

Financial Statements

OPERA ORLANDO, INC.

June 30, 2023

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Financial Statements

June 30, 2023

(With Independent Auditor's Report Thereon)

OPERA ORLANDO, INC.

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Independent Auditor's Report

The Board of Directors
Opera Orlando, Inc.

Opinion

We have audited the accompanying financial statements of Opera Orlando, Inc. (a nonprofit corporation), which comprise the statements 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.

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, 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 Orlando, 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 Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Opera Orlando, 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 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 Opera Orlando, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Opera Orlando, 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 the Opera Orlando, Inc.'s 2022 financial statements, and our report dated August 11, 2022, 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schaefer, Tschoff, Whittemut, Mitchell & Shuidan, LLP

August 21, 2023
Maitland, FL

OPERA ORLANDO, INC.

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 304,829	229,537
Investments (note 3)	-	94,460
Pledges receivable (note 4)	51,920	34,059
Property and equipment (note 5)	231,663	114,766
Other assets	10,445	34,483
Right of use asset (note 7)	77,680	-
Total assets	<u>\$ 676,537</u>	<u>507,305</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,937	14,556
Deferred revenue	10,564	9,284
Lease liability (note 7)	77,680	-
Total liabilities	<u>97,181</u>	<u>23,840</u>
Net assets:		
Without donor restrictions	457,436	354,946
With donor restrictions (note 8)	121,920	128,519
Total net assets	<u>579,356</u>	<u>483,465</u>
Total liabilities and net assets	<u>\$ 676,537</u>	<u>507,305</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Activities and Changes in Net Assets

Year ended June 30, 2023

(With summarized comparative information for the year ended June 30, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support:				
Contributions and grants (note 9)	\$ 1,048,399	113,385	1,161,784	1,375,378
In kind contributions	150,286	-	150,286	39,358
Sponsors	46,895	-	46,895	56,720
Special events, net of direct benefit to donor cost of \$68,225 and \$89,245	272,997	-	272,997	218,453
Total public support	1,518,577	113,385	1,631,962	1,689,909
Revenue:				
Production income	441,645	-	441,645	341,787
Contracted presentations	30,120	-	30,120	34,065
Youth chorus	13,719	-	13,719	16,901
Investment income	2,005	-	2,005	(10,814)
Other income	181	-	181	3,750
Total revenue	487,670	-	487,670	385,689
Assets released from restriction	25,524	(25,524)	-	-
Total public support and revenue	2,031,771	87,861	2,119,632	2,075,598
Expenses:				
Program services	1,448,382	-	1,448,382	1,265,757
Supporting services:				
Management and general	355,830	-	355,830	464,422
Fund raising	125,069	-	125,069	50,028
Total program and supporting services	1,929,281	-	1,929,281	1,780,207
Change in net assets	102,490	87,861	190,351	295,391
Transfer of net assets (note 10)	-	(94,460)	(94,460)	-
Net assets at beginning of year	354,946	128,519	483,465	188,074
Net assets at end of year	\$ 457,436	121,920	579,356	483,465

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Functional Expenses

Year ended June 30, 2023

(With summarized comparative information for the year ended June 30, 2022)

	Productions	Youth Company	Outreach Studio Artist	Management and General	Development Fundraising	Total 2023	Total 2022
Payroll and related expenses	\$ 97,639	61,588	-	212,907	74,973	447,107	299,817
Contract services	215,816	28,675	2,610	32,034	-	279,135	568,283
Accounting fees	-	660	-	38,240	7,958	46,858	21,392
Performance artists	223,135	1,125	54,602	-	4,045	282,907	243,988
Travel	89,992	-	56,936	-	157	147,085	106,283
Hospitality	22,637	131	439	2,298	27,751	53,256	54,355
Insurance	-	120	-	4,898	-	5,018	3,318
Marketing	148,274	961	502	1,078	6,595	157,410	101,262
Dues and memberships	-	-	-	4,881	1,634	6,515	2,909
Office expense	-	640	10	13,326	627	14,603	10,530
Facility and venue rental	298,041	2,160	360	40,178	809	341,548	233,313
Supplies	118,324	930	459	4,466	520	124,699	128,054
Depreciation	21,616	-	-	1,524	-	23,140	6,703
	<u>\$ 1,235,474</u>	<u>96,990</u>	<u>115,918</u>	<u>355,830</u>	<u>125,069</u>	<u>1,929,281</u>	<u>1,780,207</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.
Statements of Cash Flows
Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 190,351	295,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,140	6,703
Amortization	-	29,772
Unrealized gain (loss)	-	11,320
Change in operating assets and liabilities:		
Pledges receivable	(17,861)	(33,059)
Other assets	24,038	(200)
Accounts payable and accrued expenses	(8,129)	12,806
Deferred revenue	3,790	(79,349)
Net cash provided by operating activities	215,329	243,384
Cash flows from investing activities:		
Sale of (Purchase of) investment	-	(105,780)
Acquisition of property and equipment	(140,037)	(78,769)
Cash used in investing activities	(140,037)	(184,549)
Change in cash and cash equivalents	75,292	58,835
Cash and cash equivalents at beginning of year	229,537	170,702
Cash and cash equivalents at end of year	\$ 304,829	229,537

Supplemental disclosure of non cash investing activities:
During the year ending June 30, 2023, the Organization transferred investments in the amount of \$94,460 to the Opera Orlando Endowment Fund.

