Financial Statements
June 30, 2023 and 2022

The Minnesota Opera

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
The Minnesota Opera
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Minnesota Opera (the Opera), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Opera as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Opera and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Restatement of Cash Flow Classification

A restatement of the cash flow statement is shown in Note 16 of the financial statements. The cash collected on Board-designated endowment funds at June 30, 2022, was previously included within cash flows from financing activities as collections of contributions restricted to endowment and should have been included within cash flows from operating activities. Purchases of property and equipment that were not yet paid for at June 30, 2022, was improperly included in cash flows used for investing activities instead of cash flows from operating activities. Accordingly, an adjustment has been made to the cash flows statement and amounts on the cash flow statement at June 30, 2022, have been restated in the 2023 financial statements now presented. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Opera's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Opera's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Opera's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Eide Bailly LLP

Minneapolis, Minnesota
December 4, 2023

	2023	2022
Assets		
Cash and cash equivalents	$ -	$ 792,949
Contributions and grants receivable, net (Note 4)	2,211,618	4,682,136
Accounts receivable	62,031	296,720
Employee retention credits receivable	1,204,828	-
Deferred production expenses (Note 5)	141,927	80,871
Prepaid expenses	186,123	299,699
Property and equipment, net (Note 6)	10,180,689	9,652,529
Finance lease right-of-use asset	18,269	-
Investments (Note 3)	22,181,102	18,185,795
Cash restricted to endowment	1,425,000	1,560,063
Beneficial interest in perpetual trusts (Note 3)	517,623	487,368
Total assets	$ 38,129,210	$ 36,038,130
Liabilities and Net Assets		
Liabilities		
Checks issued in excess of unrestricted cash	$ 781,938	$ -
Accounts payable	153,822	1,639,223
Accrued expenses	181,039	154,304
Deferred revenue	1,027,372	1,295,156
Line of credit (Note 7)	-	2,000,000
Lease liability (Note 15)	18,682	4,652
Total liabilities	2,162,853	5,093,335
Net Assets		
Without donor restrictions		
Board-designated endowment	1,750,470	1,811,053
Undesignated	4,742,254	28,212
	6,492,724	1,839,265
With donor restrictions (Note 9)		
Perpetual in nature	25,714,257	21,631,191
Accumulated losses	(759,515)	(1,449,760)
Purpose restrictions	4,518,891	8,924,099
	29,473,633	29,105,530
Total net assets	35,966,357	30,944,795
Total liabilities and net assets	$ 38,129,210	$ 36,038,130

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Opera season/admissions	$ 1,956,079	$ -	$ 1,956,079
Rental and other	614,003	-	614,003
Contributions and grants	9,357,373	2,135,556	11,492,929
Employee Retention Credits	1,901,397	-	1,901,397
Special event revenue	472,055	-	472,055
Less cost of direct benefits to donors	(192,929)	-	(192,929)
	279,126	-	279,126
In-kind contributions	19,905	-	19,905
Net investment return	138,017	1,611,349	1,749,366
Distribution from and change in value of beneficial interest in perpetual trusts	-	30,255	30,255
Net assets released from restriction			
Distribution pursuant to endowment spending-rate	921,104	(921,104)	-
Purpose releases	2,487,953	(2,487,953)	-
Total revenue, support, and gains	17,674,957	368,103	18,043,060
Expenses			
Program services			
Production expenses	7,991,140	-	7,991,140
Outreach and education	1,215,532	-	1,215,532
Total program expenses	9,206,672	-	9,206,672
Administrative and general	2,432,576	-	2,432,576
Fundraising expenses	1,382,250	-	1,382,250
Total expenses	13,021,498	-	13,021,498
Change in Net Assets	4,653,459	368,103	5,021,562
Net Assets, Beginning of Year	1,839,265	29,105,530	30,944,795
Net Assets, End of Year	$ 6,492,724	$ 29,473,633	$ 35,966,357

