

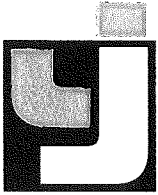
OPERA SAN JOSE, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

AND

INDEPENDENT AUDITORS' REPORT



JOHANSON & YAU
ACCOUNTANCY CORPORATION

DAVID R. DAVIS
FREDERICK U. LEONARD
SHERYL L. HINSHAW
BYRON J. ISHIWATA
SARA E. KELLEY

ANTHONY S. C. YAU
Of Counsel

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Opera San Jose, Incorporated
San Jose, California

We have audited the accompanying statements of financial position of Opera San Jose, Incorporated (the Organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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 our audits provide 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 Opera San Jose, Incorporated at June 30, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Johanson & Yau
Accountancy Corporation*

December 6, 2011

CERTIFIED PUBLIC ACCOUNTANTS
160 WEST SANTA CLARA STREET, SUITE 900
SAN JOSE, CALIFORNIA 95113-1700
PHONE: 408/288-5111 FAX: 408/288-7174
WWW.JYAC.COM

AN INDEPENDENT MEMBER
OF BKR INTERNATIONAL
WITH OFFICES IN PRINCIPAL
CITIES AROUND THE WORLD

OPERA SAN JOSE, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	\$ 429,722	\$ 1,172,055
Investments - Note 3	3,842,503	3,252,832
Pledges receivable	325,269	265,545
Other receivables	68,768	3,700
Prepaid expenses and deposits	525,016	296,312
Total current assets	5,191,278	4,990,444
Property and equipment, net of accumulated depreciation - Note 2	5,256,110	5,134,684
Funds held in trust for operations - Note 8	-	379,105
Funds held in trust as endowment - Note 8	-	345,172
	\$ 10,447,388	\$ 10,849,405

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 58,468	\$ 50,180
Deferred subscription revenues	963,950	1,066,096
Total current liabilities	1,022,418	1,116,276
Net assets		
Unrestricted		
Board designated for property and equipment	5,256,110	5,134,684
Board designated for program expansion	788,554	788,554
Undesignated	3,040,359	2,435,357
	9,085,023	8,358,595
Temporarily restricted - Note 5	332,000	539,906
Permanently restricted - Note 8	7,947	834,628
	9,424,970	9,733,129
	\$ 10,447,388	\$ 10,849,405

See accompanying notes to financial statements

OPERA SAN JOSE, INCORPORATED
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and support from operations					
Subscription and ticket sales	\$ 1,718,128	\$ -	\$ -	\$ 1,718,128	\$ 1,511,136
Outreach program	38,225	-	-	38,225	17,580
	<u>1,756,353</u>	<u>-</u>	<u>-</u>	<u>1,756,353</u>	<u>1,528,716</u>
Operating expenses					
Program services					
Main-stage production	3,267,708	-	-	3,267,708	2,877,060
Educational K-12	280,276	-	-	280,276	246,004
Educational adult	72,760	-	-	72,760	74,453
Supporting services					
General and administrative	436,925	-	-	436,925	413,047
Fundraising	343,173	-	-	343,173	300,484
Built for hire	2,757	-	-	2,757	23,834
	<u>4,403,599</u>	<u>-</u>	<u>-</u>	<u>4,403,599</u>	<u>3,934,882</u>
Total operating expenses	<u>4,403,599</u>	<u>-</u>	<u>-</u>	<u>4,403,599</u>	<u>3,934,882</u>
Deficiency from operations	<u>(2,647,246)</u>	<u>-</u>	<u>-</u>	<u>(2,647,246)</u>	<u>(2,406,166)</u>
Contributions and other income					
Individual donations	709,451	-	-	709,451	806,739
Government grants	187,010	-	-	187,010	204,644
Business donations	110,755	-	-	110,755	182,346
Foundation grants	348,770	510,000	-	858,770	1,110,480
Special events	172,304	-	-	172,304	202,332
Donated services, material and facilities	54,714	-	-	54,714	64,024
Rentals and other	74,437	-	-	74,437	96,713
Interest income	2,607	-	-	2,607	2,582
Investment income	93,998	-	-	93,998	102,219
Contributions of Endowment funds-See Note 10	(432,989)	-	-	(432,989)	-
Net unrealized and realized investment gain (loss)	508,030	-	-	508,030	310,753
Net assets released from restrictions	<u>1,544,587</u>	<u>(717,906)</u>	<u>(826,681)</u>	<u>-</u>	<u>-</u>
Net contributions and other income	<u>3,373,674</u>	<u>(207,906)</u>	<u>(826,681)</u>	<u>2,339,087</u>	<u>3,082,832</u>
Change in net assets	726,428	(207,906)	(826,681)	(308,159)	676,666
Net assets, beginning of year	<u>8,358,595</u>	<u>539,906</u>	<u>834,628</u>	<u>9,733,129</u>	<u>9,056,463</u>
Net assets, end of year	<u>\$ 9,085,023</u>	<u>\$ 332,000</u>	<u>\$ 7,947</u>	<u>\$ 9,424,970</u>	<u>\$ 9,733,129</u>

