EISNERAMPER

OPERA AMERICA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

OPERA AMERICA, INC.

Contents

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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, 2020 and 2019, 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, 2020 and 2019, 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

EISNERAMPER LLP
New York, New York
March 5, 2021

OPERA AMERICA, INC.

Statements of Financial Position

	June 30, 2020	June 30, 2019
ASSETS		
Cash	**$ 3,823,050**	$ 1,927,704
Contributions receivable, net	**1,036,497**	3,709,922
Other receivables	**357,168**	584,259
Investments	**12,753,047**	12,966,792
Prepaid expenses and other current assets	**68,152**	142,085
Security deposit	**132,170**	132,170
Property and equipment, net	**3,324,998**	3,601,749
	$ 21,495,082	$ 23,064,681
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	**$ 209,832**	$ 511,122
Grants payable	**1,922,351**	2,285,225
Deferred revenue	**144,681**	70,204
Loan payable, under line-of-credit	**308,490**	608,490
Loan payable, Mellon Co-Production Funding	**500,000**	500,000
Paycheck Protection Program loan payable	**462,800**	-
Deferred rent obligation	**1,636,693**	1,618,899
Total liabilities	**5,184,847**	5,593,940
Commitments and contingency (see Note N)		
Net assets:		
Without donor restrictions:		
Core operating fund	**88,091**	76,583
Board-designated funds (see Note I)	**809,851**	709,851
National Opera Center – non-operating	**82,333**	372,979
Total net assets without donor restrictions	**980,275**	1,159,413
With donor restrictions:		
Purpose and time restrictions	**4,382,462**	5,384,630
Perpetual in nature	**10,947,498**	10,926,698
Total net assets with donor restrictions	**15,329,960**	16,311,328
Total net assets	**16,310,235**	17,470,741
	$ 21,495,082	$ 23,064,681

See notes to financial statements.

OPERA AMERICA, INC.