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Opera season/admissions	$ 1,399,973	$ -	$ 1,399,973
Rental and other	354,420	-	354,420
Contributions and grants	6,143,851	5,365,913	11,509,764
Shuttered Venue Operators Grant	2,096,787	-	2,096,787
Special event revenue	589,469	-	589,469
Less cost of direct benefits to donors	(153,182)	-	(153,182)
	436,287	-	436,287
In-kind contributions	7,276	-	7,276
Net investment return	(250,407)	(3,505,446)	(3,755,853)
Distribution from and change in value of beneficial interest in perpetual trusts	-	(115,280)	(115,280)
Net assets released from restriction			
Distribution pursuant to endowment spending-rate	873,624	(873,624)	-
Purpose releases	274,414	(274,414)	-
Total revenue, support, and gains	11,336,225	597,149	11,933,374
Expenses			
Program services			
Production expenses	6,155,635	-	6,155,635
Outreach and education	1,314,503	-	1,314,503
Total program expenses	7,470,138	-	7,470,138
Administrative and general	2,170,556	-	2,170,556
Fundraising expenses	1,059,628	-	1,059,628
Total expenses	10,700,322	-	10,700,322
Change in Net Assets	635,903	597,149	1,233,052
Net Assets, Beginning of Year	1,203,362	28,508,381	29,711,743
Net Assets, End of Year	$ 1,839,265	$ 29,105,530	$ 30,944,795

	Program Services					
	Production	Outreach and Education	Total	Administrative and General	Fundraising	Total
Personnel	$ 4,756,602	$ 960,123	$ 5,716,725	$ 1,656,376	$ 816,110	$ 8,189,211
Theater Costs	861,303	12,864	874,167	18,079	13,143	905,389
Production	823,548	6,984	830,532	48,674	58,437	937,643
Professional Fees	50,503	20,120	70,623	241,000	120,691	432,314
Travel and Entertainment	350,336	43,102	393,438	62,483	88,710	544,631
Advertising and Promotion	110,698	47,086	157,784	47,639	59,117	264,540
Depreciation and amortization	372,464	10,055	382,519	30,336	28,403	441,258
Printing and Postage	144,575	29,798	174,373	40,859	45,560	260,792
Other Expenses	104,644	18,089	122,733	25,166	20,599	168,498
Information Technology	88,071	36,400	124,471	24,196	33,017	181,684
Dues and Subscriptions	18,577	4,590	23,167	74,720	50,061	147,948
Utilities	129,173	3,498	132,671	10,552	9,880	153,103
Bank Fees and Charges	26,747	10,312	37,059	27,134	21,926	86,119
Repairs and Maintenance	38,763	329	39,092	993	930	41,015
Insurance	65,061	1,762	66,823	5,315	4,976	77,114
Office Supplies	12,145	3,984	16,129	47,945	4,697	68,771
Royalties	4,168	(31)	4,137	(31)	1,809	5,915
Equipment	24,726	63	24,789	27,594	65	52,448
Interest	-	-	-	23,722	-	23,722
Bad Debt	-	-	-	17,220	-	17,220
Conferences and Seminars	9,036	6,404	15,440	2,604	4,119	22,163
Total Expenses	$ 7,991,140	$ 1,215,532	$ 9,206,672	$ 2,432,576	$ 1,382,250	$ 13,021,498

	Program Services					
	Production	Outreach and Education	Total	Administrative and General	Fundraising	Total
Personnel	$ 3,512,584	$ 1,110,189	$ 4,622,773	$ 1,444,194	$ 735,481	$ 6,802,448
Production	567,702	2,333	570,035	-	-	570,035
Theater Costs	809,332	8,967	818,299	8,869	10,769	837,937
Depreciation and amortization	209,816	5,659	215,475	17,072	15,984	248,531
Professional Fees	109,394	11,981	121,375	349,951	56,699	528,025
Information Technology	71,163	31,242	102,405	21,103	22,557	146,065
Other Expenses	117,154	17,890	135,044	4,491	9,840	149,375
Printing and Postage	123,334	22,282	145,616	30,163	51,558	227,337
Utilities	104,787	2,837	107,624	8,560	8,015	124,199
Dues and Subscriptions	18,971	2,328	21,299	71,672	42,546	135,517
Royalties	45,520	1,349	46,869	1,304	1,394	49,567
Travel and Entertainment	180,318	28,739	209,057	49,600	20,741	279,398
Insurance	45,716	1,238	46,954	3,735	3,497	54,186
Bad Debt	-	-	-	14,334	-	14,334
Advertising and Promotion	123,293	45,704	168,997	51,253	58,309	278,559
Repairs and Maintenance	56,952	1,312	58,264	3,958	3,706	65,928
Office	13,382	6,017	19,399	29,994	2,055	51,448
Equipment	19,334	2,210	21,544	13,117	-	34,661
Bank Fees and Charges	21,458	7,153	28,611	28,915	14,344	71,870
Interest	-	-	-	17,116	-	17,116
Conferences and Seminars	5,425	5,073	10,498	1,155	2,133	13,786
Total Expenses	$ 6,155,635	$ 1,314,503	$ 7,470,138	$ 2,170,556	$ 1,059,628	$ 10,700,322

