



Financial Statements  
June 30, 2021 and 2020

# The Minnesota Opera

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Financial Statements

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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, 2021 and 2020, 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 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 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota  
December 16, 2021

The Minnesota Opera  
Statements of Financial Position  
June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,855,415	\$ 2,330,423
Short-term investments	-	1,999,612
Contributions and grants receivable, net (Note 4)	2,536,429	1,098,641
Accounts receivable	150,899	170,043
Deferred production expenses (Note 5)	80,837	36,548
Prepaid expenses	173,796	210,263
Property and equipment, net (Note 6)	5,350,772	4,507,139
Investments (Note 3)	21,919,477	17,854,011
Beneficial interest in perpetual trusts (Note 3)	602,649	478,152
	<u>\$ 32,670,274</u>	<u>\$ 28,684,832</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 543,614	\$ 176,805
Accrued expenses	214,764	297,713
Deferred revenue	1,193,828	1,216,637
Line of credit (Note 7)	-	-
Notes and capital lease payable (Note 8)		
Paycheck Protection Program (PPP) forgivable note payable	-	1,195,477
Notes and capital lease payable (Note 8)	1,006,325	1,010,328
	<u>2,958,531</u>	<u>3,896,960</u>
<b>Net Assets</b>		
<b>Without donor restrictions</b>		
Board-designated	608,101	510,797
Undesignated	595,261	534,804
	<u>1,203,362</u>	<u>1,045,601</u>
<b>With donor restrictions (Note 9)</b>		
Perpetual in nature	20,743,971	20,603,323
Accumulated earnings (losses)	2,929,310	(904,439)
Purpose restrictions	4,835,100	3,775,887
Time restricted for future periods	-	267,500
	<u>28,508,381</u>	<u>23,742,271</u>
	<u>29,711,743</u>	<u>24,787,872</u>
	<u>\$ 32,670,274</u>	<u>\$ 28,684,832</u>

The Minnesota Opera  
Statement of Activities  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Opera season/admissions	\$ 99,775	\$ -	\$ 99,775
Outreach and education	81,586	-	81,586
Rental and other	32,001	-	32,001
PPP loan forgiveness	1,195,477	-	1,195,477
Contributions and grants	3,251,972	2,855,822	6,107,794
Special event revenue	353,792	-	353,792
Less cost of direct benefits to donors	(158,238)	-	(158,238)
	<u>195,554</u>	<u>-</u>	<u>195,554</u>
In-kind contributions	27,194	-	27,194
Net investment return	364,507	4,526,926	4,891,433
Distribution from and change in value of beneficial interest in perpetual trusts	-	124,497	124,497
Net assets released from restriction			
Distribution pursuant to endowment spending-rate	817,674	(817,674)	-
Purpose releases	1,655,961	(1,655,961)	-
Time releases	267,500	(267,500)	-
	<u>7,989,201</u>	<u>4,766,110</u>	<u>12,755,311</u>
<b>Expenses</b>			
Program services			
Production expenses	4,144,940	-	4,144,940
Outreach and education	1,005,183	-	1,005,183
Total program expenses	<u>5,150,123</u>	<u>-</u>	<u>5,150,123</u>
Administrative and general	1,750,329	-	1,750,329
Fundraising expenses	930,988	-	930,988
	<u>7,831,440</u>	<u>-</u>	<u>7,831,440</u>
Change in Net Assets	157,761	4,766,110	4,923,871
Net Assets, Beginning of Year	<u>1,045,601</u>	<u>23,742,271</u>	<u>24,787,872</u>
Net Assets, End of Year	<u>\$ 1,203,362</u>	<u>\$ 28,508,381</u>	<u>\$ 29,711,743</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
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>
Total revenue, support, and gains			
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>
Total expenses			
Change in Net Assets	(1,654,460)	(3,876,926)	(5,531,386)
Net Assets, Beginning of Year	<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  
Statement of Functional Expenses  
Year Ended June 30, 2021

