

Financial Statements

OPERA ORLANDO, INC.

June 30, 2021

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Financial Statements

June 30, 2021

(With Independent Auditor's Report Thereon)

OPERA ORLANDO, INC.

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Independent Auditor's Report

The Board of Directors
Opera Orlando, Inc.

We have audited the accompanying financial statements of Opera Orlando, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opera Orlando, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Opera Orlando, Inc.'s 2020 financial statements, and our report dated August 21, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schacter, Tschagg, Whittemt, Mitchell & Shuidan, LLP

August 10, 2021

OPERA ORLANDO, INC.
Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
<u>Assets</u>		
Cash and cash equivalents	\$ 170,702	181,462
Investments (note 3)	-	28,522
Prepaid expenses	-	6,446
Pledges receivable (note 4)	1,000	9,562
Property and equipment (note 4)	42,700	-
Intangible assets (note 5)	57,500	47,500
Other assets	6,555	6,555
Total assets	\$ 278,457	280,047
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,750	860
Deferred revenue	88,633	32,766
	90,383	33,626
Commitment (note 6)		
Net assets:		
Without donor restrictions	187,074	236,859
With donor restrictions	1,000	9,562
Total net assets	188,074	246,421
Total liabilities and net assets	\$ 278,457	280,047

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Activities and Changes in Net Assets

Years ended June 30, 2021

(With summarized comparative information for the year ended June 30, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support:				
Contributions and grants	\$ 910,204	-	910,204	589,624
Paycheck Protection Program grant (note 9)	28,643	-	28,643	12,200
In kind contributions	110,565	-	110,565	96,100
Sponsors	32,500	-	32,500	26,500
Special events, net of direct benefit to donor cost of \$24,684 and \$ -	44,443	-	44,443	40,639
Total public support	1,126,355	-	1,126,355	765,063
Revenue:				
Production income	181,724	-	181,724	212,913
Contracted presentations	8,960	-	8,960	28,947
Youth chorus	15,141	-	15,141	14,083
Investment income	3,922	-	3,922	10
Other income	-	-	-	2,500
Total revenue	209,747	-	209,747	258,453
Assets released from restriction	8,562	(8,562)	-	-
Total public support and revenue	1,344,664	(8,562)	1,336,102	1,023,516
Expenses:				
Program services	1,263,039	-	1,263,039	743,367
Supporting services:				
Management and general	83,326	-	83,326	84,000
Fund raising	48,084	-	48,084	58,194
Total program and supporting services	1,394,449	-	1,394,449	885,561
Change in net assets	(49,785)	(8,562)	(58,347)	137,955
Net assets at beginning of year	236,859	9,562	246,421	108,466
Net assets at end of year	\$ 187,074	1,000	188,074	246,421

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Functional Expenses

Year ended June 30, 2021

(With summarized comparative information for the year ended June 30, 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2021</u>	<u>Total 2020</u>
Payroll and related expenses	\$ 397,718	40,644	19,045	457,407	337,179
Accounting fees	-	39,990	-	39,990	32,950
Performance artists	248,087	-	-	248,087	163,768
Travel	102,921	-	2,640	105,561	60,243
Hospitality	23,075	-	4,996	28,071	16,499
Insurance	-	2,692	-	2,692	2,841
Marketing	103,448	-	11,928	115,376	78,110
Dues and memberships	1,239	-	575	1,814	3,666
Office expense	7,294	-	468	7,762	11,139
Facility and venue rental	236,621	-	2,120	238,741	110,380
Supplies	138,669	-	6,312	144,981	68,786
Depreciation	3,967	-	-	3,967	-
	<u>\$ 1,263,039</u>	<u>83,326</u>	<u>48,084</u>	<u>1,394,449</u>	<u>885,561</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (58,347)	137,955
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,967	-
Change in operating assets and liabilities:		
Pledges receivable	8,562	4,713
Prepaid expenses	6,446	(254)
Other assets	-	(6,555)
Accounts payable and accrued expenses	890	(7,292)
Deferred revenue	55,867	25,021
Net cash provided by operating activities	<u>17,385</u>	<u>153,588</u>
Cash flows from investing activities:		
Sale of (Purchase of) investment	28,522	(28,522)
Cash paid for intangible asset	(10,000)	(30,000)
Acquisition of property and equipment	(46,667)	-
Cash used in investing activities	<u>(28,145)</u>	<u>(58,522)</u>
Change in cash and cash equivalents	(10,760)	95,066
Cash and cash equivalents at beginning of year	<u>181,462</u>	<u>86,396</u>
Cash and cash equivalents at end of year	<u>\$ 170,702</u>	<u>181,462</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

(a) General

Opera Orlando, Inc. (the Organization) is a not-for-profit Florida Corporation, incorporated in 2009. Opera Orlando is a Central Florida professional opera dedicated to producing quality opera performances. The Organization is comprised of directors, musicians, performers and individuals who have supported opera growth, education and outreach in communities throughout the state for many years. The Organization produces a number of opera and theatre events in Orlando and in Central Florida that members and friends are welcome to attend and enjoy throughout the year. The Organization is dedicated to being a full-service opera company offering a range of educational opportunities.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- ◆ Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations.
- ◆ Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

(c) Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less.