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Change in net assets	$ 5,021,562	$ 1,233,052
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	441,258	248,531
Forgiveness of debt	-	(1,000,000)
Change in value of beneficial interest in perpetual trust	(30,255)	115,281
Net investment return	(1,749,367)	3,613,711
Contributions restricted to endowment	(4,052,811)	(1,002,500)
Changes in operating assets and liabilities		
Contributions and grants receivable	2,995,518	(2,145,707)
Accounts receivable	234,689	(145,822)
Employee retention tax credits receivable	(1,204,828)	-
Deferred production expenses	(61,056)	(34)
Checks issued in excess of unrestricted cash	781,938	-
Prepaid expenses	113,576	(125,901)
Accounts payable	(83,010)	(308,306)
Accrued expenses	26,735	(60,460)
Deferred revenue	(267,784)	102,852
Net Cash from Operating Activities	2,166,165	524,697
Cash Flows from Investing Activities		
Purchases of investments	(4,796,151)	(2,551,518)
Sales of investments	1,550,211	1,771,488
Purchase of property and equipment	(2,363,771)	(3,147,897)
Withdrawal from endowment	1,000,000	900,000
Net Cash used for Investing Activities	(4,609,711)	(3,027,927)
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	3,527,811	1,002,500
Net borrowings (repayments) under line of credit	(2,000,000)	2,000,000
Principal payments on finance leases	(12,277)	(1,673)
Net Cash from (used for) Financing Activities	1,515,534	3,000,827
Net Change in Cash, Cash Equivalents, and Restricted Cash	(928,012)	497,597
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	2,353,012	1,855,415
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 1,425,000	$ 2,353,012
Cash and Cash Equivalents	$ -	$ 792,949
Cash Restricted to Endowment	1,425,000	1,560,063
Total cash, cash equivalents, and restricted cash	$ 1,425,000	$ 2,353,012

	2023	2022 (Restated)
Cash and Cash Equivalents	$ -	$ 792,949
Cash Restricted to Endowment	1,425,000	1,560,063
Total cash, cash equivalents, and restricted cash	$ 1,425,000	$ 2,353,012
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 36,727	$ 44,647
Supplemental Disclosure of Non-cash Investing Activity		
Accounts payable for property and equipment	$ -	$ 1,402,391
Lease liabilities arising from obtaining right of use assets	26,307	-

Note 1 - Nature of Organization and Significant Accounting Policies

Mission Statement

The Minnesota Opera (the Opera or MN Opera) advances the art of opera for today and for future generations by expanding the circle of musical storytelling.

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 2022-2023 season – Minnesota Opera's 60th Anniversary – melded together a meaningful reflection of the Opera's pre-pandemic past and pointed to its future of reimagined inherited repertoire and a robust canon of new works. With the opening of the Luminary Arts Center in August 2022 following a two-year renovation, MN Opera expanded its campus with an intimate performance venue for chamber opera, concerts, and recitals – while delivering a great resource to the artistic community at large.

Edward Tulane opened the MN Opera season at the Ordway to sold-out houses. As the final work from the previous iteration of the New Works Initiative and the first to be canceled due to the COVID-19 pandemic, it had the longest gestation of any work commissioned by the Opera. Paola Prestini composed the score with a libretto by Mark Campbell based on the children's novel The *Miraculous Journey of Edward Tulane* by local author Kate DiCamillo. The production particularly showcased the ingenuity and technical skill of the Opera's scenic and costume shops, with striking visual elements capturing the breadth of the world inhabited by the piece.