	Program Services			Administrative and General	Fundraising	Total
	Production	Outreach and Education	Total			
Personnel	\$ 2,424,624	\$ 895,343	\$ 3,319,967	\$ 1,321,440	\$ 694,575	\$ 5,335,982
Production	526,342	1,016	527,358	15,471	1,521	544,350
Theater Costs	400,063	94	400,157	256	176	400,589
Depreciation	207,826	5,581	213,407	16,837	15,764	246,008
Professional Fees	41,349	14,809	56,158	139,858	34,240	230,256
Information Technology	70,273	25,969	96,242	15,954	33,265	145,461
Other Expenses	54,897	13,358	68,255	23,441	39,117	130,813
Printing and Postage	41,011	9,991	51,002	17,123	29,693	97,818
Utilities	78,518	2,126	80,644	6,414	6,005	93,063
Dues and Subscriptions	8,856	1,117	9,973	33,081	28,596	71,650
Royalties	66,053	1,194	67,247	1,530	956	69,733
Travel and Entertainment	28,429	16,291	44,720	10,136	6,987	61,843
Insurance	49,675	1,345	51,020	4,058	3,799	58,877
Bad Debt	-	-	-	58,627	-	58,627
Advertising and Promotion	29,053	8,889	37,942	8,256	12,305	58,503
Repairs and Maintenance	48,796	1,250	50,046	3,772	3,532	57,350
Office	22,162	4,412	26,574	16,938	2,604	46,116
Equipment	33,457	315	33,772	7,062	-	40,834
Bank Fees and Charges	5,393	1,533	6,926	17,502	16,955	41,383
Interest	-	-	-	26,196	-	26,196
Conferences and Seminars	8,163	550	8,713	6,377	898	15,988
<b>Total Expenses</b>	<b>\$ 4,144,940</b>	<b>\$ 1,005,183</b>	<b>\$ 5,150,123</b>	<b>\$ 1,750,329</b>	<b>\$ 930,988</b>	<b>\$ 7,831,440</b>



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

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

The Minnesota Opera  
Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 4,923,871	\$ (5,531,386)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	246,008	235,083
PPP loan forgiveness income	(1,195,477)	-
Change in value of beneficial interest in perpetual trust	(124,497)	51,712
Net investment return	(4,893,893)	398,440
Contributions restricted to endowment	(10,000)	(463,555)
Changes in operating assets and liabilities		
Contributions and grants receivable	(1,437,788)	9,580,869
Accounts receivable	19,144	203,960
Deferred production expenses	(44,289)	344,893
Prepaid expenses	36,467	(72,868)
Accounts payable	366,809	(62,994)
Accrued expenses	(82,949)	84,054
Deferred revenue	(22,809)	(524,423)
Net Cash from (used for) Operating Activities	(2,219,403)	4,243,785
Cash Flows from Investing Activities		
Purchases of investments	(16,591,815)	-
Sales of investments	16,581,815	-
Purchase of property and equipment	(1,089,641)	(99,733)
(Addition to) withdrawal from endowment	838,427	(1,488,195)
Net Cash used for Investing Activities	(261,214)	(1,587,928)
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	10,000	463,555
Borrowing on PPP forgivable loan	-	1,195,477
Principal payments on line of credit	-	(750,000)
Principal payments on notes payable and capital lease payable	(4,003)	(4,939)
Net Cash from Financing Activities	5,997	904,093
Net Change in Cash and Cash Equivalents	(2,474,620)	3,559,950
Cash and Cash Equivalents, Beginning of Year	4,330,035	770,085
Cash and Cash Equivalents, End of Year	\$ 1,855,415	\$ 4,330,035
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ (26,195)	\$ (40,546)

## **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**

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

The Opera 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 by commissioning, developing, and producing new American opera.

Nearly 1 million persons are served annually by MN Opera programming, through performances (presented live and in-broadcast), education programs, and engagement efforts. The Opera'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.

The 2020-21 season was a year of unprecedented challenge which MN Opera navigated a year of with its trademark innovation. Despite closures, ever shifting protocols, and lost revenue, the Opera has found new and compelling ways of serving its constituents, with expanded ventures into the digital space, new programming, and a focus on the local performing arts community.

In order to be as flexible and responsive as possible to the needs of the current moment, the Opera divided its 2020-21 season into two segments – a Fall and Spring season – each featuring performances enhanced with engagement and learning opportunities. In the Fall 2020 season, MN Opera presented a never-before-seen recording of Wuthering Heights, a 3D version of the Opera's critically acclaimed production of Das Rheingold, and a live-streamed Holiday Concert, featuring songs celebrating holiday classics from a range of traditions. Setting off the season on a tide of good energy was September's presentation of Opera in the Outfield – a socially distant, in-person presentation at CHS Field; the program was also made available digitally.

The Spring 2021 season consisted of four artistic offerings from February through May 2021. This included a slate of new work and new productions – all created specifically for the digital platform and featuring a diversity of voices. The Opera is pleased to share that all programming January – June 2021 was presented free of charge and featured primarily local artists.

