>	<u>(495,807)</u>	<u>(428,536)</u>
Net endowment and ATFG activity	<u>2,504,840</u>	<u>-</u>	<u>(43,580)</u>	<u>2,461,260</u>	<u>5,246,290</u>
Increase (decrease) in net assets	7,527,685	279,202	(22,181)	7,784,706	9,000,287
Net assets at beginning of year	<u>51,156,445</u>	<u>41,969,773</u>	<u>10,835,672</u>	<u>103,961,890</u>	<u>94,961,603</u>
Net assets at end of year	<u>\$ 58,684,130</u>	<u>\$ 42,248,975</u>	<u>\$ 10,813,491</u>	<u>\$ 111,746,596</u>	<u>\$ 103,961,890</u>

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005 Total</u>
Operating revenues				
Program revenues				
Ticket sales	\$ 2,212,593	\$ -	\$ -	\$ 2,212,593
Orchestra contract fees	350,894	-	-	350,894
Other income	47,782	-	-	47,782
Distribution from CFMT	<u>1,742,016</u>	<u>-</u>	<u>-</u>	<u>1,742,016</u>
Total program revenues	4,353,285	-	-	4,353,285
Operating expenses				
Concert production	7,191,905	-	-	7,191,905
Education	210,051	-	-	210,051
Marketing	1,745,721	-	-	1,745,721
Administration and support	1,354,824	-	-	1,354,824
Change in fair value of derivative instruments	1,129,326	-	-	1,129,326
In-kind expenses	<u>182,638</u>	<u>-</u>	<u>-</u>	<u>182,638</u>
Total operating expenses	<u>11,814,465</u>	<u>-</u>	<u>-</u>	<u>11,814,465</u>
Deficiency from operations	(7,461,180)	-	-	(7,461,180)
Support				
Contributions	4,401,068	8,354,646	48,865	12,804,579
Grants	531,109	-	-	531,109
Fund-raising events	462,963	-	-	462,495
In-kind contributions	<u>182,638</u>	<u>-</u>	<u>-</u>	<u>182,638</u>
Total support	5,577,310	8,354,646	48,865	13,980,821
Fund-raising expenses	1,278,358	-	-	1,278,358
Net assets released from restrictions	<u>10,051,300</u>	<u>(10,051,300)</u>	<u>-</u>	<u>-</u>
Income from operations and fund-raising	6,889,072	(1,696,654)	48,865	5,241,283
Concert hall expenses				
Construction related expenses	<u>1,487,286</u>	<u>-</u>	<u>-</u>	<u>1,487,286</u>
Net concert hall expenses	1,487,286	-	-	1,487,286
(Deficiency) income from operations, fund-raising and concert hall	5,401,786	(1,696,654)	48,865	3,753,997
Endowment and ATFG activity				
Net ATFG activity	4,485,266	-	-	4,485,266
Net endowment activity	1,189,560	-	-	1,189,560
Total endowment expenses	<u>(423,878)</u>	<u>-</u>	<u>(4,658)</u>	<u>(428,536)</u>
Net endowment and ATFG activity	<u>5,250,948</u>	<u>-</u>	<u>(4,658)</u>	<u>5,246,290</u>
Increase (decrease) in net assets	10,652,734	(1,696,654)	44,207	9,000,287
Net assets at beginning of year	<u>40,503,711</u>	<u>43,666,427</u>	<u>10,791,465</u>	<u>94,961,603</u>
Net assets at end of year	<u>\$ 51,156,445</u>	<u>\$ 41,969,773</u>	<u>\$ 10,835,672</u>	<u>\$103,961,890</u>

