Houston Grand Opera Association, Inc.

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended July 31, 2016 and 2015

Houston Grand Opera Association, Inc.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Houston Grand Opera Association, Inc., which comprise the consolidated statements of financial position as of July 31, 2016 and 2015 and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Houston Grand Opera Association, Inc. as of July 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating statements of financial position as of July 31, 2016 and 2015 and consolidating statements of activities for the years ended July 31, 2016 and 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blazek & Vetterling

October 12, 2016

Houston Grand Opera Association, Inc.

Consolidated Statements of Financial Position as of July 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	$ 559,952	$ 850,212
Accounts receivable	253,912	343,250
Operating pledges receivable, net *(Note 2)*	20,410,636	17,006,569
Deferred production costs and other assets	2,250,090	3,007,795
Beneficial interest in charitable trust *(Notes 3 and 5)*	2,172,388	2,206,868
Pledges receivable restricted for endowment, net *(Note 2)*	986,891	1,489,002
Investments *(Notes 4 and 5)*	52,660,252	53,074,303
Property, net *(Note 6)*	614,703	805,789
TOTAL ASSETS	$ 79,908,824	$ 78,783,788
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 184,333	$ 168,494
Accrued salaries and benefit costs	359,774	508,290
Accrued production expense	264,852	642,945
Deferred subscription revenue	2,905,523	3,291,954
Deferred co-production and set rental revenue	203,416	175,970
Note payable *(Note 7)*	1,500,000	300,000
Total liabilities	5,417,898	5,087,653
Commitments and contingencies *(Note 8)*		
Net assets *(Note 11)*:		
Unrestricted *(Note 9)*	(1,235,107)	(1,057,226)
Temporarily restricted *(Note 10)*	29,973,696	31,370,647
Permanently restricted	45,752,337	43,382,714
Total net assets	74,490,926	73,696,135
TOTAL LIABILITIES AND NET ASSETS	$ 79,908,824	$ 78,783,788

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE:				
Contributions	$ 9,174,457	$ 7,355,535	$ 2,369,623	$ 18,899,615
Ticket sales and performance fees	5,780,942			5,780,942
Special events	2,114,520	523,924		2,638,444
Cost of direct donor benefits	(463,188)			(463,188)
Investment return, net *(Note 4)*	22,735	221,199		243,934
Production income	406,036			406,036
Other income	419,078			419,078
Total revenue	17,454,580	8,100,658	2,369,623	27,924,861
Net assets released from restrictions:				
Time and purpose restrictions	5,150,968	(5,150,968)		
Endowment appropriation	3,710,257	(3,710,257)		
Redesignation for special events	636,384	(636,384)		
Total	26,952,189	(1,396,951)	2,369,623	27,924,861
EXPENSES:				
Program services:				
Mainstage	16,597,418			16,597,418
Studio	1,055,431			1,055,431
Education	915,238			915,238
Total program services	18,568,087			18,568,087
Marketing and advertising	3,282,897			3,282,897
Fundraising	3,350,552			3,350,552
Management and general	1,928,534			1,928,534
Total expenses	27,130,070			27,130,070
CHANGES IN NET ASSETS	(177,881)	(1,396,951)	2,369,623	794,791
Net assets, beginning of year	(1,057,226)	31,370,647	43,382,714	73,696,135
Net assets, end of year	$ (1,235,107)	$ 29,973,696	$ 45,752,337	$ 74,490,926

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Activities for the year ended July 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE:				
Contributions	$ 8,184,139	$ 10,081,768	$ 2,607,089	$ 20,872,996
Ticket sales and performance fees	6,094,277			6,094,277
Special events	1,715,370	443,550		2,158,920
Cost of direct donor benefits	(593,692)			(593,692)
Investment return, net *(Note 4)*	36,752	1,618,903		1,655,655
Production income	793,838			793,838
Other income	327,555			327,555
Total revenue	16,558,239	12,144,221	2,607,089	31,309,549
Net assets released from restrictions:				
Time and purpose restrictions	5,773,234	(5,773,234)		
Endowment appropriation	2,125,624	(2,125,624)		
Net transfer to/from Endowment	(241,974)		241,974	
Redesignation for special events	1,200,983	(1,200,983)		
Total	25,416,106	3,044,380	2,849,063	31,309,549
EXPENSES:				
Program services:				
Mainstage	15,379,597			15,379,597
Studio	987,529			987,529
Education	914,339			914,339
Total program services	17,281,465			17,281,465
Marketing and advertising	3,143,904			3,143,904
Fundraising	3,149,267			3,149,267
Management and general	1,697,351			1,697,351
Total expenses	25,271,987			25,271,987
CHANGES IN NET ASSETS	144,119	3,044,380	2,849,063	6,037,562
Net assets, beginning of year	(1,201,345)	28,326,267	40,533,651	67,658,573
Net assets, end of year	$ (1,057,226)	$ 31,370,647	$ 43,382,714	$ 73,696,135