Statement of Activities
Year Ended June 30, 2020 and 2019

	2020					2019				
	Without Donor Restrictions					Without Donor Restrictions				
	Core Operating and National Opera Center	National Opera Center - Non-operating	Total	With Donor Restrictions	Total	Core Operating and National Opera Center	National Opera Center - Non-operating	Total	With Donor Restrictions	Total
Revenue:										
Contributions and grants	**$ 1,548,719**	**$ -**	**$ 1,548,719**	**$ 1,781,678**	**$ 3,330,397**	$ 1,334,384	$ 96,704	$ 1,431,088	$ 3,718,287	$ 5,149,375
Membership dues	**801,485**	**-**	**801,485**	**-**	**801,485**	775,403	-	775,403	-	775,403
Seminars, workshops, registration and annual meeting	**76,082**	**-**	**76,082**	**-**	**76,082**	340,893	-	340,893	-	340,893
Publications and advertising	**96,969**	**-**	**96,969**	**-**	**96,969**	98,240	-	98,240	-	98,240
Investment income, net	**966**	**-**	**966**	**193,059**	**194,025**	-	7,368	7,368	601,624	608,992
National Opera Center operations	**728,963**	**-**	**728,963**	**-**	**728,693**	1,051,674	-	1,051,674	-	1,051,674
Miscellaneous income	**2,482**	**-**	**2,482**	**-**	**2,482**	55,508	-	55,508	-	55,508
Total revenue before net assets released from restrictions	**3,255,666**	**-**	**3,255,666**	**1,974,737**	**5,230,403**	3,656,102	104,072	3,760,174	4,319,911	8,080,085
Net assets released from restrictions	**2,930,128**	**25,977**	**2,956,105**	**(2,956,105)**	**-**	3,612,615	-	3,612,615	(3,612,615)	-
Total revenue	**6,185,794**	**25,977**	**6,211,771**	**(981,368)**	**5,230,403**	7,268,717	104,072	7,372,789	707,296	8,080,095
Expenses:										
Program services:										
National Opera Center Operations	**1,361,117**	**299,539**	**1,660,656**	**-**	**1,660,656**	1,449,939	352,987	1,802,926	-	1,802,926
Innovations and civic practice	**761,772**	**-**	**761,772**	**-**	**761,772**	1,702,498	-	1,702,498	-	1,702,498
Artistic services	**1,060,702**	**-**	**1,060,702**	**-**	**1,060,702**	1,041,383	-	1,041,383	-	1,041,383
Membership	**198,704**	**-**	**198,704**	**-**	**198,704**	228,035	-	228,035	-	228,035
Public affairs	**62,517**	**-**	**62,517**	**-**	**62,517**	76,749	-	76,749	-	76,749
Public relations/marketing	**630,245**	**-**	**630,245**	**-**	**630,245**	370,768	-	370,768	-	370,768
Information services/publications	**466,122**	**-**	**466,122**	**-**	**466,122**	544,680	-	544,680	-	544,680
Education and artist development	**216,157**	**-**	**216,157**	**-**	**216,157**	315,828	-	315,828	-	315,828
Annual conference	**335,263**	**-**	**335,263**	**-**	**335,263**	457,584	-	457,584	-	457,584
Total program services	**5,092,599**	**299,539**	**5,392,138**	**-**	**5,392,138**	6,187,464	352,987	6,540,451	-	6,540,451
Supporting services:										
Management and general	**579,636**	**17,084**	**596,720**	**-**	**596,720**	521,857	37,407	559,264	-	559,264
Fund-raising	**402,051**	**-**	**402,051**	**-**	**402,051**	491,427	-	491,427	-	491,427
Total supporting services	**981,687**	**17,084**	**998,771**	**-**	**998,771**	1,013,284	37,407	1,050,691	-	1,050,691
Total expenses	**6,074,286**	**316,623**	**6,390,909**	**-**	**6,390,909**	7,200,748	390,394	7,591,142	-	7,591,142
Change in net assets	**111,508**	**(290,646)**	**(179,138)**	**(981,368)**	**(1,160,506)**	67,969	(286,322)	(218,353)	707,296	488,943
Net assets, beginning of year	**786,434**	**372,979**	**1,159,,413**	**16,311,328**	**17,470,741**	718,465	659,301	1,377,766	15,604,032	16,981,798
Net assets, end 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

See notes to financial statements.

OPERA AMERICA, INC.

Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized financial information for June 30, 2019)

	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	2020	2019
Salaries	$ 467,218	$ 161,833	$ 383,942	$ 1,092,466	$ 2,105,459	$ 282,350	$ 283,715	$ 566,065	$ 2,671,524	$ 2,640,823
Fee for service (non-employee)	39,740	33,750	69,042	243,919	386,451	59,805	4,533	64,338	450,789	410,981
Grants and assistance	-	532,378	513,661	17,079	1,063,118	-	-	-	1,063,118	1,918,164
Advertising & promotion	-	-	40	217,993	218,033	-	-	-	218,033	71,618
Office expenses	28,635	42	1,882	74,486	105,045	50,810	24,407	75,217	180,262	223,065
Information technology	529	1,700	3,153	43,217	48,599	2,944	109	3,053	51,652	51,642
Occupancy	764,014	18,226	49,471	125,230	956,941	36,540	33,849	70,389	1,027,330	1,068,212
Travel	1,635	9,988	22,608	37,089	71,320	20,599	12,062	32,661	103,981	201,569
Meals & entertainment	1,724	3,855	13,918	40,283	59,780	18,817	34,138	52,955	112,735	358,281
Insurance	20,158	-	-	-	20,158	-	-	-	20,158	20,494
Dues & subscriptions	490	-	279	12,399	13,168	543	5,750	6,293	19,461	27,641
Professional development	80	-	-	433	513	-	745	745	1,258	10,215
Depreciation	287,875	-	-	-	287,875	5,325	-	5,325	293,200	333,014
Equipment rental and maintenance	-	-	-	-	-	-	-	-	-	122,974
Other expenses	48,558	-	2,706	4,414	55,678	118,987	2,743	121,730	177,408	132,449
	$ 1,660,656	$ 761,772	$ 1,060,702	$ 1,909,008	$ 5,392,138	$ 596,720	$ 402,051	$ 998,771	$ 6,390,909	$ 7,591,142

See notes to financial statements.

