

Financial Statements
June 30, 2025 and 2024

The Minnesota Opera

The Minnesota Opera
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June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 for 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.

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.



Minneapolis, Minnesota
November 6, 2025

The Minnesota Opera
 Statements of Financial Position
 June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 1,240,493	\$ -
Contributions and grants receivable, net (Note 4)	668,368	1,173,633
Accounts receivable	246,896	118,597
Deferred production expenses (Note 5)	101,331	71,162
Prepaid expenses	152,980	171,734
Property and equipment, net (Note 6)	9,625,371	9,845,090
Finance lease right-of-use asset	731	9,500
Investments (Note 3)	29,962,215	27,829,882
Cash restricted to endowment	5,500	2,000,000
Beneficial interest in perpetual trusts (Note 3)	539,285	499,104
 Total assets	<u>\$ 42,543,170</u>	<u>\$ 41,718,702</u>
Liabilities and Net Assets		
Liabilities		
Checks issued in excess of unrestricted cash	\$ -	\$ 964,664
Accounts payable	193,256	163,217
Accrued expenses	180,870	188,953
Deferred revenue	1,294,002	1,114,135
Finance lease liability	785	9,957
 Total liabilities	<u>1,668,913</u>	<u>2,440,926</u>
Net Assets		
Without donor restrictions		
Board-designated endowment	1,574,096	1,567,533
Undesignated	2,737,342	2,606,109
 Total	<u>4,311,438</u>	<u>4,173,642</u>
With donor restrictions (Note 8)		
Perpetual in nature	29,501,421	29,702,238
Accumulated gains	1,007,925	885,655
Purpose and time restrictions	6,053,473	4,516,241
 Total	<u>36,562,819</u>	<u>35,104,134</u>
 Total net assets	<u>40,874,257</u>	<u>39,277,776</u>
 Total liabilities and net assets	<u>\$ 42,543,170</u>	<u>\$ 41,718,702</u>

The Minnesota Opera
Statement of Activities
Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Opera season/admissions	\$ 1,614,934	\$ -	\$ 1,614,934
Rental and other	691,919	-	691,919
Contributions and grants	5,548,054	1,895,436	7,443,490
Special event revenue	299,753	-	299,753
Less cost of direct benefits to donors	(267,916)	-	(267,916)
Net special event revenue	<u>31,837</u>	<u>-</u>	<u>31,837</u>
In-kind contributions	73,555	-	73,555
Net investment return	164,468	3,064,037	3,228,505
Distribution from and change in value of beneficial interest in perpetual trusts	-	40,181	40,181
Net assets released from restriction			
Distribution pursuant to endowment spending-rate	2,941,765	(2,941,765)	-
Change in donor intent	250,000	(250,000)	-
Purpose releases	<u>349,204</u>	<u>(349,204)</u>	<u>-</u>
Total revenue, support, and gains	<u>11,665,736</u>	<u>1,458,685</u>	<u>13,124,421</u>
Expenses			
Program services			
Production expenses	6,548,163	-	6,548,163
Education, engagement and Luminary	<u>1,627,799</u>	<u>-</u>	<u>1,627,799</u>
Total program expenses	<u>8,175,962</u>	<u>-</u>	<u>8,175,962</u>
Administrative and general	1,965,736	-	1,965,736
Fundraising expenses	1,386,242	-	1,386,242
Total expenses	<u>11,527,940</u>	<u>-</u>	<u>11,527,940</u>
Change in Net Assets	137,796	1,458,685	1,596,481
Net Assets, Beginning of Year	<u>4,173,642</u>	<u>35,104,134</u>	<u>39,277,776</u>
Net Assets, End of Year	<u>\$ 4,311,438</u>	<u>\$ 36,562,819</u>	<u>\$ 40,874,257</u>

