

Houston Grand Opera Association, Inc.

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended July 31, 2011 and 2010

Independent Auditors' Report

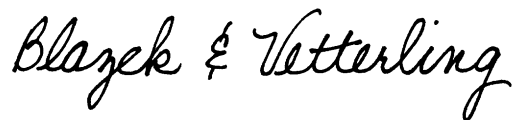
To the Board of Directors of
Houston Grand Opera Association, Inc.:

We have audited the accompanying consolidated statements of financial position of the Houston Grand Opera Association, Inc. as of July 31, 2011 and 2010 and the related consolidated statements of activities, of cash flows, and of functional expenses 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 financial position of the Houston Grand Opera Association, Inc. as of July 31, 2011 and 2010 and the changes 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.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information on pages 20 through 23 is 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 entities. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



November 28, 2011

Houston Grand Opera Association, Inc.

Consolidated Statements of Financial Position as of July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 315,301	\$ 663,087
Accounts receivable	205,082	138,593
Pledges receivable, net (<i>Note 2</i>)	12,166,849	11,218,369
Deferred production costs and other assets	1,865,967	2,109,588
Beneficial interest in charitable trust, net (<i>Note 3</i>)	2,676,931	2,649,990
Pledges receivable restricted for endowment, net (<i>Note 2</i>)	4,348,863	521,541
Investments (<i>Notes 4 and 5</i>)	39,002,599	35,423,353
Property, net (<i>Note 6</i>)	<u>1,151,007</u>	<u>994,956</u>
TOTAL ASSETS	<u>\$ 61,732,599</u>	<u>\$ 53,719,477</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 592,546	\$ 469,102
Accrued salaries and benefit costs	184,927	122,358
Note payable (<i>Note 7</i>)	585,000	1,465,000
Deferred subscription revenue	2,474,559	2,335,958
Deferred co-production and set rental revenue	<u>108,925</u>	<u>219,370</u>
Total liabilities	<u>3,945,957</u>	<u>4,611,788</u>
Commitments and contingencies (<i>Note 8</i>)		
Net assets (<i>Note 11</i>):		
Unrestricted	(797,984)	(1,408,949)
Temporarily restricted (<i>Note 9</i>)	22,421,168	18,470,726
Permanently restricted (<i>Note 10</i>)	<u>36,163,458</u>	<u>32,045,912</u>
Total net assets	<u>57,786,642</u>	<u>49,107,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,732,599</u>	<u>\$ 53,719,477</u>

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 7,744,765	\$ 7,620,706	\$ 4,117,546	\$ 19,483,017
Ticket sales and performance fees	4,188,199			4,188,199
Special events	1,890,452	196,823		2,087,275
Cost of direct donor benefits	(673,068)			(673,068)
Co-production and other income	1,056,957			1,056,957
Investment return, net (<i>Note 4</i>)	<u>188,284</u>	<u>4,922,549</u>		<u>5,110,833</u>
Total revenue	14,395,589	12,740,078	4,117,546	31,253,213
Net assets released from restrictions:				
Expiration of time restrictions	6,040,724	(6,040,724)		
Endowment transfer for operations	2,066,000	(2,066,000)		
Redesignation for special event	<u>682,912</u>	<u>(682,912)</u>		
Total	<u>23,185,225</u>	<u>3,950,442</u>	<u>4,117,546</u>	<u>31,253,213</u>
EXPENSES:				
Program services	14,820,206			14,820,206
Marketing and advertising	2,991,488			2,991,488
Fundraising	2,702,322			2,702,322
Management and general	<u>2,060,244</u>			<u>2,060,244</u>
Total expenses	<u>22,574,260</u>			<u>22,574,260</u>
CHANGES IN NET ASSETS	610,965	3,950,442	4,117,546	8,678,953
Net assets, beginning of year	<u>(1,408,949)</u>	<u>18,470,726</u>	<u>32,045,912</u>	<u>49,107,689</u>
Net assets, end of year	<u>\$ (797,984)</u>	<u>\$ 22,421,168</u>	<u>\$ 36,163,458</u>	<u>\$ 57,786,642</u>