In February, the Opera premiered a new opera, *Art is a Verb*, composed by B.E. Boykin with libretto by Harrison David Rivers. The opera premiered as part of MN Opera’s first-ever virtual benefit, which was made available to all at no cost to participate. In March, the artistic showcase *Apart Together* provided audiences access to digital collection of performances by members of the MN Opera family – including Resident Artists and orchestra. The program featured work curated and performed by the artists themselves – opera arias, chamber music, art songs, musical theater songs, classics, and contemporary pieces. This spring, the Opera presented a new production of the British comic opera *Albert Herring*. The piece was developed specifically for the digital space and featured local talent, including members of the Resident Artist Program.

Also among this spring’s offerings was a new program, *MNIatures*. Designed to support our mission of pushing the operatic art form forward, the program provides support (including a commission fee) and space for teams of MN-based artists to write their own “mini” operas (no more than 8-10 minutes long). The Opera held an open application process, open to all MN artists with the only requirement being that at least one of the creators’ primary artistic work was outside of the classical tradition. The final products were released digitally in early February 2021 and were available through the end of the season in June.

Throughout this year, MN Opera has also continued “At Home with MN Opera,” a multi-platform digital initiative launched in March 2020, immediately following the shuttering of venues and subsequent season cancellation. The site is designed to help MN Opera artists, patrons, and staff stay connected with the art form and with each other. Projects include everything from one-of-a-kind musical performances to educational opportunities for adults and children. Offerings include fun and informative experiences like a 360-degree virtual tour of the MN Opera Center, an online version of library storytelling program *Stories Sing!*, and an interactive voice lesson with Chorus Master Andrew Whitfield.

MN Opera’s community education and engagement efforts have also continued apace, if re-imagined for the digital space. Activities have included podcasts for creative aging programs; young singer training with online instruction and virtual opera camps; online lectures and panel discussions; and virtual after school education. Staff began work on a new initiative in collaboration with St. Paul Public School teachers; the effort centers around the needs of teachers and students and leverages MN Opera resources to meet these needs. As a testament to the strength of its collaborations as well as the Opera’s core innovation and adaptability, MN Opera was the only outside partner chosen by Minneapolis Public Schools to provide after-school programming as part of the district’s digital learning efforts this school year.

### **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, 2021 and 2020.

Receivables from contracts with customers are reported as accounts receivable and contract liabilities are reported as deferred revenue in the accompanying statements of financial position. The Opera's accounts receivable as of July 1, 2019, June 30, 2020, and June 30, 2021, were \$374,003, \$170,043, and \$150,899, respectively. The Opera's deferred revenues as of July 1, 2019, June 30, 2020, and June 30, 2021, were \$1,741,060, \$1,216,637, and \$1,193,828, respectively.

### **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, 2021 and 2020, the allowance was \$52,326 and \$25,095, 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, 2021 and 2020.

### **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 were created independently by donors and are administered by outside agents designated by the donors. The Opera has neither possession nor control over the assets of the trusts. Beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

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 trusts 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 and Board-designated endowment.

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 those 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

The Opera recognizes revenue from season tickets and admission sales at the point in time its performance obligation of providing the opera performance is met. Rental income is recognized over the contracted rental period of time as its performance obligation is considered to have been met. The Opera recognizes revenue from outreach and education programs over a period of time as its performance obligation to provide the programming to the client is met. Payments for season tickets and admission sales, as well as outreach and education programs are recorded as deferred revenue in the accompanying statement of financial position until the performance obligations are met. 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, those with measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend have been substantially met. The Opera records special events revenue to the cost of direct benefits to donors, and contributions revenue for the difference. The Opera's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. There were no conditional grants in the years ended June 30, 2021 or June 30, 2020.

### **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 or services were received during the years ended June 30, 2021 and 2020.

### **Advertising and Promotion Costs**

Advertising costs are expensed as incurred. Such costs were \$58,503 and \$216,156 for the years ended June 30, 2021 and 2020, 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 information technology, 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 (IRC) 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**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Opera's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Opera's reported historical revenue.

The Opera adopted the provisions of Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU provides revisions and deletions to guidance regarding the disclosure requirements included in Topic 820, including eliminating and modifying existing disclosure requirements. The accounting change has been retrospectively applied to prior periods presented, as required.