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statements of Cash Flows for the years ended July 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 794,791	$ 6,037,562
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized (gain) loss on investments	628,634	(969,592)
Contributions restricted for endowment	(2,369,623)	(2,607,089)
Depreciation	277,333	232,941
Changes in operating assets and liabilities:		
Accounts receivable	89,338	409,974
Operating pledges receivable	(3,404,067)	(4,366,944)
Deferred production costs and other assets	757,705	(245,123)
Accounts payable and accrued expenses	(510,770)	(158,439)
Deferred revenue	(358,985)	(373,167)
Net cash used by operating activities	(4,095,644)	(2,039,877)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(10,697,640)	(16,040,214)
Proceeds from sale of investments	6,341,732	13,171,833
Net change in cash and money market mutual funds held as investments	4,141,325	1,098,476
Change in beneficial interest in charitable trust	34,480	72,894
Purchases of property	(86,247)	(199,780)
Net cash used by investing activities	(266,350)	(1,896,791)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	6,250,000	4,500,000
Payments on note payable	(5,050,000)	(4,200,000)
Proceeds from contributions restricted for endowment	2,871,734	3,554,755
Net cash provided by financing activities	4,071,734	3,854,755
NET CHANGE IN CASH	(290,260)	(81,913)
Cash, beginning of year	850,212	932,125
Cash, end of year	$ 559,952	$ 850,212

Supplemental disclosure of cash flow information:

Donated securities	$214,021	$475,314

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Functional Expenses for the year ended July 31, 2016

	MAINSTAGE	STUDIO	EDUCATION	TOTAL PROGRAM SERVICES	MARKETING AND ADVERTISING	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Salaries and wages	$ 8,377,905	$ 664,513	$ 427,622	$ 9,470,040	$ 1,421,320	$ 1,668,683	$ 981,143	$ 13,541,186
Payroll taxes and benefits	1,842,747	178,246	79,430	2,100,423	275,700	309,243	263,772	2,949,138
Professional fees	2,932,177	135,250	234,821	3,302,248	124,045	238,867	150,705	3,815,865
Production materials	1,269,829	2,627	15,862	1,288,318				1,288,318
Advertising and public relations	3,505	3,021	28,566	35,092	751,826	188,774	7,639	983,331
Building and storage rentals	754,841	9,561	32,237	796,639	63,232	78,532	22,796	961,199
Travel	493,924	50,591	51,755	596,270	12,444	42,340	251,127	902,181
Conferences, meetings and events	25,680	6,373	13,854	45,907	28,470	520,335	39,564	634,276
Office supplies and expenses	102,873	4,061	22,364	129,298	276,829	92,202	59,316	557,645
Depreciation	147,642			147,642	95,209	13,924	20,558	277,333
Production shipping costs	269,819			269,819				269,819
Insurance	148,766			148,766	32,800	28,753	21,151	231,470
Bank credit card fees			17	17	151,898	64,610	5,984	222,509
Equipment	76,927	550	5,064	82,541	13,300	35,852	10,960	142,653
Royalties	125,733	638	3,646	130,017				130,017
Information technology	25,050			25,050	35,640	32,465	25,905	119,060
Interest							67,914	67,914
Other					184	35,972		36,156
Total expenses	$ 16,597,418	$ 1,055,431	$ 915,238	$ 18,568,087	$ 3,282,897	$ 3,350,552	$ 1,928,534	27,130,070
Cost of direct donor benefits								463,188
Investment management fees								228,564
Total expenditures								$ 27,821,822

See accompanying notes to consolidated financial statements.

Houston Grand Opera Association, Inc.

