



Financial Statements
June 30, 2020 and 2019

The Minnesota Opera

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Independent Auditor's Report

To the Board of Directors
The Minnesota Opera
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of The Minnesota Opera (the Opera), 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 the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 the Opera as of June 30, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

As discussed in Note 13 to the financial statements, a certain error resulting in overstatement of amounts previously reported for net assets without donor restrictions and understatement of net assets with donor restrictions as of June 30, 2019, was discovered by management of the Opera during the current year. Accordingly, amounts reported for net assets with donor restrictions and without donor restrictions have been restated in the 2019 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2019, to correct the error. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Erik Sully LLP".

Minneapolis, Minnesota
December 17, 2020

The Minnesota Opera
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019 (Restated)
Assets		
Cash and cash equivalents	\$ 2,330,423	\$ 770,085
Short-term investments	1,999,612	-
Contributions and grants receivable, net (Note 4)	1,098,641	10,679,510
Accounts receivable	170,043	374,003
Deferred production expenses (Note 5)	36,548	381,441
Prepaid expenses	210,263	137,395
Property and equipment, net (Note 6)	4,507,139	4,641,351
Investments (Note 3)	17,854,011	16,764,259
Beneficial interest in perpetual trusts (Note 3)	478,152	529,864
	<u>\$ 28,684,832</u>	<u>\$ 34,277,908</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 176,805	\$ 239,799
Accrued expenses	297,713	213,659
Deferred revenue	1,216,637	1,741,060
Line of credit (Note 7)	-	750,000
Notes and capital lease payable (Note 8)		
Paycheck Protection Program (PPP) forgivable note payable	1,195,477	-
Notes and capital lease payable (Note 8)	1,010,328	1,014,132
	<u>3,896,960</u>	<u>3,958,650</u>
Net Assets		
Without donor restrictions		
Board-designated	510,797	500,000
Undesignated	534,804	2,200,061
	<u>1,045,601</u>	<u>2,700,061</u>
With donor restrictions (Note 9)		
Perpetual in nature	20,603,323	20,191,480
Accumulated earnings (losses)	(904,439)	216,919
Purpose restrictions	3,775,887	6,340,251
Time restricted for future periods	267,500	870,547
	<u>23,742,271</u>	<u>27,619,197</u>
	<u>24,787,872</u>	<u>30,319,258</u>
	<u>\$ 28,684,832</u>	<u>\$ 34,277,908</u>

The Minnesota Opera
Statements of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Opera season/admissions	\$ 1,426,241	\$ -	\$ 1,426,241
Outreach and education	149,346	-	149,346
Rental and other	206,368	-	206,368
Co-production income	8,351	-	8,351
Other	17,359	-	17,359
Contributions and grants	4,541,822	708,103	5,249,925
Special event revenue	364,179	-	364,179
Less cost of direct benefits to donors	(42,342)	-	(42,342)
	<u>321,837</u>	<u>-</u>	<u>321,837</u>
In-kind contributions	9,427	-	9,427
Net investment return	(70,773)	(388,563)	(459,336)
Distribution from and change in value of beneficial interest in perpetual trusts	-	(51,712)	(51,712)
Net assets released from restriction			
Distribution pursuant to endowment spending-rate	732,796	(732,796)	-
Purpose releases	2,798,911	(2,798,911)	-
Time releases	613,047	(613,047)	-
	<u>10,754,732</u>	<u>(3,876,926)</u>	<u>6,877,806</u>
Expenses			
Program services			
Production expenses	7,709,920	-	7,709,920
Outreach and education	1,192,953	-	1,192,953
Total program expenses	<u>8,902,873</u>	<u>-</u>	<u>8,902,873</u>
Administrative and general	1,971,746	-	1,971,746
Fundraising expenses	1,534,573	-	1,534,573
	<u>12,409,192</u>	<u>-</u>	<u>12,409,192</u>
Change in Net Assets	(1,654,460)	(3,876,926)	(5,531,386)
Net Assets, Beginning of Year, (Restated)	<u>2,700,061</u>	<u>27,619,197</u>	<u>30,319,258</u>
Net Assets, End of Year	<u>\$ 1,045,601</u>	<u>\$ 23,742,271</u>	<u>\$ 24,787,872</u>

