

**EISNERAMPER**

**OPERA AMERICA, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 and 2020**



# OPERA AMERICA, INC.

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
OPERA America, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of OPERA America, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPERA America, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP  
New York, New York  
January 28, 2022



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**OPERA AMERICA, INC.****Statements of Financial Position**

	June 30,	
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 3,849,660	\$ 3,823,050
Contributions receivable, net	1,282,731	1,036,497
Note receivable	60,000	-
Other receivables	219,235	357,168
Investments	14,960,429	12,753,047
Prepaid expenses and other current assets	155,373	68,152
Security deposit	132,170	132,170
Property and equipment, net	<u>3,091,557</u>	<u>3,324,998</u>
	<u>\$ 23,751,155</u>	<u>\$ 21,495,082</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 349,699	\$ 209,832
Grants payable	1,699,707	1,922,351
Deferred revenue	46,861	144,681
Loan payable, under line-of-credit	119,990	308,490
Loan payable, Mellon Co-Production Funding	500,000	500,000
Paycheck Protection Program loan payable	900,400	462,800
Deferred rent obligation	<u>1,641,362</u>	<u>1,636,693</u>
Total liabilities	<u>5,258,019</u>	<u>5,184,847</u>
Commitments, contingency, and other uncertainty (see Note N)		
Net assets:		
Without donor restrictions:		
Core operating fund	90,635	88,091
Board-designated funds (see Note I)	1,399,851	809,851
National Opera Center - non-operating	<u>-</u>	<u>82,333</u>
Total net assets without donor restrictions	<u>1,490,486</u>	<u>980,275</u>
With donor restrictions:		
Purpose and time restrictions	5,794,452	4,382,462
Perpetual in nature	<u>11,208,198</u>	<u>10,947,498</u>
Total net assets with donor restrictions	<u>17,002,650</u>	<u>15,329,960</u>
Total net assets	<u>18,493,136</u>	<u>16,310,235</u>
	<u>\$ 23,751,155</u>	<u>\$ 21,495,082</u>

*See notes to financial statements.*

# OPERA AMERICA, INC.

## Statements of Activities

	Year ended June 30,									
	2021					2020				
	Without Donor Restrictions			With Donor Restrictions		Without Donor Restrictions			With Donor Restrictions	
Core Operating and National Opera Center	National Opera Center - Non-operating	Total	Restrictions	Total	Core Operating and National Opera Center	National Opera Center - Non-operating	Total	Restrictions	Total	
<b>Revenue:</b>										
Contributions and grants	\$ 2,031,891	\$ -	\$ 2,031,891	\$ 3,073,651	\$ 5,105,542	\$ 1,573,719	\$ -	\$ 1,573,719	\$ 1,781,678	\$ 3,355,397
Membership dues	21,345	-	21,345	-	21,345	801,485	-	801,485	-	801,485
Seminars, workshops, registration and annual meeting	78,507	-	78,507	-	78,507	76,082	-	76,082	-	76,082
Publications and advertising	89,401	-	89,401	-	89,401	96,969	-	96,969	-	96,969
Investment income, net	17,107	-	17,107	2,461,407	2,478,514	966	-	966	193,059	194,025
National Opera Center operations	76,623	-	76,623	-	76,623	728,963	-	728,963	-	728,963
Miscellaneous income	15,059	-	15,059	-	15,059	2,482	-	2,482	-	2,482
Total revenue before net assets released from restrictions	2,329,933	-	2,329,933	5,535,058	7,864,991	3,280,666	-	3,280,666	1,974,737	5,255,403
Net assets released from restrictions	3,862,368	-	3,862,368	(3,862,368)	-	2,930,128	25,977	2,956,105	(2,956,105)	-
Total revenue	6,192,301	-	6,192,301	1,672,690	7,864,991	6,210,794	25,977	6,236,771	(981,368)	5,255,403
<b>Expenses:</b>										
Program services:										
National Opera Center Operations	1,246,591	75,260	1,321,851	-	1,321,851	1,361,117	299,539	1,660,656	-	1,660,656
Innovations and civic practice	462,978	-	462,978	-	462,978	761,772	-	761,772	-	761,772
Artistic services	1,287,061	-	1,287,061	-	1,287,061	1,085,702	-	1,085,702	-	1,085,702
Membership	188,920	-	188,920	-	188,920	198,704	-	198,704	-	198,704
Public affairs	63,434	-	63,434	-	63,434	62,517	-	62,517	-	62,517
Public relations/marketing	245,714	-	245,714	-	245,714	630,245	-	630,245	-	630,245
Information services/publications	504,360	-	504,360	-	504,360	466,122	-	466,122	-	466,122
Education and artist development	224,070	-	224,070	-	224,070	216,157	-	216,157	-	216,157
Annual conference	336,524	-	336,524	-	336,524	335,263	-	335,263	-	335,263
Total program services	4,559,652	75,260	4,634,912	-	4,634,912	5,117,599	299,539	5,417,138	-	5,417,138
Supporting services:										
Management and general	602,387	7,073	609,460	-	609,460	579,636	17,084	596,720	-	596,720
Fund-raising	437,718	-	437,718	-	437,718	402,051	-	402,051	-	402,051
Total supporting services	1,040,105	7,073	1,047,178	-	1,047,178	981,687	17,084	998,771	-	998,771
Total expenses	5,599,757	82,333	5,682,090	-	5,682,090	6,099,286	316,623	6,415,909	-	6,415,909
Change in net assets	592,544	(82,333)	510,211	1,672,690	2,182,901	111,508	(290,646)	(179,138)	(981,368)	(1,160,506)
Net assets, beginning of year	897,942	82,333	980,275	15,329,960	16,310,235	786,434	372,979	1,159,413	16,311,328	17,470,741
Net assets, end of year	\$ 1,490,486	\$ -	\$ 1,490,486	\$ 17,002,650	\$ 18,493,136	\$ 897,942	\$ 82,333	\$ 980,275	\$ 15,329,960	\$ 16,310,235

See notes to financial statements.