Consolidated Statement of Functional Expenses for the year ended July 31, 2015

	MAINSTAGE	STUDIO	EDUCATION	TOTAL PROGRAM SERVICES	MARKETING AND ADVERTISING	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Salaries and wages	$ 7,529,685	$ 600,020	$ 489,607	$ 8,619,312	$ 1,279,236	$ 1,571,408	$ 976,233	$ 12,446,189
Payroll taxes and benefits	1,624,126	169,821	86,534	1,880,481	252,429	289,162	246,098	2,668,170
Professional fees	2,980,491	133,169	198,935	3,312,595	129,993	168,122	95,015	3,705,725
Production materials	1,116,015	2,677	6,412	1,125,104				1,125,104
Advertising and public relations	4,920	1,368	21,972	28,260	866,396	207,574	7,853	1,110,083
Building and storage rentals	731,431	6,862	4,054	742,347	64,218	67,073	22,118	895,756
Travel	432,801	60,339	63,127	556,267	9,184	34,437	103,760	703,648
Conferences, meetings and events	23,742	6,464	18,251	48,457	24,368	437,210	44,490	554,525
Office supplies and expenses	71,110	4,600	13,991	89,701	258,705	102,850	72,099	523,355
Depreciation	167,500			167,500	21,505	16,433	27,503	232,941
Production shipping costs	325,174			325,174				325,174
Insurance	162,767			162,767	37,636	27,157	21,779	249,339
Bank credit card fees			14	14	148,615	73,190	10,207	232,026
Equipment	86,313	616	6,300	93,229	15,432	27,951	11,641	148,253
Royalties	98,896	1,593	2,182	102,671				102,671
Information technology	24,626			24,626	34,809	30,975	23,224	113,634
Interest							35,331	35,331
Other			2,960	2,960	1,378	95,725		100,063
Total expenses	$ 15,379,597	$ 987,529	$ 914,339	$ 17,281,465	$ 3,143,904	$ 3,149,267	$ 1,697,351	25,271,987
Cost of direct donor benefits								593,692
Investment management fees								265,778
Total expenditures								$ 26,131,457

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, 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 tax 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).

Cash includes demand deposits which exceed the federally insured limit per depositor per institution. Cash held in investment accounts is included in investments.

Pledges receivable 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 is included in contribution revenue.

Allowance for uncollectible accounts – An allowance for accounts receivable or pledges receivable is provided when it is believed balances may not be collected in full. It is the Opera's policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on pledges recognized each period and the resulting adequacy of the allowance at the end of each period 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. These costs are expensed in the year the production is performed.

Beneficial interest in charitable trust is reported at fair value. Changes in the beneficial interest are reported as contributions in the statement of activities.

Investment valuation and income recognition – Investments are reported at fair value. Purchases and sales of securities are reported on a trade-date basis. The Association's management determines valuation policies utilizing information provided by its investment advisers, custodians and fund managers. Interest income is reported on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses includes gains and losses on investments bought and sold as well as held during the year. 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.

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 classified 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 $400,476 and $206,817 in 2016 and 2015, respectively, consisting primarily of mainstage travel, professional services and fundraising catering costs, 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.

Production income – 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. Production income 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 recognized as deferred production costs and other assets.

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.

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

Recent financial accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions.* New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. The Opera plans to adopt this ASU for its fiscal year ending July 31, 2019. Adoption of this ASU will significantly impact the presentation and disclosures of the financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The ASU removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured at net asset value per share using the practical expedient and removes the requirement to make certain disclosures for investments that are eligible to be measured at fair value using the practical expedient. The ASU is effective for fiscal periods beginning after December 15, 2016 and is to be applied retrospectively to all periods presented.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	2016	2015
Pledges receivable	$ 21,756,587	$ 19,086,189
Discount to present value at 0.61% to 1.46%	(249,060)	(280,618)
Allowance for uncollectible pledges receivable	(110,000)	(310,000)
Pledges receivable, net	21,397,527	18,495,571
Pledges receivable restricted for endowment, net	(986,891)	(1,489,002)
Operating pledges receivable, net	$ 20,410,636	$ 17,006,569

Pledges receivable at July 31, 2016 are expected to be collected as follows:

Due in less than one year	$ 9,307,837
Due in one to five years	12,448,750
Total pledges receivable	$ 21,756,587

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 for federal estate tax purposes, to the beneficiaries. The Association receives 30% of that amount each year, or approximately $186,000 per year through 2029.

