

**THE ACADEMY OF VOCAL ARTS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2011**

**THE ACADEMY OF VOCAL ARTS  
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# LarsonAllen<sup>®</sup> LLP

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Academy of Vocal Arts  
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position of The Academy of Vocal Arts (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Academy of Vocal Arts as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*LarsonAllen LLP*  
LarsonAllen LLP

Blue Bell, Pennsylvania  
September 16, 2011

**THE ACADEMY OF VOCAL ARTS  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	176,173
Short-Term Investments		265,254
Assets Limited As to Use- Investments		1,860,000
Grant Receivables		102,979
Pledge Receivables		32,350
Other Accounts Receivable		7,485
Prepaid Expenses		64,742
Total Current Assets		2,508,983

**GRANT RECEIVABLES** 10,000

**PLEDGE RECEIVABLES** 10,000

**INVESTMENTS, NET OF AMOUNT REQUIRED FOR CURRENT LIABILITIES** 12,581,384

**BENEFICIAL INTERESTS IN TRUSTS** 6,768,001

**PROPERTY AND EQUIPMENT**

Buildings		2,981,690
Buildings Improvements		2,325,071
Equipment		559,836
Furniture and Fixtures		90,483
Total Property and Equipment		5,957,080
Less: Accumulated Depreciation		(2,059,153)
Net Property and Equipment		3,897,927

**Total Assets** \$ 25,776,295

## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES

Line of Credit	\$ 1,860,000
Accounts Payable	3,346
Health Insurance Payable	656
Payroll Taxes Payable	35,919
Apartments Escrow	4,300
Deferred Income	617
Current Portion of Capital Lease Obligation	3,789
Current Portion of Due to Beneficiaries	5,289
Total Current Liabilities	<u>1,913,916</u>

### LONG-TERM LIABILITIES

Capital Lease Obligation, Net of Current Portion	13,827
Due to Beneficiaries, Net of Current Portion	23,379
Total Long-Term Liabilities	<u>37,206</u>

Total Liabilities 1,951,122

### NET ASSETS

Unrestricted	
Board Designated- School Endowment	6,496,042
Board Designated - Building Reserve	48,210
Board Designated- South Jersey Opera Fellowship	20,000
Board Designated- Gigi Capobianco Fund	29,125
Board Designated- Director's Fund	3,425
Total Board Designated Net Assets	<u>6,596,802</u>
Undesignated	<u>3,259,646</u>
Total Unrestricted Net Assets	9,856,448

Temporarily Restricted 422,013  
Permanently Restricted 13,546,712

Total Net Assets 23,825,173

Total Liabilities and Net Assets \$ 25,776,295

**THE ACADEMY OF VOCAL ARTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

**REVENUES, GAINS AND OTHER SUPPORT**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities				
Contributions and Grants	\$ 1,319,440	-	-	\$ 1,319,440
Investment Income	1,049,218	15,417	-	1,064,635
Rental Income	55,800	-	-	55,800
Theatre Related Revenue	434,733	-	-	434,733
Total Operating Activities	\$ 2,859,191	15,417	-	2,874,608
Other Activities				
Contributions	-	39,928	593,772	633,700
Change in Value of Beneficial Interest in Trusts	-	4,093	622,099	626,192
Unrealized and Realized Gains on Investments	1,121,860	9,709	782,076	1,913,645
Interest and Dividends- Other	86	-	-	86
Subtotal	3,981,137	69,147	1,997,947	6,048,231
	224,058	(224,058)	-	-
	4,205,195	(154,911)	1,997,947	6,048,231

**NET ASSETS RELEASED FROM RESTRICTIONS**

Total Revenues, Gains and Other Support

**EXPENSES**

Operating Activities	3,080,566	-	-	3,080,566
Other Activities				
Student Grants	10,001	-	-	10,001
Investment Fees	575	-	-	575
Depreciation Expense	158,114	-	-	158,114
Gift Annuities	8,248	-	-	8,248
Total Expenses	3,257,504	-	-	3,257,504

**CHANGE IN NET ASSETS**

Net Assets - Beginning of Year

	947,691	(154,911)	1,997,947	2,790,727
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Net Assets - End of Year

	8,908,757	576,924	11,548,765	21,034,446
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**NET ASSETS - END OF YEAR**

	\$ 9,856,448	\$ 422,013	\$ 13,546,712	\$ 23,825,173
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See accompanying Notes to Financial Statements.

