

**Houston Grand Opera Association, Inc.**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended July 31, 2006 and 2005

**Independent Auditors' Report**

To the Board of Directors of  
Houston Grand Opera Association, Inc.:

We have audited the accompanying consolidated statements of financial position of the Houston Grand Opera Association, Inc. as of July 31, 2006 and 2005 and the related consolidated statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Houston Grand Opera Association, Inc.'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 our audits 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Houston Grand Opera Association, Inc. as of July 31, 2006 and 2005 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements of financial position as of July 31, 2006 and 2005 and consolidating statements of activities for the years then ended are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or changes in net assets of the individual companies. The consolidating statements of financial position and statements of activities have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Blazek & Vetterling*

October 27, 2006

## Houston Grand Opera Association, Inc.

Consolidated Statements of Financial Position as of July 31, 2006 and 2005

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	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents ( <i>Note 2</i> )	\$ 657,430	\$ 1,037,412
Accounts receivable, net of allowance of \$190,000 in 2006 and \$43,323 in 2005	723,224	1,090,930
Pledges receivable, net ( <i>Note 3</i> )	4,426,769	3,565,572
Deferred production cost and other assets	1,172,128	890,473
Investments ( <i>Note 4</i> )	44,423,508	45,552,544
Property, net ( <i>Note 5</i> )	<u>1,625,182</u>	<u>1,926,309</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 53,028,241</u></b>	<b><u>\$ 54,063,240</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 538,327	\$ 411,453
Co-production payable	248,676	213,653
Notes payable ( <i>Note 6</i> )	700,000	
Deferred subscription revenue	<u>3,587,897</u>	<u>3,722,408</u>
Total liabilities	<u>5,074,900</u>	<u>4,347,514</u>
Commitments and contingencies ( <i>Note 7</i> )		
Net assets:		
Unrestricted	12,473,447	16,154,305
Temporarily restricted ( <i>Note 8</i> )	6,985,943	5,273,527
Permanently restricted ( <i>Note 9</i> )	<u>28,493,951</u>	<u>28,287,894</u>
Total net assets	<u>47,953,341</u>	<u>49,715,726</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 53,028,241</u></b>	<b><u>\$ 54,063,240</u></b>

*See accompanying notes to consolidated financial statements.*

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## Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2006

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 6,412,621	\$ 2,262,277	\$ 206,057	\$ 8,880,955
Special events	1,667,448	44,049		1,711,497
Cost of direct donor benefits	(133,539)			(133,539)
Ticket sales and performance fees	5,668,366			5,668,366
Co-production and other income	404,019			404,019
Investment return, net ( <i>Note 4</i> )	<u>1,336,751</u>	<u>490,545</u>		<u>1,827,296</u>
Total revenue	15,355,666	2,796,871	206,057	18,358,594
Net assets released from restrictions:				
Program expenditures	<u>1,084,455</u>	<u>(1,084,455)</u>		
Total	<u>16,440,121</u>	<u>1,712,416</u>	<u>206,057</u>	<u>18,358,594</u>
EXPENSES:				
Program services	12,991,862			12,991,862
Marketing and advertising	3,098,434			3,098,434
Management and general	1,535,379			1,535,379
Fundraising	<u>2,495,304</u>			<u>2,495,304</u>
Total expenses	<u>20,120,979</u>			<u>20,120,979</u>
CHANGES IN NET ASSETS	(3,680,858)	1,712,416	206,057	(1,762,385)
Net assets, beginning of year	<u>16,154,305</u>	<u>5,273,527</u>	<u>28,287,894</u>	<u>49,715,726</u>
Net assets, end of year	<u>\$ 12,473,447</u>	<u>\$ 6,985,943</u>	<u>\$ 28,493,951</u>	<u>\$ 47,953,341</u>

*See accompanying notes to consolidated financial statements.*

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## Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2005