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Increase in net assets	\$ 7,784,706	\$ 9,000,287
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	215,285	199,513
Non-expendable endowment gifts	22,181	(44,207)
Gain on sale of investments	(1,515,480)	(1,513,314)
Unrealized loss (gain) on investments	750,017	(2,537,640)
Bad debt expenses	675,215	-
Net change in assets and liabilities:		
Decrease in accounts, contributions and grants receivable	3,567,147	6,555,716
Increase in prepaid expenses	(809,231)	(760)
Increase (decrease) in accounts payable and accrued liabilities	(1,815,806)	2,763,863
Increase in deferred revenues	<u>2,814,991</u>	<u>195,538</u>
Net cash from operating activities	11,689,025	14,618,996
Cash flows from investing activities		
Capital expenditures, net	(47,109,707)	(44,759,217)
Purchases of investments, net	<u>(6,194,202)</u>	<u>(9,003,189)</u>
Net cash used in investing activities	(53,303,909)	(53,762,406)
Cash flows from financing activities		
Net borrowings (payment) on line of credit	-	(700,000)
Net borrowings (payment) on long-term debt	(5,000,000)	14,808,364
Fair market value of derivative instrument	(2,246,846)	1,129,326
Proceeds from contributions permanently restricted by donors	<u>21,399</u>	<u>44,207</u>
Net cash from financing activities	<u>(7,225,447)</u>	<u>15,281,897</u>
Net change in cash	(48,840,331)	(23,861,513)
Cash and cash equivalents at beginning of year	<u>55,260,191</u>	<u>79,121,704</u>
Cash and cash equivalents at end of year	<u>\$ 6,419,860</u>	<u>\$ 55,260,191</u>
Represented by:		
Cash and cash equivalents	2,791,102	1,591,077
Restricted cash	<u>3,628,758</u>	<u>53,669,114</u>
	<u>\$ 6,419,860</u>	<u>\$ 55,260,191</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 3,116,814</u>	<u>\$ 1,848,756</u>

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

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, 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, and AmSouth 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.

Property and Equipment: Property and equipment are stated at cost. 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 fifteen 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.

Bond Issue Costs: Bond issue costs of \$2,254,891, net of accumulated amortization of \$138,435, are being amortized over the life of the bonds, which is 30 years. Amortization expense for each year ended July 31, 2006 and 2005 amounted to \$51,284. See Note 12 for bonds payable disclosure.

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future annual bond amortization expense under current terms and amounts will be as follows:

<u>July 31,</u>	
2007	\$ 364,510
2008	364,510
2009	207,897
2010	51,284
2011	51,284
Thereafter	<u>1,076,971</u>
Total	<u>\$ 2,116,456</u>

Advertising: At July 31, 2006 and 2005, prepaid expenses included \$665,740 and \$287,817, 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 \$1,956,202 and \$1,745,721 in 2006 and in 2005, 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 2006 and 2005, the Association released \$8,841,421 and \$10,051,300, 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:

	<u>2006</u>	<u>2005</u>
Unrestricted Endowment Fund	\$ 26,784,860	\$ 32,604,843
Annual Campaign & Fundraising Events	1,680,392	1,177,171
Construction Fund	<u>13,783,723</u>	<u>8,187,759</u>
	<u>\$ 42,248,975</u>	<u>\$ 41,969,773</u>

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 2 - 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. 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.

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 Company's carrying amount for its accounts receivable, accounts payable, short-term debt and long-term debt approximates fair value. The fair value of interest rate swaps 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 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.

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 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 \$600,000 at July 31, 2006.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

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 \$593,260 and \$182,638 in 2006 and 2005, 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, 2006 and 2005 consist of both unconditional and conditional promises to give based on commitments made by individual donors, including board members. Unconditional promises to give that will be met in the future include donations to the endowment and to the annual campaign. Conditional promises to give 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 <u>July 31,</u>	<u>"A Time For Greatness"</u>		<u>Other</u>	2006 <u>Total</u>	2005 <u>Total</u>
2007	\$ 9,106,978	\$	753,103	\$ 9,860,081	\$ 6,312,064
2008	6,461,254		125,000	6,586,254	10,064,666
2009	3,606,680		125,000	3,731,680	6,722,000
2010	3,178,525		125,000	3,303,525	3,725,178
2011	3,837,085		125,000	3,962,085	3,282,675
Thereafter	<u>8,141,098</u>		<u>-</u>	<u>8,141,098</u>	<u>9,324,702</u>
Total	34,331,620		1,253,103	35,584,723	39,431,285