NOTE 4 – INVESTMENTS

Investments consist of the following:

	2016	2015
Mutual funds	$ 21,690,227	$ 19,468,392
Common stocks	14,915,533	15,526,838
Fixed-income common collective fund	7,068,853	6,849,587
Limited partnership funds	4,993,614	4,467,501
Master limited partnerships – energy	3,677,182	4,791,729
Total investments at fair value	52,345,409	51,104,047
Cash held in investment accounts	314,843	1,970,256
Total investments	$ 52,660,252	$ 53,074,303

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:

	2016	2015
Interest and dividends	$ 1,087,520	$ 924,276
Royalty income	13,612	27,565
Net realized and unrealized gain (loss) on investments	(628,634)	969,592
Investment management fees	(228,564)	(265,778)
Investment return, net	$ 243,934	$ 1,655,655

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, 2016 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual funds:				
Foreign stock	$ 6,700,925			$ 6,700,925
Large-blend stock	6,498,180			6,498,180
Taxable bond	4,559,097			4,559,097
Money market	2,121,621			2,121,621
Large-cap stock	1,668,199			1,668,199
Small-cap stock	142,205			142,205
Common stocks:				
Consumer discretionary	3,747,217			3,747,217
Information technology	3,594,333			3,594,333
Financials	2,082,040			2,082,040
Foreign	1,701,778			1,701,778
Health care	1,518,804			1,518,804
Industrials	773,046			773,046
Materials	494,912			494,912
Consumer staples	409,638			409,638
Utilities	320,103			320,103
Energy	273,662			273,662
Fixed-income common collective fund (a)		$ 7,068,853		7,068,853
Limited partnership funds:				
Real estate (b)			$ 2,936,571	2,936,571
Private capital (c)			1,255,328	1,255,328
Event-driven/distressed debt hedge (d)			801,715	801,715
Master limited partnerships – energy	3,677,182			3,677,182
Total investments measured at fair value	40,282,942	7,068,853	4,993,614	52,345,409
Beneficial interest in charitable trust			2,172,388	2,172,388
Total assets measured at fair value	$ 40,282,942	$ 7,068,853	$ 7,166,002	$ 54,517,797

Assets measured at fair value at July 31, 2015 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual funds:				
Foreign stock	$ 5,202,110			$ 5,202,110
Large-blend stock	6,173,765			6,173,765
Taxable bond	1,973,692			1,973,692
Money market	4,607,533			4,607,533
Large-cap stock	1,511,292			1,511,292
Common stocks:				
Consumer discretionary	3,096,223			3,096,223
Information technology	4,299,267			4,299,267
Financials	1,819,417			1,819,417
Foreign	2,193,792			2,193,792
Health care	1,903,388			1,903,388
Industrials	996,338			996,338
Materials	255,707			255,707
Consumer staples	415,414			415,414
Utilities	185,153			185,153
Energy	347,364			347,364
Telecommunication services	14,775			14,775
Fixed-income common collective fund (a)		$ 6,849,587		6,849,587
Limited partnership funds:				
Real estate (b)			$ 2,714,088	2,714,088
Private capital (c)			951,780	951,780
Event-driven/distressed debt hedge (d)			801,633	801,633
Master limited partnerships – energy	4,791,729			4,791,729
Total investments measured at fair value	39,786,959	6,849,587	4,467,501	51,104,047
Beneficial interest in charitable trust			2,206,868	2,206,868
Total assets measured at fair value	$ 39,786,959	$ 6,849,587	$ 6,674,369	$ 53,310,915

(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 Intermediate Aggregate Bond Index. This fund may participate in securities lending. Redemptions may be made monthly and require 30-days written notice.

(b) This fund invests in real estate and real estate joint ventures. Redemptions may be made quarterly and require 90-days written notice. There is no lock-up period; however, withdrawals are limited to available cash held by the fund and may be suspended until such time as adequate liquidity exists to pay the redemption.

(c) This partnership was organized to invest in three underlying partnership funds that invest in other collective investment funds investing in alternative assets, including primarily U. S. funds that focus on both early and later-stage venture capital investments, investments focused on small, mid-size and large domestic buyout transactions, and investments primarily focusing on non-U. S. buyouts, expansion capital, turnaround, mezzanine and distressed investment partnerships. The partnership will be wound-up upon the dissolution of the last underlying fund to dissolve, or such earlier time as determined by the General Partner, at its sole discretion. No redemptions are allowed from the fund without the prior written consent of the General Partner. Due to the illiquid long-term nature of the underlying investments, future redemption periods are unknown. The private capital partnership fund has an unfunded commitment of $524,948 at July 31, 2016.

(d) This fund seeks to achieve superior absolute returns by investing in event-driven equity securities and defaulted debt among special situations primarily in the small and micro-cap markets. Redemptions may generally be made quarterly upon 30-days written notice, but may be suspended by the fund manager under certain conditions.

Management determines valuation policies utilizing information provided by its investment advisors, custodians, and fund managers. 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* is 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 Opera's percentage ownership in the net equity of the partnership fund as determined by the general partner. The significant unobservable inputs to the valuation are the discount rates and capitalization rates used.
- *Limited partnership private capital fund* and *hedge fund* are valued at net asset value as a practical expedient, as provided by the fund manager based on the net asset value of the underlying investments.
- *Beneficial interest in charitable trust* is estimated as the present value of the expected future cash flow payments. Significant unobservable inputs include the risk-adjusted discount rate of 1.46% used at July 31, 2016.