## OPERA AMERICA, INC.

### Statement of Functional Expenses Year Ended June 30, 2021

(with summarized financial information for June 30, 2020)

	Program Services					Supporting Services			Totals	
	National Opera Center Operations	Innovations and Civic Practice	Artistic Services	Other Program Services	Total	Management and General	Fund- Raising	Total Supporting Services	2021	2020
Salaries	\$ 283,466	\$ 11,312	\$ 446,275	\$ 1,116,505	\$ 1,857,558	\$ 391,340	\$ 361,994	\$ 753,334	\$2,610,892	\$ 2,671,524
Fee for service (non-employee)	25,936	-	88,075	203,907	317,918	55,693	14,550	70,243	388,161	450,789
Grants and assistance	-	447,880	675,284	250	1,123,414	-	-	-	1,123,414	1,063,118
Advertising and promotion	-	-	-	24,372	24,372	-	-	-	24,372	218,033
Office expenses	20,676	-	54	58,456	79,186	50,024	10,106	60,130	139,316	180,262
Information technology	81	800	4,830	28,299	34,010	600	5,322	5,922	39,932	51,652
Occupancy	695,596	2,386	45,328	114,512	857,822	40,659	38,171	78,830	936,652	1,027,330
Travel	-	-	205	12	217	1,415	881	2,296	2,513	103,981
Meals and entertainment	20	97	895	-	1,012	3,945	3,144	7,089	8,101	112,735
Insurance	15,714	-	-	-	15,714	2,851	-	2,851	18,565	20,158
Dues and subscriptions	890	-	1,089	10,942	12,921	4,224	1,443	5,667	18,588	19,461
Professional development	-	-	-	3,041	3,041	299	-	299	3,340	1,258
Depreciation	276,119	-	-	-	276,119	19,023	-	19,023	295,142	293,200
Other expenses	3,353	503	26	27,726	31,608	39,387	2,107	41,494	73,102	202,408
	<u>\$ 1,321,851</u>	<u>\$ 462,978</u>	<u>\$ 1,262,061</u>	<u>\$ 1,588,022</u>	<u>\$ 4,634,912</u>	<u>\$ 609,460</u>	<u>\$ 437,718</u>	<u>\$ 1,047,178</u>	<u>\$5,682,090</u>	<u>\$ 6,415,909</u>

See notes to financial statements.

# OPERA AMERICA, INC.

## Statement of Functional Expenses Year Ended June 30, 2020

	Program Services					Supporting Services			
	National Opera Center Operations	Innovations and Civic Practice	Artistic Services	Other Program Services	Total	Management and General	Fund- Raising	Total Supporting Services	Total
Salaries	\$ 467,218	\$ 161,833	\$ 383,942	\$ 1,092,466	\$ 2,105,459	\$ 282,350	\$ 283,715	\$ 566,065	\$ 2,671,524
Fee for service (non-employee)	39,740	33,750	69,042	243,919	386,451	59,805	4,533	64,338	450,789
Grants and assistance	-	532,378	513,661	17,079	1,063,118	-	-	-	1,063,118
Advertising and promotion	-	-	40	217,993	218,033	-	-	-	218,033
Office expenses	28,635	42	1,882	74,486	105,045	50,810	24,407	75,217	180,262
Information technology	529	1,700	3,153	43,217	48,599	2,944	109	3,053	51,652
Occupancy	764,014	18,226	49,471	125,230	956,941	36,540	33,849	70,389	1,027,330
Travel	1,635	9,988	22,608	37,089	71,320	20,599	12,062	32,661	103,981
Meals and entertainment	1,724	3,855	13,918	40,283	59,780	18,817	34,138	52,955	112,735
Insurance	20,158	-	-	-	20,158	-	-	-	20,158
Dues and subscriptions	490	-	279	12,399	13,168	543	5,750	6,293	19,461
Professional development	80	-	-	433	513	-	745	745	1,258
Depreciation	287,875	-	-	-	287,875	5,325	-	5,325	293,200
Other expenses	48,558	-	2,706	29,414	80,678	118,987	2,743	121,730	202,408
	<u>\$ 1,660,656</u>	<u>\$ 761,772</u>	<u>\$ 1,060,702</u>	<u>\$ 1,934,008</u>	<u>\$ 5,417,138</u>	<u>\$ 596,720</u>	<u>\$ 402,051</u>	<u>\$ 998,771</u>	<u>\$ 6,415,909</u>

See notes to financial statements.