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 7,838,868	\$ 6,183,640	\$ 1,203,952	\$ 15,226,460
Contributions from charitable trust <i>(Note 3)</i>	231,344	2,649,990		2,881,334
Ticket sales and performance fees	3,619,234			3,619,234
Special events	1,737,612	175,200		1,912,812
Cost of direct donor benefits	(655,725)			(655,725)
Co-production and other income	427,800			427,800
Investment return, net <i>(Note 4)</i>	<u>325,869</u>	<u>3,104,617</u>		<u>3,430,486</u>
Total revenue	13,525,002	12,113,447	1,203,952	26,842,401
Net assets released from restrictions:				
Expiration of time restrictions	2,437,993	(2,437,993)		
Endowment transfer for operations	3,699,200	(3,699,200)		
Redesignation for special event	560,994	(560,994)		
Donor-directed redesignation	<u>400,000</u>		<u>(400,000)</u>	
Total	<u>20,623,189</u>	<u>5,415,260</u>	<u>803,952</u>	<u>26,842,401</u>
EXPENSES:				
Program services	13,436,674			13,436,674
Marketing and advertising	2,230,907			2,230,907
Fundraising	2,706,197			2,706,197
Management and general	<u>1,538,714</u>			<u>1,538,714</u>
Total expenses	<u>19,912,492</u>			<u>19,912,492</u>
CHANGES IN NET ASSETS	710,697	5,415,260	803,952	6,929,909
Net assets, beginning of year	<u>(2,119,646)</u>	<u>13,055,466</u>	<u>31,241,960</u>	<u>42,177,780</u>
Net assets, end of year	<u>\$ (1,408,949)</u>	<u>\$ 18,470,726</u>	<u>\$ 32,045,912</u>	<u>\$ 49,107,689</u>

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statements of Cash Flows for the years ended July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 8,678,953	\$ 6,929,909
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(4,351,002)	(2,807,465)
Contributions restricted for endowment	(4,117,546)	(1,203,952)
Depreciation	237,980	203,929
Changes in operating assets and liabilities:		
Accounts receivable	(66,489)	8,550
Pledges receivable (except endowment)	(948,480)	(1,464,527)
Beneficial interest in charitable trust	(26,941)	(2,649,990)
Deferred production costs and other assets	243,621	(510,132)
Accounts payable and accrued expenses	186,013	(213,757)
Deferred revenue	<u>28,156</u>	<u>6,559</u>
Net cash used by operating activities	<u>(135,735)</u>	<u>(1,700,876)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(9,642,024)	(12,815,866)
Proceeds from sale of investments	9,031,928	12,514,496
Net change in money market mutual funds held as investments	1,381,852	1,832,269
Purchases of property	<u>(394,031)</u>	<u>(129,282)</u>
Net cash provided by investing activities	<u>377,725</u>	<u>1,401,617</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	7,770,000	8,260,000
Payments on note payable	(8,650,000)	(9,575,000)
Proceeds from contributions restricted for endowment	<u>290,224</u>	<u>1,781,591</u>
Net cash provided (used) by financing activities	<u>(589,776)</u>	<u>466,591</u>
NET CHANGE IN CASH	(347,786)	167,332
Cash, beginning of year	<u>663,087</u>	<u>495,755</u>
Cash, end of year	<u>\$ 315,301</u>	<u>\$ 663,087</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$68,492	\$139,181

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Functional Expenses for the year ended July 31, 2011

	<u>MAINSTAGE</u>	<u>STUDIO</u>	<u>EDUCATION</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MARKETING AND ADVERTISING</u>	<u>FUNDRAISING</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 6,546,724	\$ 330,410	\$ 455,665	\$ 7,332,799	\$ 1,147,434	\$ 1,426,484	\$ 1,123,177	\$ 11,029,894
Payroll taxes and benefits	1,692,960	165,400	177,533	2,035,893	239,584	251,311	245,137	2,771,925
Professional contractor fees	2,073,547	99,208	263,859	2,436,614	295,494	76,734	323,947	3,132,789
Production materials	1,486,793		29,869	1,516,662				1,516,662
Advertising and public relations		4,728	10,552	15,280	808,356	187,608	5,518	1,016,762
Building and storage rentals	597,592	3,702	11,856	613,150	30,489	49,908	18,269	711,816
Office supplies and expenses	95,960	14,030	24,330	134,320	217,041	121,447	69,332	542,140
Travel	122,313	66,428	32,564	221,305	16,425	170,681	104,340	512,751
Conferences and meetings	5,691		9,824	15,515	1,783	217,907	21,356	256,561
Depreciation	155,595			155,595	25,534	24,201	32,650	237,980
Bank credit card fees			14	14	113,438	57,584	11,002	182,038
Royalties	168,731	156	7,709	176,596				176,596
Equipment	63,034	4,005	1,563	68,602	44,256	8,371	9,727	130,956
Insurance	82,038			82,038	11,436	18,954	15,264	127,692
Information technology	3,457			3,457	35,215	25,026	12,033	75,731
Interest							68,492	68,492
Other	12,366			12,366	5,003	66,106		83,475
Total expenses	<u>\$ 13,106,801</u>	<u>\$ 688,067</u>	<u>\$ 1,025,338</u>	<u>\$ 14,820,206</u>	<u>\$ 2,991,488</u>	<u>\$ 2,702,322</u>	<u>\$ 2,060,244</u>	22,574,260
Cost of direct donor benefits								<u>673,068</u>
Total expenditures								<u>\$ 23,247,328</u>