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 7,379,435	\$ 1,357,000	\$ 2,461,216	\$ 11,197,651
Special events	4,021,839			4,021,839
Cost of direct donor benefits	(118,488)			(118,488)
Ticket sales and performance fees	6,664,005			6,664,005
Co-production and other income	1,315,857			1,315,857
Investment return, net ( <i>Note 4</i> )	<u>4,751,684</u>	<u>3,210</u>		<u>4,754,894</u>
Total revenue	24,014,332	1,360,210	2,461,216	27,835,758
Net assets released from restrictions:				
Program expenditures	<u>753,210</u>	<u>(753,210)</u>		
Total	<u>24,767,542</u>	<u>607,000</u>	<u>2,461,216</u>	<u>27,835,758</u>
EXPENSES:				
Program services	15,755,476			15,755,476
Marketing and advertising	3,501,366			3,501,366
Management and general	1,392,679			1,392,679
Fundraising	<u>2,958,387</u>			<u>2,958,387</u>
Total expenses	<u>23,607,908</u>			<u>23,607,908</u>
CHANGES IN NET ASSETS	1,159,634	607,000	2,461,216	4,227,850
Net assets, beginning of year	<u>14,994,671</u>	<u>4,666,527</u>	<u>25,826,678</u>	<u>45,487,876</u>
Net assets, end of year	<u>\$ 16,154,305</u>	<u>\$ 5,273,527</u>	<u>\$ 28,287,894</u>	<u>\$ 49,715,726</u>

*See accompanying notes to consolidated financial statements.*

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## Houston Grand Opera Association, Inc.

Consolidated Statements of Cash Flows for the years ended July 31, 2006 and 2005

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	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (1,762,385)	\$ 4,227,850
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized appreciation of investments	(978,561)	(3,935,956)
Contributions restricted for endowment	(206,057)	(2,461,216)
Depreciation	341,084	352,537
Provision for uncollectible receivables	202,000	220,233
Changes in operating assets and liabilities		
Accounts receivable	217,706	(33,030)
Pledges receivable	(913,197)	(388,075)
Deferred production cost and other assets	(281,655)	565,262
Accounts payable and accrued expenses	126,874	77,359
Co-production payable	35,023	31,360
Deferred subscription revenue	<u>(134,511)</u>	<u>(665,719)</u>
Net cash used by operating activities	<u>(3,353,679)</u>	<u>(2,009,395)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(20,224,397)	(15,242,547)
Proceeds from sale of investments	22,480,449	13,376,097
Net change in cash and money market funds held as investment	(148,455)	1,800,980
Purchases of property	<u>(39,957)</u>	<u>(177,008)</u>
Net cash provided (used) by investing activities	<u>2,067,640</u>	<u>(242,478)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	700,000	
Proceeds from contributions restricted for endowment	<u>206,057</u>	<u>2,461,216</u>
Net cash provided by financing activities	<u>906,057</u>	<u>2,461,216</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(379,982)	209,343
Cash and cash equivalents, beginning of year	<u>1,037,412</u>	<u>828,069</u>
Cash and cash equivalents, end of year	<u>\$ 657,430</u>	<u>\$ 1,037,412</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$14,220	
In-kind contributions consisting primarily of advertising	\$697,000	\$393,000

*See accompanying notes to consolidated financial statements.*

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## Houston Grand Opera Association, Inc.

Notes to Consolidated Financial Statements for the years ended July 31, 2006 and 2005

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Houston Grand Opera Association, Inc. (the Association) was founded in 1955 to promote and provide suitable opportunities for the advancement of musical culture by producing, sponsoring, or otherwise making available to the general public music theater performances including grand opera, light opera, operetta, musical theater, and recitals.

The Association's programs include theatre performances, education and outreach, and Houston Grand Opera Studio. Education and outreach initiates and develops educational programs and relationships for children, teachers, and the general public including pre-curtain lectures, artist presentations, high school nights at mainstage performances, and student matinees, and provides for the development of opera education materials and programs for the visually impaired. Houston Grand Opera Studio is a nationally acclaimed training and performance program dedicated to the advancement of young artists with the potential for major careers in the opera, music, and theater profession.