**OPERA AMERICA, INC.**

**Statements of Cash Flows**

	Year Ended June 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,182,901	\$ (1,160,506)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	295,142	293,200
Amortization of deferred rent obligation	4,669	17,794
Net realized and unrealized gains on investments	(2,292,478)	140,634
Donor restricted contributions - perpetual in nature	(260,700)	(20,800)
Bad debts expense	3,561	85,818
Changes in:		
Contributions receivable	(246,234)	2,673,425
Note receivable	(60,000)	-
Other receivables	134,372	141,273
Prepaid expenses and other current assets	(87,221)	73,933
Accounts payable and other liabilities	139,867	(301,290)
Grants payable	(222,644)	(362,874)
Deferred revenue	(97,820)	74,477
Net cash (used in) provided by operating activities	<u>(506,585)</u>	<u>1,655,084</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(61,701)	(16,449)
Purchases of investments	(5,905,741)	(9,584,760)
Proceeds from sales of investments	<u>5,990,837</u>	<u>9,657,871</u>
Net cash provided by investing activities	<u>23,395</u>	<u>56,662</u>
<b>Cash flows from financing activities:</b>		
Payments on loan under line-of-credit	(188,500)	(300,000)
Proceeds from Paycheck Protection Program loan payable	437,600	462,800
Donor restricted contributions - perpetual in nature	<u>260,700</u>	<u>20,800</u>
Net cash provided by (used in) by financing activities	<u>509,800</u>	<u>183,600</u>
<b>Increase in cash</b>	<b>26,610</b>	<b>1,895,346</b>
Cash, beginning of year	<u>3,823,050</u>	<u>1,927,704</u>
<b>Cash, end of year</b>	<u><u>\$ 3,849,660</u></u>	<u><u>\$ 3,823,050</u></u>
<b>Supplementary disclosures of cash flow information:</b>		
Interest paid	<u>\$ 7,073</u>	<u>\$ 17,084</u>
In-kind Interest Contribution	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Unrelated business income taxes paid	<u>\$ -</u>	<u>\$ 7,523</u>

See notes to financial statements.

# OPERA AMERICA, INC.

## Notes to Financial Statements June 30, 2021 and 2020

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

OPERA America, Inc. (the "Organization"), originally incorporated in Delaware and then re-incorporated in New York, is a not-for-profit organization founded in 1970 (i) to promote growth and expansion of the operatic art form; (ii) to foster and improve the education, training, and development of operatic composers, singers, and allied talents; (iii) to assist in developing resident professional opera companies through cooperative artistic and management services to its membership; (iv) to encourage and assist in the improvement of quality of operatic presentation; and (v) encourage greater appreciation and enjoyment of opera by all segments of society. It is an organization the members of which include opera companies, affiliated organizations, and individuals in the United States, Canada and several other countries.

New York City is home to the nation's largest concentration of performing and creative artists, professional training institutions, and music businesses. A majority of the Organization's professional company members hold or attend auditions in New York City, and opera leaders from Europe and around the world are regular visitors. In response to the pressing need for appropriate audition, practice and meeting space, the Organization constructed the "National Opera Center." The National Opera Center, which opened in September 2012, in addition to the space it provides, was built (i) to support more frequent and direct contact between members and Organization staff; (ii) to encourage greater involvement of members in Organization activities; (iii) to create the potential for broader and deeper collaboration among members; and (iv) to facilitate work with traditional partners and potential new allies.

The Organization is a not-for-profit corporation exempt from federal taxes pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws.

#### [2] Basis of accounting:

The financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit entities.

#### [3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### [4] Cash and cash equivalents:

For financial-reporting purposes, the Organization considers all highly liquid instruments purchased with a maturity of three months or less, when purchased, to be cash equivalents, except for those cash equivalent assets held as part of the investment portfolio.

#### [5] Investments:

The Organization's investments in equity securities, mutual funds, and fixed income securities are reported at their fair values in the statements of financial position based on quoted market prices. Cash and cash equivalents held as part of the investment portfolio are also included in the balances reported as investments.

The Organization's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

## **OPERA AMERICA, INC.**

### **Notes to Financial Statements June 30, 2021 and 2020**

#### **NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[5] Investments: (continued)**

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost basis to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investments' costs to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their estimated fair values on the dates of donation. The Organization's policy is to sell donated securities immediately, and, accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sales are included within operating activities.

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Organization's various investment managers in each fiscal year; however, they do not include those fees that may be embedded in various other investment accounts and transactions.

##### **[6] Property and equipment:**

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation, net of accumulated depreciation. The Organization capitalizes as assets those items of property and equipment that have a cost of \$2,500 or more and have useful lives greater than one year, whereas minor costs for repairs and maintenance are expensed as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years. Likewise, leasehold improvements are amortized over the remaining lease term, or over the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. There were no triggering events during the fiscal-years 2021 or 2020 requiring management to test for impairment adjustment to property and equipment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

##### **[7] Accrued vacation:**

A liability for the accrued vacation of the Organization's employees is included as part of accounts payable and other liabilities in the statements of financial position and represents the Organization's total obligation for the cost of unused employee vacation time that would be payable in the event that all employees were to leave the Organization's employ. At June 30, 2021 and 2020, this accrued vacation obligation was approximately \$77,000 and \$38,000, respectively, and is included as a part of accounts payable and accrued expenses on the statements of financial position.

##### **[8] Grants payable:**

Grants are recognized as an obligation to the Organization at the time they are approved for payment by the Board of Directors. Unconditional grants approved, but not yet paid, were approximately \$1,700,000 and \$1,922,000 at June 30, 2021 and 2020, respectively. Grants are generally paid within one year of approval, and there were no conditional grants approved, or committed to, for the years ended June 30, 2021 or 2020.

