Houston Grand Opera Association, Inc.

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended July 31, 2008 and 2007

Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

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, 2008 and 2007 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, 2008 and 2007 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, 2008 and 2007 and the 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. These statements 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

February 5, 2009

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

Houston Grand Opera Association, Inc.

Consolidated Statements of Financial Position as of July 31, 2008 and 2007

	2008	2007
ASSETS		
Cash	$ 456,456	$ 495,367
Accounts receivable, net of allowance of $188,333 in 2008 and $204,844 in 2007	221,929	505,338
Pledges receivable, net *(Note 2)*	10,958,419	7,119,060
Deferred production costs and other assets	1,754,257	1,275,942
Investments *(Note 3)*	41,087,418	45,169,451
Property, net *(Note 4)*	1,330,585	1,331,640
TOTAL ASSETS	$ 55,809,064	$ 55,896,798
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 519,040	$ 356,604
Accrued salaries and benefit costs	276,141	23,349
Co-production payable	84,856	184,922
Note payable *(Note 5)*	1,500,000	1,150,000
Deferred subscription revenue	2,338,446	2,894,381
Deferred co-production and set rental revenue	419,310	68,610
Total liabilities	5,137,793	4,677,866
Commitments and contingencies *(Note 6)*		
Net assets:		
Unrestricted	9,410,007	13,690,837
Temporarily restricted *(Note 7)*	10,577,878	7,961,644
Permanently restricted *(Note 8)*	30,683,386	29,566,451
Total net assets	50,671,271	51,218,932
TOTAL LIABILITIES AND NET ASSETS	$ 55,809,064	$ 55,896,798

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE:				
Contributions	$ 8,513,312	$ 5,998,077	$ 1,116,935	$ 15,628,324
Special events	1,873,771	388,094		2,261,865
Cost of direct donor benefits	(540,813)			(540,813)
Ticket sales and performance fees	4,669,555			4,669,555
Co-production and other income	473,802			473,802
Investment return, net *(Note 3)*	(1,622,491)	(335,004)		(1,957,495)
Total revenue	13,367,136	6,051,167	1,116,935	20,535,238
Net assets released from restrictions:				
Program expenditures	3,434,933	(3,434,933)		
Total	16,802,069	2,616,234	1,116,935	20,535,238
EXPENSES:				
Program services	14,005,083			14,005,083
Marketing and advertising	2,624,424			2,624,424
Management and general	1,750,431			1,750,431
Fundraising	2,702,961			2,702,961
Total expenses	21,082,899			21,082,899
CHANGES IN NET ASSETS	(4,280,830)	2,616,234	1,116,935	(547,661)
Net assets, beginning of year	13,690,837	7,961,644	29,566,451	51,218,932
Net assets, end of year	$ 9,410,007	$ 10,577,878	$ 30,683,386	$ 50,671,271

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE:				
Contributions	$ 7,498,683	$ 2,734,007	$ 1,072,500	$ 11,305,190
Special events	1,859,049	31,000		1,890,049
Cost of direct donor benefits	(513,009)			(513,009)
Ticket sales and performance fees	5,439,508			5,439,508
Co-production and other income	1,444,909			1,444,909
Investment return, net *(Note 3)*	4,615,323	1,516,747		6,132,070
Total revenue	20,344,463	4,281,754	1,072,500	25,698,717
Net assets released from restrictions:				
Program expenditures	3,306,053	(3,306,053)		
Total	23,650,516	975,701	1,072,500	25,698,717
EXPENSES:				
Program services	15,460,606			15,460,606
Marketing and advertising	3,018,552			3,018,552
Management and general	1,509,632			1,509,632
Fundraising	2,444,336			2,444,336
Total expenses	22,433,126			22,433,126
CHANGES IN NET ASSETS	1,217,390	975,701	1,072,500	3,265,591
Net assets, beginning of year	12,473,447	6,985,943	28,493,951	47,953,341
Net assets, end of year	$ 13,690,837	$ 7,961,644	$ 29,566,451	$ 51,218,932

