

Opera Omaha, Inc.

Financial Statements and
Independent Auditor's Report

June 30, 2022

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Independent Auditor's Report

Board of Directors
Opera Omaha, Inc.
Omaha, Nebraska

Opinion

We have audited the accompanying financial statements of Opera Omaha, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opera Omaha, Inc. as of June 30, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Opera Omaha, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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, which raise substantial doubt about Opera Omaha, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Opera Omaha, Inc.'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, which raise substantial doubt about Opera Omaha, Inc.'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.

Report on Summarized Comparative Information

The financial statements of the Organization as of June 30, 2021 were audited by other accountants whose report dated January 25, 2022, stated that based on their procedures, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2021 Financial Statements

The previously audited 2021 financial statements expressed an unmodified opinion in the report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

AGSN, P.C.

Omaha, Nebraska
March 29, 2023

Opera Omaha, Inc.

Statements of Financial Position

June 30, 2022

(With Comparative Totals as of June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 89,981	\$ -	\$ 89,981	\$ 347,775
Unconditional promises to give	817,025	461,646	1,278,671	1,280,656
Other receivables	33,214	-	33,214	655,279
Prepaid expenses	302,451	-	302,451	44,603
Total Current Assets	1,242,671	461,646	1,704,317	2,328,313
Noncurrent Assets				
Investments	612,337	4,966,227	5,578,564	4,579,415
Unconditional promises to give	1,079,374	264,000	1,343,374	1,304,026
Property and equipment, net of accumulated depreciation	116,893	-	116,893	81,403
Total Noncurrent Assets	1,808,604	5,230,227	7,038,831	5,964,844
Total Assets	\$ 3,051,275	\$ 5,691,873	\$ 8,743,148	\$ 8,293,157
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 183,108	\$ -	\$ 183,108	\$ 247,546
Deferred revenue	314,095	-	314,095	220,658
Total Current Liabilities	497,203	-	497,203	468,204
Net Assets				
Without donor restrictions	2,554,072	-	2,554,072	2,799,655
With donor restrictions	-	5,691,873	5,691,873	5,025,298
Total Net Assets	2,554,072	5,691,873	8,245,945	7,824,953
Total Liabilities and Net Assets	\$ 3,051,275	\$ 5,691,873	\$ 8,743,148	\$ 8,293,157

See notes to financial statements.

Opera Omaha, Inc.

Statements of Activities

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Ticket sales	\$ 407,765	\$ -	\$ 407,765	\$ 18,908
Sets and lighting rental	20,462	-	20,462	3,032
Miscellaneous revenue	-	-	-	150
Investment return, net	(62)	(443,232)	(443,294)	556,123
Total Revenue	428,165	(443,232)	(15,067)	578,213
Support				
Contributions				
Individuals	568,048	15,000	583,048	527,883
Corporations	62,098	90,000	152,098	164,200
Foundations	1,645,062	190,706	1,835,768	1,983,832
Campaign	-	1,735,135	1,735,135	945,000
In-kind contributions	104,996	-	104,996	21,604
Grants	318,756	114,451	433,207	1,486,401
Gross special events revenue	309,320	-	309,320	96,180
Less cost of direct benefits to donors	(57,881)	-	(57,881)	(3,202)
Total Support	2,950,399	2,145,292	5,095,691	5,221,898
Net assets released from restrictions	1,035,485	(1,035,485)	-	-
Total Revenue and Support	4,414,049	666,575	5,080,624	5,800,111
Expenses				
Program services	3,746,388	-	3,746,388	2,243,174
Management, general and fundraising	913,244	-	913,244	927,465
Total Expenses	4,659,632	-	4,659,632	3,170,639
Change in net assets	(245,583)	666,575	420,992	2,629,472
Net Assets, Beginning of Year	2,799,655	5,025,298	7,824,953	5,195,481
Net Assets, End of Year	\$ 2,554,072	\$ 5,691,873	\$ 8,245,945	\$ 7,824,953

See notes to financial statements.

Opera Omaha, Inc.