**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:

	2021	2020
Cash and cash equivalents	\$ 1,855,415	\$ 2,330,423
Short-term investments	-	1,999,612
Contributions and grants receivable	1,699,674	775,654
Accounts receivable	150,899	155,043
Distribution pursuant to endowment spending-rate	900,000	400,000
	\$ 4,605,988	\$ 5,660,732

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 \$608,101 and \$510,797 as of June 30, 2021 and 2020, respectively, 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 \$2,000,000 line of credit, as discussed in more detail in Note 7. As of June 30, 2021, \$2,000,000 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 had 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 provided liquidation notice in the four limited partnerships in August 2020, and has divested in all but one, OSOF, as of June 30, 2021. The final liquidation will occur by July 15, 2023.

Assets measured at fair value on a recurring basis at June 30, 2021 and 2020, 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, 2021</u>				
Investment securities	\$ 18,531,669	\$ 18,531,669	\$ -	\$ -
Beneficial interest in perpetual trusts	602,649	-	-	602,649
Investments measured at net asset value (a) Funds invested in limited partnerships	3,387,808	-	-	-
	<u>\$ 22,522,126</u>	<u>\$ 18,531,669</u>	<u>\$ -</u>	<u>\$ 602,649</u>
<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>

(a) In accordance with Subtopic 820-10, certain investments were measured at NAV 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 positions.

For the years ended June 30, 2021 and 2020, no transfers were taken in or out of Level 3.

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by NAV per share as a practical expedient as identified in the following, at June 30, 2021:

	<u>Number of Investments</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>June 30, 2021</u>					
Funds invested in limited partnerships	1	\$ 3,387,808	\$ -	Quarterly	180 days
<u>June 30, 2020</u>					
Funds invested in limited partnerships	4	17,854,011	-	Quarterly	180 days

#### Note 4 - Contributions and Grants Receivable

Contributions and grants receivable are estimated to be collected as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 1,699,674	\$ 775,654
In one to five years	900,000	359,000
	<u>2,599,674</u>	<u>1,134,654</u>
Less discount to net present value (2%)	(10,919)	(10,918)
Less allowance for uncollectible contributions and grants	<u>(52,326)</u>	<u>(25,095)</u>
	<u>\$ 2,536,429</u>	<u>\$ 1,098,641</u>

At June 30, 2021, two donors accounted for approximately 31% of total contributions and grants receivable, and as of June 30, 2020, four donors accounted for approximately 62% of total contributions and grants receivable, respectively.

**Note 5 - Deferred Production Expenses**

Deferred production expenses are estimated as follows at June 30, 2021 and 2020:

	2021	2020
Current deferred production expenses	\$ 48,737	\$ 36,548
Noncurrent deferred production expenses	32,100	-
	\$ 80,837	\$ 36,548

**Note 6 - Property and Equipment**

Property and equipment consists of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 2,253,100	\$ 2,253,100
Equipment	1,709,472	1,667,673
Buildings	5,129,486	4,984,970
Construction in process	990,081	86,754
	10,082,139	8,992,497
Less accumulated depreciation	(4,731,367)	(4,485,358)
	\$ 5,350,772	\$ 4,507,139

The Opera has entered into commitments with vendors for the renovation of the LAB. At June 30, 2021, the total outstanding commitments for this project was \$3,346,303.

Construction in progress relates to the purchase of the theater space located at 720 North First Street, Minneapolis, Minnesota. The Opera is remodeling the space to improve and expand the front of house and improve the theatre as well as provide a welcoming and flexible venue. The remodel's total budgeted costs of approximately \$5.6M are expected to be paid through capital contributions.

**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 \$2,000,000, that expires on January 31, 2022. 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 \$0 on the note as of June 30, 2021 and 2020.

**Note 8 - Notes Payable and Capital Lease Payable**

Notes payable consist of:

	2021	2020
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.	\$ 1,000,000	\$ 1,000,000

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, 2021 and 2020, was \$6,325 and \$10,328, respectively. The capital lease includes copiers of \$17,748, accumulated depreciation of \$7,393, and the net value at June 30, 2021 and 2020, of \$10,355 and \$14,215, respectively.

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 (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 its employees and covered applicable overhead that impacted its organization due to COVID-19, which has seen as a decline in its 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. On April 21, 2021, the Opera received full loan forgiveness by SBA under the provisions of Section 1106 of the CARES Act and has recorded debt forgiveness revenue of \$1,195,477 within the accompanying statement of activities for the year ended June 30, 2021.