OPERA AMERICA, INC.

Statement of Functional Expenses
Year Ended June 30, 2019

	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	$ 520,561	$ 162,668	$ 397,262	$ 1,011,795	$ 2,092,286	$ 273,658	$ 274,879	$ 548,537	$ 2,640,823
Fee for service (non-employee)	54,821	35,500	42,549	196,606	329,476	43,750	37,755	81,505	410,981
Grants and assistance	-	1,448,400	449,412	20,352	1,918,164	-	-	-	1,918,164
Advertising & promotion	-	-	-	71,618	71,618	-	-	-	71,618
Office expenses	20,031	356	3,130	107,315	130,832	57,510	34,723	92,233	223,065
Information technology	-	2,200	3,347	43,549	49,096	51	2,495	2,546	51,642
Occupancy	810,250	14,805	45,495	131,518	1,002,068	30,504	35,640	66,144	1,068,212
Travel	390	20,166	59,555	78,530	158,641	23,717	19,211	42,928	201,569
Meals & entertainment	2,766	5,957	29,296	197,936	235,955	42,772	79,554	122,326	358,281
Insurance	20,494	-	-	-	20,494	-	-	-	20,494
Dues & subscriptions	324	1,600	-	18,566	20,490	2,976	4,175	7,151	27,641
Professional development	-	836	-	392	1,228	8,950	37	8,987	10,215
Depreciation	328,517	-	-	-	328,517	4,497	-	4,497	333,014
Equipment rental and maintenance	-	10,000	10,229	101,252	121,481	1,493	-	1,493	122,974
Other expenses	44,772	10	1,108	14,215	60,105	69,386	2,958	72,344	132,449
	$ 1,802,926	$ 1,702,498	$ 1,041,383	$ 1,993,644	$ 6,540,451	$ 559,264	$ 491,427	$ 1,050,691	$ 7,591,142

OPERA AMERICA, INC.

Statements of Cash Flows

	Year Ended June 30, 2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (1,160,506)**	$ 488,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**293,200**	333,014
Amortization of deferred rent obligation	**17,794**	30,662
Net realized and unrealized gains on investments	**140,634**	(534,601)
Donor restricted contributions – perpetual in nature	**(20,800)**	(7,924)
Bad debts expense	**85,818**	16,626
Changes in:		
Contributions receivable	**2,673,425**	(133,841)
Other receivables	**141,273**	(62,123)
Prepaid expenses and other current assets	**73,933**	(26,514)
Accounts payable and other liabilities	**(301,290)**	231,182
Grants payable	**(362,874)**	53,213
Deferred revenue	**74,477**	31,148
Net cash provided by operating activities	**1,655,084**	419,785
Cash flows from investing activities:		
Purchases of property and equipment	**(16,449)**	(7,800)
Purchases of investments	**(9,584,760)**	(9,847,364)
Proceeds from sales of investments	**9,657,871**	9,701,391
Net cash provided (used in) by investing activities	**56,662**	(153,773)
Cash flows from financing activities:		
Payments on loan under line-of-credit	**(300,000)**	(999,500)
Proceeds from loan under line of credit	**-**	608,490
Proceeds from Paycheck Protection Program loan payable	**462,800**	-
Donor restricted contributions – perpetual in nature	**20,800**	7,924
Net cash provided by (used in) by financing activities	**183,600**	(383,086)
Change in cash	**1,895,346**	(117,074)
Cash, beginning of year	**1,927,704**	2,044,778
Cash, end of year	**$ 3,823,050**	$ 1,927,704
Supplementary disclosures of cash flow information:		
Interest paid	**$ 17,084**	$ 37,407
Unrelated business income taxes paid	**$ 7,523**	$ 1,954

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.

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. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, respectively, and in the opinion of management, there were no impairments. 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 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, 2020 and 2019, this accrued vacation obligation was approximately $38,000 and $36,000, respectively.

