

Opera Omaha, Inc.

Financial Statements and
Independent Auditor's Report

June 30, 2023

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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, 2023, 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, 2023, and the changes in its net assets and its cash flows for the year 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

We have previously audited Opera Omaha, Inc.'s 2022 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated March 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

AGSN, P.C.

Omaha, Nebraska
February 1, 2024

Opera Omaha, Inc.

Statement of Financial Position

June 30, 2023

(With Comparative Totals as of June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 59,152	\$ -	\$ 59,152	\$ 89,981
Unconditional promises to give	25,000	580,281	605,281	1,278,671
Other receivables	30,678	-	30,678	33,214
Prepaid expenses	90,143	-	90,143	302,451
Total Current Assets	204,973	580,281	785,254	1,704,317
Noncurrent Assets				
Investments	1,129,645	5,124,332	6,253,977	5,578,564
Unconditional promises to give	1,014,427	132,000	1,146,427	1,343,374
Operating lease right-of-use assets	699,175	-	699,175	-
Property and equipment, net of accumulated depreciation	81,429	-	81,429	116,893
Total Noncurrent Assets	2,924,676	5,256,332	8,181,008	7,038,831
Total Assets	\$ 3,129,649	\$ 5,836,613	\$ 8,966,262	\$ 8,743,148
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 71,494	\$ -	\$ 71,494	\$ 183,108
Operating lease liabilities - current portion	137,661	-	137,661	-
Deferred revenue	183,653	-	183,653	314,095
Total Current Liabilities	392,808	-	392,808	497,203
Long-Term Liabilities				
Operating lease liabilities, net of current portion	575,105	-	575,105	-
Total Long-Term Liabilities	575,105	-	575,105	-
Net Assets				
Without donor restrictions	2,161,736	-	2,161,736	2,554,072
With donor restrictions	-	5,836,613	5,836,613	5,691,873
Total Net Assets	2,161,736	5,836,613	7,998,349	8,245,945
Total Liabilities and Net Assets	\$ 3,129,649	\$ 5,836,613	\$ 8,966,262	\$ 8,743,148

See notes to financial statements.

Opera Omaha, Inc.

Statement of Activities

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Ticket sales	\$ 306,658	\$ -	\$ 306,658	\$ 407,765
Sets and lighting rental	42,700	-	42,700	20,462
Miscellaneous revenue	5,199	-	5,199	-
Investment return, net	11,680	417,356	429,036	(443,294)
Total Revenue	366,237	417,356	783,593	(15,067)
Support				
Contributions				
Individuals	663,352	-	663,352	583,048
Corporations	45,536	102,500	148,036	152,098
Foundations	1,753,062	1,406,158	3,159,220	1,835,768
Campaign	-	-	-	1,735,135
In-kind contributions	60,071	-	60,071	104,996
Grants	63,554	204,840	268,394	433,207
Gross special events revenue	361,906	-	361,906	309,320
Less cost of direct benefits to donors	(107,592)	-	(107,592)	(57,881)
Total Support	2,839,889	1,713,498	4,553,387	5,095,691
Net assets released from restrictions	1,986,114	(1,986,114)	-	-
Total Revenue and Support	5,192,240	144,740	5,336,980	5,080,624
Expenses				
Program services - opera productions	4,573,060	-	4,573,060	3,746,388
Management, general and fundraising	1,011,516	-	1,011,516	913,244
Total Expenses	5,584,576	-	5,584,576	4,659,632
Change in Net Assets	(392,336)	144,740	(247,596)	420,992
Net Assets, Beginning of Year	2,554,072	5,691,873	8,245,945	7,824,953
Net Assets, End of Year	\$ 2,161,736	\$ 5,836,613	\$ 7,998,349	\$ 8,245,945

See notes to financial statements.

Opera Omaha, Inc.