The Minnesota Opera
Statements of Activities
Year Ended June 30, 2019

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total
Revenue, Support, and Gains			
Opera season/admissions	\$ 2,703,354	\$ -	\$ 2,703,354
Outreach and education	137,727	-	137,727
Rental and other	176,338	-	176,338
Co-production income	21,484	-	21,484
Other	27,833	-	27,833
Contributions and grants	8,017,985	9,487,592	17,505,577
Special event revenue	536,387	-	536,387
Less cost of direct benefits to donors	(55,657)	-	(55,657)
	<u>480,730</u>	<u>-</u>	<u>480,730</u>
In-kind contributions	14,148	-	14,148
Net investment return	45,245	812,078	857,323
Distribution from and change in value of beneficial interest in perpetual trusts	-	(599,046)	(599,046)
Net assets released from restriction			
Distribution pursuant to endowment spending-rate	818,268	(818,268)	-
Purpose releases	2,345,011	(2,345,011)	-
Time releases	624,687	(624,687)	-
	<u>15,412,810</u>	<u>5,912,658</u>	<u>21,325,468</u>
Expenses			
Program services			
Production expenses	8,930,701	-	8,930,701
Outreach and education	621,072	-	621,072
Total program expenses	<u>9,551,773</u>	<u>-</u>	<u>9,551,773</u>
Administrative and general	1,847,481	-	1,847,481
Fundraising expenses	1,395,274	-	1,395,274
	<u>12,794,528</u>	<u>-</u>	<u>12,794,528</u>
Change in Net Assets	2,618,282	5,912,658	8,530,940
Net Assets, Beginning of Year	<u>81,779</u>	<u>21,706,539</u>	<u>21,788,318</u>
Net Assets, End of Year	<u>\$ 2,700,061</u>	<u>\$ 27,619,197</u>	<u>\$ 30,319,258</u>

The Minnesota Opera
Statements of Functional Expenses
Year Ended June 30, 2020

	Program Services			Administrative & General	Fundraising	Total
	Production	Outreach and Education	Total			
Personnel	\$ 4,870,820	\$ 983,223	\$ 5,854,043	\$ 1,443,903	\$ 1,012,593	\$ 8,310,539
Theater Costs	788,455	18,310	806,765	-	12,249	819,014
Production	647,753	17,612	665,365	63,035	6,253	734,653
Travel and Entertainment	239,856	40,882	280,738	75,752	42,308	398,798
Professional Fees	14,988	2,449	17,437	103,690	155,705	276,832
Loss on Production Disposal	239,212	-	239,212	-	-	239,212
Depreciation	198,442	5,356	203,798	16,157	15,128	235,083
Printing and Postage	115,820	40,586	156,406	31,151	43,321	230,878
Advertising and Promotion	111,580	35,808	147,388	24,938	43,830	216,156
Dues and Subscriptions	16,432	5,973	22,405	80,743	43,049	146,197
Royalties	124,733	-	124,733	2,690	-	127,423
Bad Debt	57,600	-	57,600	-	65,655	123,255
Information Technology	49,874	14,499	64,373	16,957	41,627	122,957
Utilities	84,364	2,284	86,648	6,892	6,453	99,993
Bank Fees and Charges	25,214	7,938	33,152	18,372	24,326	75,850
Office Supplies	15,369	10,895	26,264	33,934	3,739	63,937
Insurance	46,513	1,258	47,771	3,797	3,658	55,226
Repairs and Maintenance	37,248	877	38,125	2,329	2,181	42,635
Interest	-	-	-	32,857	72	32,929
Other Expenses	16,560	2,793	19,353	2,022	6,007	27,382
Conferences and Seminars	2,218	2,142	4,360	9,109	4,082	17,551
Equipment	6,869	68	6,937	3,418	2,337	12,692
Total Expenses	\$ 7,709,920	\$ 1,192,953	\$ 8,902,873	\$ 1,971,746	\$ 1,534,573	\$ 12,409,192

The Minnesota Opera
Statements of Functional Expenses
Year Ended June 30, 2019

	Program Services			Administrative & General	Fundraising	Total
	Production	Outreach and Education	Total			
Personnel	\$ 5,503,123	\$ 478,710	\$ 5,981,833	\$ 1,187,159	\$ 963,485	\$ 8,132,477
Production Materials	1,084,479	25,570	1,110,049	-	4,079	1,114,128
Theater Costs	808,543	8,698	817,241	71,089	1,894	890,224
Travel and Entertainment	316,897	35,570	352,467	92,651	81,607	526,725
Professional Fees	26,986	10,120	37,106	230,973	127,343	395,422
Advertising and Promotion	242,302	4,358	246,660	-	7,387	254,047
Depreciation	192,289	5,207	197,496	15,708	14,707	227,911
Printing and Postage	111,429	31,968	143,397	26,036	38,307	207,740
Other Expenses	106,532	3,667	110,199	23,954	34,238	168,391
Royalties	146,787	150	146,937	-	-	146,937
Dues and Subscriptions	49,291	1,113	50,404	47,901	41,506	139,811
Bank Fees and Charges	79,697	-	79,697	16,364	9,947	106,008
Utilities	74,838	2,026	76,864	6,114	5,724	88,702
Office Expenses	17,001	8,946	25,947	29,349	21,411	76,707
Information Technology	29,520	136	29,656	36,188	2,748	68,592
Insurance	57,391	1,554	58,945	4,688	4,390	68,023
Repairs and Maintenance	48,151	1,304	49,455	3,934	3,683	57,072
Conferences and Seminars	11,295	1,975	13,270	16,293	12,572	42,135
Equipment	24,150	-	24,150	6,801	2,433	33,384
Interest Expense	-	-	-	32,279	-	32,279
Bad Debt	-	-	-	-	17,813	17,813
Total Expenses	<u>\$ 8,930,701</u>	<u>\$ 621,072</u>	<u>\$ 9,551,773</u>	<u>\$ 1,847,481</u>	<u>\$ 1,395,274</u>	<u>\$ 12,794,528</u>