(e) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

(f) Property and Equipment

Property and equipment are stated at cost, or estimated market value at the date of receipt if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. All property expenditures in excess of \$1,000 are capitalized; maintenance and renewals are charged to expense as incurred. Sets, props, and costumes are stated at cost and capitalized when: (1) the Opera constructs production materials that exceed \$5,000 in combined cost with the intention of renting the assets over their useful life or (2) the Opera pursues a coproduction agreement with another opera company to construct production materials on a joint basis.

(g) Contributions of Services

Contributions of services are recognized when they are received if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

(h) Long - Lived Assets

The Organization follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired.

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

(j) Functional Allocation of Expenses

The financial statements report certain expenses that are attributable to one or more program supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are both allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Although the methods of allocation used are consider appropriate other methods could be used that would produce different amounts.

(k) Income Taxes

The Organization is exempt from Federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2021, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2018 to 2020 are open to examination by federal authorities.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

(l) Revenue Recognition

Ticket sales are recognized in the statement of activities as production income on a specific performance basis. Advance ticket sales, representing the receipt of payments for ticket sales for the next opera season, are reported as deferred revenue in the statement of financial position and recognized as revenue in the subsequent year.

(m) Financial Instruments Fair Value

The carrying amount reported in the balance sheet for cash and cash equivalents, pledges receivable, and accounts payable and accrued expenses approximates fair value because of the immediate or short-term maturity of these financial instruments.

(n) Prior Year Comparative Data

The financial statements include certain prior year summarized comparative information. This information has been presented in order to provide an understanding of changes in the Organization's financial position and activities. The prior year information in the statement of activities is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, certain amounts have been reclassified in order to conform with the current year's presentation.

(o) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through August 10, 2021, which is the date the financial statements were available to be issued.

(2) Liquidity and Availability

As of June 30, 2021, the Organization has \$170,702 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has \$1,000 of financial assets subject to donor or other restrictions as of June 30, 2021. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2021

(2) Liquidity and Availability (Continued)

The following table reflects the Organization's financial assets as of June 30, 2021 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$ 170,702
Pledge receivable	<u>1,000</u>
Total financial assets	171,702
Donor imposed restrictions:	
Pledges due beyond one year	<u>(1,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 170,702</u>

(3) Fair Value Measurements and Investments

Generally accepted accounting principles defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements which currently applies to all financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These principles also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value using three levels of inputs as follows:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3: inputs that are unobservable (for example, cash flow modeling based on assumptions)

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Notes to Financial Statements

June 30, 2021

(3) **Fair Value Measurements and Investments (Continued)**

The Organization did not change its valuation techniques during the year and continues to use Level 1 inputs to measure the fair value of its investments.

(4) **Property and Equipment**

Property and equipment, net consisted of the following at June 30:

	<u>2021</u>
Leasehold improvements	\$ 7,000
Sets	30,481
Costumes	<u>9,186</u>
	46,667
Less: accumulated depreciation	<u>(3,967)</u>
Property and equipment, net	<u>\$ 42,700</u>

(5) **Intangible Assets**

Intangible assets at June 30, 2021 and 2020 consist of an operatic score in process. The Organization has commissioned a new opera titled "The Secret River". The Organization expects the completion of the score, sets and costumes and puppetry by December 2021.

(6) **In-Kind Contributions**

In-kind contributions primarily video production, equipment use and specialized services, during the year ended June 30, 2021 are reflected in the accompanying statement of activities as follows:

Contributions	<u>\$ 110,565</u>
Expenses	
Program services	89,256
Administration	20,490
Fundraising	<u>819</u>
Total Expenses	<u>\$ 110,565</u>

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2021

(7) Lease Commitment

The Organization leases its office facility under a year-to-year cancelable lease and its warehouse facility under long-term operating leases. Rental expense for all operating leases was approximately \$58,000 for the year ended June 30, 2021. Future minimum payments applicable to long-term leases for years subsequent to June 30, 2021 are approximately as follows: \$51,000 for 2022, \$53,000 for 2023 and \$54,000 for 2024 and \$28,000 for 2025. These amounts do not include the anticipated renewal of the leases as they expire.

(8) Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2021, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' ability to work, performances presented virtually or on our supporters, sponsors and ticket holder's ability to pay. Changes to the operating environment may increase operating costs. Additional effects may include the ability of donors to continue making donations as a result of job loss, overall economic slowdown or other pandemic related issues. The ultimate outcome of these matters on the Organization cannot be determined at this time.

(9) Paycheck Protection Program (PPP) Loan

In April 2020 the Organization applied for and received a loan in the amount of \$28,643 pursuant to the Paycheck Protection Program (PPP) established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. The note bears interest at 1% and is subject to a payment deferral period of six months. However, the note and related interest are subject to forgiveness when the proceeds of the loan are used to fund payroll and other allowable expenses as defined by the PPP. As of June 30, 2021, the Organization incurred \$28,643 of qualifying expenditures and, accordingly, has recorded that amount as PPP grant revenue in the accompanying statement of activities.