See accompanying notes to financial statements

OPERA SAN JOSE, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011						2010	
	Program Services			Supporting Services			Total	Total
	Main-Stage Production	Educational K-12	Educational Adult	Total	General & Administrative	Fundraising		
Salaries	\$ 1,778,051	\$ 225,697	\$ 51,219	\$ 2,054,967	\$ 241,015	\$ 152,235	\$ 2,337	\$ 2,281,836
Payroll taxes & benefits	424,639	47,310	8,878	480,827	29,124	21,749	420	408,820
Total salaries and related expenses	2,202,690	273,007	60,097	2,535,794	270,139	173,984	2,757	2,690,656
Facilities	185,068	-	-	185,068	4,666	-	-	173,303
Event expenses	-	-	-	-	-	126,364	-	120,533
Bank card fees	47,690	-	-	47,690	4,333	-	-	40,127
Materials	124,161	3,128	8,522	135,811	-	31,964	-	190,785
Advertising and marketing	377,139	-	-	377,139	-	-	-	261,054
Postage and shipping	66,799	-	-	66,799	1,288	3,081	-	64,222
Travel and entertainment	18,743	-	-	18,743	16,962	4,640	-	24,619
Equipment rental	12,388	-	-	12,388	8,303	-	-	24,095
Supplies	4,242	-	-	4,242	14,677	-	-	30,854
Miscellaneous	37,800	-	-	37,800	-	-	-	34,915
Insurance	23,048	-	-	23,048	3,304	-	-	21,771
Supertitles and transport	6,985	-	-	6,985	-	-	-	10,880
Legal and accounting	-	-	-	-	23,541	-	-	23,041
Telephone	13,015	-	-	13,015	5,415	2,636	-	17,929
Rights and royalties	18,190	-	-	18,190	-	-	-	750
Outside services	58,614	-	-	58,614	18,710	-	-	63,764
Video archival	3,160	-	-	3,160	-	-	-	3,326
Bad debt expense	-	-	-	-	-	504	-	-
(Gain) loss on disposal of assets	-	-	-	-	(8)	-	-	7,641
Total expenses before depreciation	3,199,732	276,135	68,619	3,544,486	371,330	343,173	2,757	3,804,265
Depreciation	67,976	4,141	4,141	76,258	65,595	-	-	130,617
Total functional expenses	\$ 3,267,708	\$ 280,276	\$ 72,760	\$ 3,620,744	\$ 436,925	\$ 343,173	\$ 2,757	\$ 3,934,882

See accompanying notes to financial statements

OPERA SAN JOSE, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash flow from operating activities		
Change in net assets	\$ (308,159)	\$ 676,666
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	141,853	130,617
(Gain)/loss on disposal of assets	(8)	7,641
Interfund gift to funds held in trust as endowment	-	(78,679)
Reinvested dividends	(93,998)	(102,219)
Net unrealized and realized (gain) loss on investments	(508,030)	(310,753)
(Increase) decrease in assets		
Pledges and other receivables	(124,792)	19,477
Prepaid expenses and deposits	(228,704)	(61,149)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	8,288	(12,575)
Deferred subscription revenue	(102,146)	(18,202)
Net cash provided by (used for) operating activities	(1,215,696)	250,824
 Cash flows from investing activities		
Proceeds from sale of property and equipment	3,800	-
Purchase of property and equipment	(267,071)	(54,814)
Net cash used for investing activities	(263,271)	(54,814)
 Cash flows from financing activities		
Proceeds from SVAF distributions	736,634	15,833
Net cash provided by financing activities	736,634	15,833
 Net increase (decrease) in cash	(742,333)	211,843
 Cash and cash equivalents, beginning of year	1,172,055	960,212
Cash and cash equivalents, end of year	\$ 429,722	\$ 1,172,055
 Supplemental disclosures		
Noncash investing activities		
Reinvested dividends	\$ 93,998	\$ 102,219
Interfund gift to funds held in trust as endowment	\$ -	\$ 78,679