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 are as follows:

	PRIVATE CAPITAL FUND	REAL ESTATE FUND	HEDGE FUND	BENEFICIAL INTEREST IN CHARITABLE TRUST	TOTAL
Balance at July 31, 2014	$ 578,897	$ 1,488,324	$ 750,613	$ 2,279,762	$ 5,097,596
Purchases	162,809	1,032,862			1,195,671
Redemptions and fees	(12,609)	(22,178)		(186,049)	(220,836)
Contributions				113,155	113,155
Unrealized gain	222,683	211,785	51,020		485,488
Realized gain		3,295			3,295
Balance at July 31, 2015	951,780	2,714,088	801,633	2,206,868	6,674,369
Purchases	245,955				245,955
Redemptions and fees		(111,974)		(186,059)	(298,033)
Interest income		123,965			123,965
Contributions				151,579	151,579
Unrealized gain	57,593	207,738	82		265,413
Realized gain		2,754			2,754
Balance at July 31, 2016	$ 1,255,328	$ 2,936,571	$ 801,715	$ 2,172,388	$ 7,166,002

The amount reported in changes in net assets attributable to unrealized gains related to assets held at year end and measured at fair value using significant unobservable inputs is $265,413 and $485,488 in 2016 and 2015, respectively. This amount is included in investment return in the accompanying statement of activities.

NOTE 6 – PROPERTY

Property consists of the following:

	2016	2015
Leasehold improvements	$ 1,966,920	$ 1,966,920
Production and music equipment	883,146	883,146
Office furnishings and equipment	789,725	848,795
Vehicles	122,407	122,407
Total property, at cost	3,762,198	3,821,268
Accumulated depreciation	(3,147,495)	(3,015,479)
Property, net	$ 614,703	$ 805,789

NOTE 7 – NOTE PAYABLE

The Association has a $4 million bank line of credit due February 28, 2017, with interest payable monthly at the bank's prime interest rate less 0.50% (3.00% at July 31, 2016 and 2.75% at July 31, 2015). The line of credit is secured by the Endowment investments. Interest expense was $67,914 and $27,091 in 2016 and 2015, respectively. The principal balance of $1,500,000 outstanding at July 31, 2016 is due at maturity in 2017.

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:

2017	$ 363,676
2018	325,123
2019	312,951
2020	61,822
Total minimum future lease payments	$ 1,063,572

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. The initial term of the lease is 30 years and can be renewed for an additional 30-year term. Annual lease payments are $199,061 each year. The lease can be cancelled with six-months' notice by the Association, and is therefore not included in minimum future lease payments.

Rental expense recognized is $961,198 in 2016 and $895,756 in 2015.

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, 2016, such contracts with artists require potential future compensation as follows:

2017	$ 5,641,627
2018	2,075,920
2019	1,493,000
2020	657,500
Total	$ 9,868,047

NOTE 9 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	2016	2015
Property, net	$ 614,703	$ 805,789
Board-designated endowment funds	841,166	665,019
Undesignated	(2,690,976)	(2,528,034)
Total unrestricted net assets	$ (1,235,107)	$ (1,057,226)

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Restricted for future opera productions	$ 18,747,668	$ 16,648,206
Accumulated earnings on permanent endowment *(Note 11)*	9,053,640	12,515,573
Beneficial interest in charitable trust	2,172,388	2,206,868
Total temporarily restricted net assets	$ 29,973,696	$ 31,370,647

NOTE 11 – ENDOWMENT

The Board of Directors 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 as 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

During fiscal year 2016, the Endowment distributed 4.8% of the average market value of the Endowment's funds under management for the preceding twelve quarters (beginning January 31 of the prior fiscal year and preceding quarters). Additionally, funds are appropriated for administrative costs of the planned giving department. Beginning in fiscal year 2015, the annual distribution rate was reduced from 5% by one-tenth of a percent and will continue to be reduced by 1% each year for five consecutive years until it reaches 4.5% in fiscal year 2019. Excluded from funds under management will be any restricted funds that do not qualify as distributable for the upcoming year and the quasi endowment fund balance, which has a separate purpose and is not included in the calculation. 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 bearing interest at 3.00% in fiscal year 2016 and 2.75% in fiscal year 2015, and is considered a short-term, fixed-income investment within the Endowment portfolio allocation. Interest income of $19,836 and $8,240 was recognized by the Endowment in fiscal year 2016 and 2015, respectively. The amount outstanding on the line of credit from the Endowment to the Association was $2,000,000 at July 31, 2016 and 2015. This amount has been eliminated in consolidation.