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (247,596)	\$ 420,992
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	49,387	57,367
Realized and unrealized (gain) loss on investments	(429,036)	443,294
(Increase) decrease in assets:		
Unconditional promises to give	870,337	37,363
Prepaid expenses	212,308	(257,848)
Other receivables	2,536	622,065
Increase (decrease) in liabilities:		
Accounts payable	(111,614)	64,438
Deferred revenue	(130,442)	(93,437)
Net Cash Provided by Operating Activities	<u>215,880</u>	<u>1,294,234</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(13,923)	(92,857)
Purchase of investments	(1,253,671)	(1,790,052)
Redemption of investments	1,020,885	330,881
Net Cash Used in Investing Activities	<u>(246,709)</u>	<u>(1,552,028)</u>
Net Change in Cash and Cash Equivalents	(30,829)	(257,794)
Cash and Cash Equivalents, Beginning of Year	<u>89,981</u>	<u>347,775</u>
Cash and Cash Equivalents, End of Year	<u>\$ 59,152</u>	<u>\$ 89,981</u>
Supplemental Disclosure		
Interest paid	<u>\$ 1,588</u>	<u>\$ 1,551</u>

See notes to financial statements.

Opera Omaha, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	2023							2022
	Program Services -		Supporting Services					
	Opera	Management		Combined	Cost of			
	Productions	and General	Fundraising	Total	Goods Sold	Total	Total	
Salaries	\$ 957,895	\$ 147,106	\$ 153,088	\$ 300,194	\$ -	\$ 1,258,089	\$ 1,172,794	
Employee benefits/taxes	179,069	22,370	24,320	46,690	-	225,759	106,704	
Performance fees	1,371,044	-	-	-	-	1,371,044	1,104,834	
Orchestra	250,825	-	-	-	-	250,825	187,553	
Sets and props	609,483	-	-	-	-	609,483	313,064	
Marketing	313,176	-	-	-	-	313,176	387,732	
Travel and per diem	435,723	4,740	4,639	9,379	-	445,102	337,299	
Costuming	4,675	-	-	-	-	4,675	95,064	
Box office - program and ticket	117,774	-	-	-	-	117,774	89,035	
Occupancy	194,462	198,008	-	198,008	-	392,470	322,676	
Office/administrative expenses	16,403	34,795	3,153	37,948	-	54,351	51,285	
Telephone	-	24,475	-	24,475	-	24,475	17,246	
Development/fundraising	-	-	135,165	135,165	-	135,165	158,543	
Interest expense	-	1,588	-	1,588	-	1,588	1,551	
Instrument and music rental	10,001	-	-	-	-	10,001	5,422	
Professional fees	-	125,611	38,345	163,956	-	163,956	121,538	
Conferences and seminars	8,782	29,861	-	29,861	-	38,643	45,506	
Depreciation	14,789	34,598	-	34,598	-	49,387	57,367	
Dues and subscriptions	1,156	13,269	-	13,269	-	14,425	6,432	
Insurance	10,075	12,067	4,318	16,385	-	26,460	26,304	
Cost of direct benefits to donors	-	-	-	-	107,592	107,592	57,881	
Audio and video	77,728	-	-	-	-	77,728	51,683	
Total Expenses	4,573,060	648,488	363,028	1,011,516	107,592	5,692,168	4,717,513	
Cost of direct benefits to donors	-	-	-	-	(107,592)	(107,592)	(57,881)	
Total Expenses included in the Expense Section of the Statement of Activities	\$ 4,573,060	\$ 648,488	\$ 363,028	\$ 1,011,516	\$ -	\$ 5,584,576	\$ 4,659,632	

See notes to financial statements.

Opera Omaha, Inc.

Notes to Financial Statements

Note 1—Summary of Significant Accounting 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, 2022, 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 Accounting 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>2023</u>
Cash and cash equivalents	\$ 59,152
Restricted cash	<u>-</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 59,152</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, 2023.

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 Accounting 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 44% of total support for the year and 80% of the total promises to give at June 30, 2023.

Advertising Expense

The Opera expenses advertising as incurred. Advertising expense was \$313,176 for the year ended June 30, 2023.

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.

Long-Lived Asset Impairment

The Opera evaluates the recoverability of the carrying value of long-lived assets when events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Management does not believe any impairment exists as of June 30, 2023.