The Minnesota Opera
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains (Losses)			
Opera season/admissions	\$ 1,845,158	\$ -	\$ 1,845,158
Rental and other	992,957	-	992,957
Contributions and grants	5,902,487	4,351,017	10,253,504
In-kind contributions	4,327	-	4,327
Net investment return	179,253	2,580,211	2,759,464
Distribution from and change in value of beneficial interest in perpetual trusts	-	(18,519)	(18,519)
Net assets released from restriction			
Distribution pursuant to endowment spending-rate	935,041	(935,041)	-
Purpose releases	<u>347,167</u>	<u>(347,167)</u>	<u>-</u>
Total revenue, support, and gains (losses)	<u>10,206,390</u>	<u>5,630,501</u>	<u>15,836,891</u>
 Expenses			
Program services			
Production expenses	7,438,159	-	7,438,159
Education, engagement and Luminary	<u>1,686,721</u>	<u>-</u>	<u>1,686,721</u>
Total program expenses	<u>9,124,880</u>	<u>-</u>	<u>9,124,880</u>
Administrative and general	2,004,608	-	2,004,608
Fundraising expenses	<u>1,395,984</u>	<u>-</u>	<u>1,395,984</u>
 Total expenses	<u>12,525,472</u>	<u>-</u>	<u>12,525,472</u>
 Change in Net Assets	(2,319,082)	5,630,501	3,311,419
 Net Assets, Beginning of Year	<u>6,492,724</u>	<u>29,473,633</u>	<u>35,966,357</u>
 Net Assets, End of Year	<u>\$ 4,173,642</u>	<u>\$ 35,104,134</u>	<u>\$ 39,277,776</u>

The Minnesota Opera
 Statement of Functional Expenses
 Year Ended June 30, 2025

	Program Services			Administrative and General	Fundraising	Cost of Direct Benefits to Donors	Total				
	Education, Engagement and Luminary		Total								
	Production										
Personnel	\$ 3,937,260	\$ 1,073,415	\$ 5,010,675	\$ 1,366,181	\$ 868,712	\$ 124,461	\$ 7,370,029				
Theater Costs	938,578	49,484	988,062	13,919	13,919	3,300	1,019,200				
Production	705,788	2,495	708,283	52,876	3,842	38,105	803,106				
Professional Fees	28,730	46,717	75,447	151,977	223,366	59,609	510,399				
Travel and Entertainment	170,822	15,532	186,354	42,155	28,699	21,049	278,257				
Advertising and Promotion	48,482	33,102	81,584	36,846	40,353	4,436	163,219				
Depreciation and Amortization	187,557	251,395	438,952	15,322	14,345	-	468,619				
Printing and Postage	77,236	23,369	100,605	37,966	49,797	7,176	195,544				
Other Expenses	17,859	11,191	29,050	8,641	4,495	6,926	49,112				
Information Technology	41,783	23,239	65,022	19,761	28,870	-	113,653				
Dues and Subscriptions	34,823	21,683	56,506	79,818	61,167	-	197,491				
Utilities	110,927	34,211	145,138	9,062	8,484	-	162,684				
Bank Fees and Charges	14,448	19,254	33,702	39,424	23,163	-	96,289				
Repairs and Maintenance	58,661	12,378	71,039	3,990	3,736	-	78,765				
Insurance	75,447	2,043	77,490	6,163	5,771	-	89,424				
Office Supplies	6,143	6,046	12,189	22,774	3,048	895	38,906				
Royalties	85,224	1,000	86,224	-	4,082	1,959	92,265				
Equipment	6,459	710	7,169	5,980	87	-	13,236				
Interest	-	-	-	296	-	-	296				
Bad Debt	-	-	-	50,867	-	-	50,867				
Conferences and Seminars	1,936	535	2,471	1,718	306	-	4,495				
	6,548,163	1,627,799	8,175,962	1,965,736	1,386,242	267,916	11,795,856				
Less expenses included with revenues on the statement of activities											
Cost of direct benefit to donors	-	-	-	-	-	(267,916)	(267,916)				
Total expenses included in the expense section of the statement of activities	\$ 6,548,163	\$ 1,627,799	\$ 8,175,962	\$ 1,965,736	\$ 1,386,242	\$ -	\$ 11,527,940				