November saw the opening of *Rinaldo* at the Luminary Arts Center – only the second presentation of an opera by George Frideric Handel in the Opera's history. Mo Zhou directed this new production, pulling the drama away from Jerusalem during the First Crusade and casting the central conflict between old vs. new money on Wall Street in the 1980s. The production showcased Minnesota-based talent, with University of Minnesota graduate, renowned countertenor Patrick Terry leading an accomplished cast that highlighted the depth of talent present in the Opera's Resident Artist Program. Bright billowing gowns, vintage office trappings, and flaming codpieces completed the look of this creative reimagining of a centuries-old story. Preliminary ticketing analysis showed that a substantial portion of the audience for *Rinaldo* were first-time attendees for MN Opera who had not previously attended performances at the Ordway, revealing an interest in the artform outside of larger, more traditional venues.

Warmth, uproarious humor, and familiar tunes were on display at the Ordway in February with *The Daughter of the Regiment* back at the Ordway. Cast in the typically spoken role of the *Duchess of Krakenthorp* was a winner of RuPaul's Drag Race All Stars and trained operatic bass to boot, Monét X Change. "*La calunnia è un venticello*" from *The Barber of Seville* was added for Monét to perform in the second act. Vanessa Becerra shone in her role debut as Marie, while tenor David Portillo returned to the stage as Tonio and polished off the role's famous nine consecutive high Cs with ease. Concurrently, negotiations with the union representing the Minnesota Opera Orchestra were interrupted by a strike authorization just before opening night, only for a tentative agreement to be reached days later and a subsequent contract ratified in the ensuing months.

Minnesota Opera's 50th world premiere took place at the Luminary Arts Center with Jocelyn Hagen and Kao Kalia Yang's *The Song Poet*, based on Yang's bestselling novel of the same name that chronicles the journey of her father to the United States in the aftermath of war and political unrest in Laos. Originally conceived as a children's opera for the Opera's youth program, *The Song Poet* was reworked for a mostly adult cast during the pandemic and enabled the first Hmong story adapted for the operatic stage to be showcased as a mainstage production. Engagement efforts by the Opera brought in members of the local Hmong community, many of whom had not previously attended performances at MN Opera. It also marked the first premiere in the Opera's history for which both the composer and librettist were women.

A new production of *Don Giovanni*, the final canceled show of 2019-2020, made its debut at the Ordway to close out the 60th anniversary season. Traditionally centered around the infamous, egotistical womanizer in the title role, this production focused on the three women who cross paths with *Don Giovanni* and ultimately deliver his well deserved fate. Its comedy, biting social commentary, and stirring music were enhanced by an innovative rotating set – that is also eminently transportable for future production rentals at opera companies around the country.

With its next iteration of the New Works Initiative underway led by a diverse team of six composers and librettists, Minnesota Opera charts a path forward of nine premieres of new works through 2031 including song cycles, chamber work, and operas. Coupled with presentations of inherited repertoire in dynamic ways that honor their original context while elevating their impact for a modern audience, the coming seasons will see multiple avenues of creativity and innovation as MN Opera navigates a challenging moment for the performing arts world.

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, 2023 and 2022.

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, 2021, June 30, 2022, and June 30, 2023, were $150,899, $296,720, and $62,031, respectively. The Opera's deferred revenues as of July 1, 2021, June 30, 2022, and June 30, 2023, were $1,193,828, $1,295,156, and $1,027,372, 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, 2023 and 2022, the allowance was $16,770 and $45,760, 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, 2023 and 2022.

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 for both the Opera Center and the Luminary Arts Center is recognized at the time the 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 approximating $8,000,000 of conditional grants or contributions for the years ended June 30, 2023 and 2022.

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, 2023 and 2022.

Advertising and Promotion Costs

Advertising costs are expensed as incurred. Such costs were $228,539 and $240,915 for the years ended June 30, 2023 and 2022, 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, including, but not limited to, the uncertainty the COVID-19 pandemic has created and may continue to create. As a result, actual results could differ from those estimates and those differences could be material.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at $10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at $7,000 per quarter. During the year ended June 30, 2023, the Opera recorded a $1,901,397 benefit related to the ERTC which is presented in the statement of activities.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Opera has evaluated subsequent events through December 4, 2023, 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:

	2023	2022
Cash and cash equivalents	$ -	$ 792,949
Contributions and grants receivable	503,466	3,831,136
Accounts receivable	62,031	296,721
Employee retention tax credit receivable	1,204,828	-
Distribution pursuant to endowment spending-rate	1,000,000	1,000,000
	$ 2,770,325	$ 5,920,806

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 $1,750,470 and $1,811,053 as of June 30, 2023 and 2022, 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. In March 2023, the Opera's Board did vote to un-designate $6,335,263 of Board-designated endowment funds, of which $1,335,163 had been contributed in 2022 and $5,000,000 in 2023.