The Minnesota Opera
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (5,531,386)	\$ 8,530,940
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	235,083	227,911
Change in value of beneficial interest in perpetual trust	51,712	599,046
Net investment return	398,440	(857,323)
Contributions restricted to endowment	(463,555)	(3,116,282)
Changes in operating assets and liabilities		
Contributions and grants receivable	9,580,869	(8,764,994)
Accounts receivable	203,960	76,478
Deferred production expenses	344,893	4,012
Prepaid expenses	(72,868)	(50,767)
Accounts payable	(62,994)	(140,258)
Accrued expenses	84,054	(82,403)
Deferred revenue	(524,423)	77,911
Net Cash from (used for) Operating Activities	<u>4,243,785</u>	<u>(3,495,729)</u>
Cash Flows from Investing Activities		
Purchases of investments	-	(6,902,874)
Purchase of property and equipment	(99,733)	(1,945,848)
(Addition to) withdrawal from endowment	(1,488,195)	860,000
(Addition to) withdrawal from perpetual trusts	-	6,815,565
Net Cash used for Investing Activities	<u>(1,587,928)</u>	<u>(1,173,157)</u>
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	463,555	3,116,282
Borrowings on PPP forgivable loan	1,195,477	-
Borrowing on line of credit	-	750,000
Principal payments on line of credit	(750,000)	-
Principal payments on notes payable and capital lease payable	(4,939)	(3,617)
Net Cash from Financing Activities	<u>904,093</u>	<u>3,862,665</u>
Net Change in Cash and Cash Equivalents	3,559,950	(806,221)
Cash and Cash Equivalents, Beginning of Year	770,085	1,576,306
Cash and Cash Equivalents, End of Year	<u>\$ 4,330,035</u>	<u>\$ 770,085</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ (40,546)</u>	<u>\$ (28,363)</u>
Supplemental Disclosure of Non-Cash Financing Activity		
Equipment financed through capital lease arrangement	<u>\$ -</u>	<u>\$ 17,748</u>

Note 1 - Nature of Organization and Significant Accounting Policies

Mission Statement

The Minnesota Opera (the Opera) changes lives by bringing together artists, audiences, and community, advancing the art of opera for today and for future generations.

Nature of Organization

The Opera was formed as a 501(c)(3) corporation organized for charitable, artistic and educational purposes, primarily in the St. Paul/Minneapolis area.

Program Accomplishments

The Opera changes lives by bringing together artists, audiences, and community – advancing the art of opera for today and for future generations.

The company is an industry leader, widely recognized for bold, forward visioning in all that it does – one-of-a-kind education programs, new engagement efforts, and a groundbreaking commitment to reinvigorate the American cannon. In 2008, at a time when new work was largely considered too risky by the field, MN Opera launched its New Works Initiative, which supports the commission, development, and production of new American opera. The first commission of this project, *Silent Night* was awarded a Pulitzer Prize for Music. The New Works Initiative has since become a model for the industry; MN Opera is proud to be leading a renaissance of contemporary American opera.

Over 1 million persons are served annually by MN Opera programming, through performances (presented live and in-broadcast), education programs, and engagement efforts. The company's producing home is the Ordway Center of the Performing Arts in downtown St. Paul. MN Opera also regularly partners with Minnesota Public Radio and Twin Cities Public Television on broadcasts of mainstage productions

Equity, Diversity, and Inclusion (EDI) is a top priority for MN Opera. MN Opera has recently committed to becoming an anti-racist and anti-oppressive organization.

During its 56th season, MN Opera successfully produced 3 mainstage productions, *Elektra*, *Barber of Seville* and *Flight* reaching over 20,000 persons. The company also successfully developed the world premiere of commissioned opera *Edward Tulane*, with music by Paola Prestini and libretto by Mark Campbell. The Opera was fully developed and built and is ready for production.