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Functional Expenses for the year ended July 31, 2010

	<u>MAINSTAGE</u>	<u>STUDIO</u>	<u>EDUCATION</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MARKETING AND ADVERTISING</u>	<u>FUNDRAISING</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 6,801,916	\$ 534,960	\$ 357,383	\$ 7,694,259	\$ 1,019,275	\$ 1,487,043	\$ 811,840	\$ 11,012,417
Payroll taxes and benefits	1,499,133	172,865	62,125	1,734,123	194,749	224,389	207,038	2,360,299
Professional contractor fees	1,154,387	92,140	91,329	1,337,856	78,467	105,839	98,468	1,620,630
Production materials	1,218,091			1,218,091				1,218,091
Advertising and public relations	338	7,264	17,482	25,084	550,835	187,032	1,664	764,615
Building and storage rentals	558,794	1,688	5,230	565,712	30,471	41,991	17,936	656,110
Office supplies and expenses	87,347	6,822	33,441	127,610	179,432	106,423	73,229	486,694
Travel	134,149	52,878	21,257	208,284	16,136	152,725	100,324	477,469
Conferences and meetings		4,460	7,449	11,909	2,315	198,091	2,793	215,108
Depreciation	125,999			125,999	23,753	22,121	32,056	203,929
Bank credit card fees					90,425	55,704	11,965	158,094
Royalties	96,314	98	2,210	98,622				98,622
Equipment	72,957	4,575	532	78,064	8,780	12,275	14,443	113,562
Insurance	181,422			181,422	15,055	23,053	21,959	241,489
Information technology	12,003			12,003	21,101	22,138	15,043	70,285
Interest							129,956	129,956
Other	17,636			17,636	113	67,373		85,122
Total expenses	<u>\$ 11,960,486</u>	<u>\$ 877,750</u>	<u>\$ 598,438</u>	<u>\$ 13,436,674</u>	<u>\$ 2,230,907</u>	<u>\$ 2,706,197</u>	<u>\$ 1,538,714</u>	19,912,492
Cost of direct donor benefits								<u>655,725</u>
Total expenditures								<u>\$ 20,568,217</u>

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Notes to Consolidated Financial Statements for the years ended July 31, 2011 and 2010

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. The Board of Trustees of the Endowment is appointed by the Board of Directors of the Association.

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

Federal income 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).

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Opera and recognize a tax liability (or asset) if the Opera has taken a position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Opera, and has concluded that as of July 31, 2011, there are no positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Opera is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2007.

Pledges receivable and beneficial interest in charitable trust that are expected to be collected within one year are reported 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 are included in contribution revenue.

Allowance for doubtful accounts – An allowance for accounts receivable or pledges receivable is provided when it is believed balances may not be collected in full. The allowance is determined using a combination of historical loss experience and individual account by account analysis of accounts receivable and pledges receivable balances. It is possible that management's estimate regarding collectability will change in the near term resulting in a change in the carrying value of accounts receivable and pledges receivable.

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

Beneficial interest in charitable trust is reported at the present value of the expected future cash flow payments. Changes in the beneficial interest are recognized as contributions from charitable trust in the statement of activities.

Investments are reported at fair value.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Property is depreciated using the straight-line method over estimated useful lives of 2 to 15 years. Expenditures greater than \$1,000 with useful lives greater than 22 months are capitalized.

Net asset classification – Contributions, investment return 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 and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished, a time restriction ends, or Endowment earnings are appropriated for use, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return may be used to support donor-specified programs.

Contributions are recognized 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. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Non-cash contributions – Donated materials, use of facilities, and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized 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 \$505,388 and \$302,140 in 2011 and 2010, respectively, consisting primarily of travel and professional services, were recognized by the Association.

Ticket sales and performance fees are recognized as revenue when the performance takes place. Amounts received for future Association season performances are included in the statement of financial position as deferred subscription revenue.

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.

Advertising is expensed the first time the advertising takes place, except for expenditures related to future opera seasons, which are reported as deferred production costs and other assets. Advertising expense was \$431,320 in 2011 and \$228,966 in 2010.

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.