[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. Grants approved, but not yet paid, were approximately $1,922,000 and $2,285,000 at June 30, 2020 and 2019, respectively. Grants are generally paid within one year of approval.

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"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal-year 2020, the Organization applied for and received PPP funds.

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 (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."

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 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.

Revenue from government contracts is recognized when costs are incurred or other services are performed and requisitions for reimbursement are submitted by the Organization.

(ii) Membership dues:

The Organization receives dues from both professional opera companies and individuals. Dues received for the current-fiscal year are recognized as revenue in the statements of activities, whereas dues received for a future fiscal-year’s membership are deferred and recognized as revenue during the applicable period.

(iii) Seminars, workshops, registrations and annual meeting:

Seminars, workshops and annual meetings represent income from opera-related programs that are recognized in the statements of activities as the services are provided.

(iv) National Opera Center:

As further described in Note A[1], the National Opera Center is a performance space, the rental activities of which are recognized as revenue in the fiscal year the service takes place. The National Opera Center’s rental revenue that is received in advance for future fiscal years’ service is deferred and recognized when the service is rendered.

[13] Donated services:

For recognition of donated services in financial statements, such services must (i) create or enhance non-financial assets, (ii) typically need to be acquired if not provided by donation, (iii) require specialized skills, and (iv) be provided by individuals possessing these skills. Any services donated to the Organization would be recorded at their estimated fair values at the dates of donation and would be subsequently reported as unrestricted support in the statements of activities. The Organization received no donated services in fiscal-years 2020 and 2019.

[14] 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 functional expenses. The statement 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 have been functionalized on the basis of time-allocation for the various operating departments.

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

[15] Advertising costs:

The Organization expenses the costs of advertising as they are incurred. Advertising expenses were approximately $5,400 and $9,900 during fiscal-years 2020 and 2019, respectively.

[16] 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.

[17] Adoption of accounting pronouncements:

(i) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made:

In June 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985).* ASU No. 2018-08 clarifies and improves guidance concerning: i) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and ii) determining whether a contribution received is conditional. ASU No. 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and periods beginning after December 15, 2019 for entities that are resource providers. The Organization adopted the resource recipient portion of the standard and early adopted the resource provider portion of the standard for the fiscal-year ending June 30, 2020 and this accounting guidance did not have a material effect on the Organization's financial statements.

(ii) Disclosure Requirements for Fair-Value Measurements:

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurements*, which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in the Organization's financial statements. The Organization early adopted this pronouncement as of June 30, 2020, which under U.S. GAAP, is a change in accounting principle requiring retroactive application in the financial statements for all periods presented. Analysis of this standard resulted in no significant changes in the Organization's disclosure requirements for fair value measurements, and therefore no changes to the previously issued audited financial statements was required on a retrospective basis.

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

[18] Upcoming accounting pronouncements:

(i) Revenue from Contracts with Customers:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date*, which delayed the effective date by one year. Companies may use either a full retrospective or modified retrospective approach to adopt this ASU. As a result of recent deferrals due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly management plans to adopt the new standard using the modified retrospective approach and is in the process of assessing the impact of this ASU on the financial statements.

(ii) Leases:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. The ASU will be effective for fiscal years beginning after December 15, 2022. Management is in the process of assessing the impact of this ASU on the financial statements and related disclosures.

(iii) 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.

[19] Subsequent events:

The Organization evaluated subsequent events through March 5, 2021, 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, 2020	June 30, 2019
Less than one year	**$ 671,421**	$ 3,090,298
One to five years	**518,320**	706,150
	1,189,741	3,796,448
Allowance for uncollectible grants and pledges	**(131,516)**	(52,754)
	1,058,225	3,743,694
Present value discount at 2% annually	**(21,728)**	(33,772)
	$ 1,036,497	$ 3,709,922