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [9] Deferred rent obligation:

The difference between rent expense recorded under the lease agreement (see Note N[1]) and the rental amounts actually paid, which results from scheduled rent increases and abatements, is reported as a deferred rent obligation in the statements of financial position. This obligation is then amortized over the term of the lease using the straight-line method.

##### [10] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provided businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Organization has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. The Organization is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA; however, no assurance can be provided that the Organization will be eligible for forgiveness, in whole, or in part (see Note G).

##### [11] Net assets:

The net assets of the Organization and the changes therein are reported as follows:

(i) *Net assets without donor restrictions:*

The Organization's net assets without donor restrictions represent those resources that are not subject to donor restrictions as to their use and are available for current operations. The Board-designated funds, the related resources of which are subject to future uses at the discretion of the Board of Directors, are also without donor restrictions and serve as both funds functioning as endowment, as well as funds reserved by the Board that are not considered endowment (see Note I).

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or the passage of time. Also included in net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from underlying assets to be used in the satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statement of activities as "net assets released from restriction."

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [12] Revenue recognition:

(i) *Contributions and grants:*

Contributions to the Organization are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions, such as government contract reimbursement grants and other similar funding, are recognized when the donor's conditions have been met by requisite actions of the Organization's management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

During fiscal year-end 2021 and 2020, the Organization received an in-kind interest contribution in the amount of \$25,000, for both years, related to the loan payable, Mellon Co-Production Funding (see Note F).

(ii) *Revenue from contracts with customers:*

The Organization recognizes revenue when, or as, performance obligations are satisfied associated with contracts with customers. Revenue is measured as the amount of consideration the Organization expects to receive in exchange for providing services. The primary sources of revenue from contracts with customers for the Organization are membership dues. Membership dues are recorded as revenues when the funds are received in the year to which the membership services are provided, which is on an annual basis commencing on the day in which the contract is signed and must be renewed each year. The performance obligation is satisfied throughout the membership period, and in alignment with the Organization's fiscal-year or portion of the fiscal-year upon payment. Members immediately have full access upon payment to a broad array of learning materials, professional opportunities, and the resources of the National Opera Center. There is no remaining performance obligation required of the Organization upon the member period termination date. Dues received in advance of an applicable membership period are reported in the statements of financial position as deferred revenue.

(iii) *National Opera Center - rentals:*

As further described in Note A[1], the National Opera Center is a performance space, the rental activities of which are recognized when the related rental event occurs and the services are rendered, in accordance with the contractual provisions. Rental revenue received in advance of the Organization providing rental activities is deferred and is reported as deferred revenue in the statements of financial position.

##### [13] Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by natural classification and function. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs such as salaries and occupancy have been functionalized on the basis of time-allocation for the various operating departments.

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [14] Advertising costs:

The Organization expenses the costs of advertising as they are incurred. Advertising expenses were approximately \$1,400 and \$5,400 during fiscal-years 2021 and 2020, respectively.

##### [15] Income tax uncertainties:

The Organization follows the provisions of the FASB's ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. The Organization is subject to potential unrelated business income taxes relating to its advertising and rental income activities. However, because of the Organization's general not-for-profit status, ASC Topic 740 has not had, and is not expected to have, a material impact on the Organization's financial statements.

##### [16] Adoption of accounting pronouncement:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU No. 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. Analysis of various provisions of this standard resulting in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued financial statements was required on a retrospective basis.

##### [17] Upcoming accounting pronouncements:

###### (i) *Contributed Nonfinancial Assets:*

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements and related disclosures.

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [17] Upcoming accounting pronouncements: (continued)

###### (ii) Leases:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, as amended, which supersedes the current leasing guidance and upon adoption, will require lessees to recognize right-of-use assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is effective for the Organization for the annual period beginning after December 15, 2021, and can be early adopted. Upon the adoption of the guidance, operating leases are capitalized on the statement of financial position at the present value of lease payments. The statement of financial position amount recorded for existing leases at the date of adoption of ASU 2016-02 will be calculated using the applicable incremental borrowing rate at the date of adoption. The impact on the Organization's financial statements is currently being evaluated. Information about the Organization's undiscounted future lease payments and the timing of those payments is provided in Note N.

##### [18] Reclassification:

Certain amounts included in the prior year's financial statement have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

##### [19] Subsequent events:

The Organization evaluated subsequent events through January 28, 2022, the date on which the financial statements were available to be issued.

#### NOTE B - RECEIVABLES

##### [1] Contributions receivable:

Pledges of future contributions as of each fiscal year-end, but not yet collected as of that date, were recorded as pledges receivable. Outstanding pledges are expected to be collected as follows:

	June 30,	
	2021	2020
Less than one year	\$ 1,207,100	\$ 671,421
One to five years	<u>90,000</u>	<u>518,320</u>
	1,297,100	1,189,741
Allowance for uncollectible grants and pledges	<u>(10,874)</u>	<u>(131,516)</u>
	1,286,226	1,058,225
Present value discount at 2% annually	<u>(3,495)</u>	<u>(21,728)</u>
	<u>\$ 1,282,731</u>	<u>\$ 1,036,497</u>

The Organization periodically assesses the financial strength of its trade partners and donors and provides allowances for anticipated losses on amounts due.

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE B - RECEIVABLES (CONTINUED)

##### [2] Other receivables:

At each fiscal year-end, other receivables consisted of amounts due to the Organization for exchange-type transactions. All amounts are due within one year. Based on management's past experience, the receivables are expected to be fully collected, and, accordingly, no allowance for doubtful accounts has been established.

#### NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 1,036,123	\$ 1,036,123	\$ 483,798	\$ 483,798
Equity securities	7,330,338	5,880,068	5,306,853	5,117,444
U.S. government obligations	1,616,712	1,592,854	1,990,077	1,907,398
Corporate obligations	1,664,416	1,629,751	2,138,386	2,071,396
Mutual funds - equities	1,954,009	1,125,583	1,560,739	1,203,612
Mutual funds - fixed-income	<u>1,358,831</u>	<u>1,315,560</u>	<u>1,273,194</u>	<u>1,281,740</u>
	<u>\$ 14,960,429</u>	<u>\$ 12,579,939</u>	<u>\$ 12,753,047</u>	<u>\$ 12,065,388</u>

During each fiscal year, investment income consisted of the following:

	Year Ended June 30,	
	2021	2020
Dividends and interest (net of investment fees of \$131,644 and \$123,100 in 2021 and 2020, respectively)	\$ 186,036	\$ 334,659
Net realized gains on sale of investments	599,647	196,792
Net unrealized (loss) gain on investments	<u>1,692,831</u>	<u>(337,426)</u>
	<u>\$ 2,478,514</u>	<u>\$ 194,025</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE C - INVESTMENTS (CONTINUED)

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following table summarizes the fair values of the investments at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	June 30,					
	2021			2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,036,123	\$ -	\$ 1,036,123	\$ 483,798	\$ -	\$ 483,798
Equity securities	7,330,338	-	7,330,338	5,306,853	-	5,306,853
U.S. government obligations	-	1,616,712	1,616,712	-	1,990,077	1,990,077
Corporate obligations	-	1,664,416	1,664,416	-	2,138,386	2,138,386
Mutual funds - equities	1,954,009	-	1,954,009	1,560,739	-	1,560,739
Mutual funds - fixed-income	1,358,831	-	1,358,831	1,273,194	-	1,273,194
	<u>\$11,679,301</u>	<u>\$3,281,128</u>	<u>\$ 14,960,429</u>	<u>\$8,624,584</u>	<u>\$4,128,463</u>	<u>\$12,753,047</u>

#### NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30,	
	2021	2020
Furniture and equipment	\$ 1,084,577	\$ 1,033,026
Leasehold improvements	<u>5,348,019</u>	<u>5,337,869</u>
	6,432,596	6,370,895
Less: accumulated depreciation and amortization	<u>(3,341,039)</u>	<u>(3,045,897)</u>
	<u>\$ 3,091,557</u>	<u>\$ 3,324,998</u>

#### NOTE E - LINE-OF-CREDIT AGREEMENTS

In a previous fiscal-year, the Organization borrowed funds in order to finance the costs of the National Opera Center project. As of June 30, 2021 and 2020, there were still amounts outstanding on the borrowings, which are now held with a bank that differed from the one used for the initial borrowings. In June 2020, the Organization entered into an agreement with a bank for a line-of-credit in an amount not to exceed \$1,000,000, with a variable interest rate that is based on the bank's base rate which historically has been adjusted in tandem with changes to the U.S. Federal Funds rate and will not be less than 3.25%, as outlined in the agreement. This line-of-credit was collateralized by certain of the Organization's assets, including certain financial assets. The line-of-credit was set to expire on May 20, 2021, as long as sufficient collateral was maintained, at which time, all of the outstanding principal plus all accrued unpaid interest will be due.

## **OPERA AMERICA, INC.**

### **Notes to Financial Statements June 30, 2021 and 2020**

#### **NOTE E - LINE-OF-CREDIT AGREEMENTS (CONTINUED)**

In May 2021, the Organization renewed its agreement with the bank under the same terms and conditions contained in the original agreement with an expiration date of May 20, 2022. At June 30, 2021 and 2020, the outstanding principal balance on the aforementioned borrowings made under the lines-of-credit was \$119,990 and \$308,490, respectively. Interest expense during fiscal-years ending 2021 and 2020, on the amounts drawn down under the agreement, amounted to approximately \$7,000 and \$17,000, respectively.

#### **NOTE F - MELLON CO-PRODUCTION FUNDING**

During fiscal year-end 2018, the Organization entered into a collaborative production funding agreement with the Andrew W. Mellon Foundation (the "Foundation") for the purpose of creating a lending-bank program that will provide loans to Professional Company Members of Opera America to finance the collaborative production of American operas. In addition to proceeds from the loan, the Organization received additional grant funding of \$360,000 in connection with the loan and loan program in order to administer the loan program. The Foundation will disburse funds in the amount of \$500,000 to the Organization as indicated in the loan agreement. Additional funds of up to \$500,000, totaling a maximum of \$1,000,000 for the entire loan program, may be available upon written request of the Organization by the President and Chief Executive Officer. The loan is unsecured, bears no interest, with a maturity date of December 31, 2022. The original loan proceeds were received during the year-ended June 30, 2018. As of the fiscal-years ended June 30, 2021 and 2020, the Organization had an outstanding loan payable amount of \$500,000, Mellon Co-Production Funding, within the accompanying statement of financial position, respectively.

During the fiscal-year 2021 the Organization issued a loan to a Professional Company Member in the amount of \$60,000, which was outstanding at the fiscal-year ended June 30, 2021, within the accompanying statements of financial position as a note receivable. The loan bears no interest and is set to mature in January 2022.