Adoption of accounting pronouncements – During the year ended July 31, 2011, the Association implemented Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*, which resulted in additional disclosures. This statement requires an increased level of disaggregation in disclosing the level of fair value measurements. It also requires additional disclosures for inputs and valuation techniques used for Level 2 and 3 fair value measurements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2011</u>	<u>2010</u>
Pledges receivable	\$ 16,689,133	\$ 12,010,784
Discount to present value using 0.55% to 5%	(86,468)	(139,111)
Allowance for uncollectible pledges receivable	<u>(86,953)</u>	<u>(131,763)</u>
Pledges receivable, net	<u>\$ 16,515,712</u>	<u>\$ 11,739,910</u>

Pledges receivable at July 31, 2011 are expected to be collected as follows:

Due in less than one year	\$ 4,218,478
Due in one to five years	<u>12,470,655</u>
Total pledges receivable	<u>\$ 16,689,133</u>

NOTE 3 – BENEFICIAL INTEREST IN CHARITABLE TRUST

The Association was named a beneficiary of a charitable trust, which was created in 2010 upon the death of the trust settler for a period of 20 years from the date of death. The trust will distribute 8% of the final fair value of the trust, as determined by federal estate tax purposes, to the beneficiaries. The Association will receive 30% of that amount each year, or \$182,421 per year through 2029. During 2011, the final estate filing is under audit by the Internal Revenue Service. Scheduled payments from the trust have

been suspended until completion of the audit, at which time payments plus interest will resume. The change in the beneficial interest in charitable trust during 2011 is as follows:

Balance at July 31, 2010	\$ 2,649,990
Change in beneficial interest	72,546
Payments received from charitable trust	<u>(45,605)</u>
Balance at July 31, 2011	<u>\$ 2,676,931</u>

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 11,775,873	\$ 10,423,679
Common stocks	10,555,525	8,452,213
Fixed income common collective fund	8,296,609	8,225,123
Limited partnership funds	5,824,034	4,776,959
Master limited partnerships	2,550,558	2,202,593
Private equity foreign stock fund	<u> </u>	<u>1,342,786</u>
Total investments	<u>\$ 39,002,599</u>	<u>\$ 35,423,353</u>

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 and consists of the following:

	<u>2011</u>	<u>2010</u>
Net realized and unrealized gain on investments	\$ 4,351,002	\$ 2,807,465
Interest and dividends	910,478	771,322
Royalty income	54,003	42,619
Investment fees	<u>(204,650)</u>	<u>(190,920)</u>
Investment return, net	<u>\$ 5,110,833</u>	<u>\$ 3,430,486</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at July 31, 2011 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
Foreign stock	\$ 5,233,982			\$ 5,233,982
Money market	2,811,563			2,811,563
Large-cap stock	1,074,303			1,074,303
Bond	1,034,682			1,034,682
Energy and natural resource stock	984,001			984,001
Commodity and other	637,342			637,342
Common stocks:				
Large-cap	6,530,872			6,530,872
Mid-cap	2,610,033			2,610,033
Foreign	1,414,620			1,414,620
Fixed-income common collective fund (a)		\$ 8,296,609		8,296,609
Limited partnerships:				
Large-cap private equity index (b)		3,515,239		3,515,239
Real estate (c)			\$ 1,203,948	1,203,948
Event-driven and distressed debt hedge (d)			715,357	715,357
Special situations hedge (e)			389,490	389,490
Master limited partnerships:				
Large-cap	1,139,110			1,139,110
Mid-cap	519,205			519,205
Small-cap	892,243			892,243
Total assets measured at fair value	<u>\$ 24,881,956</u>	<u>\$ 11,811,848</u>	<u>\$ 2,308,795</u>	<u>\$ 39,002,599</u>

Assets measured at fair value at July 31, 2010 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
Foreign stock	\$ 3,112,522			\$ 3,112,522
Money market	4,193,415			4,193,415
Large-cap stock	931,271			931,271
Bond	1,011,588			1,011,588
Energy and natural resource stock	658,298			658,298
Commodity and other	516,585			516,585
Common stocks:				
Large-cap	4,586,518			4,586,518
Mid-cap	2,622,531			2,622,531
Foreign	523,861			523,861
Small-cap	719,303			719,303
Fixed-income common collective fund (a)		\$ 8,225,123		8,225,123
Limited partnerships:				
Large-cap private equity index (b)		2,953,490		2,953,490
Real estate (c)			\$ 1,000,000	1,000,000
Distressed debt hedge (d)			823,469	823,469
Master limited partnerships:				
Large-cap	605,555			605,555
Mid-cap	1,161,310			1,161,310
Small-cap	435,728			435,728
Private equity foreign stock fund		1,342,786		1,342,786
Total assets measured at fair value	<u>\$ 21,078,485</u>	<u>\$ 12,521,399</u>	<u>\$ 1,823,469</u>	<u>\$ 35,423,353</u>

