

**7-15**

Salt Lake Light Opera  
 Statements for the  
 Year Ended December 31  
 (in thousands of dollars)

	20X2	20X3	20X4
Ticket sales	\$3,303	\$4,060	\$5,263
Contributions	1,041	1,412	1,702
Grants and other revenues	1,202	1,361	1,874
Total revenues	\$5,546	\$6,833	\$8,839
Expenses*			
Production	\$4,071	\$4,805	\$6,307
Operations	271	332	473
Public relations and community development	1,082	1,421	1,734
Total expenses	\$5,424	\$6,558	\$8,514
Excess of revenues over expenses	\$ 122	\$ 275	\$ 325

\*Expenses include depreciation of \$355, \$370, and \$470 and general and administrative expenses of \$1,549, \$1,688, and \$2,142 in the years 20X2, 20X3, and 20X4, respectively.

In total, the SLLO had done well financially, as shown in Exhibits 7-14 and 7-15. Its profitable operations had enabled it to build its own building and generally acquire a large number of assets. It had at least broken even every year since its incorporation, and management anticipates continued profitable operations. The Corporate Community for the Arts in Salt Lake and several private foundations had made many grants to the SLLO, and such grants are expected to continue. Most recently, the largest bank in town had agreed to sponsor the production of a new opera by a local composer. The SLLO's director of development, Harlan Wayne, expected such corporate sponsorships to increase in the future.

To provide facilities for the Opera's anticipated growth, SLLO began work on an addition to its building 2 years ago. The new facilities are intended primarily to support the experimental offerings that were becoming more numerous. The capital expansion was to be completed in 20X5; all that remained was acquisition and installation of lighting, sound equipment, and other new equipment to be purchased in 20X5.

SLLO had borrowed working capital from South Utah National Bank for the past several years. To qualify for the loans, the SLLO had to agree to the following:

1. Completely pay off the loan for 1 month during the course of the year.
2. Maintain cash and accounts receivable balances equal to (or greater than) 120% of the loan.
3. Maintain a compensating cash balance of \$200,000 at all times.

In the past, the SLLO has had no problem meeting these requirements. However, in 20X4 the SLLO had been unable to reduce the loan to zero for an entire month. Although South Utah continued to extend the needed credit, the loan manager expressed concern over the situation. She asked for a quarterly cash budget to justify the financing needed for 20X5. Ms. Morrison began to assemble the data needed to prepare such a budget.

SLLO received revenue from three main sources: ticket sales, contributions, and grants. Ms. Morrison formed Exhibit 7-16 to calculate the accounts receivable balance for each of these sources for 20X5. She assumed that SLLO would continue its normal practices for collecting pledges and grant revenues.

	Ticket Sales		Contributions		Grants	
	Revenues	End of Quarter Receivables	Revenues	End of Quarter Receivables	Revenues	End of Quarter Receivables
First Quarter	\$ 852	\$2,795	\$ 75	\$ 794	\$ 132	\$ 1,027
Second Quarter	1,584	3,100	363	888	448	1,130
Third Quarter	2,617	3,407	1,203	1,083	1,296	1,240
Fourth Quarter	1,519	3,683	442	1,170	528	1,342

**Exhibit 7-16**

Salt Lake Light Opera

Estimated Quarterly Revenues and End of Quarter Receivables for the Year Ended December 31, 20X5  
 (in thousands of dollars)