The Minnesota Opera
 Statement of Functional Expenses
 Year Ended June 30, 2024

	Program Services					
	Education, Engagement and Luminary		Total	Administrative and General		
	Production					
Personnel	\$ 4,584,220	\$ 1,079,843	\$ 5,664,063	\$ 1,460,225	\$ 890,158	\$ 8,014,446
Theater Costs	918,705	44,200	962,905	17,292	20,096	1,000,293
Production	923,053	4,467	927,520	48,002	3,790	979,312
Professional Fees	29,036	73,414	102,450	98,785	175,812	377,047
Travel and Entertainment	266,457	31,823	298,280	39,634	57,000	394,914
Advertising and Promotion	58,184	42,819	101,003	45,643	51,681	198,327
Depreciation and Amortization	187,472	250,653	438,125	15,254	14,282	467,661
Printing and Postage	72,785	27,682	100,467	35,925	46,617	183,009
Other Expenses	17,034	12,394	29,428	12,500	5,818	47,746
Information Technology	52,021	27,042	79,063	10,790	31,014	120,867
Dues and Subscriptions	25,093	28,868	53,961	63,201	39,404	156,566
Utilities	94,795	31,527	126,322	7,744	7,250	141,316
Bank Fees and Charges	19,272	16,424	35,696	36,885	27,152	99,733
Repairs and Maintenance	26,439	4,206	30,645	1,115	1,044	32,804
Insurance	63,083	1,708	64,791	5,153	4,825	74,769
Office Supplies	9,323	6,054	15,377	24,800	8,365	48,542
Royalties	73,969	375	74,344	-	8,545	82,889
Equipment	13,920	1,666	15,586	197	-	15,783
Interest	-	-	-	920	-	920
Bad Debt	-	-	-	73,047	-	73,047
Conferences and Seminars	3,298	1,556	4,854	7,496	3,131	15,481
Total Expenses	\$ 7,438,159	\$ 1,686,721	\$ 9,124,880	\$ 2,004,608	\$ 1,395,984	\$ 12,525,472

The Minnesota Opera
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows used for Operating Activities		
Change in net assets	\$ 1,596,481	\$ 3,311,419
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	468,619	467,661
Change in value of beneficial interest in perpetual trust	(40,181)	18,519
Net investment return	(3,228,505)	(2,759,464)
Contributions restricted to endowment	(9,000)	(4,006,500)
Loss on uncollectable contributions and grants receivable	50,867	73,047
Changes in operating assets and liabilities		
Contributions and grants receivable	454,398	439,938
Accounts receivable	(128,299)	(56,566)
Employee retention tax credits receivable	-	1,204,828
Deferred production expenses	(30,169)	70,765
Prepaid expenses	18,754	14,389
Checks issued in excess of unrestricted cash	(964,664)	182,726
Accounts payable	30,039	9,395
Accrued expenses	(8,083)	7,914
Deferred revenue	179,867	86,763
Net Cash used for Operating Activities	<u>(1,609,876)</u>	<u>(935,166)</u>
Cash Flows from (used for) Investing Activities		
Purchases of investments	(2,554,441)	(5,122,793)
Sales of investments	550,941	1,166,292
Purchase of property and equipment	(240,130)	(123,292)
Dissolution and payment from portion of beneficial trust	-	67,184
Withdrawal from endowment	3,099,670	1,000,000
Net Cash from (used for) Investing Activities	<u>856,040</u>	<u>(3,012,609)</u>
Cash Flows from (used for) Financing Activities		
Collections of contributions restricted to endowment	9,000	4,531,500
Principal payments on finance leases	(9,171)	(8,725)
Net Cash from (used for) Financing Activities	<u>(171)</u>	<u>4,522,775</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(754,007)	575,000
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>2,000,000</u>	<u>1,425,000</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 1,245,993</u>	<u>\$ 2,000,000</u>
Cash and Cash Equivalents	\$ 1,240,493	\$ -
Cash Restricted to Endowment	5,500	2,000,000
Total cash, cash equivalents, and restricted cash	<u>\$ 1,245,993</u>	<u>\$ 2,000,000</u>

The Minnesota Opera
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 296</u>	<u>\$ 920</u>

Note 1 - Nature of Organization and Significant Accounting Policies

The Minnesota Opera (the Opera or MN Opera) connects people in the shared pursuit of an empathetic, equitable and joyful life by expanding the circle of musical storytelling.