Statements of Cash Flows

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 420,992	\$ 2,629,472
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,367	108,286
Realized and unrealized (gain) loss on investments	443,294	(529,700)
Contributions restricted for long-term investment	-	(620,000)
(Increase) decrease in assets:		
Unconditional promises to give	37,363	(293,661)
Prepaid expenses	(257,848)	(4,979)
Other receivables	622,065	(487,461)
Increase (decrease) in current liabilities:		
Accounts payable	64,438	109,107
Deferred revenue	(93,437)	6,293
Net Cash Provided by Operating Activities	1,294,234	917,357
Cash Flows from Investing Activities		
Purchase of property and equipment	(92,857)	(7,866)
Purchase of investments	(1,790,052)	(2,362,048)
Redemption of investments	330,881	1,478,990
Net Cash Used in Investing Activities	(1,552,028)	(890,924)
Cash Flows from Financing Activities		
Decrease in line of credit	-	(300,000)
Proceeds from short-term debt	-	(255,109)
Proceeds from contributions restricted for long-term investment	-	620,000
Net Cash Provided by Financing Activities	-	64,891
Net Change in Cash and Cash Equivalents	(257,794)	91,324
Cash and Cash Equivalents, Beginning of Year	347,775	256,451
Cash and Cash Equivalents, End of Year	\$ 89,981	\$ 347,775
Supplemental Disclosure		
Interest paid	\$ 1,551	\$ 1,751

See notes to financial statements.

Opera Omaha, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022						2021
	Program	Supporting Services			Cost of		
	Services -						
	Opera	Management	Fundraising	Combined	Goods Sold	Total	Total
	Productions	and General		Total			
Salaries	\$ 837,061	\$ 168,061	\$ 167,672	\$ 335,733	\$ -	\$ 1,172,794	\$ 1,208,049
Employee benefits/taxes	82,768	15,807	8,129	23,936	-	106,704	240,044
Performance fees	1,104,834	-	-	-	-	1,104,834	532,736
Orchestra	187,553	-	-	-	-	187,553	65,026
Sets and props	313,064	-	-	-	-	313,064	157,246
Marketing	387,732	-	-	-	-	387,732	209,436
Travel and per diem	332,005	3,446	1,848	5,294	-	337,299	37,110
Costuming	95,064	-	-	-	-	95,064	20,963
Box office - program and ticket	89,035	-	-	-	-	89,035	23,460
Occupancy	166,790	155,886	-	155,886	-	322,676	204,871
Office/administrative expenses	18,887	26,737	5,661	32,398	-	51,285	152,244
Telephone	-	17,246	-	17,246	-	17,246	18,748
Development/fundraising	-	-	158,543	158,543	-	158,543	40,998
Interest expense	-	1,551	-	1,551	-	1,551	1,751
Instrument and music rental	5,422	-	-	-	-	5,422	5,971
Professional fees	-	87,318	34,220	121,538	-	121,538	96,400
Conferences and seminars	27,147	18,359	-	18,359	-	45,506	16,937
Depreciation	33,748	23,619	-	23,619	-	57,367	108,286
Dues and subscriptions	3,285	3,147	-	3,147	-	6,432	4,081
Insurance	10,310	11,800	4,194	15,994	-	26,304	22,754
Cost of direct benefits to donors	-	-	-	-	57,881	57,881	3,202
Audio and video	51,683	-	-	-	-	51,683	3,528
Total expenses	3,746,388	532,977	380,267	913,244	57,881	4,717,513	3,173,841
Cost of direct benefits to donors	-	-	-	-	(57,881)	(57,881)	(3,202)
Total expenses included in the expense section of the statement of activities	\$ 3,746,388	\$ 532,977	\$ 380,267	\$ 913,244	\$ -	\$ 4,659,632	\$ 3,170,639

See notes to financial statements.

Opera Omaha, Inc.

Notes to Financial Statements

Note 1—Summary of Significant Account Policies

Opera Omaha, Inc. (the Opera) reports in accordance with the audit and accounting guide “Not-For-Profit Organizations” published by the American Institute of Certified Public Accountants. Under the provisions of that guide, the following accounting policies, some of which are unique to non-profit organizations, are followed:

Nature of Activities

The Opera is a private nonprofit organization dedicated to enriching the quality of life in our community by creating professional opera and music theatre. The Opera produces a season of original main stage productions, presented at the historic Orpheum Theater, and small productions and musical events throughout the community. The Opera is internationally known for its productions of eight world premieres and four American premieres of classical masterpieces and is highly regarded regionally for an extensive education and outreach program that annually reaches thousands from elementary school through adulthood.