- (a) The primary investment objective of the fund is to hold a portfolio representative of the overall United States bond and debt market, as characterized by the Barclays Capital Aggregate Bond Index. This fund may participate in securities lending. Redemptions may be made monthly and require 30 days written notice.
- (b) The primary focus of the fund is to own United States-based securities. However, the fund may at times own securities based in other nations due to corporate actions and entity domicile. The partnership's primary investment objective is to manage an index fund based on enhancements to the Research Affiliates, LLC Fundamental Index® concept. Redemptions may be made monthly and require 30 days written notice.
- (c) This fund invests in real estate and real estate joint ventures. Redemptions require 90 days written notice. There is no lockup period; however, withdrawals are limited to available cash held by the fund and may be suspended until such time adequate liquidity exists to pay the redemption.
- (d) Represents two limited partnership hedge funds whose investment strategies seek to achieve superior absolute returns by investing in event driven equities and defaulted debt among special situations primarily in the small and micro-cap markets. Redemptions may generally be made on June 30th of each year upon 90 days written notice. At July 31, 2011, \$184,487 of this balance is awaiting redemption upon fund litigation settlement and payout is expected in 2012.
- (e) The primary investment objective is to earn an attractive return on contributed capital while minimizing risk over the long term by investing in securities and other financial instruments that the general partner believes to be undervalued or issued by special situation companies. Redemptions may generally be made at the end of each fiscal quarter after being invested in the fund for one year, upon 90 days written notice. If the fund receives total redemption requests exceeding 20% of the fund net assets at any one time, redemptions may be made on a pro-rata basis so not to exceed 20% withdrawal of the fund and will carryover remaining withdrawal requests to the end of the next quarter.

There are no unfunded commitments at July 31, 2011.

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the published net asset value of shares held at year end.
- *Common stocks* and *master limited partnerships* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Fixed income common collective fund, large-cap private equity index fund* and *private equity foreign stock fund* are valued at net asset values as determined by the issuer or investment manager based on the fair value of the underlying investments.
- *Limited partnership real estate fund* is valued based on the equity method of accounting based on information provided by the general partner.
- *Limited partnership hedge funds* are valued at net asset value as a practical expedient, as determined by the investment manager based on the underlying investments.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in the fair value of Level 3 assets at July 31, 2011 and 2010 are as follows:

	PRIVATE ENERGY PARTNERSHIP	REAL ESTATE AND HEDGE FUNDS	PRIVATE EQUITY AND COMMON COLLECTIVE FUND	TOTAL
Balance at July 31, 2009	\$ 206,771	\$ 0	\$ 12,828,290	\$ 13,035,061
Transfers out of Level 3			(12,828,290)	(12,828,290)
Net purchases, sales and redemptions	(278,022)	1,845,605		1,567,583
Unrealized gain (loss)	53,530	(248,628)		(195,098)
Realized gain	<u>17,721</u>	<u>226,492</u>		<u>244,213</u>
Balance at July 31, 2010	0	1,823,469	0	1,823,469
Net purchases, sales and redemptions		195,642		195,642
Unrealized gain		156,112		156,112
Realized gain		<u>133,572</u>		<u>133,572</u>
Balance at July 31, 2011	<u>\$ 0</u>	<u>\$ 2,308,795</u>	<u>\$ 0</u>	<u>\$ 2,308,795</u>

The amount reported in changes in net assets for the year ended July 31, 2011 attributable to unrealized gains related to assets held at year end and measured at fair value using significant unobservable inputs is \$156,112. This amount was included in investment return in the accompanying statement of activities for the year ended July 31, 2011.

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 1,918,141	\$ 1,907,997
Office furnishings and equipment	804,432	771,141
Production and music equipment	894,763	627,368
Vehicles	<u>163,553</u>	<u>80,352</u>
Total property, at cost	3,780,889	3,386,858
Accumulated depreciation	<u>(2,629,882)</u>	<u>(2,391,902)</u>
Property, net	<u>\$ 1,151,007</u>	<u>\$ 994,956</u>

NOTE 7 – NOTE PAYABLE

The Association has a \$6 million unsecured line of credit due February 1, 2012, with interest payable monthly at the bank's prime interest rate plus 1.75% (5.00% at July 31, 2011). Interest expense was \$68,492 in 2011 and \$129,956 in 2010.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

2012	\$ 352,337
2013	354,677
2014	<u>287,206</u>
Total minimum future lease payments	<u>\$ 994,220</u>

In 1987, the Association entered into a lease on a non-exclusive basis with the City of Houston for the use of the Wortham Center for \$134,000 a year. The initial term of the lease is 30 years and can be renewed for an additional 30-year term. The lease can be cancelled with six months notice by the Association.

Rental expense was approximately \$679,442 in 2011 and \$656,109 in 2010.