Leases

The Opera determines whether to account for its leases as operating or finance leases depending on the underlying terms of the lease agreement. This determination of classification can be complex and requires significant judgement relating to certain information including the estimated fair value and remaining economic life of the asset, the Opera's cost of funds, minimum lease payments and other lease terms.

Leases with an initial term of twelve months or less are not recorded on the statement of financial position. The Opera recognizes lease expense for these leases on a straight-line basis over the term of the lease.

(See Note 10 for lease policy adopted effective July 1, 2022.)

Opera Omaha, Inc.

Notes to 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.

Note 3—Promises to Give

Promises to give at June 30, 2023 are as follows:

Fellowship endowment	\$ 241,000
Programs	20,000
General use	1,533,699
Total	\$ 1,794,699
Receivable in less than one year	\$ 605,281
Receivable in one to five years	1,189,418
Total Unconditional Promises to Give	1,794,699
Less discounts to net present value	(42,991)
Total Unconditional Promises to Give at June 30, 2023	\$ 1,751,708

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

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, 2023 because of contractual or donor-imposed restrictions or internal designations:

Financial assets:	
Cash	\$ 59,152
Unconditional promises to give	1,751,708
Other receivables	30,678
Investments	6,253,977
Total Financial Assets Available Within One Year	8,095,515
Less amounts unavailable for general expenditures within one year due to:	
Amounts restricted by donors	(5,836,613)
Total Amounts Unavailable for General Expenditures Within One Year	(5,836,613)
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,258,902

Notes to Financial Statements

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 Measurements

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 Measurements (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, 2023		
		Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 353,355	\$ 353,355	\$ -	\$ -
Equity funds	2,337,759	2,337,759	-	-
Fixed income funds	1,729,800	1,729,800	-	-
Mutual funds	1,833,063	1,833,063	-	-
	<u>\$ 6,253,977</u>	<u>\$ 6,253,977</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term investment returns consist of the following:

	2023
Interest and dividends	\$ 144,526
Realized gains (losses)	(59,210)
Unrealized gains (losses)	370,011
	<u>455,327</u>
Investment expenses	(26,291)
Total	<u><u>\$ 429,036</u></u>

Note 7—Property and Equipment

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

Furniture and equipment	\$ 1,100,955
Leasehold improvements	75,816
	<u>1,176,771</u>
Less accumulated depreciation	(1,095,342)
Property and equipment, net of accumulated depreciation	<u><u>\$ 81,429</u></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, 2023. 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, 2023. The line of credit is secured by inventory, equipment and receivables and matures on February 28, 2024.

Note 9—Deferred Revenue

The Opera had received \$164,653 on advance ticket sales and \$19,000 for sponsorships and grants at June 30, 2023 for the 2023-2024 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 2023-2024 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 has non-cancelable operating leases for property and equipment that expire on various dates through June 30, 2029. The leases consist of the following:

	<u>2023</u>
Lease Assets	
Operating lease right-of-use assets	\$ 699,175
Lease Liabilities	
Current:	
Operating lease liabilities	137,661
Non-Current:	
Long-term operating lease liabilities	<u>575,105</u>
Total Lease Liabilities	<u><u>\$ 712,766</u></u>

Future payments of lease liabilities as of June 30, 2023 are as follows:

	<u>Amount</u>
2024	149,495
2025	155,881
2026	155,811
2027	124,621
2028	80,502
Thereafter	<u>81,710</u>
Total Lease Payments	748,020
Less: interest	<u>(35,254)</u>
Present Value of Lease Liabilities	<u><u>\$ 712,766</u></u>

Opera Omaha, Inc.

Notes to Financial Statements

Note 10—Commitments (Continued)

The components of the operating lease expenses that are included in the statement of activities for the year ended June 30, 2023 are as follow:

	2023
Operating leases cost	\$ 148,374

Weighted-average remaining lease term and weighted-average discount rate as of June 30, 2023 were as follows:

	2023
Lease Term	
Weighted-average remaining lease term (years):	
Operating leases	5.08
Discount Rate	
Weighted-average discount rate:	
Operating leases	1.85%

The following summarizes the cash flow information related to the operating leases for the year ended June 30, 2023:

	2023
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used by operating lease	\$ 148,374
Lease assets obtained in exchange for lease liabilities:	
Operating lease	\$ 135,980

As of June 30, 2023, the Opera had entered into commitments for productions for the upcoming 2023-2024 season totaling \$309,419.