Basis of Accounting

The financial statements of the Opera have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements of the Opera report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for the artistic excellence program.
- Net assets with donor restrictions are resources subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the Opera’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with GAAP required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Opera Omaha, Inc.

Notes to Financial Statements

Note 1—Summary of Significant Account Policies (Continued)

Fair Market Value of Financial Instruments

GAAP defines fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All financial instruments are carried at amounts that approximate estimated fair value.

Cash and Cash Equivalents

The Opera considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding cash and cash equivalents in investment portfolios.

	<u>2022</u>
Cash and cash equivalents	\$ 89,981
Restricted cash	<u>-</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 89,981</u>

Unconditional Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Opera. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques using a risk adjusted discount rate. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. 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. The Opera receives contributions principally from individuals and organizations located in Nebraska and Iowa. The Opera writes off pledged and accounts receivable as they are determined to be uncollectible.

Other Receivables

Other receivables consist of trade receivables for ticket sales, program advertising, sponsorships and government grants. Management monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible or establishes an allowance for doubtful accounts. The Opera did not have an allowance for doubtful accounts as of June 30, 2022.

Investments

Investments that are purchased are recorded at cost. Investments that are donated are recorded at fair value on the date of donation. Thereafter, investments are reported at fair value. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investments are composed of common trust funds investing in debt and equity securities and mutual funds.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Useful lives range from three to thirty-nine years. The Opera's policy is to capitalize all assets costing more than \$500 with an estimated useful life greater than one year.

Opera Omaha, Inc.

Notes to Financial Statements

Note 1—Summary of Significant Account Policies (Continued)

Revenue Recognition

Revenue from ticket sales, grants and sponsorships is recognized when the performance obligations of providing the services are met. Revenue prior to that time is recorded as deferred revenue.

Contributions

Contributions are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. One donor's contributions consisted of 18% of total support for the year and 67% of the total promises to give at June 30, 2022.

Advertising Expense

The Opera expenses advertising as incurred. Advertising expense was \$387,732 for the year ended June 30, 2022.

Sales Tax

The Opera collects sales tax from ticket sales and remits the appropriate amounts to the State of Nebraska. The Opera's accounting policy is to include the tax collected and remitted to the State of Nebraska in ticket revenue and show the expense in box office sales tax expense.

Functional Allocation of Expenses

Functional expenses that are not directly attributed to specific program services or supporting services are allocated based upon staff time spent on a particular program service or supporting service. Salaries and benefits are allocated based on estimates of time and effort.

Recently Issued Accounting Pronouncement

Recently, the FASB has issued new accounting pronouncements as follows:

- ASU No. 2016-02, Leases (Topic 842) which supersedes leases (Topic 840). This guidance is intended to improve the quality and comparability of financial reporting by providing greater transparency about leverage, the assets of an organization used in its operations, and the risks to which it is exposed from entering into leasing transactions.

The above pronouncement will be effective for the Opera for the fiscal year beginning on July 1, 2022. Management is evaluating the effect these standards will have on the financial statements.

Note 2—Organization and Tax Status

The Opera is exempt from income taxes as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, accordingly, the financial statements do not reflect a provision for income taxes. The Opera's Form 990 is subject to examination by the Internal Revenue Service for a period of three years.

Opera Omaha, Inc.

Notes to Financial Statements

Note 3—Promises to Give

Promises to give at June 30, 2022 are as follows:

Fellowship endowment	\$ 508,000
Programs	40,000
General use	<u>2,124,721</u>
Total	<u>\$ 2,672,721</u>
Receivable in less than one year	\$ 1,278,671
Receivable in one to five years	<u>1,394,050</u>
Total Unconditional Promises to Give	<u>2,672,721</u>
Less discounts to net present value	<u>(50,676)</u>
Total Unconditional Promises to Give at June 30, 2022	<u>\$ 2,622,045</u>

Promises to give in more than one year are discounted at 3.75%.

The Opera has received a conditional promise to give in the amount of \$2,500,000 from a foundation for matching gifts for the Fellowship endowment.