Additionally, the Opera maintained a $2,000,000 and $3,000,000 line of credit as of June 30, 2023 and 2022, respectively, as discussed in more detail in Note 7. As of June 30, 2023 and 2022, $2,000,000 and $1,000,000, respectively, remained available on the Opera's line of credit, respectively.

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:

<u>Level 1</u> – 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.

A significant portion of investment assets are classified within Level 1 because they comprise equities and real assets with readily determinable fair values based on daily redemption values. Fixed income investments are classified within Level 2 based on custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

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, 2023. The final liquidation occurred in July 2023.

Assets measured at fair value on a recurring basis at June 30, 2023 and 2022, are as follows:

		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)
June 30, 2023				
Cash and cash equivalents	$ 2,895,508	$ -	$ -	$ -
Equities	14,425,490	14,425,490	-	-
Fixed income	3,697,174	-	3,697,174	-
Real Assets	1,082,821	1,082,821	-	-
Beneficial interest in perpetual trusts	517,623	-	-	517,623
Investments measured at net asset value (a)				
Funds invested in limited partnerships	80,109	-	-	-
	$ 22,698,725	$ 15,508,311	$ -	$ 517,623

		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)
June 30, 2022				
Cash and cash equivalents	$ 2,968,809	$ -	$ -	$ -
Equities	10,586,052	10,586,052	-	-
Fixed income	2,116,778	-	2,116,778	-
Real Assets	924,896	924,896	-	-
Beneficial interest in perpetual trusts	487,368	-	-	487,368
Investments measured at net asset value (a)				
Funds invested in limited partnerships	1,589,260	-	-	-
	$ 18,673,163	$ 11,510,948	$ -	$ 487,368

(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, 2023 and 2022, there were no transfers, issuances, or purchases within the Level 3 investments.

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, 2023:

	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
June 30, 2023					
Funds invested in limited partnerships	1	$ 80,109	$ -	Quarterly	180 days
June 30, 2022					
Funds invested in limited partnerships	1	1,589,260	-	Quarterly	180 days

Note 4 - Contributions and Grants Receivable

Contributions and grants receivable are estimated to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Within one year	$ 1,278,466	$ 4,081,136
In one to five years	967,500	657,679
	2,245,966	4,738,815
Less discount to net present value (2%)	(17,578)	(10,919)
Less allowance for uncollectible contributions and grants	(16,770)	(45,760)
	$ 2,211,618	$ 4,682,136

At June 30, 2023, four donors accounted for 70%, and at June 30, 2022, three donors accounted for 82%, of contributions and grants receivable. Two donors accounted for approximately 58% and 56% of total contributions for the years ended June 30, 2023 and 2022, respectively.

Note 5 - Deferred Production Expenses

Deferred production expenses are estimated as follows at June 30, 2023 and 2022:

	2023	2022
Current deferred production expenses	$ 138,116	$ 63,338
Noncurrent deferred production expenses	3,811	17,533
	$ 141,927	$ 80,871

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2023 and 2022:

	2023	2022
Land	$ 2,253,100	$ 2,253,100
Equipment	2,680,104	1,712,362
Buildings	10,665,465	5,191,863
Construction in process	3,176	5,475,102
	15,601,845	14,632,427
Less accumulated depreciation	(5,421,156)	(4,979,898)
	$ 10,180,689	$ 9,652,529

Construction in progress at June 30, 2022, relates to the purchase of the theater space located at 720 North First Street, Minneapolis, Minnesota. The Opera was 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 project was substantially completed on August 20, 2022.

Note 7 - Line of Credit

The Opera maintains a revolving line of credit with a bank that bears interest at the Prime Rate minus 0.5% margin (7.75% at June 30, 2023, and 4.25% at June 30, 2022), and whose draws are not to exceed $2,000,000, that expires on January 31, 2024. 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 and $2,000,000 on the note as of June 30, 2023 and 2022, respectively.