#### **NOTE G - PPP LOAN PAYABLE**

On April 21, 2020 and February 15, 2021, the Organization received \$462,800 and \$437,600, respectively, in funds from the PPP, which is reported as Paycheck Protection Program loans payable in the statements of financial position at June 30, 2021 and 2020. The loans mature on April 21, 2022 and February 15, 2023, respectively, and bear interest at a rate of 1.00%. These loans may be forgiven subject to bank approval in accordance with SBA guidelines. In accordance with SBA guidelines, required monthly principal and interest payments will begin no earlier than the end of the covered period of October 2020 and August 2021, respectively. The Organization has ten months after the end of the covered period to apply for forgiveness of the loans. Any outstanding principle of the loans that are not forgiven under the PPP Loan program at the end of the ten-month deferral periods will convert to term loans with an interest rate of 1.00%, payable in equal installments of principal and interest over the next nine months, beginning in September 2021 and July 2022, respectively. As of June 30, 2021, the Organization was in the process of applying for forgiveness. Until determination of forgiveness, the scheduled future principle maturities as of June 30, 2021 are \$437,600 on the fiscal-year ended June 30, 2024.

Subsequent to year-end, the Organization received full forgiveness for the total amount of \$462,800, in relation to the first draw of the Paycheck Protection Program loan.

#### **NOTE H - EMPLOYEE-BENEFIT PLANS**

##### **[1] Defined-contribution retirement plan:**

The Organization maintains a defined-contribution retirement plan, established under Section 403(b) of the Code, for all eligible employees. The Organization remits matching contributions up to 5% of an employee's salary after one year of full-time employment. The Organization's contribution for fiscal-years 2021 and 2020 was approximately \$70,000 and \$54,000, respectively.

# OPERA AMERICA, INC.

## Notes to Financial Statements June 30, 2021 and 2020

### NOTE H - EMPLOYEE-BENEFIT PLANS (CONTINUED)

#### [2] Deferred compensation 457(f) retirement plan:

During fiscal year 2017, the Organization established a non-qualified, deferred compensation plan under section 457(f) of the Code, for its President. The Plan is funded by the Organization, which made contributions to the plan of \$35,738 for the fiscal year ended June 30, 2021. The Organization did not make a contribution to the plan for the fiscal year ended June 30, 2020.

### NOTE I - NET ASSETS WITHOUT DONOR RESTRICTIONS

At each fiscal year-end, net assets without donor restrictions were composed of the following:

	June 30,	
	2021	2020
<b>Operations:</b>		
Balance, beginning of year:	\$ 88,091	\$ 76,583
Increase from operations	592,544	111,508
Transfer from (to) Board-designated Opera Center Facilities Fund	-	-
Transfer to Board-designated Reserve Fund	<u>(590,000)</u>	<u>(100,000)</u>
Balance, end of year*	<u>90,635</u>	<u>88,091</u>
<b>National Opera Center - Non-Operating:</b>		
Balance, beginning of year	82,333	372,979
Additions	-	25,977
Expenses	<u>(82,333)</u>	<u>(316,623)</u>
Balance, end of year	<u>-</u>	<u>82,333</u>
<b>Board-designated funds:</b>		
National Opera Center Fund:		
Balance, beginning of year	46,527	46,527
Transfer (to) from operations	<u>-</u>	<u>-</u>
Balance, end of year*	<u>46,527</u>	<u>46,527</u>
Reserve Fund:		
Balance, beginning of year	600,000	500,000
Transfer from operations	<u>590,000</u>	<u>100,000</u>
Balance, end of year*	<u>1,190,000</u>	<u>600,000</u>
National Opera Center endowment (see Note K):		
Balance, beginning of year	163,324	163,324
Transfer from operations	<u>-</u>	<u>-</u>
Balance, end of year*	<u>163,324</u>	<u>163,324</u>
Board-designated funds balance, end of year	<u>1,399,851</u>	<u>809,851</u>
Total net assets without donor restrictions	<u>\$ 1,490,486</u>	<u>\$ 980,275</u>

\*These funds, totaling \$1,490,489 and \$897,942 at June 30, 2021 and 2020, respectively, represent the Core Operating Fund, National Opera Center Fund, 50<sup>th</sup> Anniversary Fund, Reserve Fund, and National Opera Center Endowment.

# OPERA AMERICA, INC.

## Notes to Financial Statements June 30, 2021 and 2020

### NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions consisted of the following:

	Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Adams Foundation	\$ 25,000	\$ -
American Express Foundation: Leadership intensive	33,000	75,000
Bank of America: Trustee recognition program	95,000	150,000
Berwind Graham	50,000	-
Jacobs Foundation	143,500	202,500
Getty Foundation: Innovations Program	728,570	611,750
Gilman Foundation: Professional development programs for artists	50,000	55,000
Marineau Family Foundation	62,000	50,000
Mellon Foundation: New works projects	570,000	750,000
Mellon Foundation: Co-Production Loan Initiative	115,000	185,000
National Endowment for the Arts	-	90,000
New Vision for NYC Opera	-	250,000
Opera Fund	2,330,034	1,301,115
Scimeca Emerging Singers Fund	36,657	11,481
Scherman Foundation	219,500	300,000
Tobin Foundation	7,000	-
Toulmin Foundation: Grants for female composers	415,000	-
Wallace Foundation: Communications partnership	<u>-</u>	<u>100,000</u>
	<b><u>4,880,261</u></b>	<b><u>4,131,846</u></b>
Purpose restriction - National Opera Center:		
Opera Center Endowment	<b><u>914,191</u></b>	<b><u>250,616</u></b>
	<b><u>5,794,452</u></b>	<b><u>4,382,462</u></b>
Perpetual in nature:		
Scimeca Fund	169,165	158,465
Opera Fund	5,639,033	5,389,033
Opera Center Endowment	<b><u>5,400,000</u></b>	<b><u>5,400,000</u></b>
	<b><u>11,208,198</u></b>	<b><u>10,947,498</u></b>
	<b><u>\$ 17,002,650</u></b>	<b><u>\$ 15,329,960</u></b>

For the fiscal-years ended June 30, 2021 and 2020, the balance of accumulated endowment income of \$3,220,496 and \$1,326,588, respectively, are held within the Opera Fund, Scimeca Emerging Singers Fund, and the Opera Center Endowment.