Endowment net asset composition as of July 31, 2016:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted endowment funds:				
General operating		$ 2,924,822	$ 14,840,944	$ 17,765,766
Mainstage productions		1,823,849	9,203,851	11,027,700
Studio		440,229	5,405,529	5,845,758
General director chair		328,376	3,999,347	4,327,723
New productions		993,161	1,507,674	2,500,835
Electronic media		301,397	2,000,000	2,301,397
Concert of Arias		542,725	1,352,218	1,894,943
Music director chair		471,598	1,000,000	1,471,598
Fund for Great Artists		406,006	1,000,000	1,406,006
Education		339,663	1,415,427	1,755,090
Concert master chair		165,187	1,000,000	1,165,187
Chorus master chair		1,762	1,000,000	1,001,762
High school voice studio		48,843	563,100	611,943
Patron services		7,259	590,924	598,183
Visiting artist chair		121,251	300,000	421,251
Spring Opera Festival		28,777	250,000	278,777
Studio guest coach chair		65,291	148,923	214,214
Vocal coach chair		17,973	125,000	142,973
Special needs		8,272	43,550	51,822
Wagner opera performances		17,199	5,850	23,049
Total donor-restricted endowment funds		9,053,640	45,752,337	54,805,977
Beneficial interest in charitable trust		2,172,388		2,172,388
Board-designated endowment funds	$ 841,166			841,166
Endowment net assets	$ 841,166	$ 11,226,028	$ 45,752,337	$ 57,819,531

Endowment net asset composition as of July 31, 2015:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted endowment funds:				
General operating		$ 4,189,622	$ 14,061,335	$ 18,250,957
Mainstage productions		2,680,158	9,199,251	11,879,409
Studio		696,032	5,410,008	6,106,040
General director chair		478,890	3,998,195	4,477,085
New productions		1,187,551	1,507,674	2,695,225
Electronic media		484,976	2,000,000	2,484,976
Concert of Arias		694,013	1,352,218	2,046,231
Music director chair		589,109	1,000,000	1,589,109
Fund for Great Artists		517,222	1,000,000	1,517,222
Education		425,326	980,710	1,406,036
Concert master chair		198,479	1,000,000	1,198,479
Chorus master chair		31,993	1,000,000	1,031,993
Visiting artist chair		154,616	300,000	454,616
Spring Opera Festival		51,032	250,000	301,032
Studio guest coach chair		78,700	148,923	227,623
Vocal coach chair		29,390	125,000	154,390
Special needs		9,429	43,550	52,979
Wagner opera performances		19,035	5,850	24,885
Total donor-restricted endowment funds		12,515,573	43,382,714	55,898,287
Beneficial interest in charitable trust		2,206,868		2,206,868
Board-designated endowment funds	$ 665,019			665,019
Endowment net assets	$ 665,019	$ 14,722,441	$ 43,382,714	$ 58,770,174

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.

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

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, July 31, 2014	$ 465,528	$ 15,302,057	$ 40,533,651	$ 56,301,236
Contributions	5,925	113,164	2,607,089	2,726,178
Investment return:				
Interest and dividends	25,064	910,891		935,955
Net realized and unrealized gain	10,554	970,679		981,233
Investment management fees	(3,111)	(262,667)		(265,778)
Net investment return	32,507	1,618,903		1,651,410
Expenses	(14,712)			(14,712)
Release of time restriction	186,059	(186,059)		
Transfer of special event proceeds			241,974	241,974
Appropriations for expenditure	(10,288)	(2,125,624)		(2,135,912)
Endowment net assets, July 31, 2015	665,019	14,722,441	43,382,714	58,770,174
Contributions	8,615	151,579	2,369,623	2,529,817
Investment return:				
Interest and dividends	30,619	1,058,899		1,089,518
Net realized and unrealized loss	(3,473)	(612,659)		(616,132)
Investment management fees	(3,523)	(225,041)		(228,564)
Net investment return	23,623	221,199		244,822
Expenses	(15,025)			(15,025)
Release of time restriction	186,059	(186,059)		
Appropriations for expenditure	(27,125)	(3,683,132)		(3,710,257)
Endowment net assets, July 31, 2016	$ 841,166	$ 11,226,028	$ 45,752,337	$ 57,819,531

NOTE 12 – CONCENTRATION OF LABOR

The Association has entered into five union contracts, two of which are effective through 2019, two through 2018, and one effective through 2017. Approximately 62% of the Association's employees are members of these unions.