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

[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, 2020		June 30, 2019	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	**$ 483,798**	**$ 483,798**	$ 907,595	$ 907,595
Equity securities	**5,306,853**	**5,117,444**	2,599,343	2,397,496
U.S. government obligations	**1,990,077**	**1,907,398**	687,091	668,630
Corporate obligations	**2,138,386**	**2,071,396**	393,086	379,888
Fixed-income mutual funds	**2,833,933**	**2,485,352**	8,379,677	7,588,098
	$ 12,753,047	**$ 12,065,388**	$ 12,966,792	$ 11,941,707

NOTE C - INVESTMENTS (CONTINUED)

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

	Year Ended June 30, 2020	Year Ended June 30, 2019
Dividends and interest (net of investment fees of $123,100 and $122,798 in 2020 and 2019, respectively)	**$ 334,659**	$ 74,391
Net realized gains on sale of investments	**196,792**	139,642
Net unrealized (loss) gain on investments	**(337,426)**	394,959
	$ 194,025	$ 608,992

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 assets and liabilities, 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.

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 Organization's investments were classified entirely within Level 1 for fiscal-years 2020 and 2019.

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30, 2020	June 30, 2019
Furniture and equipment	**$ 1,033,026**	$ 1,030,411
Leasehold improvements	**5,337,869**	5,324,035
	6,370,895	6,354,446
Less: accumulated depreciation and amortization	**(3,045,897)**	(2,752,697)
	$ 3,324,998	$ 3,601,749

NOTE E - LINE-OF-CREDIT AGREEMENTS

In order to finance the costs of the National Opera Center project, the Organization entered into an agreement with a bank for a line-of-credit in an amount not to exceed $2,800,000, 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. During each fiscal-year ended June 30, 2020 and 2019, the Organization paid interest on the line of credit at a rate of 3.25% to 4.50%, respectively, for both years then ended. The line-of-credit was collateralized by certain of the Organization's securities, which must maintain a minimum fair-value of $3,166,667. There was no expiration date on the line-of-credit, as long as sufficient collateral was maintained. In May 2019, the Organization entered into a new agreement with a different bank for a line-of-credit in an amount not to exceed $1,250,000, 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 4.25%, as outlined in the agreement. This new line-of-credit was collateralized by certain of the Organization's assets, including certain financial assets. The new line-of-credit was set to expire on May 20, 2020, as long as sufficient collateral was maintained, at which time, all of the outstanding principal plus all accrued unpaid interest will be due. The proceeds from the new line-of-of credit were used to pay the remaining amounts due on the previously mentioned line-of-credit as of the date in which the new line-of-credit was secured and the previously mentioned line-of-credit was cancelled. In June 2020, the Organization entered into a new agreement with the same 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. The line-of-credit was collateralized by certain of the Organization's assets, including certain financial assets. The new line-of-credit is 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. At June 30, 2020 and 2019, the outstanding principal balance on the aforementioned borrowings made under the lines-of-credit was $308,490 and $608,490, respectively. Interest expense during fiscal-years ending 2020 and 2019, on the loans drawn down under the agreement, amounted to approximately $17,000 and $37,000, 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, 2020 and 2019, the Organization had an outstanding loan payable amount of $500,000, Mellon Co-Production Funding, within the accompanying statement of financial position.

NOTE G - PPP LOAN PAYABLE

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The PPP, established by the CARES Act, and implemented by the SBA, provides businesses, including certain not-for-profit organizations, with funds to pay payroll and others costs during Coronavirus ("COVID-19") outbreak, further disclosed in Note A[10]. On May 21, 2020, the Organization received $462,800 in funds from the PPP and is reported as a Paycheck Protection Program loan payable in the statement of financial position at June 30, 2020. Neither principle nor interest is due for a six-month deferral period through November 2020. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principle of the loan that is not forgiven under the PPP Loan program at the end of the six-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest over the next eighteen months, beginning in December 2020. The loan matures May 21, 2022. The Organization is in the process of applying for forgiveness. Until determination of forgiveness, the scheduled future principle maturities as of June 30, 2020 are as follows:

Fiscal-Year Ended June 30,	Amount
2021	$ 179,978
2022	282,822
Total	$ 462,800

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 2020 and 2019 was approximately $58,000 and $54,000, respectively.