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

Year Ending <u>July 31,</u>	<u>"A Time For Greatness"</u>	<u>Other</u>	2006 <u>Total</u>	2005 <u>Total</u>
Less imputed interest	\$ 5,573,112	\$ 77,725	\$ 5,650,837	\$ 5,779,150
Net present value of receivables	28,758,508	1,175,378	29,933,886	33,652,135
Less allowance for doubtful receivables	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Accounts receivable, net	28,158,508	1,175,378	29,333,886	33,652,135
Current maturities	<u>8,722,977</u>	<u>753,103</u>	<u>9,476,080</u>	<u>6,312,064</u>
	<u>\$ 19,435,531</u>	<u>\$ 422,275</u>	<u>\$ 19,857,806</u>	<u>\$ 27,340,071</u>

The Association is continuing an intensive fund raising campaign, "A Time For Greatness," to insure the orchestra's future and to endow its expanded operations in the new Schermerhorn Symphony Center. Support for the years ended July 31, 2006 and 2005 totaled \$42,789,012 and \$51,981,447 including receipts of \$8,457,390 and \$11,558,000 and pledges receivable of \$34,331,620 and \$38,810,857 at July 31, 2006 and 2005, respectively.

In 2006 and 2005, long-term contribution receivables have been discounted using the Association's anticipated risk free rate of return of 5.0% and 4.3%, respectively.

NOTE 4 - CONCERT HALL

The Association is constructing a new world class concert hall known as Schermerhorn Symphony Center. The Association estimates that it will need approximately \$135 million to construct the new facility. 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.

Construction expenses related to the new concert hall total \$45,565,721 and \$41,539,296 for the years ended July 31, 2006 and 2005, and are reflected in property and equipment as construction in progress. In addition to the capitalized costs previously disclosed, the Association capitalized bond interest net of interest earned on tax-exempt funds amounting to \$7,830,839 and \$4,323,838 in 2006 and 2005, respectively. Construction of the concert hall began in 2004 and was completed in September 2006.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 4 - CONCERT HALL (Continued)

During the year ended July 31, 2006, the Association made a transfer from its unrestricted endowment fund to its unrestricted operating fund in the amount of \$3,529,079, or approximately 6% of the ending market value of the unrestricted endowment fund. Also, during the year ended July 31, 2006, the Association made an additional transfer from its unrestricted endowment fund to the Schermerhorn Symphony Center project in the amount of \$730,473. 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, 2006. These transfers are reported in the Supplemental Combining Statement of Activities and Changes in Net Assets.

NOTE 5 - INVESTMENTS

Investments consist of the following:

	2006			2005		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Investments in bank						
Managed trust funds:						
Money markets	\$ 2,927,554	\$ 2,927,554	\$ -	\$ 4,663,181	\$ 4,663,181	\$ -
Equities	36,747,637	39,641,593	2,893,956	31,882,950	35,034,098	3,151,148
Corporate bonds	2,809,665	2,736,278	(73,387)	378,672	339,798	(38,874)
U.S. Government securities	20,034,796	19,989,954	(44,842)	18,139,420	18,557,518	418,098
Other Securities	167,093	171,721	4,628	-	-	-
Note	-	-	-	-	-	-
	<u>\$ 6 2,686,745</u>	<u>\$ 6 5,467,100</u>	<u>\$ 2,780,355</u>	<u>\$ 5 5,064,223</u>	<u>\$ 5 8,594,595</u>	<u>\$ 3,530,372</u>
Change in unrealized gains on investments			<u>\$ (750,017)</u>			<u>\$ 2,537,640</u>