Note 8 - Notes Payable

An unsecured 2.75% note payable was forgiven on January 30, 2022, and is reflected as an unrestricted contribution in the statement of activities. Interest was paid on the note through January 2022, which is also reflected in the statement of activities.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2023 and 2022:

	2023	2022
Subject to expenditure for specified purpose		
60th Anniversary	$ 43,052	$ 65,578
Future seasons	224,887	479,362
Impact	-	118,092
Lab expansion	-	1,932,972
Production loan reserve	103,903	103,812
Credit facility*	-	3,000,000
Sustainability	4,147,049	3,224,283
	4,518,891	8,924,099
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Future seasons	37,266	(6,472)
Education	(5,670)	(17,096)
Capital funds	80,393	59,827
	111,989	36,259
Accumulated losses on endowment	(871,504)	(1,486,019)

*In the current year, this amount was transferred to the endowment as directed by the donor because the credit on the facility for the Luminary project was paid off and restriction met.

	2023	2022
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General use	$ 13,897,522	$ 14,339,022
Future seasons	1,190,717	1,221,404
Education	350,000	350,000
Capital funds	630,000	630,000
Sustainability	8,353,395	4,353,397
Unconditional promises to give, net - permanently restricted to general endowment	775,000	250,000
	25,196,634	21,143,823
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	517,623	487,368
Total endowments	24,954,742	20,181,431
	$ 29,473,633	$ 29,105,530

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, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
Lab expansion	$ 1,932,972	$ -
Education	-	37,392
60th Anniversary	22,526	6,007
Voices of Opera	-	46,851
New Works Initiative	-	10,959
Impact	118,092	-
Future seasons	414,363	173,205
	2,487,953	274,414
Restricted-purpose spending-rate distributions and appropriations		
General use	828,688	781,610
Future seasons	49,724	49,508
Education	15,247	15,181
Capital funds	27,445	27,325
	921,104	873,624
	$ 3,409,057	$ 1,148,038

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, 2023, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	$ 1,750,470	$ -	$ 1,750,470
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	25,714,257	25,714,257
Accumulated investment gains	-	(759,515)	(759,515)
	$ 1,750,470	$ 24,954,742	$ 26,705,212

As of June 30, 2022, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	$ 1,811,053	$ -	$ 1,811,053
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,631,191	21,631,191
Accumulated investment gains	-	(1,449,760)	(1,449,760)
	$ 1,811,053	$ 20,181,431	$ 21,992,484

Included in the balance of donor-restricted endowment funds as of June 30, 2023 and 2022, are $517,623 and $487,368, 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, 2023, there were twelve donor-restricted endowment funds that fell below the level that the donor required the Opera to retain as a fund of perpetual duration with original gift values of $23,034,746, fair value of $22,131,373 and deficiencies of $903,373 that were reported in net assets with donor restrictions. At June 30, 2022, there were twelve donor-restricted endowment funds that fell below the level that the donor required the Opera to retain as a fund of perpetual duration with original gift values of $19,982,933, fair value of $18,427,213, and deficiencies of $1,555,720 that were reported in net assets with donor restrictions.

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 1,811,053	$ 20,181,431	$ 21,992,484
Investment return, net	138,018	1,611,349	1,749,367
Change in value of beneficial interest in perpetual trust	-	30,255	30,255
Contributions	6,215,458	1,052,811	7,268,269
Transfer	-	3,000,000	3,000,000
Distribution from board-designated endowment	(6,335,163)	-	(6,335,163)
Appropriation of endowment assets for expenditure	(78,896)	(921,104)	(1,000,000)
Endowment net assets, end of year	$ 1,750,470	$ 24,954,742	$ 26,705,212

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 608,101	$ 23,673,281	$ 24,281,382
Investment return, net	(105,835)	(3,505,446)	(3,611,281)
Change in value of beneficial interest in perpetual trust	-	(115,280)	(115,280)
Contributions	1,585,163	1,002,500	2,587,663
Distribution from board-designated endowment	(250,000)	-	(250,000)
Appropriation of endowment assets for expenditure	(26,376)	(873,624)	(900,000)
Endowment net assets, end of year	$ 1,811,053	$ 20,181,431	$ 21,992,484

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 4.5%. Based on 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, 2023 and 2022, the Opera contributed $95,190 and $83,200, 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 $56,326 and $37,020 for the years ending June 30, 2023 and 2022, respectively. The other union retirement plan is a defined contribution plan. Retirement expense for this union plan was $11,344 and $5,315 for the years ending June 30, 2023 and 2022, 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, 2022, the Plan is 49.9% funded and is in "critical" status which is a 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 3,818. 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 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 years ended June 30, 2023 and 2022, were $784,066 and $748,155, respectively. Total payments to the Ordway in the years ended June 30, 2023 and 2022, included base license fees of $1,548,013 and $1,177,810, 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, 2023 and 2022, the Opera received a contribution of $636,023 and $633,849, respectively, from the Arts Partnership. These contributions are reflected as unrestricted contributions in the statement of activities and changes in net assets and the Opera's participation is reflected in fundraising expenses.