The Opera supports learning as a lifelong pursuit by offering education programs to youth and adults. This year, activity included in-school residencies; an after-school program supporting social-emotional learning in addition to skill building (*Music Out Loud*); an expanded technical training program where students receive hands-on learning and mentorship opportunities in technical theater production (*Technical Theater Lab*); creative aging initiatives. The latter included residencies in assisted living facilities (*Opera Connections*) and a chorus for active adults age 55+ (*Voices of Opera*).

The company also runs a young singer training program, Project Opera, which annually produces an opera entirely for youth and by youth. This season's production was *Belongings*, which explores the stories of two groups of children across two time periods who are forced to flee their homes because of war. MN Opera continued to develop its commission for Project Opera, an adaptation of *The Song Poet* by St. Paul author Kao Kalia Yang. The piece, for which Kalia is also writing the libretto, tells the story of the Hmong American experience. Community engagement efforts are underway, in partnership with a community organizer, to build relationships with the local Hmong community.

The Opera's nationally recognized Resident Artist Program nurtures the next generation of opera artists, providing them a critical bridge between conservatory training and a professional career. In the 2019-20 season, the Opera supported the careers of ten emerging opera professionals. Participants received nine months of intensive professional development, including master classes, audition training, and the chance to network with agents and other companies. In addition to participating in the Opera's productions, these artists were an integral part of the company's outreach and education efforts, serving as operatic ambassadors throughout the community both in schools and at special events. For the first time ever, MN Opera offered a fellowship for an Assistant Technical Director and dedicated the position to an emerging leader of color.

In March 2020 the company cancelled all remaining productions and events for its 2019-20 season as a part of a community-wide effort to slow the transmission of COVID-19. This included 2 mainstage operas originally scheduled for late March and May. One of these was the new opera *Edward Tulane*. In the face of cancellations, MN Opera quickly pivoted its operations to continue to serve our community – including in some new and unexpected ways. The staff in the company's shuttered costume and scene shops to making face masks to protect people. Ultimately, they manufactured over 10,000 masks, delivering over 4,000 to HealthPartners. The company also created "At Home with MN Opera," a multi-platform digital initiative designed to help MN Opera artists, patrons, and staff stay connected with the art form and with each other. We are pleased to report that the company was also able to honor more than 80% of expected artist income from the 2 cancelled productions.

Cash and Cash Equivalents

The Opera considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes of the Opera are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consists primarily of non-interest-bearing amounts due for various purposes. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. There was no allowance determined to be necessary as of June 30, 2020 and 2019.

Contributions and Grants Receivable

Unconditional contributions and grants receivable expected to be collected within one year are recorded at net realizable value. Unconditional contributions and grants receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions and grants receivable are written off when deemed uncollectable. At June 30, 2020 and 2019, the allowance was \$25,095 and \$50,776, respectively.

Deferred Production Expenses

Expenses related to production incurred in years prior to a scheduled performance are deferred until the year of performance. These expenses may include construction of sets, props, and costumes as well as certain licensing costs or commissioning fees paid to composers and librettists.

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 with a life greater than two years are recorded as property and equipment. Depreciation is computed using the straight-line method over the estimated useful property and equipment lives ranging from 3 to 40 years, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Opera reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Investments

The Opera has invested in four limited partnerships (the partnerships). The investment manager revalues the partnerships monthly and independent audits are performed on an annual basis. The Opera's investment in the partnerships is reported at the estimated fair value of the Opera's share of the partnerships, which is evaluated and determined by the Opera with assistance from the investment manager.

The Opera's investment in a private equity limited partnership is reported at the estimated fair value of the Opera's share of the partnership, which is evaluated and determined by the Opera with assistance from its custodian.

Investment purchases are recorded at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values on the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that the changes in the values of investment securities will occur in the near term and that those changes could materially affect the balance of investments in the financial statements.

Beneficial Interest in Perpetual Trusts

The Opera has been named as an irrevocable beneficiary of perpetual trusts (the trusts) held and administered by a third-party. The trusts provide for the distribution of net income of the trusts to the Opera; however, the Opera does not select the investments held by the trusts. After the 20th anniversary of the trusts, the Trustees may vote to unanimously terminate the trusts and distribute the proceeds to the Opera's endowment. During the fiscal year ending June 30, 2019, the Opera received the distribution of one of the trusts and the funds were invested.

A donor restricted contribution is recorded in the statements of activities on the date the Opera receives notice of a beneficial interest, and a beneficial interest in a perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The Opera also has a beneficial interest in another trust held by a third-party consisting of the right to receive the residual value upon trust termination. The beneficial interest in this trust is recorded at the present value of the expected future cash flows.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and are not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Opera reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net asset released from restrictions.

