

Houston Grand Opera Association, Inc.

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended July 31, 2007 and 2006

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, 2007 and 2006 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, 2007 and 2006 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, 2007 and 2006 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

May 9, 2008

Houston Grand Opera Association, Inc.

Consolidated Statements of Financial Position as of July 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents (<i>Note 2</i>)	\$ 495,367	\$ 657,430
Accounts receivable, net of allowance of \$204,844 in 2007 and \$190,000 in 2006	505,338	723,224
Pledges receivable, net (<i>Note 3</i>)	7,119,060	4,426,769
Deferred production cost and other assets	1,275,942	1,172,128
Investments (<i>Note 4</i>)	45,169,451	44,423,508
Property, net (<i>Note 5</i>)	<u>1,331,640</u>	<u>1,625,182</u>
TOTAL ASSETS	<u>\$ 55,896,798</u>	<u>\$ 53,028,241</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 379,953	\$ 538,327
Co-production payable	184,922	248,676
Note payable (<i>Note 6</i>)	1,150,000	700,000
Deferred subscription revenue	2,894,381	3,416,175
Deferred co-production and set rental revenue	<u>68,610</u>	<u>171,722</u>
Total liabilities	<u>4,677,866</u>	<u>5,074,900</u>
Commitments and contingencies (<i>Note 7</i>)		
Net assets:		
Unrestricted	13,690,837	12,473,447
Temporarily restricted (<i>Note 8</i>)	7,961,644	6,985,943
Permanently restricted (<i>Note 9</i>)	<u>29,566,451</u>	<u>28,493,951</u>
Total net assets	<u>51,218,932</u>	<u>47,953,341</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 55,896,798</u>	<u>\$ 53,028,241</u>

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

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

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
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 (<i>Note 4</i>)	<u>4,615,323</u>	<u>1,516,747</u>		<u>6,132,070</u>
Total revenue	20,344,463	4,281,754	1,072,500	25,698,717
Net assets released from restrictions:				
Program expenditures	<u>3,306,053</u>	<u>(3,306,053)</u>		
Total	<u>23,650,516</u>	<u>975,701</u>	<u>1,072,500</u>	<u>25,698,717</u>
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	<u>2,444,336</u>			<u>2,444,336</u>
Total expenses	<u>22,433,126</u>			<u>22,433,126</u>
CHANGES IN NET ASSETS	1,217,390	975,701	1,072,500	3,265,591
Net assets, beginning of year	<u>12,473,447</u>	<u>6,985,943</u>	<u>28,493,951</u>	<u>47,953,341</u>
Net assets, end of year	<u>\$ 13,690,837</u>	<u>\$ 7,961,644</u>	<u>\$ 29,566,451</u>	<u>\$ 51,218,932</u>

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

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

	<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	(556,145)			(556,145)
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	14,933,060	2,796,871	206,057	17,935,988
Net assets released from restrictions:				
Program expenditures	<u>1,084,455</u>	<u>(1,084,455)</u>		
Total	<u>16,017,515</u>	<u>1,712,416</u>	<u>206,057</u>	<u>17,935,988</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>2,072,698</u>			<u>2,072,698</u>
Total expenses	<u>19,698,373</u>			<u>19,698,373</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.

Houston Grand Opera Association, Inc.

Consolidated Statements of Cash Flows for the years ended July 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,265,591	\$ (1,762,385)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized appreciation of investments	(5,146,248)	(978,561)
Contributions restricted for endowment	(1,197,081)	(206,057)
Depreciation	351,396	341,084
Provision for uncollectible receivables	357,261	202,000
Change in discount on pledges receivable	287,164	33,597
Changes in operating assets and liabilities:		
Accounts receivable	188,425	217,706
Pledges receivable (operating)	(2,307,255)	(946,794)
Deferred production cost and other assets	(103,814)	(281,655)
Accounts payable and accrued expenses	(158,374)	126,874
Co-production payable	(63,754)	35,023
Deferred revenue	<u>(624,906)</u>	<u>(134,511)</u>
Net cash used by operating activities	<u>(5,151,595)</u>	<u>(3,353,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(16,997,407)	(20,224,397)
Proceeds from sale of investments	19,277,452	22,480,449
Net change in cash and money market funds held as investment	2,120,260	(148,455)
Purchases of property	<u>(57,854)</u>	<u>(39,957)</u>
Net cash provided by investing activities	<u>4,342,451</u>	<u>2,067,640</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	6,900,000	1,000,000
Payments on notes payable	(6,450,000)	(300,000)
Proceeds from contributions restricted for endowment	<u>197,081</u>	<u>206,057</u>
Net cash provided by financing activities	<u>647,081</u>	<u>906,057</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(162,063)	(379,982)
Cash and cash equivalents, beginning of year	<u>657,430</u>	<u>1,037,412</u>
Cash and cash equivalents, end of year	<u>\$ 495,367</u>	<u>\$ 657,430</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$98,844	\$14,220
In-kind contributions consisting primarily of advertising	\$202,567	\$697,000

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Notes to Consolidated Financial Statements for the years ended July 31, 2007 and 2006

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 \$552,159 in 2007 and \$754,155 in 2006.

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.