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

	<u>2006</u>	<u>2005</u>
Interest	\$ 757,459	\$ 471,220
Dividends	991,478	1,035,710
Realized gains, net	1,515,480	1,513,314
Unrealized gains (losses), net	(750,017)	2,537,640
Trustee, management and professional fees	<u>(53,140)</u>	<u>(311,594)</u>
	<u>\$ 2,461,260</u>	<u>\$ 5,246,290</u>

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2006</u>	<u>2005</u>
Construction in progress	\$ 115,734,707	\$ 70,168,986
Land	4,651,338	4,648,938
Musical instruments	2,160,451	2,189,774
Furniture and equipment	633,350	587,216
Leasehold improvements	-	460,641
Art and décor	286,572	224,695
Sculptures	<u>285,819</u>	<u>97,444</u>
	123,752,237	78,377,694
Less accumulated depreciation	<u>(245,078)</u>	<u>(1,033,179)</u>
	<u>\$ 123,507,159</u>	<u>\$ 77,344,515</u>

Depreciation expense was \$164,001 and \$148,229 for the years ending July 31, 2006 and 2005, 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.

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 \$36,170,940 and \$35,892,340 at July 31, 2006 and 2005, 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 \$1,786,840 and \$1,742,016 for the years ended July 31, 2006 and 2005, respectively. As the Association has no claim to the investments, the principal has not been reflected in the financial statements.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 9 - LEASE COMMITMENTS

The Association has operating leases for office space and equipment with terms expiring through fiscal year 2007. At July 31, 2006, scheduled minimum lease payments were as follows:

<u>July 31,</u>	
2007	\$ <u>166,634</u>

Rent expense for these operating leases was \$263,567 and \$220,524 for fiscal years ending July 31, 2006 and 2005, respectively.

NOTE 10 - 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 \$91,454 and \$134,744 in 2006 and 2005, 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 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 \$286,977 and \$247,628 to the plan in 2006 and 2005, respectively.

NOTE 11 - 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, 2006 and 2005 was \$10,000,000 and \$15,000,000, respectively.

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 11 - NOTES PAYABLE AND LINE OF CREDIT (Continued)

The Association maintains an unsecured \$1,200,000 line of credit with a third-party bank, bearing interest at libor, which was 4.32% as of July 31, 2006. The Association had no balance at July 31, 2006 and 2005, and it matures on January 31, 2007. 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 (3.6% and 2.2% at July 31, 2006 and 2005) not to exceed 12% and are due December 1, 2031. 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, 2006 and 2005, the Association was in compliance with all covenants contained in the loan agreement.

The Association also has restricted cash in the amount of \$3,628,758 and \$53,669,114 which represents the unused funds available for construction of the hall at July 31, 2006 and 2005.

NOTE 12 - 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.

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.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2006 and 2005

NOTE 12 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

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, 2006.

	<u>Maturity Date</u>	<u>Notional Amounts</u>	<u>Fair Value</u>	<u>Rate</u>
Cash flow hedges:				
Interest rate swaps	12/01/2031	\$ 12,750,000	\$ 278,875	3.06%
Interest rate swaps	12/01/2031	<u>38,250,000</u>	<u>838,645</u>	3.06%
Total		<u>\$ 51,000,000</u>	<u>\$ 1,117,520</u>	

The following table presents a summary of the notional amounts and fair values of the Association's derivative contract at July 31, 2005.

	<u>Maturity Date</u>	<u>Notional Amounts</u>	<u>Fair Value</u>	<u>Rate</u>
Cash flow hedges:				
Interest rate swaps	12/01/2031	\$ 12,750,000	\$ (282,485)	3.06%
Interest rate swaps	12/01/2031	<u>38,250,000</u>	<u>(846,841)</u>	3.06%
Total		<u>\$ 51,000,000</u>	<u>\$ (1,129,326)</u>	

The fixed rate on the bonds increases to 3.5% beginning March 2007.

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.