The Opera has received a conditional promise to give in the amount of \$100,000 from a foundation for matching gifts for the Fellowship program.

Note 4—Liquidity and Availability

The following reflects the Opera's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2022 because of contractual or donor-imposed restrictions or internal designations:

Financial assets:	
Cash	\$ 89,981
Unconditional promises to give	2,622,045
Other receivables	33,214
Investments	<u>5,578,564</u>
Total financial assets available within one year	8,323,804
Less amounts unavailable for general expenditures within one year due to:	
Amounts restricted by donors	<u>(5,691,873)</u>
Total amounts unavailable for general expenditures within one year	(5,691,873)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,631,931</u>

Note 4—Liquidity and Availability (Continued)

The Opera's liquidity policy is to ensure that the Opera operates within an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs. Liquid funds that are without donor restriction will be used to satisfy the minimum liquidity target. Additionally, the Opera does not intend to spend these funds for purposes other than those identified that could be used to help manage unanticipated liquidity needs. Further, the Opera has the ability to access additional resources through a line-of-credit agreement with the bank.

Note 5—Investments

The Opera's investments include marketable securities and are measured at estimated fair value on a recurring basis using available market information.

Note 6—Fair Value Measurement

The Opera reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs of the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Regarding the determination of when transfers between levels of the fair value hierarchy are deemed to have occurred, the Opera evaluates the transfer as of the event or change in circumstances that caused the transfer.

When available, the Opera measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the Opera is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Opera's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give,
- recurring measurement of investments, and
- recurring measurement of beneficial interests in trusts.

Opera Omaha, Inc.

Notes to Financial Statements

Note 6—Fair Value Measurement (Continued)

The Opera used the following methods and significant assumptions to estimate fair value:

Money market funds: Determined by the published net asset value per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Exchange-traded and closed-ended mutual funds: Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Government securities: Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Total	Fair Value Measurements at June 30, 2022		
		Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 327,952	\$ 327,952	\$ -	\$ -
Equity funds	1,835,541	1,835,541	-	-
Fixed income funds	2,401,528	2,401,528	-	-
Government Securities	354,597	354,597	-	-
Mutual funds	658,946	658,946	-	-
	<u>\$ 5,578,564</u>	<u>\$ 5,578,564</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term investment returns consist of the following:

	2022
Interest and dividends	\$ 64,683
Realized gains (losses)	394,165
Unrealized gains (losses)	(877,635)
	<u>(418,787)</u>
Investment expenses	(24,507)
Total	<u>\$ (443,294)</u>

Note 7—Property and Equipment

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

Furniture and equipment	\$ 1,087,033
Leasehold improvements	75,816
	<u>1,162,849</u>
Less accumulated depreciation	1,045,956
Property and equipment, net of accumulated depreciation	<u>\$ 116,893</u>

Opera Omaha, Inc.

Notes to Financial Statements

Note 8—Line of Credit

The Opera has a \$500,000 revolving line of credit with a bank dated February 28, 2022. Interest payments are payable monthly at the U.S. prime rate. The outstanding principal is due on demand. There was an unused amount of the line of credit of \$500,000 at June 30, 2022. The line of credit is secured by inventory, equipment and receivables and matures on February 28, 2023.

Note 9—Deferred Revenue

The Opera had received \$148,095 on advance ticket sales and \$166,000 for sponsorships and grants at June 30, 2022 for the 2022-2023 season. As each production is presented, that portion of the advance ticket collections and sponsorships which pertains to that production will be recognized as revenue. In the event that any of the scheduled productions for the 2022-2023 season are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

Note 10—Commitments

The Opera entered into a lease for its office facility during October 2011. Monthly rental payments of \$6,743 are due starting January 1, 2012 through December 31, 2021. This lease was renewed for an additional five years through December 31, 2026 at the same rent amount.

The Opera entered into a lease for storage and rehearsal space during May 2019. Monthly variable rental payments of between \$5,955 and \$6,809 are due through June 30, 2029.

The minimum annual payments under these leases for subsequent fiscal years are as follows:

2023	\$	152,397
2024	\$	147,046
2025	\$	154,656
2026	\$	155,811
2027	\$	156,983
2028-2029	\$	162,213

Rent expense was \$155,886 for the year ended June 30, 2022.