The Houston Grand Opera Guild (the Guild) promotes quality musical drama performances, including grand operas, and provides suitable opportunities for the advancement of musical culture, and instills through education and performances the traditions of opera and music theater in the general public. The Association is the sole member of the Guild. The Houston Grand Opera Endowment (the Endowment) was founded to accumulate and manage a permanent endowment for the purpose of supporting the operations of the Association.

Basis of consolidation – These financial statements include the consolidated statements of financial position, of activities, and of cash flows for the Association, the Guild, and the Endowment (collectively the Opera). All balances and transactions between these consolidated entities have been eliminated.

Tax status – The Association, the Guild, and the Endowment are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The Association and the Guild are classified as public charities under §509(a)(2). The Endowment is classified as a public charity and a Type I supporting organization under §509(a)(3).

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Opera reports the support as unrestricted.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return may be used to support specified programs.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Allowance for doubtful accounts – An allowance for accounts receivable is provided when it is believed balances may not be collected in full. The amount of bad debt expense recorded each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and account by account analysis of accounts receivable balances each period. It is possible that management's estimate regarding collectibility will change in the near term resulting in a change in the carrying value of accounts receivable.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. It is possible that management's estimate regarding the collectibility of these balances will change in the near term resulting in a change in the carrying value of pledges receivable.

Deferred production cost – Expenses for scenery, costumes, music, and stage properties are recorded as deferred production cost if specifically related to productions of future opera seasons.

Investments in marketable securities are recorded at fair value. Investment return includes interest, dividends, and net realized and unrealized gains and losses. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Property is recorded at cost, if purchased, or at the fair value at the date of gift, if donated. Buildings, leasehold improvements, and furniture and equipment are depreciated using the straight-line method over estimated useful lives of 5 to 15 years.

Ticket sales and performance fees are recorded as revenue when the performance takes place. Amounts received for future Opera season performances are included in the financial statements as deferred subscription revenue.

Contributions are recorded as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Advertising is expensed the first time the advertising takes place, except for expenditures related to future opera seasons which are recorded as deferred production cost and other assets. Advertising expense was \$754,155 in 2006 and \$803,795 in 2005.



Co-production revenue – The Opera enters into co-production agreements with other opera companies or associations for the purpose of sharing performance production costs. Agreements among multiple parties are structured as royalty or rental compensation to the Opera. Co-production revenue is recognized when the Opera’s contractual obligations are fulfilled. Co-production revenue was \$71,855 in 2006 and \$443,651 in 2005.

Non-cash contributions – Donated materials, facilities, and services are recorded at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 553,061	\$ 328,412
Certificates of deposit	104,369	100,000
Money market funds	<u>                    </u>	<u>609,000</u>
Total cash and cash equivalents	<u>\$ 657,430</u>	<u>\$ 1,037,412</u>

At times, bank deposits exceed the federally insured limit of \$100,000 per depositor per institution.

**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable consist of the following:

	<u>2006</u>	<u>2005</u>
Due in less than one year	\$ 3,201,525	\$ 1,808,255
Due in one to five years	<u>1,460,711</u>	<u>1,933,012</u>
Total pledges receivable	4,662,236	3,741,267
Discount to present value at 3.25% to 5%	(141,972)	(108,376)
Allowance for uncollectible pledges receivable	<u>(93,495)</u>	<u>(67,319)</u>
Pledges receivable, net	<u>\$ 4,426,769</u>	<u>\$ 3,565,572</u>

**NOTE 4 – INVESTMENTS**

Investments consist of the following:

	<u>2006</u>	<u>2005</u>
Equity securities	\$ 28,090,282	\$ 29,606,689
Debt securities	12,089,596	11,850,680
Cash and money market funds	<u>4,243,630</u>	<u>4,095,175</u>
Total investments	<u>\$ 44,423,508</u>	<u>\$ 45,552,544</u>

Investment return includes earnings on cash and cash equivalents and consists of the following:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 1,111,154	\$ 1,076,069
Net realized and unrealized appreciation of investments	978,561	3,935,956
Royalty income	52,261	42,602
Investment fees	<u>(314,680)</u>	<u>(299,733)</u>
Investment return, net	<u>\$ 1,827,296</u>	<u>\$ 4,754,894</u>

The Board of Directors of the Endowment annually approves a distribution of available endowment funds equal to 5.4% of the average balance for the preceding 12 quarters, unless the average return on investments for those 12 quarters plus inflation is less than 5%, in which case an alternative calculation is used. This amount is available for the Opera's operating budget for the following year. The Endowment may also from time to time grant additional distributions at its discretion. In 2002, the Board of the Endowment approved additional distributions of \$2,500,000 to be paid through 2005.