SUPPLEMENTARY INFORMATION



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

Board of Directors
Nashville Symphony Association
Nashville, Tennessee

Our report on our audits of the basic financial statements of the Nashville Symphony Association for 2006 and 2005 appear on page 1. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, consisting of combining statements of financial position, activities and changes in fund balance and schedules of operating expenses, fundraising expenses, and concert hall expenses, contained on the following pages is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crowe Chizek and Company LLC
Crowe Chizek and Company LLC

Brentwood, Tennessee
August 31, 2006

NASHVILLE SYMPHONY ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
July 31, 2006 and 2005

	2006								2005 Total
	Unrestricted				Temporarily Restricted				
	Nashville Symphony Orchestra	Schermerhorn Symphony Center	Endowments	Total Unrestricted	Nashville Symphony Orchestra	Schermerhorn Symphony Center	Endowments	Total Temporarily Restricted	
Current assets									
Cash and cash equivalents	\$ 2,411,845	\$ 68,426	\$ 310,831	\$ 2,791,102	\$ -	\$ -	\$ -	\$ -	\$ 2,791,102
Accounts receivable	208,964	96,396	1,775	307,135	-	-	-	-	307,135
Contributions and grants receivable, net	168,258	-	1,373,648	1,541,906	578,095	-	7,349,329	7,927,424	9,476,080
Prepaid expenses	996,167	1,366,183	-	2,362,350	-	-	-	-	2,362,350
Total current assets	3,785,234	1,531,005	1,686,254	7,002,493	578,095	-	7,349,329	7,927,424	14,936,667
Noncurrent assets									
Restricted Cash	-	1,060,426	-	1,060,426	-	2,568,332	-	2,568,332	3,628,758
Contributions receivable, net	-	-	-	-	422,275	-	19,435,531	19,857,806	19,857,806
Investments	158,312	-	56,477,047	56,635,359	-	-	-	591,355	65,467,100
Due from/(to) funds	(299,300)	(251,979)	(40,076)	(591,355)	680,022	(88,667)	-	11,304,058	-
Property and equipment, net	71,013	110,157,088	-	110,228,101	-	11,304,058	-	11,304,058	123,507,159
Fair value of derivatives instruments	-	1,117,520	-	1,117,520	-	-	-	-	1,117,520
Deferred bond issuance costs, net	-	2,116,456	-	2,116,456	-	-	-	-	2,116,456
Total noncurrent assets	(69,975)	114,199,511	56,436,971	170,566,507	1,102,297	13,783,723	19,435,531	34,321,551	215,694,799
Total assets	\$ 3,715,259	\$ 115,730,516	\$ 58,123,225	\$ 177,569,000	\$ 1,680,392	\$ 13,783,723	\$ 26,784,860	\$ 42,248,975	\$ 230,631,466
Current Liabilities									
Accounts payable and accrued liabilities	\$ 284,548	\$ 2,425,808	\$ -	\$ 2,710,356	\$ -	\$ -	\$ -	\$ -	\$ 2,710,356
Fair value of derivatives instruments	-	-	-	-	-	-	-	-	-
Deferred revenues	4,174,514	-	-	4,174,514	-	-	-	-	4,174,514
Total current liabilities	4,459,062	2,425,808	-	6,884,870	-	-	-	-	6,884,870
Long-term liabilities									
Bonds payable	-	102,000,000	-	102,000,000	-	-	-	-	102,000,000
Notes payable	-	10,000,000	-	10,000,000	-	-	-	-	10,000,000
Total long term liabilities	-	112,000,000	-	112,000,000	-	-	-	-	112,000,000
Total liabilities	4,459,062	114,425,808	-	118,884,870	-	-	-	-	118,884,870
Net Assets (Deficit)									
Unrestricted	(743,803)	1,304,708	58,123,225	58,684,130	-	-	-	-	58,684,130
Temporarily restricted	-	-	-	-	1,680,392	13,783,723	26,784,860	42,248,975	42,248,975
Permanently restricted	-	-	-	-	-	-	-	-	10,813,491
Total net assets	(743,803)	1,304,708	58,123,225	58,684,130	1,680,392	13,783,723	26,784,860	42,248,975	111,746,596
Total liabilities and net assets	\$ 3,715,259	\$ 115,730,516	\$ 58,123,225	\$ 177,569,000	\$ 1,680,392	\$ 13,783,723	\$ 26,784,860	\$ 42,248,975	\$ 230,631,466

See report of independent auditors on supplementary information.