**THE ACADEMY OF VOCAL ARTS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 2,790,727
Adjustments to Reconcile Change in Net Assets to Net Cash	
Net Cash Provided by Operating Activities:	
Depreciation	158,114
Unrealized and Realized Gains on Investments	(1,913,645)
Change in Value of Beneficial Interest in Trusts	(626,192)
(Increase) Decrease in:	
Other Accounts Receivable	12,110
Grants Receivable	164,742
Pledge Receivables	(21,951)
Prepaid Expenses	(13,804)
Increase (Decrease) in:	
Accounts Payable	851
Health Insurance Payable	656
Payroll Taxes Payable	(1,976)
Deferred Income	(26,600)
Net Cash Provided by Operating Activities	<u>523,032</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(3,544,918)
Proceeds from Sale of Investments	3,018,176
Additions to Property and Equipment	(8,946)
Net Cash Used by Investing Activities	<u>(535,688)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments of Equipment through Capital Lease Obligation	(2,742)
Payments to Beneficiaries, Gift Annuities	(5,289)
Net Cash Used by Financing Activities	<u>(8,031)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(20,687)
Cash and Cash Equivalents- Beginning of Year	<u>196,860</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 176,173</u></u>
<b>SUPPLEMENTAL INFORMATION</b>	
Interest Paid During the Year	\$ 51,860

See accompanying Notes to Financial Statements.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Academy of Vocal Arts ("The Academy"), located in Philadelphia, Pennsylvania, is a non-profit organization devoting its resources to the training of exceptionally talented opera singers from the United States and beyond. The Academy's revenue comes primarily from contributions and grants, investment income and receipts from performances.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Statement Presentation**

The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Academy also reports its financial position on a classified to enhance the readers understanding of current and non-current assets and obligations.

Unrestricted net assets are net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets released from restrictions. Temporarily restricted revenues received and released in the same year are reported as increases in unrestricted net assets.

**Contributions**

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

**Cash and Cash Equivalents**

Cash and cash equivalents includes all monies in banks and highly liquid investments with maturity dates of less than three months, except for temporary and short-term investments included within the investment portfolio as these funds are used for reinvestment purposes and are not available for operations.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables**

Accounts receivable represent amounts known to be collectible from certain refunds due to the Academy. Pledges and Grants receivable represent unconditional promises to contribute funds to the Academy. The Academy provides an allowance for uncollectible receivables based on the reserve method based on management's judgment using historical information. When all collection efforts have been exhausted, the accounts are written off. At June 30, 2011, no allowance against receivables was deemed necessary.

**Investments**

Investments are stated at fair value. Investments in stocks and mutual funds are valued using dealer or exchange quoted market prices. Shares of mutual funds are valued at the net asset value of shares held by The Academy at year-end. Short-term investments in money market funds and temporarily invested cash equivalents categorized within investments are valued at cost, which approximates fair value.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities could occur in the near-term and such changes could materially affect the amounts reported in the statement of financial position. Realized and unrealized investment gains and losses are determined by comparison of the average cost to proceeds at the time of disposal or fair value at the financial statement date. Realized and unrealized gains and losses and other investment income are reflected in the statement of activities.

**Fair Value Measurements**

The Academy measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Academy has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Uniform Prudent Management of Institutional Funds Act**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance on the classification of endowment fund net assets for states that have enacted versions of the UPMIFA, and enhances disclosures for endowment funds. Because UPMIFA has not become law in the Commonwealth of Pennsylvania, possible reclassifications of net assets are not required to be made. Disclosure of prevailing law in the Commonwealth of Pennsylvania has been included in Note 7.