#### **NOTE 5 – PROPERTY**

Property consists of the following:

	<u>2006</u>	<u>2005</u>
Leasehold improvements	\$ 1,897,546	\$ 1,897,546
Modular stage	1,675,000	1,675,000
Computer equipment	1,048,086	1,031,232
Lighting equipment	953,552	953,552
Furniture and other	389,773	439,857
Scenery	254,967	254,967
Office equipment	244,265	244,265
Communications equipment	185,165	185,165
Vehicles	<u>63,049</u>	<u>                    </u>
Total property, at cost	6,711,403	6,681,584
Accumulated depreciation	<u>(5,086,221)</u>	<u>(4,755,275)</u>
Property, net	<u>\$ 1,625,182</u>	<u>\$ 1,926,309</u>

#### **NOTE 6 – NOTE PAYABLE**

The Opera has a \$3,000,000 unsecured line of credit due January 2007, with interest payable quarterly at the bank's prime interest rate less 0.75%. At July 31, 2006, the balance outstanding under the line was \$700,000. This balance was paid in full subsequent to July 31, 2006.

## NOTE 7 – COMMITMENTS AND CONTINGENCIES

Leases – The Opera leases office, storage and rehearsal space, and equipment under noncancellable operating leases expiring in various years through 2017. Minimum future lease payments are as follows:

2007	\$ 434,758
2008	415,611
2009	380,897
2010	133,973
2011	133,973
Thereafter	<u>803,838</u>
Total minimum future lease payments	<u>\$ 2,303,050</u>

Rental expense was approximately \$450,000 in 2006 and \$922,000 in 2005.

Artists' contracts – The Opera has entered into compensation contracts with various artists for future performances. If the Opera cancels these performances, it may be liable to pay the related artists all or a portion of the agreed compensation. As of July 31, 2006, such contracts with artists call for potential future compensation as follows:

2007	\$ 2,364,125
2008	1,944,540
2009	1,110,500
2010	382,500
2011	<u>62,500</u>
Total	<u>\$ 5,864,165</u>

## NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Restricted for future opera productions	\$ 3,979,728	\$ 2,203,500
Studio	886,558	912,163
Music director chair	892,910	908,945
Education	495,836	502,532
New works with artistic merit	416,233	390,486
Spring opera festival	223,202	227,236
Other	<u>91,476</u>	<u>128,665</u>
Total temporarily restricted net assets	<u>\$ 6,985,943</u>	<u>\$ 5,273,527</u>

## NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested in perpetuity to support the following:

	<u>2006</u>	<u>2005</u>
General operating endowment	\$ 19,711,274	\$ 19,507,381
Electronic media	2,000,000	2,000,000
Studio	1,903,560	1,901,509
Concert of Arias	1,352,218	1,352,205
New productions	1,257,473	1,257,473
Music director	1,000,100	1,000,000
Education	813,476	813,476
Spring Opera Festival	250,000	250,000
New productions with artistic merit	200,000	200,000
Wagner opera performances	<u>5,850</u>	<u>5,850</u>
Total permanently restricted net assets	<u>\$ 28,493,951</u>	<u>\$ 28,287,894</u>

## NOTE 10 – RETIREMENT PLAN

The Opera has a defined contribution retirement plan covering substantially all of its employees who have completed at least one year of service. The Opera matches 100% of the participating employee's contribution up to 2% of the employee's annual salary. The Opera contributed \$62,753 and \$69,759 to the plan in 2006 and 2005, respectively.