See accompanying notes to financial statements

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Opera San Jose, Incorporated is a not-for-profit organization, incorporated in the state of California in 1983. Irene Dalis, General Director, founded Opera San Jose as a professional opera company, with a resident company of singers dedicated to the showcasing and development of emerging opera singers. Through performance revenue, generous contributions and grants, the Organization maintains two facilities housing its operation and two apartment buildings providing complimentary artist housing.

The Organization performs its productions at the restored California Theatre in San Jose. In addition to main stage performances, the Organization maintains extensive educational programs in schools and in the community at large, and offers preview lectures and Introduction to Opera talks for all main stage productions.

The Organization is subject to collective bargaining agreements that represent the orchestra musicians and the theatre and stage employees. The agreement covering the theatre and stage employees is renewed annually, and the musician agreement is renewed every three years, with the most recent agreement signed in August 2008. Approximately 40% of the Organization's employees are covered by these agreements.

Basis of Presentation - The Organization 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.

- Unrestricted net assets are unrestricted resources available to support the Organization's activities and temporarily restricted resources that become available for use by the Organization in accordance with the intentions of the donors. Board designated funds and net investment in property and equipment are included in this category. Board designated funds are established by the Board of Directors and represent unrestricted funds which are to be used for future needs of the Organization.
- Temporarily restricted net assets consist of donor-restricted contributions for which the applicable restriction was not met as of the end of the current year. The Organization does not imply a time restriction on gifts of long-lived assets.
- Permanently restricted net assets include those assets which are subject to non-expiring donor restrictions, such as endowments. Gains and losses on endowments held in donor specified investments for perpetuity increase or decrease permanently restricted net assets (see Note 8).

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Revenue Recognition - The Organization recognizes revenue on the accrual basis of accounting. Ticket sales are recognized as revenue in the period in which the related performance is held.

Contributions - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor imposed restrictions, if any, and upon whether the restrictions are met in the current year.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions In-kind - Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Organization also receives considerable donated services that do not meet the criteria for recognition under generally accepted accounting principles, but which are nonetheless central to the Organization's operations. These contributed services are not reflected in these financial statements.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with original maturity dates of three months or less.

Pledges Receivable and Allowance for Doubtful Pledges - Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. An allowance for uncollectible pledges is recorded, as considered necessary, based on management's analysis of specific unconditional pledges and on the Organization's prior experience.

Investments - Investments are stated at fair value based on amounts quoted by investment brokers and managers. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor. Any unrealized gains or losses for the current period are reported as investment income or loss.

Estimates - In accordance with generally accepted accounting principles, management has made estimates and assumptions that affect certain amounts and disclosures which could differ from actual results.

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property, Equipment and Depreciation - Property and equipment are recorded at cost or, if contributed, at the estimated fair value when donated. The Organization generally capitalizes additions of property and equipment with a cost or fair market value in excess of \$500. Depreciation is computed using the straight-line method over estimated useful lives, ranging from three to sixty years.

Deferred Revenue - Advance ticket sales for next season's performances (which occur in the next fiscal year) are deferred on the statement of financial position, and are subsequently recognized as revenue in the period in which the performance occurs.

Production Cost - Costs of costumes, scenery and stage properties are recorded as expenses in the year the related production is first performed. Production costs relating to future opera performances are deferred until the production is presented.

Advertising Expenses - The Organization capitalizes direct response advertising costs related to the next season's productions and expenses those costs during the periods which the future benefits are expected to be received. Advertising costs related to the current season are expensed in the current period.

Prior Year Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services benefited based on management's estimates.

Concentration of Risk - The Organization regularly maintains cash deposits in excess of federally insured limits.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes under Section 23701(d) of the Revenue and Taxation Code for California. The Organization is not classified as a private foundation.

The Organization's tax filings are subject to audit by various taxing authorities. As of June 30, 2011, the Organization is no longer subject to federal or state examinations by tax authorities for years ended before 2007.