As of June 30, 2022, the Opera had entered into commitments for productions for the upcoming 2022-2023 season totaling \$225,312.

Opera Omaha, Inc.

Notes to Financial Statements

Note 11—Net Assets

The detail of the Opera's net asset categories at June 30, 2022, is as follows:

Without Donor Restrictions:	
Undesignated	\$ 2,554,072
Total without donor restrictions	<u>2,554,072</u>
With Donor Restrictions:	
Subject to expenditure for specified purpose:	
Artistic initiatives	74,078
Other	39,087
Total with donor restrictions	<u>113,165</u>
Endowments:	
Subject to appropriation and expenditure when a specified event occurs	
Endowment - Crescendo campaign	2,025,889
Endowment - Hearst	(7,645)
Endowment - Rice	30,522
Endowment - Fellowship	(184,103)
Total endowments	<u>1,864,663</u>
Subject to NFP endowment spending policy and appropriation:	
Endowment - Hearst	100,000
Endowment - Rice	383,007
Endowment - Fellowship	2,544,479
Unconditional promises to give, net - perpetually restricted	686,559
Total subject to NFP endowment spending policy and appropriation	<u>3,714,045</u>
Total endowments	<u>5,578,708</u>
Total with donor restrictions	<u>5,691,873</u>
Total net assets	<u>\$ 8,245,945</u>

The Crescendo Campaign began in the year ended June 30, 1997. Until December 31, 2003, all of the income of the fund was disbursed to support the activities of the Opera. After December 31, 2003, all of the income and up to five percent of the value of the fund can be disbursed to support the activities of the Opera. Any income which is not disbursed in one year may be carried forward and disbursed in future years.

The Opera was awarded a \$100,000 grant from the William Randolph Hearst Endowed Fund in December 2001. The grant funds are to be used for establishing an endowment with the principal remaining intact and the income to be used for scholarships and programs.

The Opera received a gift of \$383,007 from an estate in 2014. The gift required the principal to be retained and invested, and the income only to be used for general purposes.

The Opera started the Holland Community Opera Fellowship fund in 2019. Gifts to this fund require the principal to be retained and invested, and the income only to be used for operating the Holland Community Opera Fellowship.

Opera Omaha, Inc.

Notes to Financial Statements

Note 11—Net Assets (Continued)

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of purpose restrictions:	
Production sponsorships	255,000
Productions	96,212
One campaign	131,089
Government assistance	18,239
Crescendo campaign	250,000
Various programs	285,185
	<hr/>
Total net assets released from restrictions	<u>\$ 1,035,725</u>

Note 12—In-Kind Contributions

The Opera's financial statements include the following in-kind contributions in revenue, gains, and support for the year ended June 30, 2022:

Donated materials	<u>\$ 104,996</u>
Total	<u>\$ 104,996</u>

Volunteers donate significant amounts of their time to the Opera's program and supporting services; however, the financial statements do not reflect the value of these services because they do not meet recognition criteria prescribed by U.S. GAAP. The Opera generally receives donated services from members of the Craftmen's Guild. The donated services were \$1,305 for the year ended June 30, 2022.

Donated materials are recorded at fair value at the date of the donation. Unless otherwise noted, in-kind contributions did not have any donor-restrictions.

Note 13—Retirement Plan

The Opera established a 403(b) plan during the year ended July 1, 1999. All full-time salaried employees are eligible to participate after one month of service. The Opera made a discretionary contribution of 3% of employee wages. Total pension expense was \$34,217 for the year ended June 30, 2022.

Note 14—Endowments

The Opera's endowments include donor-restricted endowment funds and funds designated by the Opera to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including the funds designated by the Opera to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Opera has the following endowments:

Crescendo Endowment – The Crescendo endowment is to fund the Opera's need for equipment and other resources which will directly enhance the Opera's ability to earn or raise revenue, provide resources for outreach programs, special projects or productions of unusual merit and supplement any required operating expenses.

Opera Omaha, Inc.

Notes to Financial Statements

Note 14—Endowments (Continued)

William Randolph Hearst Endowed Funds – The Hearst endowment is to provide funding for education and outreach activities.

David M. Rice Endowed Funds – The Rice endowment is to provide funding for general operations.