**Beneficial Interests in Trusts**

The Academy has been named as the beneficiary in two different types of trusts. One of the trusts is entitled the "Trust Created Under Agreement by The Academy of Vocal Arts" (Warden Trust). Supplemental information on this trust has been included in these financial statements beginning on page 19. The second type of trust is a charitable remainder trust. The beneficial interests in trusts are reported at fair value, with the change in fair value reported as an increase or decrease in temporarily or permanently restricted net assets.

**Property and Equipment and Depreciation**

Property and equipment are carried at cost. The policy of The Academy is to capitalize all asset items in excess of \$500 whose useful life extends beyond one year. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized.

**Income Taxes**

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy follows the income tax standard for uncertain tax positions. This implementation has no effect on The Academy's financial statements. The Academy has not been audited by any taxing authority in recent years. Therefore, all years are subject to examination by the IRS in the event that the Academy's tax exempt status is challenged.

**Subsequent Events**

In preparing these financial statements, The Academy has evaluated events and transactions for potential recognition or disclosure through September 16, 2011, the date the financial statements were available to be issued.

**NOTE 2 CONCENTRATION OF CREDIT RISK**

Cash and cash equivalents potentially subject The Academy to a concentration credit risk. The balances are insured by the Federal Deposit Insurance Corporation up to certain limits. At times, cash in bank deposit accounts may exceed FDIC insurable limits.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 GRANTS AND PLEDGES RECEIVABLES**

Grants and pledges that are expected to be collected within one year are recorded at their net realizable value.

As of June 30, 2011, grants and pledges receivable consisted of:

Total Grants and Pledges Receivable	\$ 155,329
Less: Adjustment to Net Present Value	-
Grants and Pledges Receivable, Net	<u>\$ 155,329</u>

Grants and pledges receivable at June 30, 2011 are expected to be collected in future years as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 135,329
2012	20,000
	<u>\$ 155,329</u>

**NOTE 4 INVESTMENTS**

Investments are composed of the following at June 30, 2011:

	<u>Cost</u>	<u>Fair Value</u>
Temporarily Invested Cash	\$ 62,199	\$ 62,199
Investments:		
Equity Stocks	538,623	543,010
Equity Mutual Funds	7,645,333	9,363,006
Fixed Income Mutual Funds	3,866,574	4,473,169
Subtotal	<u>\$ 12,112,729</u>	14,441,384
Less: Assets Limited As To Use		1,860,000
Total Investments		<u>\$12,581,384</u>

The investments of The Academy are subject to a formal investment policy which is monitored for compliance by the investment committee and managed by external investment managers. The primary objective of the investment management of the endowment is to preserve or increase its real (inflation adjusted) purchasing power over time while providing a relatively stable and constant (in real terms) stream of cash distributions for use in the operations. The long term objective for the endowment is to earn at least a 5% real (inflation-adjusted) return which matches the historic real return of an index consisting of the 65% S&P 500 Index and 35% Barclays Aggregate Bond Index.

In addition to the perpetual trust, permanently restricted net assets consist of restricted investments to be held indefinitely. Based on their interpretation of the intent of the gifts, the Board of Directors of The Academy allocates all net capital gains, both unrealized and realized, earned from any permanently and temporarily restricted investments to all categories of net assets of The Academy.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5 BENEFICIAL INTERESTS IN TRUSTS**

The Academy has been named as the beneficiary in two different types of trusts. As long as it is in existence, The Academy is the sole income beneficiary under a Trust Fund created for its benefit in 1949. Given the nature of the promises as well as the inability to compute the present value of the perpetual income stream from the Trust, the beneficial interest has been recorded on the statement of financial position at the fair value of the Trust's assets and classified as permanently restricted net assets. The fluctuation in the fair value of the Trust from year to year is included in the statement of activities of the permanently restricted net assets. The Trust Fund consists entirely of marketable equity securities, fixed income and temporary cash investments. At June 30, 2011, the fair value of this trust is \$6,722,194.