NASHVILLE SYMPHONY ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended July 31, 2006 and 2005

2006

	Unrestricted			Temporarily Restricted				2005 Total
	Nashville Symphony Orchestra	Schermerhorn Symphony Center	Total Unrestricted	Nashville Symphony Orchestra	Schermerhorn Symphony Center	Endowments	Temporarily Restricted	
Operating Revenues								
Program revenues	\$ 2,506,729	\$ -	\$ 2,506,729	\$ -	\$ -	\$ -	\$ -	\$ 2,506,729
Ticket sales	359,845	-	359,845	-	-	-	-	359,845
Orchestra contract fees	150,374	-	150,374	-	-	-	-	179,654
Other income	3,016,948	-	29,280	-	-	-	-	3,046,228
Total program revenues	1,786,840	-	1,786,840	-	-	-	-	1,786,840
Distribution from CFMT	3,529,079	730,473	(4,259,552)	-	-	-	-	-
Transfers from endowments	8,332,867	730,473	(4,230,272)	-	-	-	-	4,833,068
Total Operating revenues								
Operating Expenses								
Concert production	8,026,463	-	-	-	-	-	-	8,026,463
Education	240,369	-	-	-	-	-	-	210,051
Marketing	1,956,202	-	-	-	-	-	-	1,956,202
Administration and support	1,569,709	-	-	-	-	-	-	1,569,709
Change in fair value of derivative instruments	-	(2,246,846)	-	-	-	-	-	(2,246,846)
In-Kind Expenses	283,007	-	283,007	-	-	-	-	283,007
Total operating expenses	12,075,750	(2,246,846)	9,828,904	-	-	-	-	11,814,465
(Deficiency) income from operations	(3,742,883)	2,977,319	(4,230,272)	-	-	-	-	(4,995,836)
Support								
Contributions	1,972,055	2,540	1,817,561	1,217,642	5,595,964	2,398,267	9,211,873	13,023,428
Grants	514,966	-	-	-	-	-	-	514,966
Fund-raising events	696,167	-	-	462,750	-	-	462,750	1,158,917
In-kind contributions	283,004	265,888	44,368	-	-	-	-	593,260
Total support	3,466,192	268,428	1,861,929	1,680,392	5,595,964	2,398,267	9,674,623	15,292,571
Fund-raising Expenses	848,869	-	1,400,507	-	-	-	-	2,249,376
Net Assets Released from Restrictions	1,177,171	-	8,261,830	(1,177,171)	-	(8,218,250)	(9,395,421)	-
(Deficiency) income from operations and fund-raising	51,611	3,245,747	4,492,980	503,221	5,595,964	(5,819,983)	279,202	8,047,359
Concert Hall Expenses	-	-	-	-	-	-	-	-
Construction related expenses	-	2,723,913	-	-	-	-	-	2,723,913
(Deficiency) income from operations, fund-raising and concert hall	51,611	521,834	4,492,980	503,221	5,595,964	(5,819,983)	279,202	5,323,446
Endowment and ATFG Activity								
Net ATFG Activity	-	-	2,413,422	-	-	-	-	2,413,422
Net Endowment Activity	-	-	543,645	-	-	-	-	543,645
Total Endowment Expenses	-	-	(495,807)	-	-	-	-	(495,807)
Net endowment and ATFG Activity	-	-	2,461,260	-	-	-	-	2,461,260
Increase (Decrease) in Net Assets	51,611	521,834	6,954,240	503,221	5,595,964	(5,819,983)	279,202	7,784,706
Net Assets at Beginning of Year	(795,414)	782,874	51,168,985	1,177,171	8,187,759	32,604,843	41,969,773	103,961,890
Net Assets at End of Year	\$ (743,803)	\$ 1,304,708	\$ 58,123,225	\$ 1,680,392	\$ 13,783,723	\$ 26,784,860	\$ 42,248,975	\$ 111,746,596
								\$ 103,961,890

See report of independent auditors on supplementary information.