[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 did not make a contribution to the plan for the fiscal year ended June 30, 2020, and made contributions to the plan of $14,599 for the fiscal year ended June 30, 2019.

NOTE I - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	June 30,	
	2020	**2019**
Operations:		
Balance, beginning of year:	**$ 76,583**	$ 68,614
Increase from operations	**111,508**	67,969
Transfer from (to) Board-designated Opera Center Facilities Fund	**-**	40,000
Transfer to Board-designated Reserve Fund	**(100,000)**	(100,000)
Balance, end of year*	**88,091**	76,583
National Opera Center - Non-Operating:		
Balance, beginning of year	**372,979**	659,301
Additions	**25,977**	104,072
Expenses	**(316,623)**	(390,394)
Balance, end of year	**82,333**	372,979
Board-designated funds:		
National Opera Center Fund:		
Balance, beginning of year	**46,527**	86,527
Transfer (to) from operations	**-**	(40,000)
Balance, end of year*	**46,527**	46,527
Reserve Fund:		
Balance, beginning of year	**500,000**	400,000
Transfer from operations	**100,000**	100,000
Balance, end of year*	**600,000**	500,000
National Opera Center Endowment (see Note K):		
Balance, beginning of year	**163,324**	163,324
Transfer from operations	**-**	-
Balance, end of year*	**163,324**	163,324
Board-designated funds balance, end of year	**809,851**	709,851
Total net assets without donor restrictions	**$ 980,275**	$ 1,159,413

*These funds, totaling $897,942 and $786,434 at June 30, 2020 and 2019, respectively, represent the Core Operating Fund, National Opera Center Fund, 50th Anniversary Fund, Reserve Fund, and National Opera Center Endowment.

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, 2020	Year Ended June 30, 2019
Purpose restrictions:		
American Express Foundation: Leadership intensive	**$ 75,000**	$ 50,000
Bank of America: Trustee recognition program	**150,000**	130,000
Booth Ferris Foundation	**-**	170,000
Jacobs Foundation	**202,500**	285,000
Getty Foundation: Innovations Program	**611,750**	1,439,999
Gilman Foundation: Professional development programs for artists	**55,000**	35,000
Marineau Family Foundation	**50,000**	-
Mellon Foundation: New works projects	**750,000**	250,000
Mellon Foundation: Co-Production Loan Initiative	**185,000**	255,000
National Endowment for the Arts	**90,000**	115,000
New Vision for NYC Opera	**250,000**	-
Opera Fund	**1,301,115**	1,500,320
Scimeca Emerging Singers Fund	**11,481**	11,928
Scherman Foundation	**300,000**	300,000
Toulmin Foundation: Grants for female composers	**-**	380,000
Wallace Foundation: Communications partnership	**100,000**	-
	4,131,846	4,922,247
Purpose restriction – National Opera Center:		
Opera Center Endowment	**250,616**	462,383
	4,382,462	5,384,630
Perpetual in nature:		
Scimeca Fund	**158,465**	137,665
Opera Fund	**5,389,033**	5,389,033
Opera Center Endowment	**5,400,000**	5,400,000
	10,947,498	10,926,698
	$ 15,329,960	$ 16,311,328

For the fiscal-years ended June 30, 2020 and 2019, the balance of accumulated endowment income of $1,326,588 and $1,712,030, respectively, are held within the Opera Fund, Scimeca Emerging Singers Fund, and the Opera Center Endowment.