Artists' contracts – The Association has compensation contracts with various artists for future performances. If the Association cancels these performances, it may be liable to pay the related artists' all or a portion of the agreed compensation. As of July 31, 2011, such contracts with artists' call for potential future compensation as follows:

2012	\$ 2,403,000
2013	2,132,000
2014	1,398,000
2015	1,122,000
2016	830,000
Thereafter	<u>323,000</u>
Total	<u>\$ 8,208,000</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Restricted for future opera productions	\$ 12,101,315	\$ 13,597,537
Board-designated endowment	2,540,115	
Accumulated earnings on permanent endowment (<i>Note 11</i>)	<u>7,779,738</u>	<u>4,873,189</u>
Total temporarily restricted net assets	<u>\$ 22,421,168</u>	<u>\$ 18,470,726</u>

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
General operating endowment	\$ 22,055,485	\$ 21,909,488
General director chair	3,971,364	
Electronic media	2,130,000	2,130,000
Studio	2,006,719	2,006,534
Concert of Arias	1,352,218	1,352,218
Music director chair	1,300,200	1,300,200
New productions	1,257,473	1,257,473
Fund for Great Artists	1,000,000	1,000,000
Education	634,149	634,149
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>\$ 36,163,458</u>	<u>\$ 32,045,912</u>

NOTE 11 – ENDOWMENT

The Board of Trustees of the Endowment has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Opera and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Opera
- The investment policies of the Endowment

Endowment assets include donor-restricted funds that the Endowment must hold in perpetuity as well as board-designated endowment funds of the Endowment. The Board of Trustees of the Endowment is charged with preserving the corpus of the endowment, growing the total value of the endowment through investments and gifts, and financially supporting the mission and activities of the Opera.

Spending Policy

Annually, the Endowment will distribute 5% of the average market value of the Endowment's funds under management for the preceding twelve quarters (beginning July 31 of the prior year and preceding quarters). Excluded from funds under management will be any restricted funds that do not qualify as distributable for the upcoming year. In conjunction with the authorization of the annual distribution, the Board of Trustees of the Endowment will review this policy in light of current and expected market conditions and rate of inflation. Other distributions may be made from time to time at the discretion of the Board of Trustees of the Endowment.

Investment Policy

Endowment funds are maintained in investment accounts which are managed by the Endowment Board of Trustees with oversight provided by an independent financial consultant. Investment decisions follow guidance provided in an investment policy approved by the Board of Trustees of the Endowment. The investment policies attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. The Endowment expects its endowment funds, over time, to provide an average rate of return of approximately five percentage points more than the rate of inflation. To satisfy its long-term rate-of-return objectives, the Endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment targets a diversified asset allocation that places an emphasis on a blend of equity-based investments and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Loan to Association

The Endowment has established a revolving line of credit with the Association. The amount outstanding on the line of credit from the Endowment to the Association is \$1 million at July 31, 2011 and 2010. These amounts have been eliminated in consolidation.

Changes in net assets of the endowment funds are as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, August 1, 2009	\$ (451,668)	\$ 5,467,772	\$ 31,241,960	\$ 36,258,064
Contributions			<u>1,203,952</u>	<u>1,203,952</u>
Investment return:				
Interest and dividends	90,034	722,543		812,577
Net realized and unrealized gain	249,857	2,554,412		2,804,269
Investment management fees	<u>(18,582)</u>	<u>(172,338)</u>		<u>(190,920)</u>
Net investment return	<u>321,309</u>	<u>3,104,617</u>		<u>3,425,926</u>
Expenses	(17,634)			(17,634)
Donor-directed redesignation	400,000		(400,000)	
Appropriations for expenditure		<u>(3,699,200)</u>		<u>(3,699,200)</u>
Endowment net assets, July 31, 2010	<u>252,007</u>	<u>4,873,189</u>	<u>32,045,912</u>	<u>37,171,108</u>
Contributions	<u>61,908</u>	<u>122,547</u>	<u>4,117,546</u>	<u>4,302,001</u>
Investment return:				
Interest and dividends	11,990	949,949		961,939
Net realized and unrealized gain	147,994	4,177,250		4,325,244
Investment management fees		<u>(204,650)</u>		<u>(204,650)</u>
Net investment return	<u>159,984</u>	<u>4,922,549</u>		<u>5,082,533</u>
Expenses	(11,990)			(11,990)
Expiration of time restriction	182,421	(182,421)		
Transfer from Association		2,649,989		2,649,989
Appropriations for expenditure		<u>(2,066,000)</u>		<u>(2,066,000)</u>
Endowment net assets, July 31, 2011	<u>\$ 644,330</u>	<u>\$ 10,319,853</u>	<u>\$ 36,163,458</u>	<u>\$ 47,127,641</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Endowment to retain as a fund of perpetual duration. Deficiencies of this nature result from unfavorable market fluctuations and are reported in unrestricted net assets as an aggregate deficiency of the fair value of net endowment assets over permanently restricted net assets.