NASHVILLE SYMPHONY ASSOCIATION
SCHEDULES OF OPERATING EXPENSES
Years Ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Concert production expenses		
Conductor, orchestra salaries and benefits	\$ 6,039,508	\$ 5,603,552
Assisting artists' fees and guest conductor	974,094	774,252
Hall rental	220,273	187,018
Music purchase, rental, royalties and commissions	118,678	79,635
Stagehands' salaries and benefits	135,314	127,570
Travel	48,066	50,269
Depreciation - instruments	24,402	14,549
Instrument rental and repair	184,570	139,424
Insurance - instruments	28,696	32,020
Concert production	223,422	155,968
Printing	3,109	856
Postage	6,824	5,564
Truck rental	<u>19,507</u>	<u>21,228</u>
Total concert production expenses	<u>\$ 8,026,463</u>	<u>\$ 7,191,905</u>
Education expenses		
Salaries and benefits	\$ 119,604	\$ 97,025
Travel / entertainment	2,639	1,364
Printing	3,657	3,646
Miscellaneous	<u>114,469</u>	<u>108,016</u>
Total education expenses	<u>\$ 240,369</u>	<u>\$ 210,051</u>
Marketing expenses		
Marketing, salaries and benefits	\$ 672,428	\$ 468,513
Advertising	405,001	353,519
Telemarketing	367,788	344,536
Printing	133,659	186,040
Postage	44,721	67,301
Miscellaneous marketing	<u>332,605</u>	<u>325,812</u>
Total marketing expenses	<u>\$ 1,956,202</u>	<u>\$ 1,745,721</u>
Administrative and support expenses		
Salaries and benefits	\$ 580,129	\$ 481,229
Insurance	48,307	56,825
Office rent	178,734	175,908
Depreciation and amortization	190,883	184,964
Professional fees	37,122	66,348
Office supplies and maintenance	94,861	88,927
Dues and subscriptions	23,559	21,677
Meals and entertainment	45,971	47,615
Bank charges	142,789	56,225
Telephone	50,461	35,761
Printing	30,332	16,524
Miscellaneous	140,405	104,419
Interest	<u>6,156</u>	<u>18,402</u>
Total administrative and support expenses	<u>\$ 1,569,709</u>	<u>\$ 1,354,824</u>

NASHVILLE SYMPHONY ASSOCIATION
SCHEDULES OF FUNDRAISING EXPENSES
Years Ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Fundraising expenses		
Salaries, benefits and professional fees	\$ 834,438	\$ 525,599
Telefunding	201,432	236,351
Professional fees	326,332	291,000
Printing	19,944	19,997
Postage	23,414	19,519
Travel	5,835	4,993
Bad debt expense	694,701	113,769
Miscellaneous	<u>143,280</u>	<u>67,130</u>
 Total fund-raising expenses	 <u>\$ 2,249,376</u>	 <u>\$ 1,278,358</u>

NASHVILLE SYMPHONY ASSOCIATION
SCHEDULE OF CONCERT HALL EXPENSES
Years Ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Concert hall expenses		
Symphony owner's rep	\$ 200,249	\$ 161,319
PR / community events	157,057	156,491
Planning consultants	83,082	56,409
Symphony hall management	561,058	286,134
Team reimbursables	93,595	23,829
Miscellaneous soft costs	1,345,371	467,241
Development expenses	<u>283,501</u>	<u>335,863</u>
 Total concert hall expenses	 <u>\$ 2,723,913</u>	 <u>\$ 1,487,286</u>