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, 2020	Year Ended June 30, 2019
Purpose restrictions satisfied:		
Aaron Copland Fund: General operations	**$ -**	$ 6,500
American Express: Leadership intensive	**50,000**	50,000
Amphion Foundation: Salon series	**-**	3,000
Bank of America: Trustee Recognition Program	**140,000**	90,000
Booth Ferris Foundation	**170,000**	30,000
Jacobs Foundation	**82,500**	25,000
Goelet	**-**	5,000
Getty Foundation: Innovations Program	**832,378**	1,748,400
Getty Foundation: General operations	**16,000**	16,000
Gilman Foundation: Professional development programs	**55,000**	75,000
Hewlett Foundation	**-**	10,000
Mellon Foundation: New works projects	**250,000**	250,000
Mellon Foundation: Co-Production Initiative	**70,000**	70,000
National Endowment for the Arts	**115,000**	115,000
New York City Department of Cultural Affairs	**28,750**	33,215
NYSCA: Regional programming	**12,000**	12,000
Opera Fund	**325,000**	325,000
Scimeca Emerging Singers Fund	**3,500**	3,500
Penates Foundation	**-**	10,000
Fan Fox & Leslie R. Samuels Foundation	**-**	5,000
Tobin Theater Arts Fund: Director-Designer Showcase	**-**	30,000
Toulmin Foundation	**380,000**	350,000
Wallace Foundation: Communications partnership	**150,000**	100,000
	2,680,128	3,362,615
Purpose restriction – National Opera Center:		
Opera Center Endowment	**275,977**	250,000
	$ 2,956,105	$ 3,612,615

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

At June 30, 2020 and 2019, respectively, the Organization's endowment funds consist of donor-restricted endowment funds of $10,947,498 and $10,926,698, respectively, and Board-designated funds of $163,324 for both years 2020 and 2019 (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.

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:

	June 30, 2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	**$ -**	**$ 10,947,498**	**$ 10,947,498**
Board-designated endowment funds	**163,324**	**-**	**163,324**
Total funds	**163,324**	**10,947,498**	**11,110,822**
Restricted earnings of funds	**-**	**1,326,588**	**1,326,588**
Total appreciated value of endowment funds	**$ 163,324**	**$ 12,274,086**	**$ 12,437,410**

	June 30, 2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 10,926,698	$ 10,926,698
Board-designated endowment funds	163,324	-	163,324
Total funds	163,324	10,926,698	11,090,022
Restricted earnings of funds	-	1,712,030	1,712,030
Total appreciated value of endowment funds	$ 163,324	$ 12,638,728	$ 12,802,052

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

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

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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	**(213)**	**(575,500)**	**(575,713)**
Endowment net assets and the earnings thereon, end of year	**$ 163,324**	**$ 12,277,086**	**$ 12,440,410**

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets and the earnings thereon, beginning of year	$ 163,324	$ 12,607,680	$ 12,771,004
Investment return	7,368	601,624	608,992
Contributions	-	7,924	7,924
Appropriation of endowment assets for expenditure	(7,368)	(578,500)	(585,868)
Endowment net assets and the earnings thereon, end of year	$ 163,324	$ 12,638,728	$ 12,802,052

[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, 2020 and 2019, 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.

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.

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, 2020 because of contractual or donor-imposed restrictions or internal designations.

The Organization's financial assets available for general use within one year of the statements of financial position date for general expenditure are as follows:

	Year Ended June 30,	
	2020	**2019**
Cash	**$ 3,823,050**	$ 1,927,704
Contributions receivable, net	**1,036,497**	3,709,922
Other receivables	**357,168**	584,259
Investments	**12,753,047**	12,966,792
Total financial assets available within one year	**17,971,012**	19,188,677
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with purpose restrictions	**(4,131,846)**	(4,922,247)
Restrictions by donors with purpose restrictions – National Opera Center	**(250,616)**	(462,383)
Restricted by donors that are perpetual in nature	**(10,947,498)**	(10,926,698)
Total amounts unavailable for general expenditure within one year	**(15,329,960)**	(16,311,328)
Amounts unavailable to management without Board approval:		
Board-designated endowment (Note A[11](i))	**(809,851)**	(709,851)
Total financial assets available to meet cash needs for general expenditures within one year	**$ 1,831,202**	$ 2,167,498

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 AND CONTINGENCY

[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.

NOTE N - COMMITMENTS AND CONTINGENCY (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:

Year Ending June 30,	Rent Paid	Rent Expense	Deferred Rent Adjustment	Cumulative Deferred Rent
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.