Revenue and Revenue Recognition

Revenue from ticket sales that relate to a specific production is recognized during the time period of the performance. Revenues received prior to a performance are deferred. Program fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration and fundraising activities; however, the services of most volunteers have not been reflected in the statements as donated services since there is no objective measurement basis and they do not meet generally accepted accounting principles' criteria for recognition. Contributed goods are recorded at fair value at the date of donation. Donated services are recorded at the respective fair values of the services received. No significant contributions of such goods are services were received during the years ended June 30, 2020 and 2019, respectively.

Advertising and Promotion Costs

Advertising costs are expensed as incurred. Such costs were \$216,156 and \$254,047 for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, repairs and maintenance, and utilities, which are allocated based on square footage, as well as personnel costs and telephone, which are allocated based on estimates of time and effort.

Income Taxes

The Opera is a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Opera is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Opera is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purpose. The Opera files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business activity.

The Opera believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Opera would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties were incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The COVID-19 pandemic has created and may continue to create uncertainty. As a result, actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by the Opera to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in these accounts. Credit risk associated with accounts receivable and contributions receivable is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors with a long history of support. Investments are made by diversified investment managers whose performance is monitored by the Opera and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuations on a year-to-year basis, the Opera and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Change in Accounting Policy

The Opera has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

Subsequent Events

The Opera has evaluated subsequent events through December 17, 2020, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,330,423	\$ 770,085
Short-term investments	1,999,612	-
Contributions and grants receivable	775,654	8,466,406
Accounts receivable	155,043	304,003
Distribution pursuant to endowment spending-rate	<u>400,000</u>	<u>789,948</u>
	<u>\$ 5,660,732</u>	<u>\$ 10,330,442</u>

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts for general use.

The Board-designated endowment of \$510,797 is subject to an annual spending rate as described in Note 10. Although the Opera does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

Additionally, the Opera maintains a \$3,000,000 line of credit, as discussed in more detail in Note 7. As of June 30, 2020, \$3,000,000 remained available on the Opera's line of credit.

Note 3 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Opera can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Opera develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of an input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Opera's assessment of the quality, risk or liquidity profile of the asset or liability.

The fair values of beneficial interests in perpetual trusts are determined by management using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees.

The Opera uses Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships which do not have readily determinable fair values. The Opera uses NAV per share (or its equivalent) as a practical expedient to estimate the fair values of the funds invested in limited partnerships which do not have readily determinable fair values.

The Opera has invested in four limited partnerships with Okabena Advisors. Okabena Advisors provides a highly strategic investment management program that provides access, diversification, and integrated risk management. Those limited partnerships (the partnerships) are Okabena Fixed Income Fund (OFIF), Okabena Diversified Equity Fund (ODEF), Okabena Marketable Alternatives Fund (OMAF), and Okabena Special Opportunities Fund (OSOF). The fair market value of each partnership is estimated monthly and calculated quarterly. Okabena Advisors provides 180 days liquidity for these positions. The Opera may discontinue the relationship with Okabena Advisors upon six-months' notice. The Opera retains control of the asset allocation between the four partnerships but is obligated to allow Okabena Advisors to have discretion within the four asset classes. Okabena Advisors manages the partnerships in which The Opera invests, tracks the investments underlying NAVs, and assists management with evaluation and determination of estimated fair value.

The Opera also has an investment in a private equity limited partnership which is not tradable. The fair value of the Opera's partnership interest is calculated quarterly. The Opera must retain its interest in the partnership for a ten-year period, with options for subsequent one-year extensions. The partnership invests in venture capital and leveraged buyout interests. The Opera initially invested \$390,000 in the fund.

Assets measured at fair value on a recurring basis at June 30, 2020 and 2019, are as follows:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>				
Beneficial interest in perpetual trusts	\$ 478,152	\$ -	\$ -	\$ 478,152
Investments measured at net asset value (a) Funds invested in limited partnerships	17,854,011	-	-	-
	<u>\$ 18,332,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478,152</u>

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019</u>				
Beneficial interest in perpetual trusts	\$ 529,864	\$ -	\$ -	\$ 529,864
Investments measured at net asset value (a) Funds invested in limited partnerships	<u>16,764,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,294,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,864</u>

(a) In accordance with Subtopic 820-10, certain investments were measured at net asset value per share (or its equivalent) and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Below is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2020 and 2019:

	Beneficial Interest in Perpetual Trusts
<u>Year Ended June 30, 2020</u>	
Balance, June 30, 2019	\$ 529,864
Total gains or losses included in change in net assets	(51,712)
Purchases, issuances, sales and settlements	
Purchases	-
Sales	-
	<u>-</u>
Balance, June 30, 2020	<u>\$ 478,152</u>