MN Opera's Program Services includes two distinct categories: 1) programming and 2) education, engagement and Luminary. Programming encompasses all MN Opera produced works, whether performed at the Ordway or in another space that can include the Luminary Arts Center. Education, engagement and Luminary relates to activities that support opera and the arts community at large – from sharing opera through educational programming that spans ages 0-99 to providing space at Luminary Arts Center for artists across all disciplines and communities to have a home in which they feel safe to explore, take risks and create.

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

In 2024-2025, throughout the Minnesota Opera's 62nd season, the company continued to build on its long legacy of producing innovative new work as well as presenting heritage repertoire with tremendous musicality and promising fresh directorial perspectives. In doing so, it routinely demonstrates the art form's ability to cross ideological, generational, and class boundaries, providing a time and place to connect people in pursuit of a more empathetic, equitable, and joyful life.

The season began with *Glam Jam*, a public benefit concert featuring the Minnesota Opera Orchestra and a roster of guest vocalists providing a snapshot of the breadth and depth of the company's artistic legacy, with work ranging from Mozart and Verdi to Grever, Sondheim, and Heggie. The evening also honored community volunteers through the presentation of the Forte Awards for community leadership, philanthropy, and corporate citizenship. The current class of the company's Resident Artist Program complemented the guest artist roster for a spectacular musical evening.

The season continued with the first fully staged operatic presentation of the season, *Romeo and Juliet* by Charles Gounod, with musical direction by Principal Conductor Christopher Franklin, and stage direction by Company Artist Stage Director Margaret Jumonville, based on the original concept staging of Matthew Ozawa. Minnesota Native, tenor Evan LeRoy Johnson made his company debut as Romeo, with frequent guest artist Jasmine Habersham singing Juliet. Recent Resident Artist alumnus Charles H. Eaton returned to sing Mercutio, with bass Adam Lau performing the role of Frere Laurent opposite another Resident Artist graduate, Victoria Vargas as Gertrude. Gounod's retelling of this Shakespeare classic reminds us that we have more in common than we do that separates us, and that humanity's unchecked baser instinct towards tribalism rarely offers a rewarding ending.

The company's season continued with the operatic adaptation of the Caldecott-Award Winning book, *The Snowy Day*. The opera, first commissioned by Houston Grand Opera from composer Joel Thompson and librettist Andrea Pinkney was performed with a brand-new full orchestration commissioned from Thompson for the MN Opera Orchestra. Kelly Kuo served as conductor for this production and Eboni Adams was Director and Choreographer for the show. Raven McMillon, who premiered the role in Houston, returned to interpret the role for these performances, and was joined by Leah Hawkins as Mama, Zulimar Lopez-Hernandez as Amy, and John M'buru as Daddy. An outstanding cast brought the fleeting but indelible, magical memories of childhood to the stage for a multi-generational audience at each performance.

A series of six artist-driven musical events took place during the season, from November through March, under the MNOP+ banner, featuring guest and resident artists to allow audiences a more intimate examination of some of the depth of talent working with the company outside of the opera stage.

The Company returned to the Ordway at the end of the performance season with a staging of *The Barber of Seville*, welcoming Principal Conductor Christopher Franklin back to the podium and Chuck Hudson back to the company as Production Stage Director. Two casts alternated performances of the sparkling Rossini comedy, with Katherine Beck and Kara Morgan sharing the role of Rosina, opposite the Almavivas of Lunga Eric Hallam and David Walton, and two artists as Figaro, Takaoki Onishi and David Wolfe.

This marked the first season in some time that the company moved all its final dress rehearsals to the daytime, allowing students to attend all final rehearsals before the production opened officially to the public.