Opera Omaha, Inc.

Notes to Financial Statements

Note 11—Net Assets

The detail of the Opera's net asset categories at June 30, 2023, is as follows:

Without Donor Restrictions:

Undesignated	\$ 2,161,736
Total Without Donor Restrictions	2,161,736

With Donor Restrictions:

Subject to expenditure for specified purpose:

Artistic initiatives	77,735
Other	60,000
Total With Donor Restrictions	137,735

Endowments:

Subject to appropriation and expenditure when a specified event occurs

Endowment - Crescendo campaign	1,849,398
Endowment - Hearst	2,563
Endowment - Rice	67,147
Endowment - Fellowship	(304,787)
Total Endowments	1,614,321

Subject to NFP endowment spending policy and appropriation:

Endowment - Hearst	100,000
Endowment - Rice	383,007
Endowment - Fellowship	2,949,270
Unconditional promises to give, net - perpetually restricted	652,280
Total Subject to NFP Endowment Spending Policy and Appropriation	4,084,557

Total endowments	5,698,878
Total with donor restrictions	5,836,613
Total Net Assets	\$ 7,998,349

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, 2023:

Satisfaction of purpose restrictions:

Production sponsorships	277,500
Productions	204,840
One campaign	1,838,128
Crescendo campaign	(342,000)
Various programs	7,646

Total Net Assets Released from Restrictions	\$ 1,986,114
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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, 2023:

Donated materials	\$ 60,071
Total	\$ 60,071

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 GAAP. The Opera generally receives donated services from members of the Craftmen's Guild. The donated services were \$4,568 for the year ended June 30, 2023.

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 \$43,488 for the year ended June 30, 2023.

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 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.

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:

- The duration and preservation of the endowment fund.
- The purposes of the institution and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- 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:

- Create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purpose of the fund.
- 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, 2023:

	Without Donor Restrictions	With Donor Restrictions
Changes in Endowment Net Assets for the Year Ended June 30, 2023		
Endowment net assets, beginning of year	\$ -	\$ 5,025,298
Investment return:		
Investment return (net)	-	(443,294)
Total Investment Return	-	(443,294)
Contributions	-	635,485
Appropriations of endowment assets for expenditures	-	474,384
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,691,873</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2023

Donor-restricted endowment funds	\$ -	\$ 5,691,873
Unrestricted endowment funds	-	-
Total	<u>\$ -</u>	<u>\$ 5,691,873</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 had deficiencies of \$304,787 at June 30, 2023. 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 Pronouncement

Effective July 1, 2022, the Opera retrospectively adopted FASB Update 2016-02, *Leases* (Topic 842). Under the guidance, lease liabilities are equal to the present value of the remaining fixed lease payments. Right-of-use (“ROU”) assets are determined on the amount of the lease liability, plus initial direct costs incurred less lease incentives. The Opera determines its incremental borrowing rates based on information available at the lease commencement date in calculating the present value of its lease payments. The Opera reviews its ROU lease assets for indicators of impairment in the same manner as its other long-lived assets as described in accounting policies in Note 1.

The Opera selected the following practical expedients as part of the adoption of ASU 2016-02:

- Leases with an initial term of twelve months or less are not recognized as assets or liabilities and will have their short-term payments recognized on the statement of activities on a straight-line basis over the lease term.
- The Opera need not reassess whether any expired or existing contracts are or contain leases.
- The Opera need not reassess the lease classification for any expired or existing leases.
- The Opera need not reassess initial direct costs for any existing leases.

Note 16—Subsequent Events

Management evaluated all activity of the Opera through February 1, 2024, the date the financial statements were available to be issued. There were no significant transactions or events subsequent to June 30, 2023 that would require recognition or disclosure in the financial statements.