The second type of beneficial interest is in three charitable remainder trusts whereby upon the death of the beneficiary, The Academy will receive a principal distribution which is unrestricted. The value amount of this beneficial interest is calculated based on the present value of projected value of the principal at the anticipated date of distribution and amounted to \$45,807 at June 30, 2011.

Due to level of risk associated with the underlying investments included in the Trusts, it is at least reasonably possible that changes in the value of the Beneficial Interest in Perpetual Trusts could occur in the near-term and could materially affect the amounts reported in the statement of financial position. The underlying investments in these trusts are comprised of marketable equity securities, mutual funds and temporary cash investments.

**NOTE 6 FAIR VALUE MEASUREMENTS**

The Academy uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how The Academy values all other assets refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis as of June 30, 2011 are:

	Level 1	Level 2	Level 3	Total
Investments:				
Equity Stocks	\$ 543,010	\$ -	\$ -	\$ 543,010
Equity Mutual Funds	9,363,006	-	-	9,363,006
Fixed Income Mutual Funds	4,473,169	-	-	4,473,169
Beneficial Interests in Trusts *	6,722,194	-	45,807	6,768,001
	<u>\$ 21,101,379</u>	<u>\$ -</u>	<u>\$ 45,807</u>	<u>\$ 21,147,186</u>

\* See description of composition of assets in Note 5

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table provides a summary of changes in fair value of The Academy's Level 3 financial assets for the year ended June 30, 2011:

	Beneficial Interests in Trusts
Balance at July 1, 2010	6,141,809
Change in Value of Trust	626,192
Transfer out of Level 3	<u>(6,722,194)</u>
Balance at June 30, 2011	<u>\$ 45,807</u>

The Academy previously classified both beneficial interests in trusts as Level 3 fair value measurements, however it was determined that the Academy exercises control over one of the trusts and as such has reclassified that trust as a Level 1 fair value measurement based on applicable accounting guidance, resulting in a transfer of \$6,722,194 during the year.

**NOTE 7 ENDOWMENT NET ASSETS**

The Academy's Board has responsibility for all endowment funds, and administers them through the Executive Director and Treasurer, with the advice and oversight of the Investment Committee. The investment objectives, policies and guidelines are intended to govern the overall management of The Academy's Endowment and related assets. The Investment Committee will review them at least annually for continued appropriateness and will report to the Board which must approve any change.

The primary objective of the investment management of the endowment is to preserve or increase its real purchasing power over time while providing a relatively stable and constant stream of cash distributions for use in the current operations of The Academy. The Academy uses "the total return" concept (i.e., current income plus appreciation, whether realized or unrealized) and current market value, in tracking its investment performance, evaluating its managers and calculating its spending formula. Distributions from the endowment funds shall be limited to the amount permitted under the spending rule policy for the endowment funds established by the Board of Directors. In addition, the Academy is guided in its total return policy by Commonwealth of Pennsylvania Act 141, which dictates the amount of allowable distributions to be made from a restricted endowment. Under Pennsylvania statute, the Board of Directors of The Academy has the opportunity in each fiscal year to elect to include in its unrestricted funds between 2% and 7% return of the fair market value of The Academy's permanently restricted investments. The Academy's policy is also to maintain the value of the permanently restricted investment balance at the date of the gifts derived from the dates of the original gifts. This policy is also consistent with the provisions of Act 141.

Distributions are made in accordance with the spending policy. For the year ended June 30, 2011 the Board of Directors approved the available election of up to 5.75% and The Academy received approximately 5.50% of these investments, based on a three year average.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 ENDOWMENT NET ASSETS (CONTINUED)**