## NOTE 11 – RELATED PARTY TRANSACTIONS

The Opera provides office space, certain administrative services, and contributes funding to Opera To Go, an organization whose purpose is to provide opera and music education to the community, at a variety of venues in Harris, Fort Bend, and Montgomery Counties. Net contributions to Opera To Go were approximately \$79,946 and \$118,000 during 2006 and 2005, respectively.

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## Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2006

	ASSOCIATION		ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
	OPERATING FUND	PLANT FUND				
<b>ASSETS</b>						
Cash and cash equivalents	\$ 629,301		\$ 24,949	\$ 3,180		\$ 657,430
Accounts receivable, net	658,626		63,381	1,217		723,224
Pledges receivable, net	4,426,769					4,426,769
Deferred production cost and other assets	1,065,271			106,857		1,172,128
Investments			44,423,508			44,423,508
Property, net		\$ 1,625,182				1,625,182
Due from affiliates			655,630	1,103	\$ (656,733)	
<b>TOTAL ASSETS</b>	<b>\$ 6,779,967</b>	<b>\$ 1,625,182</b>	<b>\$45,167,468</b>	<b>\$ 112,357</b>	<b>\$ (656,733)</b>	<b>\$53,028,241</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 538,212			\$ 115		\$ 538,327
Co-production payable	248,676					248,676
Notes payable	700,000					700,000
Deferred subscription revenue	3,587,897					3,587,897
Due to affiliates	656,733				\$ (656,733)	
<b>Total liabilities</b>	<b>5,731,518</b>			<b>115</b>	<b>(656,733)</b>	<b>5,074,900</b>
<b>Net assets:</b>						
Unrestricted	(2,683,506)	\$ 1,625,182	\$13,419,529	112,242		12,473,447
Temporarily restricted	3,731,955		3,253,988			6,985,943
Permanently restricted			28,493,951			28,493,951
<b>Total net assets</b>	<b>1,048,449</b>	<b>1,625,182</b>	<b>45,167,468</b>	<b>112,242</b>		<b>47,953,341</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,779,967</b>	<b>\$ 1,625,182</b>	<b>\$45,167,468</b>	<b>\$ 112,357</b>	<b>\$ (656,733)</b>	<b>\$53,028,241</b>

## Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2006

	ASSOCIATION		ENDOWMENT	GUILD	TOTAL
	OPERATING FUND	PLANT FUND			
REVENUE:					
Contributions	\$ 8,611,115		\$ 265,500	\$ 4,340	\$ 8,880,955
Special events	1,650,489			61,008	1,711,497
Cost of direct donor benefits	(133,539)				(133,539)
Ticket sales and performance fees	5,668,366				5,668,366
Co-production and other income	229,769			174,250	404,019
Investment return, net	<u>71,052</u>		<u>1,756,244</u>		<u>1,827,296</u>
Total revenue	<u>16,097,252</u>		<u>2,021,744</u>	<u>239,598</u>	<u>18,358,594</u>
EXPENSES:					
Program services	12,706,893	\$ 279,254		5,715	12,991,862
Marketing and advertising	3,068,390	25,540		4,504	3,098,434
Management and general	1,477,475	45,050	7,407	5,447	1,535,379
Fundraising	<u>2,309,037</u>	<u>31,800</u>		<u>154,467</u>	<u>2,495,304</u>
Total expenses	<u>19,561,795</u>	<u>381,644</u>	<u>7,407</u>	<u>170,133</u>	<u>20,120,979</u>
Transfers to (from) affiliates	<u>(2,148,469)</u>	<u>(80,517)</u>	<u>2,165,985</u>	<u>63,001</u>	
CHANGES IN NET ASSETS	(1,316,074)	(301,127)	(151,648)	6,464	(1,762,385)
Net assets, beginning of year	<u>2,364,523</u>	<u>1,926,309</u>	<u>45,319,116</u>	<u>105,778</u>	<u>49,715,726</u>
Net assets, end of year	<u>\$ 1,048,449</u>	<u>\$ 1,625,182</u>	<u>\$45,167,468</u>	<u>\$ 112,242</u>	<u>\$47,953,341</u>

## Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2005

	ASSOCIATION		ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
	OPERATING FUND	PLANT FUND				
<b>ASSETS</b>						
Cash and cash equivalents	\$ 984,655		\$ 49,577	\$ 3,180		\$ 1,037,412
Accounts receivable, net	1,024,575		64,451	1,904		1,090,930
Pledges receivable, net	3,565,572					3,565,572
Deferred production cost and other assets	796,031			94,442		890,473
Investments			45,552,544			45,552,544
Property, net		\$ 1,926,309				1,926,309
Due from affiliates	<u>339,576</u>	<u>                    </u>	<u>                    </u>	<u>7,880</u>	\$ (347,456)	<u>                    </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,710,409</u></b>	<b><u>\$ 1,926,309</u></b>	<b><u>\$45,666,572</u></b>	<b><u>\$ 107,406</u></b>	<b><u>\$ (347,456)</u></b>	<b><u>\$54,063,240</u></b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 411,453					\$ 411,453
Co-production payable	213,653					213,653
Deferred subscription revenue	3,720,780			\$ 1,628		3,722,408
Due to affiliates	<u>                    </u>	<u>                    </u>	<u>\$ 347,456</u>	<u>                    </u>	\$ (347,456)	<u>                    </u>
<b>Total liabilities</b>	<b><u>4,345,886</u></b>	<b><u>                    </u></b>	<b><u>347,456</u></b>	<b><u>1,628</u></b>	<b><u>(347,456)</u></b>	<b><u>4,347,514</u></b>
<b>Net assets:</b>						
Unrestricted	(145,560)	\$ 1,926,309	14,267,778	105,778		16,154,305
Temporarily restricted	2,510,083		2,763,444			5,273,527
Permanently restricted	<u>                    </u>	<u>                    </u>	<u>28,287,894</u>	<u>                    </u>		<u>28,287,894</u>
<b>Total net assets</b>	<b><u>2,364,523</u></b>	<b><u>1,926,309</u></b>	<b><u>45,319,116</u></b>	<b><u>105,778</u></b>		<b><u>49,715,726</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,710,409</u></b>	<b><u>\$ 1,926,309</u></b>	<b><u>\$45,666,572</u></b>	<b><u>\$ 107,406</u></b>	<b><u>\$ (347,456)</u></b>	<b><u>\$54,063,240</u></b>

## Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2005

	ASSOCIATION		ENDOWMENT	GUILD	TOTAL
	OPERATING FUND	PLANT FUND			
<b>REVENUE:</b>					
Contributions	\$ 8,672,692		\$ 2,521,892	\$ 3,067	\$11,197,651
Special events	3,943,613			78,226	4,021,839
Cost of direct donor benefits	(73,299)			(45,189)	(118,488)
Ticket sales and performance fees	6,664,005				6,664,005
Co-production and other income	1,096,532			219,325	1,315,857
Investment return, net			<u>4,754,894</u>		<u>4,754,894</u>
Total revenue	<u>20,303,543</u>		<u>7,276,786</u>	<u>255,429</u>	<u>27,835,758</u>
<b>EXPENSES:</b>					
Program services	15,451,083	\$ 292,423		11,970	15,755,476
Marketing and advertising	3,477,956	17,005		6,405	3,501,366
Management and general	1,348,984	24,494	8,300	10,901	1,392,679
Fundraising	<u>2,816,150</u>	<u>18,614</u>		<u>123,623</u>	<u>2,958,387</u>
Total expenses	<u>23,094,173</u>	<u>352,536</u>	<u>8,300</u>	<u>152,899</u>	<u>23,607,908</u>
Transfers to (from) affiliates	<u>3,041,219</u>	<u>188,269</u>	<u>(3,143,988)</u>	<u>(85,500)</u>	
CHANGES IN NET ASSETS	250,589	(164,267)	4,124,498	17,030	4,227,850
Net assets, beginning of year	<u>2,113,934</u>	<u>2,090,576</u>	<u>41,194,618</u>	<u>88,748</u>	<u>45,487,876</u>
Net assets, end of year	<u>\$ 2,364,523</u>	<u>\$ 1,926,309</u>	<u>\$45,319,116</u>	<u>\$ 105,778</u>	<u>\$49,715,726</u>