**Note 9 - Net Assets with Donor Restrictions**

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

	2021	2020
Subject to expenditure for specified purpose		
New Works Initiative	\$ 10,959	\$ -
60th Anniversary	71,585	84,294
Future seasons	502,080	25,175
Impact	66,355	153,079
Lab expansion	1,932,972	334,851
Voices of Opera	46,851	50,000
Production loan reserve	104,298	28,488
Sustainability	2,100,000	3,100,000
	4,835,100	3,775,887
Subject to the passage of time		
General	-	267,500
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Future seasons	259,082	60,399
Education	58,999	-
Capital funds	196,800	76,788
	514,881	137,187
Accumulated gains (losses) on endowment	2,414,429	(1,041,626)
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General use	14,586,522	14,580,522
Future seasons	1,221,404	1,211,253
Education	350,000	350,000
Capital funds	630,000	630,000
Sustainability	3,353,396	3,353,396
	20,141,322	20,125,171
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	602,649	478,152
Total endowments	23,673,281	19,698,884
	\$ 28,508,381	\$ 23,742,271



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, 2021 and 2020:

	2021	2020
Expirations of time restrictions	\$ 267,500	\$ 613,047
Satisfaction of purpose restrictions		
Sustainability	1,300,000	2,100,000
Lab expansion	201,879	15,149
Education	110,224	296,262
60th Anniversary	12,709	-
Voices of Opera	3,149	50,000
Civic practice	28,000	-
New Works Initiative	-	294,000
Future seasons	-	43,500
	1,655,961	2,798,911
	1,923,461	3,411,958
Restricted-purpose spending-rate distributions and appropriations		
General use	728,767	654,730
Future seasons	49,145	41,541
Education	14,201	13,045
Capital funds	25,561	23,480
	817,674	732,796
	\$ 2,741,135	\$ 4,144,754

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 (the 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 the 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, 2021, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 608,101	\$ -	\$ 608,101
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,743,971	20,743,971
Accumulated investment gains	-	2,929,310	2,929,310
	\$ 608,101	\$ 23,673,281	\$ 24,281,382

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

	Without Donor Restriction	With Donor Restriction	Total
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 gains	-	(904,439)	(904,439)
	<u>\$ 510,797</u>	<u>\$ 19,698,884</u>	<u>\$ 20,209,681</u>

Included in the balance of donor-restricted endowment funds as of June 30, 2021 and 2020, are \$602,649 and \$478,152, 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 the UPMIFA requires the Opera to retain as a fund or perpetual duration. The Board of Directors of the Opera has interpreted the UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021, there were no 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, 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 value 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, 2021, are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 510,797	\$ 19,698,884	\$ 20,209,681
Investment return, net	118,058	4,651,422	4,769,480
Change in value of beneficial interest in perpetual trust	-	124,497	124,497
Contributions	-	16,151	16,151
Appropriation of endowment assets for expenditure	<u>(20,754)</u>	<u>(817,673)</u>	<u>(838,427)</u>
Endowment net assets, end of year	<u>\$ 608,101</u>	<u>\$ 23,673,281</u>	<u>\$ 24,281,382</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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	<u>(18,636)</u>	<u>(732,795)</u>	<u>(751,431)</u>
Endowment net assets, end of year	<u>\$ 510,797</u>	<u>\$ 19,698,884</u>	<u>\$ 20,209,681</u>

### **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 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, 2021 and 2020, the Opera contributed \$77,344 and \$103,840, 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 \$25,518 and \$57,281 for the years ending June 30, 2021 and 2020, respectively. The other union retirement plan is a defined contribution plan. Retirement expense for this union plan was \$3,946 and \$9,162 for the years ending June 30, 2021 and 2020, 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, 2021, the Plan is 59.2% 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 4,872. No employer contributed more than 5% 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, 2021 and 2020, are expected to be \$726,363 and \$705,207, respectively. Payments to the Ordway in the years ended June 30, 2021 and 2020, included base license fees of \$400,000 and \$775,692, 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, 2021 and 2020, the Opera received a contribution of \$544,245 and \$590,671, 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 - Subsequent Event**

On July 28, 2021, the U.S. Small Business Administration awarded the Opera with a Shuttered Venue Operators Grant for \$1,092,337. On November 12, 2021, the U.S. Small Business Administration awarded the Opera with a supplemental Shuttered Venue Operators Grant for \$546,168. The Opera has submitted a reconsideration request for the remaining \$305,519 in the original request of \$1,397,856. The \$1,638,505 is subject to allowable costs as identified for the program.

The Opera has evaluated subsequent events through December 16, 2021, the date the financial statements were available to be issued and included in Note 13.