Finally, MN Opera's commitment to new works remains strong. In preparation for next season's premiere of *My Name is Florence*, by composer B. E. Boykin and Harrison David Rivers, the company held a public "first listen" of the piece in May. This marked the first time that community members had an opportunity to hear the full orchestration of this new work, and the most complete idea of how the piece will play at its premiere. The work follows the life of prolific American composer Florence Price, who made history as the first Black woman to have a symphony performed by a major U.S. orchestra.

Additionally, the company held a piano workshop to help bring *The Many Deaths of Laila Starr* to life on the opera stage. The work, based on the graphic novel of the same name by Ram V., is being created by Kamala Sankaram as composer and Minita Gandhi as librettist. It marks the first time an opera company of our size is adapting a graphic novel as an opera.

And finally, MN Opera continued to offer opportunities for people of all ages to connect to our art-making outside of performance halls. The company worked with the Ordway to bring back new performances of NOOMA, an interactive opera for babies co-commissioned by Carnegie Hall, Minnesota Opera, and San Francisco Opera. We also continued the company's middle and high school training programs with our teaching artists through *Youth Opera Circle* and *Youth Opera Studio*, as well as holding performances of *Stories Sing* in libraries throughout the Twin Cities, and *Opera Connections* for Senior Communities to continue lifelong learning and engagement with musical storytelling.

The Luminary Arts Center marked its third season with an outstanding array of creative, artistic and inspirational works, allowing artists across many disciplines and communities to unleash their powers of discovery and imagination.

Cash, Cash Equivalents, and Cash Restricted to Endowment

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.

The Opera's cash restricted to the endowment as of June 30, 2025 and 2024 was \$5,500 and \$2,000,000, respectively. This represents contributions received where donor has restricted the gift to the endowment, but where MN Opera has temporarily required its use in operations for the short term or where timing of transfer to the endowment crossed a year end. MN Opera's intent is to transfer the funds to the endowment as soon as is practicable.

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 contributions and grants receivable based on historical experience, age of outstanding balance, and a review of individual donor circumstances. Contributions and grants receivable are written off when deemed uncollectable. At June 30, 2025 and 2024, the allowance was \$41,745 and \$83,047, respectively.

Accounts Receivables and Allowance for Credit Losses

Accounts receivable consists primarily of non-interest-bearing amounts due for various purposes. Management determines the allowance for credit losses based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management reviews all aged balances due on a quarterly basis and makes an assessment of collectability for each one. Accounts receivable are written off when deemed uncollectible. If accounts are significantly past due, the accounts are written off after all collection efforts have been exhausted. Additionally, management has determined that the current, reasonable, and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. There was no allowance determined to be necessary as of June 30, 2025 and 2024 and there were no additions, charge-offs or recoveries during the years ended June 30, 2025 and 2024.

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, 2023, June 30, 2024, and June 30, 2025, were \$62,031, \$118,597, and \$246,986, respectively. The Opera's deferred revenues as of July 1, 2023, June 30, 2024, and June 30, 2025, were \$1,027,372, and \$1,114,135, and \$1,294,002, 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, 2025 and 2024.

Investments

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 contributions and grants receivable, 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 approximately \$4,000,000 conditional grants or contributions for the years ended June 30, 2025 and 2024.

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, 2025 and 2024.

Advertising and Promotion Costs

Advertising costs are expensed as incurred. Such costs were \$148,113 and \$155,636 for the years ended June 30, 2025 and 2024, 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.

Production expenses include direct and allocated costs attributable to building, rehearsing, staging and performing the art of opera. Education, Engagement and Luminary expenses include direct and allocated costs related to MN Opera's educational programming, community outreach events and activities, as well as costs related to non-MN Opera activities at the Luminary Arts Center.

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.

Reclassifications

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

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. 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 or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2025 and 2024, the Opera had approximately \$620,000 and \$801,000, respectively, in excess of FDIC insurance 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 Finance 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 Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Subsequent Events

Subsequent to year end, the Opera has evaluated subsequent events through November 6, 2025, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

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

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,240,493	\$ -
Contributions and grants receivable	97,640	468,669
Accounts receivable	246,896	118,597
Distribution pursuant to endowment spending-rate	<u>1,344,123</u>	<u>1,180,018</u>
	<u><u>\$ 2,929,152</u></u>	<u><u>\$ 1,767,284</u></u>

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

The Board-designated endowment of \$1,574,096 and \$1,567,533 as of June 30, 2025 and 2024, respectively, is subject to an annual spending rate as described in Note 9. Although the Opera does not intend to spend from this Board-designated endowment, these amounts could be made available if necessary.