A summary of the endowment activity by net asset class for the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 6,474,515	\$ -	\$ 5,448,670	\$ 11,923,185
Investment Return:				
Investment Income, Net of Expenses	297,141	15,417	-	312,558
Net Realized and Unrealized Gains	1,409,419	-	782,076	2,191,495
Total Investment Return	1,706,560	15,417	782,076	2,504,053
Fellowship Contributions	90,075	-	593,772	683,847
Fellowship Disbursements	(161,364)	(6,925)	-	(168,289)
Net Contributions / ( Other Disbursements)	(21,638)	-	-	(21,638)
Distributions of Endowment Income	(585,000)	-	-	(585,000)
Endowment Net Assets, End of Year	<u>\$ 7,503,148</u>	<u>\$ 8,492</u>	<u>\$ 6,824,518</u>	<u>\$ 14,336,158</u>

**NOTE 8 DUE TO BENEFICIARIES**

The Academy has received several gifts from individuals under charitable gift annuity and pooled income programs. As a result, The Academy has incurred obligations to various beneficiaries under the contracts. The gift annuity contracts use discount rates ranging from 3.4% to 5.8% and IRS life expectancy tables and are payable per agreements. Pooled income funds return the earned income to the donor over their remaining life.

**NOTE 9 LINE OF CREDIT**

The Academy entered into a secured line of credit during the year ended June 30, 2008 in the amount of \$2,050,000. \$1,860,000 was borrowed on this line to acquire an adjacent property to The Academy's location. The security on this line was a mortgage and security agreement on the acquired property as well as certain investments held. Accordingly, pledged investments equal to the outstanding balance of the line of credit has been classified as current on the Statement of Financial Position. There were no payments made on the principal balance during the years ended June 30, 2011. During the year ended June 30, 2011, interest amounting to \$51,860 and was charged on this line of credit at the prime lending rate less .50% (2.75% at June 30, 2011). This line of credit is due upon demand.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 EMPLOYEE BENEFIT PLAN**

The Academy maintains a qualified contribution plan under Section 403(b) of the Internal Revenue Code. The plan provides for a salary reduction election, employer matching, and a discretionary contribution. Employees who have worked up to two years are eligible for an employer matching of fifty percent (50%) of the first six percent (6%) of employee contributions. Employees working more than two years are eligible for a matching of one hundred (100%) of the first six percent (6%) of employee contributions. All employees are vested upon participation. The Academy's contributions to the plan amounted to \$32,318 for the year ended June 30, 2011.

**NOTE 11 OPERATING LEASES**

The Academy rents storage space under an operating lease agreement for \$1,821 per month. The rent for the storage space is subject to 2.5% annual increases through the lease term. As of June 30, 2011, future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 22,869
2013	23,440
2014	24,026
2015	24,627
2016	4,121
Total	<u>\$ 99,083</u>

Rental expenses for the year ended June 30, 2011 were approximately \$22,000.

**NOTE 12 CAPITAL LEASE**

The Academy entered into a capital lease agreement during 2010 for a copier and copier equipment at a monthly rate of \$598. The lease term is 63 months and the asset is being depreciated over the life of the lease.

The following is an analysis of the leased equipment under a capital lease included in "Equipment" on the Statement of Financial Position at June 30, 2011:

Copier & Related Equipment Cost	\$ 23,000
Less: Accumulated Depreciation	8,050
Total Equipment Under Capital Lease	<u>\$ 14,950</u>

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 12 CAPITAL LEASE (CONTINUED)**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2011:

<u>Year Ending June 30.</u>	<u>Amount</u>
2012	\$ 7,176
2013	7,176
2014	7,176
2015	<u>3,588</u>
Total Minimum Lease Payments	25,116
Less: Imputed Interest	<u>7,500</u>
Present value of net minimum lease payments	<u><u>\$ 17,616</u></u>

Depreciation expense related to the asset under a capital lease is included in the statement of activities for 2011 and amounts to \$4,600.

**NOTE 13 CLASSIFICATION OF EXPENSES**

The following summarizes costs of providing program and support activities on a functional basis. Accordingly, certain costs have been allocated using management's estimates among the program and supporting activities benefited.

