

ARTS & CULTURE

Financial Statements

June 30, 2020

Financial Statements

With Independent Auditor's Report Thereon

OPERA ORLANDO, INC.

June 30, 2020

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Financial Statements

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OPERA ORLANDO, INC.

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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 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

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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, 2020, 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, 2020, 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 2019 financial statements, and our report dated September 14, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schaker, Fischel, Whitcomb, Mitchell & Shulman, LLP

August 21, 2020

OPERA ORLANDO, INC.
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
<u>Assets</u>		
Cash and cash equivalents	\$ 181,462	86,396
Investments (note 3)	28,522	-
Prepaid expenses	6,446	6,192
Pledges receivable (note 4)	9,562	14,275
Intangible assets (note 5)	47,500	17,500
Other assets	6,555	-
Total assets	\$ 280,047	124,363
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 860	8,152
Deferred revenue	32,766	7,745
	33,626	15,897
Commitment (note 6)		
Net assets:		
Without donor restrictions	236,859	94,191
With donor restrictions	9,562	14,275
Total net assets	246,421	108,466
Total liabilities and net assets	\$ 280,047	124,363

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Activities and Changes in Net Assets

Years ended June 30, 2020

(With summarized comparative information for the year ended June 30, 2019)

	2020		2019 Total
	Without Donor Restrictions	With Donor Restrictions	
Public support and revenue:			
Public support:			
Contributions and grants	\$ 697,924	-	537,247
Sponsors	26,500	-	42,500
Special events, net of direct benefit to donor cost of \$0 and \$25,538	40,639	-	183,034
Total public support	<u>765,063</u>	<u>-</u>	<u>762,781</u>
Revenue:			
Production income	212,913	-	198,880
Contracted presentations	28,947	-	16,350
Youth chorus	14,083	-	27,904
Investment income	10	-	11
Other income	2,500	-	1,849
Total revenue	<u>258,453</u>	<u>-</u>	<u>244,994</u>
Assets released from restriction	4,713	(4,713)	-
Total public support and revenue	<u>1,028,229</u>	<u>(4,713)</u>	<u>1,007,775</u>
Expenses:			
Program services	743,367	-	789,156
Supporting services:			
Management and general	84,000	-	79,559
Fund raising	58,194	-	82,380
Total program and supporting services	<u>885,561</u>	<u>-</u>	<u>951,095</u>
Change in net assets	142,668	(4,713)	56,680
Net assets at beginning of year	94,191	14,275	51,786
Net assets at end of year	<u>\$ 236,859</u>	<u>9,562</u>	<u>108,466</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Functional Expenses

Year ended June 30, 2020

(With summarized comparative information for the year ended June 30, 2019)

	Program Services	Management and General	Fundraising	Total 2020	Total 2019
Payroll and related expenses	\$ 256,779	46,400	34,000	337,179	301,017
Accounting fees	-	32,950	-	32,950	31,600
Performance artists	163,768	-	-	163,768	216,195
Travel	58,434	1,809	-	60,243	77,087
Hospitality	4,456	-	12,043	16,499	34,426
Insurance	-	2,841	-	2,841	1,559
Marketing	68,471	-	9,639	78,110	95,327
Dues and memberships	3,666	-	-	3,666	3,000
Office expense	10,327	-	812	11,139	5,247
Rent	109,865	-	515	110,380	105,099
Supplies	67,601	-	1,185	68,786	78,655
Education	-	-	-	-	1,883
	<u>\$ 743,367</u>	<u>84,000</u>	<u>58,194</u>	<u>885,561</u>	<u>951,095</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 137,955	56,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Pledges receivable	4,713	4,292
Prepaid expenses	(254)	142
Other assets	(6,555)	-
Accounts payable and accrued expenses	(7,292)	674
Deferred revenue	25,021	(6,396)
Net cash provided by operating activities	<u>153,588</u>	<u>55,392</u>
Cash flows from investing activities:		
Purchase of investment	(28,522)	-
Cash paid for intangible asset	(30,000)	(17,500)
Cash used in investing activities	<u>(58,522)</u>	<u>(17,500)</u>
Change in cash and cash equivalents	95,066	37,892
Cash and cash equivalents at beginning of year	<u>86,396</u>	<u>48,504</u>
Cash and cash equivalents at end of year	<u>\$ 181,462</u>	<u>86,396</u>

See accompanying notes to financial statements.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2020

(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, 2020

(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, 2020

(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 \$10,000 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, 2020

(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, 2020, 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 2017 to 2019 are open to examination by federal authorities.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2020

(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 21, 2020, which is the date the financial statements were available to be issued.

(2) **Liquidity and Availability**

As of June 30, 2020, the Organization has \$209,984 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has \$9,562 of financial assets subject to donor or other restrictions as of June 30, 2020. 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, 2020

(2) Liquidity and Availability (Continued)

The following table reflects the Organization's financial assets as of June 30, 2020 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	\$ 181,462
Investments	28,522
Pledge receivable	<u>9,562</u>
Total financial assets	219,546
Donor imposed restrictions:	
Pledges due beyond one year	<u>(9,562)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 209,984</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)

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2020

(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.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis as of June 30, 2020 based on the level of input utilized to measure fair value:

	<u>Level</u>	<u>Cost (Basis)</u>	<u>Fair Value</u>
U.S. Equities	1	<u>\$ 28,522</u>	<u>28,522</u>

(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	<u>5,000</u>
	10,000
Less discount to present value	<u>(438)</u>
Pledge receivable, net	<u>\$ 9,562</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) **Intangible Assets**

Intangible assets at June 30, 2020 and 2019 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. After the inaugural performance, the Organization anticipates to rent this Opera to other companies.

OPERA ORLANDO, INC.

Notes to Financial Statements

June 30, 2020

(6) **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 \$110,000 for the year ended June 30, 2020. Future minimum payments applicable to long-term leases for years subsequent to June 30, 2020 are approximately as follows: \$50,000 for 2021, \$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.

(7) **Subsequent Event - 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, 2020, 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.