Endowment net asset composition as of July 31, 2011:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds:				
General operating		\$ 5,828,676	\$ 22,055,485	\$ 27,884,161
General director chair			3,971,363	3,971,363
Studio		499,198	2,006,720	2,505,918
Electronic media		201,756	2,130,000	2,331,756
Music director chair		393,863	1,300,200	1,694,063
New productions		302,376	1,257,473	1,559,849
Concert of Arias		117,600	1,352,218	1,469,818
Fund for Great Artists		137,747	1,000,000	1,137,747
Education		192,054	634,149	826,203
Spring Opera Festival		83,276	250,000	333,276
New productions with artistic merit		19,477	200,000	219,477
Wagner opera performances		<u>3,715</u>	<u>5,850</u>	<u>9,565</u>
Total donor-restricted endowment funds		7,779,738	36,163,458	43,943,196
Board-designated endowment funds	<u>\$ 644,329</u>	<u>2,540,116</u>		<u>3,184,445</u>
Endowment net assets	<u>\$ 644,329</u>	<u>\$ 10,319,854</u>	<u>\$ 36,163,458</u>	<u>\$ 47,127,641</u>

Endowment net asset composition as of July 31, 2010:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds:				
General operating		\$ 3,929,600	\$ 21,909,488	\$ 25,839,088
Studio		312,624	2,006,534	2,319,158
Electronic media	\$ (80,549)		2,130,000	2,049,451
Music director chair		300,878	1,300,200	1,601,078
New productions		180,955	1,257,473	1,438,428
Concert of Arias	(60,350)		1,352,218	1,291,868
Fund for Great Artists			1,000,000	1,000,000
Education		76,636	634,149	710,785
Spring Opera Festival		68,422	250,000	318,422
New productions with artistic merit	(7,094)		200,000	192,906
Wagner opera performances		<u>4,074</u>	<u>5,850</u>	<u>9,924</u>
Total donor-restricted endowment funds	(147,993)	4,873,189	32,045,912	36,771,108
Board-designated endowment funds	<u>400,000</u>			<u>400,000</u>
Endowment net assets	<u>\$ 252,007</u>	<u>\$ 4,873,189</u>	<u>\$ 32,045,912</u>	<u>\$ 37,171,108</u>

NOTE 12 – RETIREMENT PLAN

The Association has a defined contribution retirement plan covering substantially all employees who have completed one year of service. In 2009, the Association matched 100% of the eligible participating

employee's contribution up to 2% of the employee's annual salary, this contribution was suspended for fiscal year 2010 and reinstated for fiscal year 2011. The Association contributed approximately \$305,000 to the plan in 2011 and \$68,000 to the plan in 2010.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2011, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2011

	ASSOCIATION		ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
	OPERATING FUND	PLANT FUND				
ASSETS						
Cash	\$ 253,516		\$ 60,285	\$ 1,500		\$ 315,301
Accounts receivable, net	216,033		(10,951)			205,082
Pledges receivable and beneficial interest in charitable trust, net	12,166,849		7,025,794			19,192,643
Deferred production costs and other assets	1,782,167			83,800		1,865,967
Investments			39,002,599			39,002,599
Property, net		\$ 1,150,987	20			1,151,007
Due from affiliates			1,049,894	56,230	\$(1,106,124)	
TOTAL ASSETS	<u>\$14,418,565</u>	<u>\$ 1,150,987</u>	<u>\$47,127,641</u>	<u>\$ 141,530</u>	<u>\$(1,106,124)</u>	<u>\$61,732,599</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 591,975			\$ 571		\$ 592,546
Accrued salaries and benefit costs	184,927					184,927
Note payable	585,000					585,000
Deferred subscription revenue	2,474,559					2,474,559
Deferred co-production and set rental revenue	108,925					108,925
Due to affiliates	1,106,124				\$(1,106,124)	
Total liabilities	<u>5,051,510</u>			<u>571</u>	<u>(1,106,124)</u>	<u>3,945,957</u>
Net assets:						
Unrestricted	(2,734,260)	\$ 1,150,987	\$ 644,330	140,959		(797,984)
Temporarily restricted	12,101,315		10,319,853			22,421,168
Permanently restricted			36,163,458			36,163,458
Total net assets	<u>9,367,055</u>	<u>1,150,987</u>	<u>47,127,641</u>	<u>140,959</u>		<u>57,786,642</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$14,418,565</u>	<u>\$ 1,150,987</u>	<u>\$47,127,641</u>	<u>\$ 141,530</u>	<u>\$(1,106,124)</u>	<u>\$61,732,599</u>

Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2010

	ASSOCIATION		ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
	OPERATING FUND	PLANT FUND				
ASSETS						
Cash	\$ 435,000		\$ 226,587	\$ 1,500		\$ 663,087
Accounts receivable, net	147,502		(8,909)			138,593
Pledges receivable and beneficial interest in charitable trust, net	13,868,359		521,541			14,389,900
Deferred production costs and other assets	2,035,209			74,379		2,109,588
Investments			35,423,353			35,423,353
Property, net		\$ 994,936	20			994,956
Due from affiliates			1,008,516	45,421	\$(1,053,937)	
TOTAL ASSETS	\$16,486,070	\$ 994,936	\$37,171,108	\$ 121,300	\$(1,053,937)	\$53,719,477
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 463,920			\$ 5,182		\$ 469,102
Accrued salaries and benefit costs	122,358					122,358
Note payable	1,465,000					1,465,000
Deferred subscription revenue	2,335,958					2,335,958
Deferred co-production and set rental revenue	219,370					219,370
Due to affiliates	1,053,937				\$(1,053,937)	
Total liabilities	5,660,543			5,182	(1,053,937)	4,611,788
Net assets:						
Unrestricted	(2,772,010)	\$ 994,936	\$ 252,007	116,118		(1,408,949)
Temporarily restricted	13,597,537		4,873,189			18,470,726
Permanently restricted			32,045,912			32,045,912
Total net assets	10,825,527	994,936	37,171,108	116,118		49,107,689
TOTAL LIABILITIES AND NET ASSETS	\$16,486,070	\$ 994,936	\$37,171,108	\$ 121,300	\$(1,053,937)	\$53,719,477

Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2011

	ASSOCIATION		ENDOWMENT	GUILD	TOTAL
	OPERATING FUND	PLANT FUND			
REVENUE:					
Contributions	\$15,160,096		\$ 4,302,000	\$ 20,921	\$19,483,017
Ticket sales and performance fees	4,188,199				4,188,199
Special events	2,033,085			54,190	2,087,275
Cost of direct donor benefits	(644,716)			(28,352)	(673,068)
Co-production and other income	949,368			107,589	1,056,957
Investment return, net	<u>28,301</u>		<u>5,082,532</u>	<u> </u>	<u>5,110,833</u>
Total revenue	<u>21,714,333</u>		<u>9,384,532</u>	<u>154,348</u>	<u>31,253,213</u>
EXPENSES:					
Program services	14,658,048	\$ 155,595		6,563	14,820,206
Marketing and advertising	2,963,618	25,534		2,336	2,991,488
Fundraising	2,589,154	24,201		88,967	2,702,322
Management and general	<u>2,009,481</u>	<u>32,650</u>	<u>11,990</u>	<u>6,123</u>	<u>2,060,244</u>
Total expenses	<u>22,220,301</u>	<u>237,980</u>	<u>11,990</u>	<u>103,989</u>	<u>22,574,260</u>
Transfers (to) from affiliates	1,697,487	394,031	(2,066,000)	(25,518)	
Transfer of bequest from Association to Endowment	<u>(2,649,991)</u>	<u> </u>	<u>2,649,991</u>	<u> </u>	
CHANGES IN NET ASSETS	(1,458,472)	156,051	9,956,533	24,841	8,678,953
Net assets, beginning of year	<u>10,825,527</u>	<u>994,936</u>	<u>37,171,108</u>	<u>116,118</u>	<u>49,107,689</u>
Net assets, end of year	<u>\$ 9,367,055</u>	<u>\$ 1,150,987</u>	<u>\$47,127,641</u>	<u>\$ 140,959</u>	<u>\$57,786,642</u>

Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2010

	ASSOCIATION		ENDOWMENT	GUILD	TOTAL
	OPERATING FUND	PLANT FUND			
REVENUE:					
Contributions	\$16,859,472		\$ 1,203,952	\$ 44,370	\$18,107,794
Ticket sales and performance fees	3,619,234				3,619,234
Special events	1,846,278			66,534	1,912,812
Cost of direct donor benefits	(624,069)			(31,656)	(655,725)
Co-production and other income	323,812			103,988	427,800
Investment return, net	4,560		3,425,926		3,430,486
Total revenue	<u>22,029,287</u>		<u>4,629,878</u>	<u>183,236</u>	<u>26,842,401</u>
EXPENSES:					
Program services	13,304,685	\$ 125,999		5,990	13,436,674
Marketing and advertising	2,204,219	23,753		2,935	2,230,907
Fundraising	2,597,430	22,121		86,646	2,706,197
Management and general	1,482,736	32,057	17,634	6,287	1,538,714
Total expenses	<u>19,589,070</u>	<u>203,930</u>	<u>17,634</u>	<u>101,858</u>	<u>19,912,492</u>
Transfers (to) from affiliates	<u>3,595,342</u>	<u>129,283</u>	<u>(3,699,200)</u>	<u>(25,425)</u>	
CHANGES IN NET ASSETS	6,035,559	(74,647)	913,044	55,953	6,929,909
Net assets, beginning of year	<u>4,789,968</u>	<u>1,069,583</u>	<u>36,258,064</u>	<u>60,165</u>	<u>42,177,780</u>
Net assets, end of year	<u>\$10,825,527</u>	<u>\$ 994,936</u>	<u>\$37,171,108</u>	<u>\$ 116,118</u>	<u>\$49,107,689</u>