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statements of Cash Flows for the years ended July 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (547,661)	$ 3,265,591
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized (gain) loss on investments	2,768,307	(5,146,267)
Contributions restricted for endowment	(1,116,935)	(1,197,081)
Depreciation	338,126	351,396
Provision for uncollectible receivables	100,000	357,261
Change in discount on pledges receivable	72,284	287,164
Changes in operating assets and liabilities:		
Accounts receivable	283,409	188,425
Pledges receivable (operating)	(3,807,143)	(2,307,255)
Deferred production cost and other assets	(478,315)	(103,814)
Accounts payable and accrued expenses	415,228	(158,374)
Co-production payable	(100,066)	(63,754)
Deferred revenue	(205,235)	(624,906)
Net cash used by operating activities	(2,278,001)	(5,151,614)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(9,068,632)	(16,997,388)
Proceeds from sale of investments	11,494,475	19,277,452
Net change in cash and money market funds held as investment	(1,112,117)	2,120,260
Purchases of property	(337,071)	(57,854)
Net cash provided by investing activities	976,655	4,342,470
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	5,550,010	6,900,000
Payments on notes payable	(5,200,010)	(6,450,000)
Proceeds from contributions restricted for endowment	912,435	197,081
Net cash provided by financing activities	1,262,435	647,081
NET CHANGE IN CASH AND CASH EQUIVALENTS	(38,911)	(162,063)
Cash and cash equivalents, beginning of year	495,367	657,430
Cash and cash equivalents, end of year	$ 456,456	$ 495,367

Supplemental disclosure of cash flow information:

Interest paid	$96,547	$98,844

See accompanying notes to consolidated financial statements.

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 theater 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 Endowment and the Association 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 – Bank deposits exceed the federally insured limit of $100,000 per depositor per institution.

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 costs – 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. The commingled equity funds and private energy partnership, which are not readily marketable, are reported at estimated fair values, approved by the investment manager. Those estimated values may differ significantly from the values that would have been used had a ready market for these securities existed. 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 Association 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 $413,467 in 2008 and $552,159 in 2007.

Co-production revenue – The Association 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 Association. Co-production revenue is recognized when the Association's contractual obligations are fulfilled.

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. In kind contributions of $371,337 and $202,567 in 2008 and 2007, respectively, consisting primarily of advertising services, were donated to the Association.

Recent Accounting Pronouncements – In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FAS 117-1, *Endowments of Not for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (the FSP). The FSP provides guidance on classifying the net assets of donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires additional disclosures for all endowments. The provisions of this FSP are effective for fiscal years ending after December 15, 2008. The Endowment will be required to adopt the provisions of this FSP in its July 31, 2009 financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. The Association will be required to adopt the provisions of SFAS 157 in its July 31, 2009 financial statements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2008	2007
Due in less than one year	$ 6,930,130	$ 4,549,707
Due in one to five years	4,602,625	3,271,894
Thereafter	325,000	100,000
Total pledges receivable	11,857,755	7,921,601
Discount to present value at 5%	(501,421)	(429,138)
Allowance for uncollectible pledges receivable	(397,915)	(373,403)
Pledges receivable, net	$ 10,958,419	$ 7,119,060

During 2008, the Association received a $5 million conditional pledge, of which the first $1 million benchmark was satisfied and a $1 million contribution was recorded as of July 31, 2008. At July 31, 2008, the conditions had not been met for the remaining $4 million contribution and this gift is not recorded in these financial statements. The remaining $4 million requires the Association to cumulatively raise $29,250,000 by July 31, 2009 for an additional $1.5 million contribution, $45,550,000 by July 31, 2010 for an additional $1.5 million contribution, $62,150,000 by July 31, 2011 for an additional $500,000 contribution, and $76,650,000 for an additional $500,000 contribution.

NOTE 3 – INVESTMENTS

Investments consist of the following:

	2008	2007
Commingled equity funds	$ 12,981,426	$ 14,869,747
Domestic equity securities	11,449,408	13,013,209
Fixed income index fund	10,909,033	12,827,561
Cash and money market funds	3,235,487	2,123,370
International equity securities	2,157,242	2,020,695
Private energy partnership	354,822	314,869
Total investments	$ 41,087,418	$ 45,169,451

The commingled equity funds are managed by fund managers and are invested in domestic and international publicly traded equities.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

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

	2008	2007
Interest and dividends	$ 970,982	$ 1,151,642
Royalty income	76,734	62,170
Investment fees	(236,904)	(228,009)
Net realized and unrealized gain (loss) on investments	(2,768,307)	5,146,267
Investment return, net	$ (1,957,495)	$ 6,132,070

The Board of Directors of the Endowment annually approves a distribution of available endowment funds equal to 5% of the average balance for the preceding 12 quarters. This amount is available for the Association's operating budget for the following year. The Endowment may also from time to time grant additional distributions at its discretion.