	<u>Beneficial Interest in Perpetual Trusts</u>
<u>Year Ended June 30, 2019</u>	
Balance, June 30, 2018	\$ 7,944,475
Total gains or losses included in change in net assets	(599,046)
Purchases, issuances, sales and settlements	
Purchases	-
Sales	(6,815,565)
	<u>(6,815,565)</u>
Balance, June 30, 2019	<u>\$ 529,864</u>

Investments in certain entities that calculate NAV per share as a practical expedient are as follows at June 30, 2020 and 2019:

	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>June 30, 2020</u>					
Funds invested in limited partnerships	4	\$ 17,854,011	\$ -	Quarterly	180 days
<u>June 30, 2019</u>					
Funds invested in limited partnerships	4	\$ 16,764,259	\$ -	Quarterly	180 days

Note 4 - Contributions and Grants Receivable

Contributions and grants receivable are estimated to be collected as follows at June 30, 2020 and 2019:

	2020	2019
Within one year	\$ 775,654	\$ 10,366,029
In one to five years	359,000	375,175
	<u>1,134,654</u>	<u>10,741,204</u>
Less discount to net present value (3%)	(10,918)	(10,918)
Less allowance for uncollectible contributions and grants	(25,095)	(50,776)
	<u>\$ 1,098,641</u>	<u>\$ 10,679,510</u>

At June 30, 2020, four donors accounted for approximately 62% of total contributions and grants receivable, and as of June 30, 2019, five donors accounted for approximately 95% of total contributions and grants receivable, respectively.

Note 5 - Deferred Production Expenses

Deferred production expenses are estimated as follows at June 30, 2020 and 2019:

	2020	2019
Current deferred production expenses	\$ 36,548	\$ 202,229
Noncurrent deferred production expenses	-	179,212
	\$ 36,548	\$ 381,441

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 2,253,100	\$ 2,253,100
Equipment	1,667,673	1,654,694
Buildings	4,984,970	4,984,970
Construction in process	86,754	-
	8,992,497	8,892,764
Less accumulated depreciation	(4,485,358)	(4,251,413)
	\$ 4,507,139	\$ 4,641,351

The Opera has entered into commitments with vendors for the renovation of the LAB. At June 30, 2020 the total outstanding commitments for this project was \$226,248.

Note 7 - Line of Credit

The Opera maintains a revolving line of credit with a bank that bears interest at the LIBOR rate plus 2.6%, and whose draws are not to exceed \$3,000,000, that expires on January 31, 2021. The line of credit is collateralized by substantially all unrestricted assets of the Opera and requires that pledge receipts be utilized to pay down outstanding line of credit balances. There was a balance due of \$- and \$750,000 on the note as of June 30, 2020 and 2019, respectively.

Note 8 - Notes Payable and Capital Lease Payable

Notes payable consists of:

	2020	2019
2.75% note payable, due in annual interest installments of \$25,700 through November 2025, at which time the outstanding principal amount is also due, unsecured.	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

The Opera also leases copiers under a capital lease with annual lease payments of \$4,437 through the expiration on July 18, 2022. The capital lease payable balance at June 30, 2020, was \$10,328. The capital lease includes copiers of \$17,748, accumulated depreciation of \$3,533 and the net value at June 30, 2020, of \$14,215.

On April 23, 2020, the Opera entered into a loan with USBank as the lender in an aggregate principal amount of \$1,195,477 pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP is implemented by the Small Business Administration ("SBA"). This loan program provided paycheck protection for our employees and covered applicable overhead that impacted our organization due to COVID-19, which has seen as a decline in our revenue due to the closures of theaters and schools. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.

The loan is a two-year loan with a maturity date of April 23, 2022. The loan bears an annual interest rate of 1%. The loan shall be payable monthly with the first six monthly payments deferred. It is The Opera's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA. The Opera has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain expenses as described above. No contribution revenue has been recorded for the year ended June 30, 2020. The Opera will be required to repay any remaining balance, plus interest accrued in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019 (Restated)
Subject to expenditure for specified purpose		
New Works Initiative	\$ -	\$ 294,000
60th Anniversary	84,294	-
Future seasons	25,175	43,500
Education	153,079	324,263
Lab expansion	334,851	350,000
Voices of Opera	50,000	100,000
Production Loan Reserve	28,488	28,488
Sustainability	3,100,000	5,200,000
	3,775,887	6,340,251
Subject to the passage of time		
General	267,500	870,547
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Future seasons	60,399	91,912
Education	-	12,288
Capital funds	76,788	112,719
	137,187	216,919
Accumulated losses on endowment	(1,041,626)	-
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General use	14,580,522	14,567,022
Future seasons	1,211,253	1,114,594
Education	350,000	350,000
Capital Funds	630,000	630,000
Sustainability	3,353,396	3,000,000
	20,125,171	19,661,616
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	478,152	529,864
Total endowments	19,698,884	20,408,399
	\$ 23,742,271	\$ 27,619,197