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(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.

Perpetually Restricted Net Assets

General endowment fund net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Annually, a portion of the income is approved by the Board for use in the Organization's operations.

Annuity fund net assets represent resources contributed to the Organization where specified amounts are to be paid to the donor while living. Any funds remaining at the death of the donor revert to the use of the Organization, primarily being designated for transfer to the general endowment fund.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

(b) 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.

(c) 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.

(d) 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.

(e) 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.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

(j) Income Taxes (Continued)

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, 2023, 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 2019 to 2022 are open to examination by federal authorities.

(k) Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which prescribes a single common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization adopted ASC 606 and all related amendments effective July 1, 2020. The adoption of the new standard had no impact on the Organization's financial statements.

The Organization follows ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

Ticket sales, youth chorus earned income and special fundraising events income are considered exchange transactions. Revenue is recognized as the events occur.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(1) **Summary of Significant Accounting Policies (Continued)**

(l) **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.

(m) **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 confirm with the current year's presentation.

(n) **Subsequent Events**

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through August 21, 2023, which is the date the financial statements were available to be issued.

(2) **Liquidity and Availability**

As of June 30, 2023, the Organization has \$356,056 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of June 30, 2023 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	\$ 304,829
Pledge receivable	<u>51,920</u>
Total financial assets	<u>356,749</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 356,056</u>

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(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)

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) Pledges Receivable

All pledges receivable are due within one year and are considered fully collectible.

(5) Property and Equipment

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

Leasehold improvements	\$ 7,000
Sets	210,198
Costumes	22,672
Furniture	13,041
Machinery	12,563
	<hr/>
	205,474
Less: accumulated depreciation	<hr/> (33,810)
Property and equipment, net	<hr/> <hr/> \$ 231,663

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(6) **In-Kind Contributions**

In-kind contributions primarily video production, equipment use and specialized services, during the year ended June 30, 2023 are reflected in the accompanying statement of activities as follows:

Contributions	<u>\$ 150,286</u>
Expenses	
Program services	143,321
Administration	665
Fundraising	<u>6,300</u>
Total Expenses	<u>\$ 150,286</u>

(7) **Adoption of FASB ASC 842**

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The Organization has lease arrangements for certain facilities. These leases typically have original terms not exceeding 10 years and generally contain multiyear renewal options, some of which are reasonably certain of exercise. The Organization's lease arrangements may contain both lease and non-lease components. The Organization has elected to combine and account for lease and non-lease components as a single lease component for its leases.

The following table shows ROU assets and lease liabilities, and the associated financial statement line items as of June 30, 2023:

Lease-Related Assets and Liabilities

Right-of-use assets:	
Operating leases	<u>\$ 77,680</u>
Lease liabilities	<u>\$ 77,680</u>

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2023

(7) Adoption of FASB ASC 842 (Continued)

Lease liability maturities as of June 30, 2023, are as follows:

2024	\$ 51,263
2025	26,417
Total lease liabilities	<u>\$ 77,680</u>

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30:

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Specific production	\$ 70,000	-
Opera Orlando Endowment Fund	-	94,460
For periods after June 30	<u>51,920</u>	<u>34,059</u>
	<u>\$ 121,920</u>	<u>128,519</u>

(9) Shuttered Venue Operators Grant

In July 2021, the Organization received a Shuttered Venue Operators Grant (SVOG) in the amount of \$135,938 as established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act to provide relief in connection with the coronavirus pandemic. The Organization has one year to use the grant funds for allowable expenses which includes payroll costs, rent payments, utility payments, payments to contractors, maintenance costs, administrative costs, state and local taxes and advertising. As of June 30, 2022, the Organization incurred \$135,938 of qualifying expenditures and accordingly has recorded that amount as revenue in the accompanying statement of activities for the year ended June 30, 2022.

(10) Related Party Transactions

During the year ended June 30, 2023, the Organization transferred net assets in the amount of \$94,460 to the Opera Orlando Endowment Fund, Inc. The role and purpose of the Endowment Fund is to support the on-going productions, education programs and other cultural initiation and activities of Opera Orlando.