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MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

June 11, 2007

Alan D. Valentine, President & CEO
Nashville Symphony
4400 Harding Road
Nashville, TN 37205

Dear Mr. Valentine:

Please find attached the monitoring report on the direct appropriation capital improvement award to the Nashville Symphony relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2006.

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 May 2, 2007.

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: Mrs. Martha R. Ingram, Chairperson
Michael Kirby, Nashville Symphony, CFO
David Manning, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Chief Accountant
Don Dodson, Internal Audit
Greg McClarin, OMB Finance Manager
Bryan Gleason, Office of Financial Accountability



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◆ Monitoring Report of ◆

Nashville Symphony



Issued by



Office of Financial Accountability

June 11, 2007

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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OBJECTIVES, SCOPE AND METHODOLOGY

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 strives to achieve 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.

Until recently the Nashville Symphony played in a rented space in the Tennessee Arts Performance Center in the heart of downtown Nashville. In September 2006, the Nashville Symphony opened the doors of its own new home located a few block south of the previous site. The design of the new home named the Schermerhorn Symphony Center, was inspired by some of the world’s great concert halls, many of which were built in Europe in the late 19th century. 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 features the Mike Curb Family Music Education Hall, which is 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 received a capital contribution in the amount of \$5,000,000 which was to be used for construction and construction related expenses for the Schermerhorn Symphony Center. The OFA review period for this capital allocation was August 18, 2005 through June 30, 2006. It must be noted also that in 2003 Metro Nashville Government donated over 2 acres of land used for the construction of the new symphony hall to the Nashville Symphony Association.

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 the Metro Council 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.

Our objectives for this review were as follows:

- To test whether costs and services provided were consistent with the intent of the grant
- To test whether the documented costs are allowable and eligible
- To test the reliability of the financial and programmatic reporting
- To verify the grantee’s compliance with the contractual agreement; determine whether the objectives of the direct appropriation were met

Our review covered the agency’s operations and expenses for the year ended June 30, 2006, as it pertains to the cash grant.

To accomplish the objectives of the monitoring review, the OFA conducted a review of all documentation submitted in support of the disbursement of the funds for the grant award. The OFA auditors obtained and reviewed supporting documentation from both the agency as well as the contracting company.

Monitoring Review Highlights

The Nashville Symphony staff appeared to be knowledgeable about program and financial operations and provided valuable assistance to the auditors. Our review did not reveal any discrepancies 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 Capital Allocation 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. 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).

2. Allowable and eligible costs and services

The contract between Metro and the Nashville Symphony for the period ending June 30, 2006 awarded capital contribution funds to be used for construction and construction related expenses. 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 construction and construction related expenses.

Our review indicates the total costs break down of the project was as follows:

	<u>Cash Contribution</u>	<u>In-kind Contribution</u>	<u>Total Contribution</u>
Total construction costs	\$ 92,332,891.00	\$ 3,100,000	\$ 95,432,891.00
Other sources of funding	\$ 87,332,891.00		\$ 87,332.89
Metro - Capital Imp. Appropriation and land	\$ 5,000,000.00	\$ 3,100,000	\$ 8,100,000.00
Metro Total Support			8.50%

The grantee drew the funds in two installments (\$3.8 Million and \$1.2 Million) with supporting documentation for the showing the year –to-date costs of the project. The draws were certified by an independent architect as to the percentage of completion as of the date of the report.

The OFA auditors randomly selected ten (10) expenditures from the invoice detail report and all eleven (11) expenditures from application no. 21 was reviewed and verified. The OFA auditors reviewed \$518,283.35 of the expenditures reported for the period on application no. 21. The OFA also verified the contractors compliance with the Davis Bacon Act relating the wages paid to workers on the project.

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.

In addition to the cash donation, Metro also donated 2.58 acres (about 111,862 square feet) of land used of the construction of the new Symphony hall, which was conveyed in a quit claim deed to Nashville Symphony Association in August 25, 2003. The land was and appraised and recorded in the Nashville Symphony Financial records at \$3.1 Million.

RESULTS OF MONITORING

3. Program objectives being met

The contract between Metro Nashville Government and the Nashville Symphony for the year ended June 30, 2006, stipulates that the Grantee is to use the funds for construction and construction related expenses. Based on the test performed, the Nashville Symphony appears to have achieved this goal. The new Schermerhorn Symphony Center was completed and opened to the public in September 2006.

4. Reliability of financial and programmatic reporting

The Nashville Symphony is required to submit program outcome and final expenditures reports to Metro within 45 days after the close of the contract. Our review determined that the Nashville Symphony was not in compliance with this requirement. According to the contract, “the recipient shall submit a final expenditures report within 45 days of the end of the grant contract. Said report shall be in form and substance acceptable to Metro and shall be prepared by a Certified Public Accounting Firm or the Chief Financial Officer of the Recipient Organization.” The grant contract also states under D.9., “The recipient shall submit a final program report within 45 days of the end of the grant contract.”

It appears the grantee was not aware of the provision and Metro officials also failed to insist on those final reports. The OFA recommends the agency carefully review and comply with all provisions in future grant contract.

5. Contractual compliance

Overall, the OFA found the agency in compliance with the contract requirements. The purpose of the Metro capital contribution grant funds was to be used for construction and construction related expenses. The Nashville Symphony has met the requirements of the grant award based on OFA’s review of the supporting documentation.