Program	\$ 2,543,590
Management and General	431,598
Fundraising	<u>282,316</u>
Total Expenses	<u><u>\$ 3,257,504</u></u>

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 14 RESTRICTED NET ASSETS**

Restricted net assets as of June 30, 2011 are restricted for the following purposes:

<u>Temporarily Restricted</u>	
<u>Purpose Restricted</u>	
Pooled Income Funds	\$ 110,922
Operational Contingency	100,000
Student Aid	14,187
Ed Davis Fellowship	8,492
Strategic Alliance	7,726
Total Purpose Restricted	241,327
<u>Time Restricted For:</u>	
Operations	119,879
Charitable Remainder Trusts	45,807
Annual Fellowships	15,000
Total Time Restricted	180,686
Total Temporarily Restricted	\$ 422,013
 <u>Permanently Restricted</u>	
School Endowment Fund	\$ 4,371,365
Alumni Challenge	7,421
Bucks County Fellowship	97,967
C. Nyheim Fellowship	93,908
Cowles Fellowship	270,602
Sally Paxson Davis Fellowship	96,647
De Serio Fellowship	93,906
Domingo Fellowship	99,019
Ed Davis Fellowships	543,010
Franca Warden Fellowship	32,757
Gordon K. Greenfield Fellowship	107,628
J. Nyheim Fellowship	142,591
Loewy Memorial Fellowship	94,454
Merrill Fellowship	96,564
Morris Fellowship	97,769
New Century	78,353
Palamara Fellowship	95,016
Parkinson Memorial Fund	27,416
Adele Paxson Fellowship	94,215
Ritt Fellowship	93,906
Rudolph Fellowship	94,216
Swenson Fellowship	95,788
Warden Trust	6,722,194
Total Permanently Restricted	\$ 13,546,712



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
The Academy of Vocal Arts  
Philadelphia, Pennsylvania

Our report on our audit of the basic financial statements of The Academy of Vocal Arts for 2011 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2011 supplementary information presented on the following pages 17 to 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 2011 supplementary information on pages 17 and 18 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it. The 2011 supplementary Information on pages 19 and 20 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We have also previously audited, in accordance with U.S. generally accepted auditing standards, the 2010 basic financial statements and expressed an unqualified opinion of those statements. The 2010 supplementary information included on pages 17 to 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 2010 supplementary Information on pages 17 and 18 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it. The 2010 supplementary Information on pages 19 and 20 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*LarsonAllen LLP*  
LarsonAllen LLP

Blue Bell, Pennsylvania  
September 16, 2011



**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULES OF ACTIVITIES – OPERATING**  
**YEARS ENDED JUNE 30, 2011 AND 2010**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2011	2010
<b>SCHEDULE OF OPERATING SUPPORT AND REVENUE</b>		
Contributions, General	\$ 657,327	\$ 395,527
Corporate and Foundation Grants	264,854	415,946
Net Assets (Gifts Received in Prior Year) Released from Restrictions for Operations	224,058	97,458
Government Grants	62,998	62,127
Bequests	41,109	5,000
Fellowship Award Contributions	90,075	60,900
Investment Income		
Trust Fund	464,004	464,004
Endowment	585,000	638,000
Del Fierro	128	-
Other Investment Income	86	70
Box Office Receipts	254,057	334,027
Gala Receipts	203,077	256,591
Audition Fees	19,930	17,185
Bucks County Opera Association	56,945	79,548
Main Line Opera Committee	25,806	26,480
South Jersey Opera Association	25,936	26,158
Concert Bureau	7,800	2,500
Special Events Revenue	39,052	11,915
Rental Income	55,800	73,500
Miscellaneous Income	5,207	10,253
Total Operating Support and Revenue	\$ 3,083,249	\$ 2,977,189

**SCHEDULE OF OPERATING EXPENSES**

<b>Personnel</b>		
Administrative Salaries	\$ 166,250	\$ 166,208
Educational Salaries	364,800	386,543
Production Salaries	437,580	453,023
Fundraising Salaries	114,458	117,500
Marketing Salaries	98,143	98,500
Payroll Taxes	82,525	83,764
Health Insurance	156,515	143,815
Retirement Plan	32,318	34,552
Other Employer Expenses	9,468	10,267
Total Personnel Expenses	1,462,057	1,494,172
<b>Office</b>		
Supplies and Expense	36,588	33,696
Auditing	36,370	33,535
Consulting	29,754	24,526
Computer	26,807	25,555
Tessitura	12,156	13,660
Website	5,513	5,548
Telephone	12,722	24,584
Total Office Expenses	159,910	161,104