Fair Value of Financial Instruments - The carrying value of cash, cash equivalents, short-term unconditional promises to give, and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of short-term investments and endowment investments are based on quoted market prices for those or similar investments. None of the financial instruments are held for trading purposes.

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Reclassifications - Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events - Subsequent events were evaluated through December 6, 2011, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following:

	2011	2010
Land	\$ 2,282,450	\$ 2,282,450
Buildings	2,588,477	2,588,477
Building improvements	902,677	880,226
Furniture and equipment	767,026	537,747
Vehicles	29,613	29,613
	6,570,243	6,318,513
Less accumulated depreciation	(1,314,133)	(1,183,829)
Net property and equipment	\$ 5,256,110	\$ 5,134,684

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 3 - INVESTMENTS

At June 30, the fair values of the Organization's investments were as follows:

	<u>2011</u>	<u>2010</u>
Vanguard Long-Term Bond Index	\$ 14,838	\$ 14,442
Vanguard Inter-Term Investment-Grade Adm	509,634	477,683
Vanguard Short-Term Investment-Grade Adm	312,996	315,052
Vanguard High-Yield Corp Fund Inv	12,911	11,348
Vanguard Inter-Term Bond Index Inv	-	13,164
Vanguard Inter-Term Investment-Grade Inv	18,146	17,029
Vanguard Short-Term Bond Index Inv	-	14,218
Vanguard Short-Term Investment Grade Inv	16,304	15,721
Vanguard Strategic Equity Fund	138,724	98,072
Vanguard Explorer Fund Investor Shares	4,859	3,401
Vanguard Explorer Fund Admiral Shares	141,196	98,678
Vanguard Total International Stock Index Adm	432,946	330,481
Vanguard Total Stock Market Index Adm	808,730	587,541
Vanguard U.S. Growth Fund Adm	282,198	210,589
Vanguard Windsor II Fund Adm	273,116	210,745
Vanguard Extended Market Index Inv	4,721	3,390
Vanguard Total Stock Market Index Inv	-	22,457
Vanguard U.S. Growth Fund Investor	10,745	8,030
Vanguard Windsor II Fund Inv	9,533	7,361
Vanguard Total Bond Market Index Adm	822,448	793,430
Vanguard Inter-Term Bond Index Adm	13,864	-
Vanguard Short-Term Bond Index Adm	14,593	-
	<u> </u>	<u> </u>
Total investments	<u>\$ 3,842,503</u>	<u>\$ 3,252,832</u>

Earnings on investments and cash equivalents were as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Investment gain (loss)	\$ 603,572	\$ 395,692
Management fees	<u>(13,901)</u>	<u>(13,145)</u>
	<u> </u>	<u> </u>
	<u>\$ 589,671</u>	<u>\$ 382,547</u>

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 4 - RETIREMENT BENEFITS

The Organization maintains a tax deferred 403(b) retirement plan to provide retirement benefits for all eligible employees not covered by collective bargaining agreements. The Organization can make matching contributions at the discretion of management as determined on an annual basis. During the years ended June 30, 2011 and 2010, the Organization did not make matching contributions.

The Organization has contracted to make payments to multi-employer retirement plans for employees covered by collective bargaining agreements. Contributions to these plans amount to \$52,198 and \$43,132 for the years ending June 30, 2011 and 2010, respectively.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, the Organization's donor restricted funds consisted of the following:

	2011	2010
Purpose/time restriction:		
General support for 2011/2012	\$ 195,000	\$ -
General support for 2012/2013	120,000	
Production support for 2010/2011	-	500,000
Opera America support for 2010/2011	-	22,906
Opera America support for 2011/2012	8,500	8,500
Opera America support for 2012/2013	8,500	8,500
	\$ 332,000	\$ 539,906

NOTE 6 - CONTRIBUTIONS IN-KIND

The estimated fair market value of the facilities, equipment and supplies received are recorded as contributions. During the years ended June 30, the following in-kind contributions were received by the Organization:

	2011	2010
Program services:		
Main-stage production	\$ 41,823	\$ 50,434
General and administrative expenses	5,041	5,041
Fundraising	7,850	8,549
	\$ 54,714	\$ 64,024

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 7 - LEASE AND COMMITMENTS

The Organization enters into annual employment contracts with performing artists. These contracts cover the next performance season, July 1, 2011 through June 30, 2012. The cost of these contracts is estimated to be approximately \$223,000 for the fiscal year ended June 30, 2012.