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE J - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each of the fiscal years, net assets released from restrictions resulted from satisfying the following donor restrictions:

	Year Ended June 30,	
	2021	2020
Purpose restrictions satisfied:		
American Express: Leadership intensive	\$ 42,000	\$ 50,000
Bank of America: Trustee Recognition Program	135,000	140,000
Booth Ferris Foundation	-	170,000
Jacobs Foundation	59,000	82,500
Getty Foundation: Innovations Program	1,697,880	832,378
Getty Foundation: General operations	-	16,000
Gilman Foundation: Professional development programs	130,000	55,000
Marineau Family Foundation	38,000	-
Mellon Foundation: New works projects	180,000	250,000
Mellon Foundation: Co-Production Initiative	70,000	70,000
National Endowment for the Arts	140,000	115,000
New Vision for NYC Opera	250,000	-
New York City Department of Cultural Affairs	26,250	28,750
NYSCA: Regional programming	12,000	12,000
Opera Fund	317,000	325,000
Scimeca Emerging Singers Fund	3,500	3,500
Scherman Foundation	80,500	-
Tobin Theater Arts Fund: Director-Designer Showcase	23,000	-
Toulmin Foundation	135,000	380,000
Wallace Foundation: Communications partnership	100,000	150,000
	<u>3,439,130</u>	<u>2,680,128</u>
Purpose restriction - National Opera Center:		
Opera Center Endowment	<u>423,238</u>	<u>275,977</u>
	<u>\$ 3,862,368</u>	<u>\$ 2,956,105</u>

#### NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS

##### [1] The endowment:

At June 30, 2021 and 2020, respectively, the Organization's endowment funds consist of donor-restricted endowment funds of \$11,208,198 and \$10,947,498, respectively, and Board-designated funds of \$180,247 and \$163,324 for years ended 2021 and 2020, respectively (intended for the purpose of funding the National Opera Center and Opera Fund). The Opera Fund and the National Opera Center represent accumulated endowment income and net assets with donor restriction gifts reserved for appropriation by the Board of Directors, according to a spending policy adopted by the Board.

**OPERA AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2021 and 2020**

**NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)**

**[2] Interpretation of relevant law:**

As discussed in Note A[11](ii), NYPMIFA is applicable to all of the Organization's institutional funds, including its donor-restricted and board-designated funds. The Board of Directors will continue to adhere to NYPMIFA's requirements.

**[3] Endowment net-asset composition by type of fund, at each fiscal year-end:**

	<b>June 30, 2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 11,208,198	\$ 11,208,198
Board-designated endowment funds	<u>163,324</u>	<u>-</u>	<u>163,324</u>
Total funds	163,324	11,208,198	11,371,522
Restricted earnings of funds	<u>-</u>	<u>3,220,496</u>	<u>3,220,496</u>
Total appreciated value of endowment funds	<u>\$ 163,324</u>	<u>\$ 14,428,694</u>	<u>\$ 14,592,018</u>
	<b>June 30, 2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 10,947,498	\$ 10,947,498
Board-designated endowment funds	<u>163,324</u>	<u>-</u>	<u>163,324</u>
Total funds	163,324	10,947,498	11,110,822
Restricted earnings of funds	<u>-</u>	<u>1,329,588</u>	<u>1,329,588</u>
Total appreciated value of endowment funds	<u>\$ 163,324</u>	<u>\$ 12,277,086</u>	<u>\$ 12,440,410</u>

**OPERA AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2021 and 2020**

**NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)**

**[4] Changes in endowment net assets, during each fiscal year:**

	<b>Year Ended June 30, 2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets and the earnings thereon, beginning of year	\$ 163,324	\$12,277,086	\$ 12,440,410
Investment return	16,923	2,461,408	2,478,331
Contributions	-	260,700	260,700
Appropriation of endowment assets for expenditure	<u>(16,923)</u>	<u>(570,500)</u>	<u>(587,423)</u>
Endowment net assets and the earnings thereon, end of year	<u>\$ 163,324</u>	<u>\$14,428,694</u>	<u>\$ 14,592,018</u>
	<b>Year Ended June 30, 2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets and the earnings thereon, beginning of year	\$ 163,324	\$12,638,728	\$ 12,802,052
Investment return	213	193,058	193,271
Contributions	-	20,800	20,800
Appropriation of endowment assets for expenditure	<u>(213)</u>	<u>(575,500)</u>	<u>(575,713)</u>
Endowment net assets and the earnings thereon, end of year	<u>\$ 163,324</u>	<u>\$12,277,086</u>	<u>\$ 12,440,410</u>

**[5] Funds with deficiencies:**

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historic dollar-value of the donor's original, restricted contribution. Under the terms of NYPMIFA, the Organization has no responsibility to restore such decreases in value. At June 30, 2021 and 2020, there were no deficiencies of this nature.