**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULES OF ACTIVITIES – OPERATING (CONTINUED)**  
**YEARS ENDED JUNE 30, 2011 AND 2010**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2011	2010
School		
Supplies and Expenses	\$ 2,648	\$ 5,503
Library	2,546	2,495
Piano Tuning and Repairs	8,292	4,452
Recruitment and Audition Trips	2,677	-
Publicity	36,888	40,010
Accreditation and Memberships	2,240	3,680
Work Study Disbursements	6,630	6,028
Total School Expenses	61,921	62,168
Building		
Insurance	69,388	71,750
Line of Credit Interest - 1916 Spruce Street	51,860	51,860
Local Taxes & Assessments	19,671	18,004
Repairs and Maintenance	23,854	37,602
Utilities	59,945	52,455
Household Supplies and Expense	2,821	3,933
Total Building Expenses	227,539	235,604
Production Expenses		
Costumes	39,118	26,757
Printing, Postage and Promotion	116,322	112,555
Set Design, Construction, Transportation and Storage	158,698	99,938
Lighting Design and Expenses	15,500	11,078
Props, Make-Up and Wigs	23,951	20,385
Orchestra and Chorus	277,510	289,355
Stage Hands	785	413
Theatre and Opera Expenses	126,951	83,045
Music and Instrument Rental	9,508	5,522
Box Office Fees and Expenses	16,406	14,428
Total Production Expenses	784,749	663,476
Other		
Student Fellowship Awards	160,890	128,400
Gala Expenses	80,442	113,352
Opera Association/Committee Expenses	38,746	45,547
Entertainment & Board Meetings	18,146	20,572
Fund Raising Expense	34,728	14,783
Miscellaneous Expenses	19,717	12,357
Director's & Officer's Insurance	8,208	10,929
Friends of AVA Expenses	19,213	9,759
Concert Bureau Expense	4,300	2,775
Total Other Expenses	384,390	358,474
Total Operating Expenses	3,080,566	2,974,998
Excess Operating Support and Revenue Over Operating Expenses	\$ 2,683	\$ 2,191

**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULE OF BENEFICIAL INTEREST IN PERPETUAL TRUST ASSETS AND NET ASSETS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**  
**(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	2011	2010
<b>ASSETS</b>		
Cash	\$ 218,522	\$ 116,246
Investments:		
Equity Mutual Funds	4,628,113	4,106,463
Fixed Income Mutual Funds	1,875,559	1,877,386
Total Assets	6,722,194	6,100,095
<b>NET ASSETS - Permanently Restricted</b>	<b>\$ 6,722,194</b>	<b>\$ 6,100,095</b>

**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULE OF BENEFICIAL INTEREST IN PERPETUAL TRUST ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**  
**(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	2011			2010
	Unrestricted	Permanently Restricted	Total	Total
Interest and Dividends	\$ 125,390	\$ -	\$ 125,390	\$ 129,634
Net Unrealized and Realized Gains on Sales of Investments	349,801	622,099	971,900	387,261
Total Revenue	475,191	622,099	1,097,290	516,895
Trust Expenses	11,187	-	11,187	10,828
Distributions to the Academy of Vocal Arts	464,004	-	464,004	464,004
Total Expenses	475,191	-	475,191	474,832
Change in Net Assets	-	622,099	622,099	42,063
Trust Net Assets - Beginning of Year	-	6,100,095	6,100,095	6,058,032
Trust Net Assets - End of Year	<u>\$ -</u>	<u>\$ 6,722,194</u>	<u>\$ 6,722,194</u>	<u>\$ 6,100,095</u>