The Organization rents the California Theatre in San Jose under a one-year contract, for its performances during the 2011-2012 season. There are four major productions each year at a cost of \$10,000 each, for a total annual rental cost of \$40,000.

In March 2011, the Organization started leasing a warehouse pursuant to an operating lease agreement which expires in February 2012. Total rent expense was \$10,105 for the year ended June 30, 2011.

The Organization leases office equipment pursuant to a long-term operating lease agreement which expires in June 2013. Total rent expense for the equipment was \$6,223 and \$6,050 for the years ended June 30, 2011 and 2010, respectively.

Future minimum payments required under this operating lease for the years ending June 30 are as follows:

2012	5,664
2013	<u>5,664</u>
	<u>\$ 11,328</u>

NOTE 8 - FUNDS HELD IN TRUST

The Opera participated in a joint fundraising effort referred to as the Silicon Valley Arts Fund (SVAF) along with other local arts organizations. The SVAF had two separate deposit accounts, which were required to be held in trust by the Community Foundation of Silicon Valley for the benefit of the Opera. One account was set up as a permanent endowment fund from which the Opera expected to receive semi-annual distributions of earnings in accordance with the terms of the SVAF agreement. The second account represented a reserve of funds available to the Opera for operating purposes, which could be borrowed interest free and repaid annually. The funds were held with other Community Foundation assets on deposit in a pooled investment fund. In August 2010, the SVAF agreement was terminated and all funds were disbursed to the participating organizations. The funds in the reserve account were transferred to the Organization's cash account to be used for operating purposes and the funds in the endowment account were transferred to the Opera San Jose Endowment Foundation(See Note 10).

Permanently restricted net assets in the accompanying financial statements consist of the above funds held in trust by the Community Foundation of Silicon Valley, as well as other donor restricted endowments.

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 - FUNDS HELD IN TRUST (Continued)

Permanently restricted net assets are as follows at June 30:

	<u>2011</u>	<u>2010</u>
Funds held in trust for operations	\$ -	\$ 377,642
Funds held in trust as endowment	-	373,711
Other endowments	<u>7,947</u>	<u>83,275</u>
	<u>\$ 7,947</u>	<u>\$ 834,628</u>

Earnings on these SVAF funds were as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Pooled investment account	\$ 12,965	\$ 34,183
earnings and net gains (losses)		
Management fees	<u>(608)</u>	<u>(3,758)</u>
	<u>\$ 12,357</u>	<u>\$ 30,425</u>

NOTE 9 - DONOR CONCENTRATION

Contributions from one and two major donors during the years ended June 30, 2011 and 2010 accounted for 18% and 35% of the Organization's contributed income, respectively. At June 30, 2011 and 2010, 96% and 94% of the Organization's pledges receivable were from two and one donors, respectively.

NOTE 10 - ENDOWMENT FOUNDATION

During the year, the Organization's distributed its endowment funds to a separate 501(c)(3) corporation named Opera San Jose Endowment Foundation (OSJEF). OSJEF raises funds that will benefit Opera San Jose. The total value of the endowment fund assets are to grow untouched until it reaches \$5,000,000. Once the total has reached \$5,000,000, the income generated may be used for endowment purposes. Once the total value reaches \$10,000,000, income, as well as appreciation of the fund assets, may be used at the discretion of the Board of OSJEF. As of June 30, 2011, the Organization distributed \$432,989 to OSJEF and \$7,947 remains to be distributed.

OPERA SAN JOSE, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 11 - FAIR VALUE MEASUREMENTS

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
June 30, 2011			
Investments	\$ 3,842,503	\$ 3,842,503	\$ -
Pooled investment accounts:			
Funds held in trust for operations	\$ -	\$ -	\$ -
Funds held in trust as endowment	\$ -	\$ -	\$ -
June 30, 2010			
Investments	\$ 3,252,832	\$ 3,252,832	\$ -
Pooled investment accounts:			
Funds held in trust for operations	\$ 379,105	\$ -	\$ 379,105
Funds held in trust as endowment	\$ 345,172	\$ -	\$ 345,172

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value and consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of quoted prices in active markets for similar assets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The fair values for investments and pooled investments are based on quoted market prices of the shares held by the Organization at year-end.

The Organization did not have any Level 3 investments as of June 30, 2011 and 2010. The Organization didn't have any Level 2 investments as of June 30, 2011.