Opera Omaha Fellowship Endowment – In August 2017, the Holland Community Opera Fellowship Program was announced. This resident-artist program brings community-minded professional opera singers to live and work in Omaha. This ground-breaking program has dramatically increased the Company's relevance in the community. The Holland Foundation has given the Opera an opportunity to raise the resources needed to secure the future of the Opera's Holland Community Opera Fellowship Program; they have offered a \$2.5 million challenge grant. At the end of the fiscal year 2022, \$1,581,135 has been pledged towards this endowment.

Interpretation of Relevant Law

This Policy Regarding Donor Restricted Funds was adopted by the Executive Committee of the Board of Directors of the Opera on July 21, 2009. The Nebraska Legislature adopted LB 136, the Uniform Prudent Management of Institutional Funds Act ("NUPMIFA") in 2007. In order to comply with the portions of the NUPMIFA pertaining to donor restricted funds, the Board adopted the following policy:

Subject to the intent of a donor expressed in the gift instrument, the Opera may appropriate for expenditure or accumulate so much of an endowment fund as the Opera determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Opera.

In accordance with NUPMIFA, the Opera, in addition to acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, shall consider, if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. the duration and preservation of the endowment fund,
2. the purposes of the institution and the endowment fund,
3. general economic conditions,
4. the possible effect of inflation or deflation,
5. the expected total return from income and the appreciation of investments; and
6. other resources of the Opera.

Terms in a gift instrument designating a gift as an "endowment," or a direction or authorization in the gift instrument to use only income, interest, dividends, rents, issues, or profits, or to preserve the principal intact, or words of similar import:

1. create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purpose of the fund.
2. do not otherwise limit the authority to appropriate for expenditure or accumulate as described below.

Opera Omaha, Inc.

Notes to Financial Statements

Note 14—Endowments (Continued)

Endowment Activity

The Opera's endowment had the following activity as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions
Changes in Endowment Net Assets for the Year Ended June 30, 2022		
Endowment net assets, beginning of year	\$ -	\$ 3,736,149
Investment return:		
Investment fees	-	(21,294)
Investment return (net)	-	(303,660)
Total investment return	-	(324,954)
Contributions	-	1,833,103
Appropriations of endowment assets for expenditures	-	(219,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,025,298</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2022

Donor-restricted endowment funds	\$ -	\$ 5,025,298
Unrestricted endowment funds	-	-
Total	<u>\$ -</u>	<u>\$ 5,025,298</u>

Funds with Deficiencies

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 NUPMIFA requires the Opera to retain as a fund of perpetual duration. The Holland fellowship endowment and Hearst endowment had deficiencies of \$184,103 and \$7,645, respectively, at June 30, 2022. Management expects the balances to be restored when the market improves but would use cash to restore the balances if necessary.

Investment Policy

At the beginning of each fiscal year, the Board of Directors, based on recommendation of the Finance Committee, shall determine the investment policy to be followed by the endowments for that year. Asset allocation policy – the general range for fixed income investments is 20% to 60%, equity investments 40% to 70%, cash and short-term investments up to 30%. The investment policy of the endowment shall be to maximize the return on the endowment's assets commensurate with preservation of those assets.

Distribution Policy

The Opera may disburse any or all of the income of the Crescendo endowment to support the activities of the Opera. The Opera may annually disburse any or all of the income and up to five percent of the value of the Crescendo endowment on the first day of the year. Any income which is not disbursed in one year may be carried forward and disbursed in future years. The Opera may disburse only the Hearst endowment's income of the Opera's education and outreach activities.

Opera Omaha, Inc.

Notes to Financial Statements

Note 15—Implementation of FASB ASU 2020-07

Effective July 1, 2021, the Opera adopted Financial Accounting Standards Board (FASB) ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other nonfinancial assets. The standard also increases the disclosure requirements for contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The adoption of this standard has been applied retrospectively and did not have any material impact on the financial statements, except for the enhanced disclosures (See note 12 – In-Kind Contributions).

Note 16—Subsequent Events

Management evaluated all activity of the Opera through March 29, 2023, the date the financial statements were available to be issued. There were no significant transactions or events subsequent to June 30, 2022 that would require recognition or disclosure in the financial statements.