

Financial Statements

OPERA ORLANDO, INC.

June 30, 2019

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Financial Statements

June 30, 2019

(With Independent Auditor's Report Thereon)

OPERA ORLANDO, INC.

Table of Contents

Independent Auditor’s Report..... 1

Financial Statements:

 Statements of Financial Position..... 3

 Statements of Activities and Changes in Net Assets 4

 Statements of Functional Expenses..... 5

 Statements of Cash Flows 6

Notes to Financial Statements..... 7

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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, 2019, 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, 2019, 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 2018 financial statements, and our report dated September 14, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schatz, Tschoy, Whitcomb, Mitchell & Shulman, LLP

September 14, 2019

OPERA ORLANDO, INC.
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 86,396	48,504
Prepaid expenses	23,692	6,334
Pledges receivable (note 3)	<u>14,275</u>	<u>18,567</u>
Total assets	<u>\$ 124,363</u>	<u>73,405</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,152	7,478
Deferred revenue	<u>7,745</u>	<u>14,141</u>
	15,897	21,619
Net assets:		
Without donor restrictions	94,191	33,219
With donor restrictions	<u>14,275</u>	<u>18,567</u>
Total net assets	<u>108,466</u>	<u>51,786</u>
Total liabilities and net assets	<u>\$ 124,363</u>	<u>73,405</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Activities and Changes in Net Assets

Years ended June 30, 2019 and 2018

	2019		2018 Total
	Without Donor Restrictions	With Donor Restrictions	
Public support and revenue:			
Public support:			
Contributions and grants	\$ 537,247	-	386,634
Sponsors	42,500	-	33,288
Special events, net of direct benefit to donor cost of \$25,538	183,034	-	104,515
Total public support	762,781	-	524,437
Revenue:			
Production income	198,880	-	217,617
Contracted presentations	16,350	-	17,300
Youth chorus	27,904	-	29,338
Investment income	11	-	58
Other income	1,849	-	1,000
Total revenue	244,994	-	265,313
Assets released from restriction	4,292	(4,292)	-
Total public support and revenue	1,012,067	(4,292)	789,750
Expenses:			
Program services	789,156	-	767,262
Supporting services:			
Management and general	79,559	-	62,250
Fund raising	82,380	-	86,333
Total program and supporting services	951,095	-	915,845
Change in net assets	60,972	(4,292)	(126,095)
Net assets at beginning of year	33,219	18,567	177,881
Net assets at end of year	\$ 94,191	14,275	51,786

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Functional Expenses

Year ended June 30, 2019

(With summarized comparative information for the year ended June 30, 2018)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2019</u>	<u>Total 2018</u>
Payroll and related expenses	\$ 220,414	46,400	34,203	301,017	294,360
Accounting fees	-	31,600	-	31,600	10,550
Performance artists	207,095	-	9,100	216,195	186,226
Travel	77,087	-	-	77,087	47,366
Hospitality	21,874	-	12,552	34,426	12,039
Insurance	-	1,559	-	1,559	1,464
Postage	-	-	-	-	2,950
Marketing	79,853	-	15,474	95,327	187,224
Dues and memberships	3,000	-	-	3,000	3,281
Office expense	5,093	-	154	5,247	5,793
Printing	-	-	-	-	610
Rent	103,769	-	1,330	105,099	99,240
Supplies	69,088	-	9,567	78,655	64,742
Education	1,883	-	-	1,883	-
	<u>\$ 789,156</u>	<u>79,559</u>	<u>82,380</u>	<u>951,095</u>	<u>915,845</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 56,680	(126,095)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Pledges receivable	4,292	4,305
Prepaid expenses	(17,358)	(4,688)
Accounts payable and accrued expenses	674	2,462
Deferred revenue	(6,396)	9,704
Net cash provided by operating activities	<u>37,892</u>	<u>(114,312)</u>
Change in cash and cash equivalents	37,892	(114,312)
Cash and cash equivalents at beginning of year	<u>48,504</u>	<u>162,816</u>
Cash and cash equivalents at end of year	<u>\$ 86,396</u>	<u>48,504</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2019

(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, 2019

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

(c) **Unconditional Promises to Give**

Unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenues in the period received. Pledges are discounted, using a market discount rate, to present value for collections expected in future years. Accretion of the discount in subsequent years is also recorded as contribution revenue.

(d) **Property and Equipment, Net**

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 of 5 years for vehicles and equipment and 10 years for puppets. All property expenditures in excess of \$500 are capitalized; maintenance and renewals are charged to expense as incurred.

(e) **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The net assets of the Organization and changes therein have been classified and reported as unrestricted net assets since the net assets are not subject to donor imposed stipulations and are intended to support current period activities of the Organization.

(f) **Contributions**

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.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies (Continued)

(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 requires 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 costs of providing Organization programs and the administration of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) 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.

(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

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies (Continued)

(k) Income Taxes (Continued)

any, are included in expenses in the statement of activities. As of June 30, 2019, 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 2016 to 2018 are open to examination by federal authorities.

(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 conform 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 September 14, 2019, which is the date the financial statements were available to be issued.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2019

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

(o) **Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

(2) **Liquidity and Availability**

As of June 30, 2019, the Organization has \$91,396 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has \$9,275 of financial assets subject to donor or other restrictions as of June 30, 2019. 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, 2019 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	\$ 86,396
Pledge receivable	<u>14,275</u>
Total financial assets	100,671
Donor imposed restrictions:	
Pledges due beyond one year	<u>(9,275)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 91,396</u>

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2019

(3) **Net Assets**

The expenditures for each year are financed principally by public support received during the year. Expenditures for programs and operations are budgeted at the beginning of each period along with projected support and revenues from the applicable fund.

Unrestricted net assets may be specifically designated by the Board of Directors or generally designated for unfunded commitments, program supplementation, and operating contingencies.

(4) **Pledges Receivable**

Pledges receivable, net of discount to present value (at a rate of 3%) and allowance for uncollectible contributions are as follows:

Receivable in less than one year	\$ 5,000
Receivable in one to five years	10,000
	<u>15,000</u>
Less discount to present value	<u>(725)</u>
Pledge receivable, net	<u>\$ 14,275</u>

The discount will be recognized as contribution income as the discount is amortized using an effective yield over the duration of the pledge.

(5) **Lease Commitment**

The Organization leases its main facility under a long-term operating lease and performance venues as needed. Rental expense for these operating leases was approximately \$105,099 for the year ended June 30, 2019. Future minimum payments applicable to this long-term lease for years subsequent to June 30, 2019 are approximately \$24,000 for the year ended June 30, 2020. These amounts do not include the anticipated renewal of the lease as it expires.