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the fiscal years ended June 30, 2020 and 2019:

	2020	2019
Expirations of time restrictions	\$ 613,047	\$ 624,687
Satisfaction of purpose restrictions		
New Works Initiative	294,000	250,000
Opera Innovate	-	992,584
Future seasons	43,500	105,000
Production Loan Reserve	-	921,512
Sustainability	2,100,000	-
Lab expansion	15,149	-
Voices of Opera	50,000	-
Education	296,262	75,915
	2,798,911	2,345,011
	3,411,958	2,969,698
Restricted-purpose spending-rate distributions and appropriations		
General use	654,730	650,918
Future seasons	41,541	84,963
Education	13,045	29,424
Capital funds	23,480	52,963
	732,796	818,268
	\$ 4,144,754	\$ 3,787,966

Certain donors have stipulated gifts that may be used for short-term cash flow which has been identified as cash reserve. Because the donors intend that these funds not be expended on a permanent basis, these reserves are classified as donor restricted net assets that are perpetual in nature.

Note 10 - Endowments

The Opera's endowment consists of pooled gifts restricted for the long-term support of the Opera and seven funds where the earnings are restricted to various purposes. The endowment includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Interpretation of Relevant Law

The Board of Directors of the Opera has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Opera retains in perpetuity (a) the original and subsequent gift amounts (including contributions receivable net of discount and allowance for doubtful accounts) donated to the endowment, (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purposes of the organization and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the organization, and
- (7) The investment policies of the organization.

As of June 30, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
	<u> </u>	<u> </u>	<u> </u>
Board-designated endowment funds	\$ 510,797	\$ -	\$ 510,797
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,603,323	20,603,323
Accumulated investment losses	-	(904,439)	(904,439)
	<u>\$ 510,797</u>	<u>\$ 19,698,884</u>	<u>\$ 20,209,681</u>

As of June 30, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 500,000	\$ -	\$ 500,000
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,191,480	20,191,480
Accumulated investment gains	-	216,919	216,919
	<u>\$ 500,000</u>	<u>\$ 20,408,399</u>	<u>\$ 20,908,399</u>

Included in the balance of donor-restricted endowment funds as of June 30, 2020 and 2019, are \$478,152 and \$529,864, respectively, held in trust for the benefit of the Opera, but not under the control of the Opera for investment decision purposes.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Opera has a policy of appropriating for distribution each year the sum of 70% of the previous year's draw adjusted for inflation as measured by the Consumer Price Index, not seasonally adjusted plus 30% of a target spending rate, currently 4.5% times the market value on March 31 of each year. In establishing this policy, the Opera considered the long-term expected return on its endowment. Accordingly, over the long term, the Opera expects the current spending policy to allow preservation and growth of purchasing power, while recognizing there will be periods of time where meeting short-term objectives may not be feasible without assuming undue risk. This is consistent with the Opera'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 return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Opera to retain as a fund or perpetual duration. The Board of Directors of the Opera has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, there were six donor-restricted endowment funds that fell below the level that the donor required the Opera to retain as a fund of perpetual duration. At June 30, 2020, funds with original gift values of \$18,965,282, fair values of \$17,923,656, and deficiencies of \$1,041,626 were reported in net assets with donor restrictions.

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 500,000	\$ 20,408,399	\$ 20,908,399
Investment return, net	(9,881)	(388,563)	(398,444)
Change in value of beneficial interest in perpetual trust	-	(51,712)	(51,712)
Contributions	39,314	463,555	502,869
Appropriation of endowment assets for expenditure	(18,636)	(732,795)	(751,431)
Endowment net assets, end of year	\$ 510,797	\$ 19,698,884	\$ 20,209,681

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	With Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 500,000	\$ 17,897,353	\$ 18,397,353
Investment return, net	41,732	812,078	853,810
Change in value of beneficial interest in perpetual trust	-	(599,046)	(599,046)
Contributions	-	3,116,282	3,116,282
Appropriation of endowment assets for expenditure	(41,732)	(818,268)	(860,000)
Endowment net assets, end of year	\$ 500,000	\$ 20,408,399	\$ 20,908,399

Return Objectives and Risk Parameters

The Opera has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Opera must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve purchasing power, net of spending and inflation, and to produce results that provide a long-term estimated spending of 5%. Based on continued current moderate inflation, the Board has adopted a long-term return objective of 6% to 8%, net of fees, and has determined that volatility in the range of 10% to 15% is acceptable.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Opera 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 Opera targets a diversified asset allocation of bonds, equities (U.S. and foreign), marketable alternatives, real assets, and long-term equity to achieve its long-term return objectives within prudent risk constraints.