NOTE 4 – PROPERTY

Property consists of the following:

	2008	2007
Leasehold improvements	$ 1,907,997	$ 1,897,546
Modular stage	1,675,000	1,675,000
Lighting equipment	1,154,761	955,039
Computer equipment	1,134,296	1,055,251
Furniture and other	412,597	408,959
Office equipment	257,460	248,474
Scenery	254,967	254,967
Vehicles	98,278	63,049
Communications equipment	25,806	25,806
Total property, at cost	6,921,162	6,584,091
Accumulated depreciation	(5,590,577)	(5,252,451)
Property, net	$ 1,330,585	$ 1,331,640

NOTE 5 – NOTE PAYABLE

The Association has a $4 million unsecured line of credit due January 31, 2009, with interest payable quarterly at the bank's prime interest rate less 0.75%. At July 31, 2008, the balance outstanding under the line was $1,500,000. In January 2009, the Association entered into a new $6 million unsecured line of credit due February 1, 2010, with interest payable monthly at the bank's prime interest rate plus 2%.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Leases – The Association leases office, storage and rehearsal space, and equipment under noncancellable operating leases expiring in various years through 2014. Minimum future lease payments are as follows:

2009	$ 465,643
2010	465,643
2011	465,643
2012	455,872
2013	277,334
2014	279,278
Total minimum future lease payments	$ 2,409,413

Rental expense was approximately $630,309 in 2008 and $802,000 in 2007.

Artists' contracts – The Association has entered into compensation contracts with various artists for future performances. If the Association cancels theses performances, it may be liable to pay the related artists all or a portion of the agreed compensation. As of July 31, 2008, such contracts with artists call for potential future compensation as follows:

2009	$ 2,452,250
2010	1,872,500
2011	1,673,000
2012	906,250
2013	380,000
Total	$ 7,284,000

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Restricted for future opera productions	$ 8,504,207	$ 5,136,410
Music director chair	703,400	897,897
Studio	668,762	902,551
New productions	371,726	510,289
Spring opera festival	176,660	225,449
Education	141,162	180,159
Wagner opera performances	11,961	14,722
Electronic media		58,396
Concert of Arias		29,402
New works with artistic merit		6,369
Total temporarily restricted net assets	$ 10,577,878	$ 7,961,644

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

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

	2008	2007
General operating endowment	$ 21,847,162	$ 21,304,126
Electronic media	2,130,000	2,050,000
Studio	2,006,334	1,946,584
Concert of Arias	1,352,218	1,352,218
New productions	1,257,473	1,257,473
Music director	1,000,200	1,000,200
Education	634,149	200,000
Spring Opera Festival	250,000	250,000
New productions with artistic merit	200,000	200,000
Wagner opera performances	5,850	5,850
Total permanently restricted net assets	$ 30,683,386	$ 29,566,451

NOTE 9 – RETIREMENT PLAN

The Association has a defined contribution retirement plan covering substantially all of its employees who have completed at least one year of service. The Association matches 100% of the eligible participating employee's contribution up to 2% of the employee's annual salary. The Association contributed approximately $74,000 and $57,000 to the plan in 2008 and 2007, respectively.

NOTE 10 – SUBSEQUENT EVENT

Subsequent to July 31, 2008, domestic and global economic conditions deteriorated substantially resulting in a significant decline in the market value of most publicly-traded securities. Were the Association's financial statements prepared at December 31, 2008 rather than July 31, 2008, the value of these investments would be approximately $31,530,218 compared to the reported value of $41,087,418 at July 31, 2008. Management does not believe that this reduction will affect the financial viability of the Association.

Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2008

	ASSOCIATION					
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
ASSETS						
Cash	$ 400,477		$ 53,659	$ 2,320		$ 456,456
Accounts receivable, net	218,469		3,460			221,929
Pledges receivable, net	9,835,499		1,122,920			10,958,419
Deferred production cost and other assets	1,675,755			78,502		1,754,257
Investments			41,087,418			41,087,418
Property, net		$ 1,330,565	20			1,330,585
Due from affiliates			1,000,000		$(1,000,000)	
TOTAL ASSETS	$12,130,200	$ 1,330,565	$43,267,477	$ 80,822	$(1,000,000)	$55,809,064
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	$ 519,040					$ 519,040
Accrued salaries and benefit costs	276,141					276,141
Co-production payable	84,856					84,856
Notes payable	1,500,000					1,500,000
Deferred subscription revenue	2,338,446					2,338,446
Deferred co-production and set rental revenue	419,310					419,310
Due to affiliates	941,446			$ 58,554	$(1,000,000)	
Total liabilities	6,079,239			58,554	(1,000,000)	5,137,793
Net assets:						
Unrestricted	(2,453,246)	$ 1,330,565	$10,510,420	22,268		9,410,007
Temporarily restricted	8,504,207		2,073,671			10,577,878
Permanently restricted			30,683,386			30,683,386
Total net assets	6,050,961	1,330,565	43,267,477	22,268		50,671,271
TOTAL LIABILITIES AND NET ASSETS	$12,130,200	$ 1,330,565	$43,267,477	$ 80,822	$(1,000,000)	$55,809,064

Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2007

	ASSOCIATION					
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
ASSETS						
Cash	$ 479,474		$ 12,563	$ 3,330		$ 495,367
Accounts receivable, net	502,307		3,031			505,338
Pledges receivable, net	6,243,641		875,419			7,119,060
Deferred production cost and other assets	1,171,476			104,466		1,275,942
Investments			45,169,451			45,169,451
Property, net		$ 1,331,620	20			1,331,640
Due from affiliates			1,000,000		$(1,000,000)	
TOTAL ASSETS	$ 8,396,898	$ 1,331,620	$47,060,484	$ 107,796	$(1,000,000)	$55,896,798
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	$ 356,604					$ 356,604
Accrued salaries and benefit costs	23,349					23,349
Co-production payable	184,922					184,922
Notes payable	1,150,000					1,150,000
Deferred subscription revenue	2,894,381					2,894,381
Deferred co-production and set rental revenue	68,610					68,610
Due to affiliates	982,698			$ 17,302	$(1,000,000)	
Total liabilities	5,660,564			17,302	(1,000,000)	4,677,866
Net assets:						
Unrestricted	(2,400,076)	$ 1,331,620	$14,668,799	90,494		13,690,837
Temporarily restricted	5,136,410		2,825,234			7,961,644
Permanently restricted			29,566,451			29,566,451
Total net assets	2,736,334	1,331,620	47,060,484	90,494		51,218,932
TOTAL LIABILITIES AND NET ASSETS	$ 8,396,898	$ 1,331,620	$47,060,484	$ 107,796	$(1,000,000)	$55,896,798

Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2008

	ASSOCIATION				
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	TOTAL
REVENUE:					
Contributions	$14,467,217		$ 1,160,137	$ 970	$15,628,324
Special events	2,222,639			39,226	2,261,865
Cost of direct donor benefits	(523,841)			(16,972)	(540,813)
Ticket sales and performance fees	4,669,555				4,669,555
Co-production and other income	348,376			125,426	473,802
Investment return, net	(7,684)		(1,949,811)		(1,957,495)
Total revenue	21,176,262		(789,674)	148,650	20,535,238
EXPENSES:					
Program services	13,722,332	$ 279,645		3,106	14,005,083
Marketing and advertising	2,595,978	14,751		13,695	2,624,424
Management and general	1,711,472	24,815	6,525	7,619	1,750,431
Fundraising	2,559,771	18,934		124,256	2,702,961
Total expenses	20,589,553	338,145	6,525	148,676	21,082,899
Transfers to (from) affiliates	(2,727,918)	(337,090)	2,996,808	68,200	
CHANGES IN NET ASSETS	3,314,627	(1,055)	(3,793,007)	(68,226)	(547,661)
Net assets, beginning of year	2,736,334	1,331,620	47,060,484	90,494	51,218,932
Net assets, end of year	$ 6,050,961	$ 1,330,565	$43,267,477	$ 22,268	$50,671,271

Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2007

	ASSOCIATION				
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	TOTAL
REVENUE:					
Contributions	$10,229,100		$1,072,500	$ 3,590	$11,305,190
Special events	1,820,834			69,215	1,890,049
Cost of direct donor benefits	(476,174)			(36,835)	(513,009)
Ticket sales and performance fees	5,439,508				5,439,508
Co-production and other income	1,301,429			143,480	1,444,909
Investment return, net	4,529		6,127,541		6,132,070
Total revenue	18,319,226		7,200,041	179,450	25,698,717
EXPENSES:					
Program services	15,175,643	$ 283,914		1,049	15,460,606
Marketing and advertising	2,996,913	18,250		3,389	3,018,552
Management and general	1,466,997	27,557	6,525	8,553	1,509,632
Fundraising	2,298,352	21,677		124,307	2,444,336
Total expenses	21,937,905	351,398	6,525	137,298	22,433,126
Transfers to (from) affiliates	(5,306,564)	(57,836)	5,300,500	63,900	
CHANGES IN NET ASSETS	1,687,885	(293,562)	1,893,016	(21,748)	3,265,591
Net assets, beginning of year	1,048,449	1,625,182	45,167,468	112,242	47,953,341
Net assets, end of year	$ 2,736,334	$ 1,331,620	$47,060,484	$ 90,494	$51,218,932