Additionally, the Opera maintained a \$1,000,000 line of credit as of June 30, 2025 and 2024, as discussed in more detail in Note 7. As of June 30, 2025 and 2024, \$1,000,000 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.

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.

Assets measured at fair value on a recurring basis at June 30, 2025 and 2024, 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, 2025</u>				
Cash and cash equivalents	\$ 2,424,857	\$ -	\$ -	\$ -
Equities	21,918,872	21,918,872	-	-
Fixed income	4,324,038	-	4,324,038	-
Real Assets	1,294,448	1,294,448	-	-
Beneficial interest in perpetual trusts	539,285	-	-	539,285
	<u>\$ 30,501,500</u>	<u>\$ 23,213,320</u>	<u>\$ 4,324,038</u>	<u>\$ 539,285</u>
<u>June 30, 2024</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 3,409,805	\$ -	\$ -	\$ -
Equities	18,173,283	18,173,283	-	-
Fixed income	4,514,846	-	4,514,846	-
Real Assets	1,731,948	1,731,948	-	-
Beneficial interest in perpetual trusts	499,104	-	-	499,104
	<u>\$ 28,328,986</u>	<u>\$ 19,905,231</u>	<u>\$ 4,514,846</u>	<u>\$ 499,104</u>

For the years ended June 30, 2025 and 2024, there were no transfers, issuances, or purchases within the Level 3 investments.

Note 4 - Contributions and Grants Receivable

Contributions and grants receivable are estimated to be collected as follows at June 30, 2025 and 2024:

	2025	2024
Within one year	\$ 437,015	\$ 958,269
In one to five years	290,675	315,988
	<hr/>	<hr/>
	727,690	1,274,257
Less discount to net present value (2%)	(17,577)	(17,577)
Less allowance for uncollectible contributions and grants	(41,745)	(83,047)
	<hr/>	<hr/>
	\$ 668,368	\$ 1,173,633

At June 30, 2025, three donors accounted for 50%, and at June 30, 2024, two donors accounted for 35%, of contributions and grants receivable. One donor accounted for approximately 38% and two donors accounted for approximately 56% of total contributions excluding contributions from the Arts Partnership, for the years ended June 30, 2025 and 2024, respectively.

Note 5 - Deferred Production Expenses

Deferred production expenses are estimated as follows at June 30, 2025 and 2024:

	2025	2024
Current deferred production expenses	\$ 101,331	\$ 71,162
Noncurrent deferred production expenses	-	-
	<hr/>	<hr/>
	\$ 101,331	\$ 71,162

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2025 and 2024:

	2025	2024
Land	\$ 2,253,100	\$ 2,253,100
Equipment	2,712,359	2,686,782
Buildings	11,014,172	10,774,041
Construction in process	3,176	3,176
	<hr/>	<hr/>
Less accumulated depreciation	15,982,807	15,717,099
	(6,357,436)	(5,872,009)
	<hr/>	<hr/>
	\$ 9,625,371	\$ 9,845,090

Note 7 - Line of Credit

The Opera maintains a revolving line of credit with a bank that bears interest at the Prime Rate minus 0.55% margin (the Prime Rate was 7.5% and 8.5% at June 30, 2025 and 2024, respectively), and whose draws are not to exceed \$1,000,000, that expires on January 31, 2026. The line of credit is collateralized by substantially all real property assets of the Opera, but first by the Opera's warehouse located at 749 NE Stinson Blvd in Minneapolis, MN. There was a balance due of \$0 on the note as of June 30, 2025 and 2024. The agreement requires the Opera to comply with certain financial and non-financial covenants.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2025 and 2024:

