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MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
222 THIRD AVENUE NORTH, SUITE 650
NASHVILLE, TENNESSEE 37201

October 12, 2006

Mrs. Martha R. Ingram, Board Chair
Nashville Symphony
4400 Harding Road
Nashville, TN 37205

Dear Mrs. Ingram:

Please find attached the monitoring report of the Nashville Symphony relating to contract L1395 it has with the Metropolitan Government of Nashville and Davidson County that provides funds to support general operations for the fiscal year ending June 30, 2006. This review did not cover the Metro Nashville Government contribution for capital improvement, which will be addressed in a separate report later.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to nonprofit organizations. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the OFA conducted the review on September 11, 2006.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom

Fred Adom
Director

cc: Alan D. Valentine, Nashville Symphony, President & CEO
David Manning, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Chief Accountant
Don Dodson, Internal Audit
Bryan Gleason, Office of Financial Accountability



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◆ Monitoring Report of ◆

Nashville Symphony



Issued by



Office of Financial Accountability

October 12, 2006

Fred Adom, CPA
Director

Bryan Gleason
Lead Auditor

Our Vision: To be excellent and proficient in monitoring and management services.

Monitoring Report
for the
Nashville Symphony

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EXECUTIVE SUMMARY

The Office of Financial Accountability (hereinafter referred to as "OFA") has completed a monitoring review for the Nashville Symphony (hereinafter referred to as "agency"). The OFA conducted its monitoring review along the major compliance areas identified in the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and in accordance with Generally Accepted Government Auditing Standards and the Metro Grants Manual of the Metro Nashville Government of Nashville and Davidson County (hereinafter referred to as "Metro").

Overview of the Agency

The Nashville Symphony, established in 1920, is dedicated to achieving the highest standard for excellence in musical performance and educational programs, while engaging the community, enriching audiences and shaping cultural life. The Nashville Symphony achieves recognized artistic excellence in the performance and presentation of the highest quality music, with a focus on the creation, promotion and preservation of a distinctly American repertoire.

The Nashville Symphony opened its doors to a new home, the Schermerhorn Symphony Center in September 2006 located in downtown Nashville. The design of the Symphony Center was inspired by some of the world's great concert halls, many of which by European design. One of the most innovative features of the new center is convertible seating system that is designed to give the hall unique versatility. In addition to the state-of-the-art concert hall, Schermerhorn Symphony Center will feature the Mike Curb Family Music Education Hall, which will be home to the Symphony's ongoing education initiative "Every Child, Every Grade, and Every Year." The center will promote music education and appreciation to children, parents and teachers, and will be accessible during the day, as well as for pre and post performance events.

For the fiscal year ended June 30, 2006, the Nashville Symphony total revenues and support were \$18,331,199, 8% of which, \$15,000 was provided by the Metro appropriation. The agency received \$12,917,317 in contributions, accounting for 70% of total revenues and support. During FY2006, the Nashville Symphony offered six concerts at no charge to children and adults. The concerts grossed an estimate of 78,050 attendees.

Objectives, Scope, and Methodology

A monitoring review is substantially less in scope than an audit. The OFA did not audit Nashville Symphony's financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of Nashville Symphony or Metro. The OFA is responsible for monitoring the direct appropriations awarded by Metro to nonprofit organizations. The OFA is also responsible for monitoring Metro departments that receive Federal and State grants and financial assistance, including cooperative agreements. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro Government is subject to review by the OFA.

The monitoring objectives for this review were as follows:

- To determine whether the agency has the resources and capacity to administer the grant funds
- To test if costs and service are allowable and eligible
- To verify that program objectives are being met
- To test the reliability of the financial and programmatic reporting
- To test the reliability of internal controls
- To verify contractual compliance

The review was limited to the Metropolitan Government of Nashville and Davidson County grant L-1395 in the amount of \$15,000 to the Nashville Symphony for the fiscal year ending June 30, 2006. The grant funds were to be used to support the general operations of the agency.