**[6] Return objectives and risk parameters:**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by the endowment, while seeking to maintain the purchasing power of the endowment assets and assuming a moderate level of investment risk. Endowment assets are those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce acceptable rates of return, with an appropriate level of investment risk.

# OPERA AMERICA, INC.

## Notes to Financial Statements June 30, 2021 and 2020

### NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

#### [7] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization will target a diversified asset allocation to achieve its long-term return objectives with prudent risk constraints.

#### [8] Spending policy and relation to the endowment:

The Organization evaluates its program needs on an annual basis and draws from its endowment appreciation in order to fund programs accordingly. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns. The spending rate for the Organization was 5%, calculated on a twelve quarter rolling average of endowment assets for both years ended 2021 and 2020.

### NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2021 because of contractual or donor-imposed restrictions or internal designations.

	<u>Year Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 3,849,660	\$ 3,823,050
Contributions receivable, net	1,282,731	1,036,497
Note receivable	60,000	-
Other receivables	219,235	357,168
Investments	<u>14,960,429</u>	<u>12,753,047</u>
Total financial assets available within one year	<u>20,372,055</u>	<u>17,969,762</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with purpose restrictions	(4,880,261)	(4,131,846)
Restrictions by donors with purpose restrictions – National Opera Center	(914,191)	(250,616)
Restricted by donors that are perpetual in nature	<u>(11,208,198)</u>	<u>(10,947,498)</u>
Total amounts unavailable for general expenditure within one year	<u>(17,002,650)</u>	<u>(15,329,960)</u>
Amounts unavailable to management without Board approval:		
Board-designated endowment (Note A[11](i))	<u>(1,399,851)</u>	<u>(809,851)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,969,554</u>	<u>\$ 1,829,951</u>

## **OPERA AMERICA, INC.**

### **Notes to Financial Statements June 30, 2021 and 2020**

#### **NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

Liquidity policy:

The Organization's liquidity policy is to ensure that the Organization operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs. Liquid funds that are without donor restriction will be used to satisfy the minimum liquidity target. Additionally, the Organization has Board-designated funds without donor restrictions that, although the Organization doesn't intend to spend these funds for purposes other than those identified, could be used to help manage unanticipated liquidity needs, if needed. Further, the Organization has the ability to access additional resources through a line-of-credit agreement with a bank (see Note E).

#### **NOTE M - CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Coverage management believes that the Organization does not face a significant risk of loss on these accounts that would result from failures of the institutions.

#### **NOTE N - COMMITMENTS, CONTINGENCY, AND OTHER UNCERTAINTY**

##### **[1] Lease obligations:**

In February 2012, in order to develop its National Opera Center, the Organization entered into an operating lease for 25,000 square feet on the two floors that house the Organization's offices. The term of the lease is 20 years, with the option to extend for five years and a provision for a rent abatement of seven months. Rental payments were originally scheduled to commence in September 2012; however, as a result of a landlord delay in delivery of the space for construction, the Organization received an additional rent abatement of approximately \$590,000. Rental payments began in November 2013.

## OPERA AMERICA, INC.

### Notes to Financial Statements June 30, 2021 and 2020

#### NOTE N - COMMITMENTS, CONTINGENCY, AND OTHER UNCERTAINTY (CONTINUED)

##### [1] Lease obligations: (continued)

Annual rental payments, rent expense and deferred rent adjustments (exclusive of escalation charges and real estate taxes) are as follows:

<u>Year Ending June 30,</u>	<u>Rent Paid</u>	<u>Rent Expense</u>	<u>Deferred Rent Adjustment</u>	<u>Cumulative Deferred Rent</u>
2012	\$ -	\$ 224,692	\$ 224,692	\$ 224,692
2013	-	674,076	674,076	898,768
2014	358,839	674,076	315,237	1,214,005
2015	547,212	674,076	126,864	1,340,869
2016	558,156	674,076	115,920	1,456,789
2017	585,906	674,076	88,170	1,544,959
2018	630,798	674,076	43,278	1,588,237
2019	643,414	674,076	30,662	1,618,899
2020	656,282	674,076	17,794	1,636,693
2021	669,407	674,076	4,669	1,641,362
2022	699,382	674,076	(25,306)	1,616,056
2023	746,543	674,076	(72,467)	1,543,589
2024	761,474	674,076	(87,398)	1,456,191
2025	776,704	674,076	(102,628)	1,353,563
2026	792,238	674,076	(118,162)	1,235,401
2027	824,669	674,076	(150,593)	1,084,808
2028	874,336	674,076	(200,260)	884,548
2029	891,822	674,076	(217,746)	666,802
2030	909,659	674,076	(235,583)	431,219
2031	927,852	674,076	(253,776)	177,443
2032	626,761	449,318	(177,443)	-

##### [2] Employment agreements:

The Organization is obligated under employment agreements with its President and Chief Executive Officer through January 1, 2027.

##### [3] Government contracts:

Government grants and contracts are subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management believes that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been reserved in the accompanying financial statements for potential disallowances.

##### [4] Other uncertainty:

The extent of the impact and effects of the recent outbreak of COVID-19 on the operation and financial performance of the Organization's business will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, and the consequential potential of staff shortages, all of which are highly uncertain and cannot be predicted. If demands for the Organization's services are impacted for an extended period, the Organization's results of operations may be materially adversely affected.