NOTE 13 – RETIREMENT PLAN

The Association has a defined contribution §403(b) retirement plan covering substantially all employees who have completed 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 $85,456 in 2016 and $93,514 in 2015 to the plan.

NOTE 14 – MULTIEMPLOYER PENSION PLAN

The Association is a participating employer in a trustee-managed, multiemployer defined benefit pension plan for employees who are covered under the collective bargaining agreement of the Houston

Professional Musicians Association (Local Union #65-699 of the American Federation of Musicians). The plan generally provides retirement benefits to the union as a percentage of wages earned at the Association each pay period. The multiemployer pension plan is managed by a board of trustees with equal representation from the union and employers. Although the Association is not represented on the board of trustees, other contributing employers are members of the board of trustees. Contributions totaling $154,726 in 2016 and $132,217 in 2015 were charged to pension expense for ongoing participation in the pension plan. The Association's contributions do not represent more than 5% of the pension plan's total contributions. Additionally, there have been no significant changes that affect the comparability of 2016 and 2015 contributions.

The risks of participating in the multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Association chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of the collective bargaining agreement, the Association may discuss and negotiate for complete or partial withdrawal from the multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Association's change in net assets in the period of the withdrawal. The Association has no plans to withdraw from its multiemployer pension plan.

The following presents information about Association's multiemployer pension plan as of July 31, 2016 and 2015, and the years ended July 31, 2016 and 2015:

NAME OF PENSION FUND	EIN AND PLAN NUMBER, IF AVAILABLE	PENSION PROTECTION ACT ZONE STATUS		FIP/RP STATUS	CONTRIBUTIONS FOR THE YEAR ENDED JULY 31,		SURCHARGE IMPOSED	EXPIRATION OF COLLECTIVE BARGAINING AGREEMENT
		2016	2015		2016	2015		
American Federation of Musicians and Employers' Pension Fund	51-6120204 Plan No. 001	Red 3/31/16	Red 3/31/17	Implemented	$154,726	$132,217	Yes	8/31/18

Due to the plan's "critical" status under the Pension Protection Act of 2006, a rehabilitation plan was adopted on April 15, 2010 requiring an increase in the contribution rate from 10% of scale wages prior to adoption of the rehabilitation plan to a current rate of 10.90% of scale wages at July 31, 2016.

The Association also participates in other multiemployer defined contribution pension and health and welfare plans under various collective bargaining agreements. Total contributions to these plans were approximately $438,411 in 2016 and $386,591 in 2015.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2016, 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, 2016

	ASSOCIATION					
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
ASSETS						
Cash	$ 558,452			$ 1,500		$ 559,952
Accounts receivable	253,912					253,912
Pledges receivable, net	20,410,636		$ 986,891			21,397,527
Deferred production costs and other assets	2,160,355			89,735		2,250,090
Beneficial interest in charitable trust			2,172,388			2,172,388
Investments			54,660,252		$ (2,000,000)	52,660,252
Property, net		$ 614,703				614,703
Due from affiliates				47,976	(47,976)	
TOTAL ASSETS	$ 23,383,355	$ 614,703	$ 57,819,531	$ 139,211	$ (2,047,976)	$ 79,908,824
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	$ 184,333					$ 184,333
Accrued salaries and benefit costs	359,774					359,774
Accrued production expense	264,852					264,852
Due to affiliates	47,976				$ (47,976)	
Deferred subscription revenue	2,905,523					2,905,523
Deferred co-production and set rental revenue	203,416					203,416
Note payable	3,500,000				(2,000,000)	1,500,000
Total liabilities	7,465,874				(2,047,976)	5,417,898
Net assets:						
Unrestricted	(2,830,188)	$ 614,703	$ 841,167	$ 139,211		(1,235,107)
Temporarily restricted	18,747,669		11,226,027			29,973,696
Permanently restricted			45,752,337			45,752,337
Total net assets	15,917,481	614,703	57,819,531	139,211		74,490,926
TOTAL LIABILITIES AND NET ASSETS	$ 23,383,355	$ 614,703	$ 57,819,531	$ 139,211	$ (2,047,976)	$ 79,908,824

Houston Grand Opera Association, Inc.