Note 11 - Employee Retirement Plan

The Opera has a defined contribution retirement plan (the Plan) under Internal Revenue Code (IRC) Section 403(b) for its non-union employees who meet certain service and age requirements. The Opera, at the discretion of its Board, may contribute to the Plan. During the years ending June 30, 2020 and 2019, the Opera contributed \$103,840 and \$84,492, respectively, to the Plan.

In addition, the Opera pays into retirement accounts for both unions with which the Opera has collective bargaining agreements. One of the union retirement plans is a multiemployer defined benefit pension plan with retirement expense for this union plan of \$57,281 and \$69,340 for the years ending June 30, 2020 and 2019, respectively. The other union retirement plan is a defined contribution plan. Retirement expense for this union plan was \$9,162 and \$15,100 for the years ending June 30, 2020 and 2019, respectively.

The multi-employer defined benefit pension plan is the American Federation of Musicians and Employer's Pension Fund (the Plan) with EIN/Plan Number 51-6120204/001 with a Plan year end of March 31. As of the most recent Plan year end March 31, 2020, the Plan is 61.8% funded and is in "critical" status which is red Pension Protection Act Zone Status. The Plan's Board of Trustees adopted a rehabilitation plan on April 15, 2010, which was intended to help the Plan improve its funded status through various benefit reductions and employer contribution increases. The total number of employers obligated to contribute to the Plan are approximately 5,500. No employer contributed more than 10% of the total contributions to the Plan during the year.

Note 12 - Arts Partnership Program

In 2007, the Arts Partnership, a separate 501(c)(3) organization, was formed for the purpose of collaborating on activities related to the Ordway Center for the Arts. The Arts Partnership is exempt from income taxes as a nonprofit organization under the applicable federal and Minnesota income tax regulations and is governed by a Board of Directors. The Board of Directors consists of the CEOs and Board representatives of the Opera, Ordway Center for the Performing Arts (Ordway), The Saint Paul Chamber Orchestra (SPCO) and The Schubert Club. The Ordway has three representatives and the other organizations each have two representatives. The Arts Partnership is considered a related party.

The partnership is built on a Master Agreement, which addresses scheduling, rental rates, and other operating and financial issues with respect to the Ordway building on a long-term basis. The Opera, Ordway, SPCO, and The Schubert Club are "Arts Partners" as defined in the Master Agreement. The Opera can withdraw from the agreement upon notice specifying as a withdrawal effective date June 30 of a year that is at least five years in the future. Under the terms of the agreement, the Opera has committed to a rental rate structure based on utilization. The Opera pays the Ordway a fixed base license fee in addition to a variable facility fee and an operating fee. Base rental fees for the year ended June 30, 2020 and 2019, are expected to be \$705,207 and \$684,667, respectively. Payments to the Ordway in the years ended June 30, 2020 and 2019, included base license fees of \$775,692 and \$781,313, respectively.

One of the initiatives of the Arts Partnership is to seek funding for renovations and enhancements to the Ordway building as well as to support partner utilization of the Ordway building through a subsidy of annual rental charges. On February 28, 2015, the Concert Hall at the Ordway, a major project of the Arts Partnership, opened to the public. The completion of the Concert Hall provides additional time in the Music Theater for the Opera's rehearsals and performances. For the years ended June 30, 2020 and 2019, the Opera received a contribution of \$590,671 and \$506,654, respectively, from the Arts Partnership. This contribution is reflected as an unrestricted contribution in the statement of activities and changes in net assets and the Opera's participation is reflected in fundraising expenses.

Note 13 - Restatement

During the year ended June 30, 2020, the Opera management identified a misstatement within the 2019 financial statements resulting in overstatement of previously reported net assets without donor restrictions and understatement of net assets with donor restrictions of \$500,000 as of June 30, 2018. Accordingly, amounts reported for net assets with donor restrictions and without donor restrictions have been restated in the 2019 financial statements now presented to correct the error.

The following financial statement line items for the year ended June 30, 2019, were adjusted as a result of the restatement:

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Net assets without donor restrictions			
Undesignated	\$ 2,700,061	\$ (500,000)	\$ 2,200,061
Net assets with donor restrictions			
Time restricted for future periods	370,547	500,000	870,547
<u>Statement of Activities</u>	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Net Assets, Beginning of Year			
Without donor restrictions	\$ 581,779	\$ (500,000)	\$ 81,779
With donor restrictions	21,206,539	500,000	21,706,539
Net Assets, End of Year			
Without donor restrictions	3,200,061	(500,000)	2,700,061
With donor restrictions	27,119,197	500,000	27,619,197