	2025	2024
Subject to Expenditure for Specified Purpose		
60th Anniversary	\$ -	\$ 29,955
Future seasons	798,343	126,569
Impact	4,400	192,680
Sustainability	4,625,579	3,617,699
Unconditional promises to give, the proceeds from which have been restricted by donors for sustainability	625,151	549,338
	<hr/>	<hr/>
	6,053,473	4,516,241

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 Notes to Financial Statements
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	2025	2024
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Available for general use	742,339	483,572
Future seasons	119,997	115,012
Education	21,423	165,543
Capital funds	<u>124,166</u>	<u>121,528</u>
	<u>1,007,925</u>	<u>885,655</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General use	\$ 14,688,023	\$ 14,429,021
Future seasons	1,190,717	1,190,717
Education	350,000	350,000
Capital funds	630,000	630,000
Sustainability	<u>12,103,396</u>	<u>12,353,396</u>
Unconditional promises to give, net - permanently restricted to general endowment	<u>-</u>	<u>250,000</u>
	<u>28,962,136</u>	<u>29,203,134</u>
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	<u>539,285</u>	<u>499,104</u>
Total endowments	<u>30,509,346</u>	<u>30,587,893</u>
	<u><u>\$ 36,562,819</u></u>	<u><u>\$ 35,104,134</u></u>

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, 2025 and 2024:

	2025	2024
Satisfaction of Purpose Restrictions		
60th Anniversary	\$ 29,955	\$ 13,097
Future seasons	126,569	225,156
Impact	192,680	5,012
Production loan reserve	-	103,902
	<hr/> 349,204	<hr/> 347,167
Change in Donor Intent	<hr/> 250,000	<hr/> -
Restricted-Purpose Spending-Rate Distributions and Appropriations		
General use	2,723,099	854,487
Future seasons	119,946	44,187
Education	35,257	12,988
Capital funds	63,463	23,379
	<hr/> 2,941,765	<hr/> 935,041
	<hr/> <hr/> \$ 3,540,969	<hr/> <hr/> \$ 1,282,208

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 9 - 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, 2025, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,574,096	\$ -	\$ 1,574,096
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	29,501,421	29,501,421
Accumulated investment gains	-	1,007,925	1,007,925
	<hr/> <u>\$ 1,574,096</u>	<hr/> <u>\$ 30,509,346</u>	<hr/> <u>\$ 32,083,442</u>

As of June 30, 2024, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,567,533	\$ -	\$ 1,567,533
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	- -	29,702,238	29,702,238
Accumulated investment losses	<hr/> - -	<hr/> 885,655	<hr/> 885,655
	<hr/> <hr/> \$ 1,567,533	<hr/> <hr/> \$ 30,587,893	<hr/> <hr/> \$ 32,155,426

Included in the balance of donor-restricted endowment funds as of June 30, 2025 and 2024, are \$539,285 and \$499,104, 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 a target spending rate of between 4.5% and 7% based on a 12-quarter average market value at the time each year's budget is approved by the Board. 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. As of June 30, 2025 and 2024, 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.

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Changes in endowment net assets for the year ended June 30, 2025, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,567,533	\$ 30,587,893	\$ 32,155,426
Investment return, net	164,468	3,064,037	3,228,505
Change in value of beneficial interest in perpetual trust	-	40,181	40,181
Contributions	-	9,000	9,000
Change in donor intent	-	(250,000)	(250,000)
Appropriation of endowment assets for expenditure	<u>(157,905)</u>	<u>(2,941,765)</u>	<u>(3,099,670)</u>
Endowment net assets, end of year	<u>\$ 1,574,096</u>	<u>\$ 30,509,346</u>	<u>\$ 32,083,442</u>