Consolidating Statement of Financial Position as of July 31, 2015

	ASSOCIATION					
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
ASSETS						
Cash	$ 848,712			$ 1,500		$ 850,212
Accounts receivable	343,250					343,250
Pledges receivable, net	17,006,568		$ 1,489,003			18,495,571
Deferred production costs and other assets	2,930,399			77,396		3,007,795
Beneficial interest in charitable trust			2,206,868			2,206,868
Investments			55,074,303		$ (2,000,000)	53,074,303
Property, net		$ 805,789				805,789
Due from affiliates				46,715	(46,715)	
TOTAL ASSETS	$ 21,128,929	$ 805,789	$ 58,770,174	$ 125,611	$ (2,046,715)	$ 78,783,788
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	$ 168,494					$ 168,494
Accrued salaries and benefit costs	508,290					508,290
Accrued production expense	642,945					642,945
Due to affiliates	46,715				$ (46,715)	
Deferred subscription revenue	3,291,954					3,291,954
Deferred co-production and set rental revenue	175,970					175,970
Note payable	2,300,000				(2,000,000)	300,000
Total liabilities	7,134,368				(2,046,715)	5,087,653
Net assets:						
Unrestricted	(2,653,645)	$ 805,789	$ 665,019	$ 125,611		(1,057,226)
Temporarily restricted	16,648,206		14,722,441			31,370,647
Permanently restricted			43,382,714			43,382,714
Total net assets	13,994,561	805,789	58,770,174	125,611		73,696,135
TOTAL LIABILITIES AND NET ASSETS	$ 21,128,929	$ 805,789	$ 58,770,174	$ 125,611	$ (2,046,715)	$ 78,783,788

Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2016

	ASSOCIATION					
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
REVENUE:						
Contributions	$ 16,344,941		$ 2,529,817	$ 24,857		$ 18,899,615
Ticket sales and performance fees	5,780,942					5,780,942
Special events	2,597,732			40,712		2,638,444
Cost of direct donor benefits	(437,980)			(25,208)		(463,188)
Investment return, net	(888)		244,822			243,934
Production and other income	732,883			92,231		825,114
Total revenue	25,017,630		2,774,639	132,592		27,924,861
EXPENSES:						
Program services	18,414,025	$ 147,642		6,420		18,568,087
Marketing and advertising	3,181,324	95,209		6,364		3,282,897
Fundraising	3,276,026	13,923		60,603		3,350,552
Management and general	1,884,834	20,558	15,025	8,117		1,928,534
Total expenses	26,756,209	277,332	15,025	81,504		27,130,070
OPERATING INCOME (LOSS)	(1,738,579)	(277,332)	2,759,614	51,088		794,791
Transfers (to) from affiliates	3,661,499	86,246	(3,710,257)	(37,488)		
CHANGES IN NET ASSETS	1,922,920	(191,086)	(950,643)	13,600		794,791
Net assets, beginning of year	13,994,561	805,789	58,770,174	125,611		73,696,135
Net assets, end of year	$ 15,917,481	$ 614,703	$ 57,819,531	$ 139,211	$ 0	$ 74,490,926

Houston Grand Opera Association, Inc.

Consolidating Statement of Activities for the year ended July 31, 2015

	ASSOCIATION					
	OPERATING FUND	PLANT FUND	ENDOWMENT	GUILD	ELIMINATIONS	TOTAL
REVENUE:						
Contributions	$ 18,126,274		$ 2,726,178	$ 20,544		$ 20,872,996
Ticket sales and performance fees	6,094,277					6,094,277
Special events	2,090,240			68,680		2,158,920
Cost of direct donor benefits	(561,597)			(32,095)		(593,692)
Investment return, net	4,245		1,651,410			1,655,655
Production and other income	1,008,856			112,537		1,121,393
Total revenue	26,762,295		4,377,588	169,666		31,309,549
EXPENSES:						
Program services	17,115,752	$ 159,500		6,213		17,281,465
Marketing and advertising	3,111,304	21,505		11,095		3,143,904
Fundraising	3,011,017	16,433		121,817		3,149,267
Management and general	1,647,985	27,503	14,712	7,151		1,697,351
Total expenses	24,886,058	224,941	14,712	146,276		25,271,987
OPERATING INCOME (LOSS)	1,876,237	(224,941)	4,362,876	23,390		6,037,562
Transfers (to) from affiliates	1,765,148	191,780	(1,893,938)	(62,990)		
CHANGES IN NET ASSETS	3,641,385	(33,161)	2,468,938	(39,600)		6,037,562
Net assets, beginning of year	10,353,176	838,950	56,301,236	165,211		67,658,573
Net assets, end of year	$ 13,994,561	$ 805,789	$ 58,770,174	$ 125,611	$ 0	$ 73,696,135