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.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to the current presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 495,367	\$ 553,061
Certificates of deposit	<u> </u>	<u>104,369</u>
Total cash and cash equivalents	<u>\$ 495,367</u>	<u>\$ 657,430</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>2007</u>	<u>2006</u>
Due in less than one year	\$ 4,549,707	\$ 3,201,525
Due in one to ten years	<u>3,371,894</u>	<u>1,460,711</u>
Total pledges receivable	7,921,601	4,662,236
Discount to present value at 3.25% to 5%	(429,138)	(141,972)
Allowance for uncollectible pledges receivable	<u>(373,403)</u>	<u>(93,495)</u>
Pledges receivable, net	<u>\$ 7,119,060</u>	<u>\$ 4,426,769</u>

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2007</u>	<u>2006</u>
Equity securities	\$ 30,218,520	\$ 28,090,282
Debt securities	12,827,561	12,089,596
Cash and money market funds	<u>2,123,370</u>	<u>4,243,630</u>
Total investments	<u>\$ 45,169,451</u>	<u>\$ 44,423,508</u>

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

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 1,151,642	\$ 1,111,154
Net realized and unrealized appreciation of investments	5,146,267	978,561
Royalty income	62,170	52,261
Investment fees	<u>(228,009)</u>	<u>(314,680)</u>
Investment return, net	<u>\$ 6,132,070</u>	<u>\$ 1,827,296</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 2007, the Board of the Endowment approved and distributed an additional \$3,000,000 to the Association.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 1,897,546	\$ 1,897,546
Modular stage	1,675,000	1,675,000
Computer equipment	1,055,251	1,048,086
Lighting equipment	955,039	953,552
Furniture and other	408,959	389,773
Scenery	254,967	254,967
Office equipment	248,474	244,265
Communications equipment	25,806	185,165
Vehicles	<u>63,049</u>	<u>63,049</u>
Total property, at cost	6,584,091	6,711,403
Accumulated depreciation	<u>(5,252,451)</u>	<u>(5,086,221)</u>
Property, net	<u>\$ 1,331,640</u>	<u>\$ 1,625,182</u>

NOTE 6 – NOTE PAYABLE

The Opera has a \$6,000,000 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, 2007, the balance outstanding under the line was \$1,150,000.

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 2013. Minimum future lease payments are as follows:

2008	\$ 436,997
2009	404,227
2010	157,303
2011	157,303
2012	157,303
2013	<u>1,944</u>
Total minimum future lease payments	<u>\$ 1,315,077</u>

Rental expense was approximately \$802,000 in 2007 and \$709,000 in 2006.

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, 2007, such contracts with artists call for potential future compensation as follows:

2008	\$ 2,609,230
2009	1,831,500
2010	1,254,000
2011	<u>530,000</u>
Total	<u>\$ 6,224,730</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Restricted for future opera productions	\$ 5,136,410	\$ 3,979,728
Studio	902,551	886,558
Music director chair	897,897	892,910
New works with artistic merit	510,289	416,233
Spring opera festival	225,449	223,202
Education	180,159	179,323
Other	<u>108,889</u>	<u>407,989</u>
Total temporarily restricted net assets	<u>\$ 7,961,644</u>	<u>\$ 6,985,943</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
General operating endowment	\$ 21,304,126	\$ 20,324,750
Electronic media	2,050,000	2,000,000
Studio	1,946,584	1,903,560
Concert of Arias	1,352,218	1,352,218
New productions	1,257,473	1,257,473
Music director	1,000,200	1,000,100
Spring Opera Festival	250,000	250,000
Education	200,000	200,000
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>\$ 29,566,451</u>	<u>\$ 28,493,951</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 approximately \$57,000 and \$63,000 to the plan in 2007 and 2006, respectively.

Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2007

	ASSOCIATION		ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
	OPERATING FUND	PLANT FUND				
ASSETS						
Cash and cash equivalents	\$ 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	\$ 379,953					\$ 379,953
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 Financial Position as of July 31, 2006

	ASSOCIATION		ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
	OPERATING FUND	PLANT FUND				
ASSETS						
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)	
TOTAL ASSETS	\$ 6,779,967	\$ 1,625,182	\$45,167,468	\$ 112,357	\$ (656,733)	\$53,028,241
LIABILITIES AND NET ASSETS						
Liabilities:						
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	3,416,175					3,416,175
Deferred co-production and set rental revenue	171,722					171,722
Due to affiliates	656,733				\$ (656,733)	
Total liabilities	5,731,518			115	(656,733)	5,074,900
Net assets:						
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
Total net assets	1,048,449	1,625,182	45,167,468	112,242		47,953,341
TOTAL LIABILITIES AND NET ASSETS	\$ 6,779,967	\$ 1,625,182	\$45,167,468	\$ 112,357	\$ (656,733)	\$53,028,241

Houston Grand Opera Association, Inc.

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

	ASSOCIATION		ENDOWMENT	GUILD	TOTAL
	OPERATING FUND	PLANT FUND			
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	<u>18,319,226</u>		<u>7,200,041</u>	<u>179,450</u>	<u>25,698,717</u>
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	<u>21,937,905</u>	<u>351,398</u>	<u>6,525</u>	<u>137,298</u>	<u>22,433,126</u>
Transfers to (from) affiliates	<u>(5,306,564)</u>	<u>(57,836)</u>	<u>5,300,500</u>	<u>63,900</u>	
CHANGES IN NET ASSETS	1,687,885	(293,562)	1,893,016	(21,748)	3,265,591
Net assets, beginning 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>
Net assets, end of year	<u>\$ 2,736,334</u>	<u>\$ 1,331,620</u>	<u>\$47,060,484</u>	<u>\$ 90,494</u>	<u>\$51,218,932</u>

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	(549,201)			(6,944)	(556,145)
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>15,681,590</u>		<u>2,021,744</u>	<u>232,654</u>	<u>17,935,988</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>1,893,375</u>	<u>31,800</u>		<u>147,523</u>	<u>2,072,698</u>
Total expenses	<u>19,146,133</u>	<u>381,644</u>	<u>7,407</u>	<u>163,189</u>	<u>19,698,373</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>