Changes in endowment net assets for the year ended June 30, 2024, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,750,470	\$ 24,954,742	\$ 26,705,212
Investment return, net	179,253	2,580,211	2,759,464
Change in value of beneficial interest in perpetual trust	-	(18,519)	(18,519)
Contributions	-	4,006,500	4,006,500
Transfer	(297,231)	-	(297,231)
Appropriation of endowment assets for expenditure	<u>(64,959)</u>	<u>(935,041)</u>	<u>(1,000,000)</u>
Endowment net assets, end of year	<u>\$ 1,567,533</u>	<u>\$ 30,587,893</u>	<u>\$ 32,155,426</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 between 4.5% and 7.0%. 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 10 - 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, 2025 and 2024, the Opera contributed \$100,219 and \$90,688, 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 multi-employer defined benefit pension plan with retirement expense for this union plan of \$51,282 and \$63,114 for the years ending June 30, 2025 and 2024, respectively. The other union retirement plan is a defined contribution plan. Retirement expense for this union plan was \$9,445 and \$13,838 for the years ending June 30, 2025 and 2024, 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 December 31. In July 2024, the Plan notified its stakeholders that they received Special Finance Assistance under the American Rescue Plan Act of 2021 designed to give the AFM-EPF and other eligible plans the additional funding they need so that they are projected to be able to pay benefits and administrative expenses through the Plan year ending 2051 without reductions to participants' benefits. The Plan received over \$1.5 billion in Special Financial Assistance on August 12, 2024. Under the rules for receiving Special Financial Assistance, the Plan is still considered to be in "critical" status through the Plan year ending 2051, even if it would otherwise not be in critical status based on the funding measures that apply to plans without Special Financial Assistance. As of the most recent Plan year ended December 31, 2023, the total number of employers obligated to contribute to the Plan are approximately 3,972. No employer contributed more than 5% of the total contributions to the Plan during that year.

Note 11 - 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, 2025 and 2024, were \$867,765 and \$842,490, respectively. Total payments to the Ordway in the years ended June 30, 2025 and 2024, included base license fees, were \$1,634,049 and \$1,631,901, 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, 2025 and 2024, the Opera received a contribution of \$675,552 and \$663,806, 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, 2025 and 2024, the Opera received a stabilization contributions of \$1,388,344 and \$800,000, respectively, from the Arts Partnership. These contributions are reflected as contributions in the statement of activities and changes in net assets and the Opera’s participation is reflected in fundraising expenses.

Note 12 - Related Party Transactions

The MN Opera receives gifts and pledges from Board members and staff. Gifts received from Board members and staff were \$325,165 and \$4,576,330 in the years ended June 30, 2025 and 2024, respectively. Pledges receivable from Board members and staff were \$329,108 and \$309,450 as of June 30, 2025 and 2024, respectively.

Note 13 - Commitments and Contingencies

On June 2, 2023, the MN Opera entered into its new four-year contract with the Twin Cities Musicians Union (TCMU) - Local 30-73 American Federation of Musicians (AFM) to secure various operating and compensation terms with the Minnesota Opera Orchestra. The contract terms remain in effect from July 1, 2022, through June 30, 2026, and include a base compensation per service rate (SCALE) for each fiscal year that increases between 2% and 4% each year. Minimum annual salaries are also included in the contract terms for core orchestra musicians where the core musicians meet stated criteria for accepting offered services and are not granted personal or emergency leave during the fiscal season. In addition, the MN Opera is obligated to contribute to the AFM and Employers' Pension Fund for all qualified participants between 8-9% each year over the four-year contract. Per the contract terms, all Minnesota Opera Orchestra members must be in good standing with the TCMU.

On June 30, 2024, the MN Opera entered into a contract with the Local Number 13 International Alliance of Theatrical Stage Employees Moving Picture Technicians, Artists and Allied Crafts of the United States, Its Territories, and Canada (IATSE). The contract terms remain in effect from July 1, 2024, to June 30, 2028, and cover theatrical stage workers for activities that occur within the Opera Center and the Luminary Arts Center. MN Opera has agreed to cumulative minimum raises totaling 13% across the four-year contract. The contract also includes terms related to paid holidays, vacation accrual and payouts, sick leave, seniority, hours of work, overtime, minimum pay rates, healthcare benefits and pension contributions to the Local 13 IATSE Plan & Trust. Per the contract terms, all theatrical stage employees must be in good standing with the IATSE.

Employer Retention Tax Credits

The Opera's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government. The Opera does not believe they are at risk for disallowed claims and that they have properly recognized the revenue.