In recognition of the unique challenges live performing arts organizations have experienced as a result of the COVID-19 pandemic, in 2022 the Arts Partnership also supported the partner organizations with stabilization contributions. For the years ended June 30, 2023 and 2022, the Opera received a stabilization contributions of $780,000 and $1,121,975, respectively, from the Arts Partnership. These contributions are reflected as unrestricted contributions in the statement of activities and changes in net assets and the Opera's participation is reflected in fundraising expenses.

Note 13 - Related Party Transactions

The MN Opera receives gifts and pledges from Board members and staff. Gifts received from Board members and staff were $1,156,779 and $4,524,226 in the years ended June 30, 2023 and 2022, respectively. Pledges receivable from Board members and staff were $611,617 and $3,411,170 as of June 30, 2023 and 2022, respectively.

Note 14 - Adoption of Accounting Standards Codification Topic 842

Effective July 1, 2022, the MN Opera adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Opera elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Opera has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Opera accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the MN Opera recognized on July 1, 2022, the beginning of the adoption period, no cumulative effect adjustments to retained earnings, operating lease liabilities or operating right-of-use assets were required. The finance lease right of use asset and liabilities was recorded as of July 1, 2022, at the carrying value under prior guidance. The adoption of the new standard did not materially impact the Opera's statements of activities or statements of cash flows. See Note 15 for further disclosure of the Opera's lease contracts.

Note 15 - Leases

The MN Opera leases certain office equipment for various terms under long-term, non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2025.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Opera estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Opera's applicable borrowing rates and the contractual lease term.

The Opera has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Opera elected the practical expedient to not separate lease and non-lease components for office equipment leases.

Total lease costs for the year ended June 30, 2023 were as follows:

Short-term lease cost	$	15,862
Finance lease cost		
Interest expense		1,073
Amortization of right-of-use assets		10,929

Total lease expense under noncancelable leases was $27,871 for the year ended June 30, 2022.

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of leases liabilities		
Financing cash flows from finance leases	$	12,277
Right-of-use assets obtained in exchange for lease liabilities:		
Finance leases		26,307

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	2023
Weighted-average remaining lease term:	
Finance leases	2 years
Weighted-average discount rate:	
Finance leases	5.00%

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of June 30, 2023.

2024	$	9,461
2025		9,461
2026		789
Total lease payments		19,711
Less interest		1,029
Present value of lease liabilities	$	18,682

Note 16 - Restatement

The cash collected on Board designated endowment funds at June 30, 2022, was previously included within cash flows from finance activities as collections of contributions restricted to endowment and should have been included within cash flows from operating activities. The restatement resulted in a shift of $1,585,163 out of financing activities and into operating activities.

Purchases of property and equipment that were not yet paid for at June 30, 2022 were improperly included in cash flows used for investing activities instead of cash flows from operating activities. The restatement resulted in a shift of $1,402,391 out of investing activities and into operating activities.

The following financial statement line items for the year ended June 30, 2022, were restated as a result of the corrections:

Statement of Cash Flows	As Previously Reported	Adjustment	As Restated
Cash Flows from Operating Activities			
Contributions restricted to endowment	$ (2,587,663)	$ 1,585,163	$ (1,002,500)
Accounts payable	1,094,085	(1,402,391)	(308,306)
Net Cash from Operating Activities	341,925	182,772	524,697
Cash Flows from Investment Activities			
Purchase of property and equipment	(4,550,288)	1,402,391	(3,147,897)
Net Cash used for Investing Activities	(4,430,318)	1,402,391	(3,027,927)
Cash Flows from Financing Activities			
Collections of contributions restricted to endowment	$ 2,587,663	$ (1,585,163)	$ 1,002,500
Net Cash from Financing Activities	4,585,990	(1,585,163)	3,000,827