To accomplish the objectives of the monitoring review, the OFA conducted a site visit to review all supporting documentation and to interview administrative staff. The OFA obtained an understanding of the agency's operations through interviews and inquires physical inspection of accounting records and supporting documentation, and observation of operations and controls in place.

Monitoring Review Highlights

The Nashville Symphony staff appeared to be knowledgeable about program and financial operations and provided valuable assistance during the site visit. Our review did not reveal any discrepancy with the financial operations of the Nashville Symphony. In the "Results of Monitoring" section that follows, the OFA provides an overview of the overall results of the tests and analyses performed to meet the monitoring review objectives.

RESULTS OF MONITORING

The overall results of the monitoring review for the Nashville Symphony are provided in this section. The results are based on tests performed and include conclusions regarding the specific review objectives and, if applicable, recommendations for improvement and an action plan for implementing the conclusions. Where applicable, the Findings and Recommendations section of the report provides more insight into the problem identified in the results below.

1. Resources and capacity to administer the grant funds

Our review of the agency's accounting system, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicates that the Nashville Symphony possesses the necessary resources and expertise to administer the grants funds. We found that the agency uses Great Plains accounting software to record financial transactions. The agency has various individuals who oversee various financial operations. The Accounts Payable manager appears to be adequately performing the fiscal functions. The day-to-day financial functions (i.e., data entry) are completed by one the agency's administrative staff; these activities are verified by the Vice President and Chief Financial Officer (CFO).

According to the minutes from the Board of Directors meetings for the fiscal year, the Nashville Symphony appears to have adequate Board oversight and active participation. The Board appears to monitor financial and programmatic activity of the agency. For FY 2006, the agency had a positive fund balance, and appeared to be solvent, based on our analysis of the audited financial statements.

2. Allowable and Eligible costs and services

The contract between Metro and the Nashville Symphony for the period ending June 30, 2006 awarded funds to assist with supporting salaries. Based on the tests performed, we found the agency charged only allowable and eligible costs to the grant in compliance with applicable guidelines, including OMB Circulars A-122 and the Metro Grants Manual. The agency utilized the funds specifically toward the salaries of musical staff.

The Metro Nashville Government grants manual specifies for the separate accounting of the Metropolitan Nashville Government grant funds to prohibit co-mingling of the Metro funds with other sources of funding. The agency is in compliance with this requirement of the grants manual. The agency has established different revenue classes as well as expenditure classes, so the agency can accurately track the sources and amounts of their funding. Also, the agency can easily and accurately report the expenses supported by the Metro appropriation.

3. Program objectives being met

The contract between Metro Nashville Government and the Nashville Symphony for the year ended June 30, 2005, stipulates that the Grantee is to provide "several free summer concerts which would be open to the general public and would serve approximately 5,000 individuals." Based on the test performed, the Nashville Symphony appears to have diligently achieved this goal.

4. Reliability of financial and programmatic reporting

The contract called for submission of an annual audit report performed by a Certified Public Accountant. The Nashville Symphony is required to submit to Metro reports of the program outcome and a final expenditures report 45 days after the close of the contract. Our review determined that the Nashville Symphony was in compliance with this requirement.

RESULTS OF MONITORING

5. Reliability of internal controls

Our review of the internal controls of the Nashville Symphony did not reveal any weakness in their internal controls. The controls over the receipt and disbursement of the Metro grant funds appeared adequate. The OFA did not identify any weakness in regards to the controls over management of the funds.

6. Contractual compliance

Overall, the OFA found the agency in compliance with the contract requirements. The purpose of the Metro grant funds was to assist in salaries. The Nashville Symphony has complied with this scope, based on our inquiry and review of supporting documentation.

The grant contract further requires compliance with civil rights regulations and that the agency show proof of and post notices of nondiscrimination. We identified the necessary postings in the agency's facility, so the OFA noted no instances of noncompliance with these contractual requirements.