

the dallas opera

Consolidated Financial Statements
and
Consolidating Information
with
Independent Auditors' Report

June 30, 2016 and 2015

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**

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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors and Trustees of:
The Dallas Opera and
The Dallas Opera Foundation

We have audited the accompanying consolidated financial statements of The Dallas Opera and its consolidated entity, The Dallas Opera Foundation (collectively, the Opera), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Opera as of June 30, 2016 and 2015, and the consolidated changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information included on pages 20 through 25 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Travis Wolff, LLP

Certified Public Accountants
October 7, 2016
Dallas, Texas

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 2,913,826	\$ 2,729,648
Pledges receivable, net	11,030,188	8,006,271
Accounts receivable	144,261	190,771
Split interest agreement, at fair value	94,777	85,658
Prepaid expenses and other assets	1,019,034	1,217,340
Investments, at fair value	26,421,286	24,206,047
Property and equipment, net	5,937,807	6,144,677
Total assets	\$ 47,561,179	\$ 42,580,412
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 507,443	\$ 172,220
Accrued expenses	816,374	539,821
Deferred revenue - ticket sales	1,651,424	1,805,470
Deferred revenue - rentals and other	29,624	503,678
Line-of-credit	2,373,307	1,000,000
Related party notes payable	375,000	-
Total liabilities	5,753,172	4,021,189
Commitments and contingencies (Note 10)		
Net assets:		
Unrestricted:		
Operating fund	2,602,450	4,006,031
Reserve fund	6,829,834	4,766,811
Temporarily restricted	7,578,758	7,063,876
Permanently restricted	24,796,965	22,722,505
Total net assets	41,808,007	38,559,223
Total liabilities and net assets	\$ 47,561,179	\$ 42,580,412

See accompanying notes to consolidated financial statements.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidated Statements of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
Change in unrestricted net assets:		
Revenue, gains, and other support:		
Earned income:		
Admissions revenue	\$ 3,740,781	\$ 3,904,674
Interest and dividends	117,774	161,503
Auxiliary event revenue	153,864	179,768
Rentals and other	719,402	39,127
Sponsorship revenue	96,600	110,800
Net realized and unrealized loss on investments	(64,418)	(39,783)
Investment income released from restrictions	1,020,548	1,104,165
	5,784,551	5,460,254
Support from the public:		
Contributions - campaign, net	11,400,182	10,681,313
Contributions - other	614,623	532,019
Grants	219,125	184,231
Net assets released from restrictions	2,941,589	1,844,598
	15,175,519	13,242,161
Transfer to reserve fund	(2,063,023)	(2,742,700)
	18,897,047	15,959,715
Expenses:		
Program costs:		
Performers expenses	4,453,179	3,698,215
Artistic and musical staff	2,367,695	1,441,361
Production staff	2,653,165	2,202,124
Physical production	3,035,345	1,331,359
Facility costs	580,159	518,848
Education expenses	332,276	326,872
Marketing costs	2,651,244	2,425,692
	16,073,063	11,944,471

See accompanying notes to consolidated financial statements.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidated Statements of Activities - (Continued)
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Change in unrestricted net assets - continued:		
Supporting services:		
General and administrative	\$ 1,769,961	\$ 1,975,261
Depreciation	340,405	346,717
Fundraising	1,862,771	1,402,393
Auxiliary events	122,868	142,626
Interest expense	131,560	164,533
Total supporting services	<u>4,227,565</u>	<u>4,031,530</u>
Total expenses	<u>20,300,628</u>	<u>15,976,001</u>
Change in unrestricted net assets - operating fund	(1,403,581)	(16,286)
Transfer to reserve fund	2,063,023	2,742,700
Change in unrestricted net assets	659,442	2,726,414
Change in temporarily restricted net assets:		
Contributions	3,330,408	2,024,589
Interest and dividends	1,102,348	1,176,325
Investment fees	(34,378)	(35,725)
Net realized and unrealized gain (loss) on investments	69,522	(2,344)
Change in split interest agreement	9,119	-
Net assets released from restrictions	(3,962,137)	(2,948,763)
Change in temporarily restricted net assets	514,882	214,082
Change in permanently restricted net assets:		
Contributions	2,051,422	-
Net realized and unrealized gain (loss) on investments	23,038	(915,081)
Change in permanently restricted net assets	<u>2,074,460</u>	<u>(915,081)</u>
Change in net assets	3,248,784	2,025,415
Net assets, beginning of year	<u>38,559,223</u>	<u>36,533,808</u>
Net assets, end of year	<u>\$ 41,808,007</u>	<u>\$ 38,559,223</u>

See accompanying notes to consolidated financial statements.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,248,784	\$ 2,025,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	340,405	346,717
Bad debt expense	266,228	62,264
Net realized and unrealized (gain) loss on investments	(28,142)	957,208
Changes in operating assets and liabilities:		
Pledges and accounts receivables	(3,243,635)	(3,152,132)
Split interest agreement	(9,119)	-
Prepaid expenses and other assets	198,306	74,400
Accounts payable	335,223	(225,071)
Accrued expenses	276,553	40,955
Deferred revenues	(628,100)	144,896
	<u>756,503</u>	<u>274,652</u>
Net cash provided by operating activities	756,503	274,652
Cash flows from investing activities:		
Purchases of property and equipment	(133,535)	(139,352)
Purchases of investments	(2,539,417)	(618,303)
Proceeds from sale of investments	352,320	34,998
	<u>(2,320,632)</u>	<u>(722,657)</u>
Net cash used in investing activities	(2,320,632)	(722,657)
Cash flows from financing activities:		
Line-of-credit borrowings	7,083,834	4,897,626
Line-of-credit payments	(5,710,527)	(3,897,626)
Proceeds from related party notes payable	375,000	-
	<u>1,748,307</u>	<u>1,000,000</u>
Net cash provided by financing activities	1,748,307	1,000,000
Net increase in cash	184,178	551,995
Cash, beginning of year	<u>2,729,648</u>	<u>2,177,653</u>
Cash, end of year	<u><u>\$ 2,913,826</u></u>	<u><u>\$ 2,729,648</u></u>
Supplemental information:		
Cash paid for interest	<u><u>\$ 128,773</u></u>	<u><u>\$ 30,386</u></u>

See accompanying notes to consolidated financial statements.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Dallas Opera (TDO), founded in 1957, is committed to producing opera of uncompromising artistic quality, educating and enriching the life of the community, and embracing its diverse cultural heritage. TDO presents masterpieces of the standard repertoire, as well as nontraditional opera and musical theater, with multiple main stage performances each year, in addition to many school and community based programs. TDO perpetuates the art form by commissioning new American works and is further committed to discovering and nurturing talented young artists.

Established in 1984, The Dallas Opera Foundation (the Foundation) is committed to providing financial support for TDO. Assets of the Foundation include The Dallas Opera Endowment Fund, The Dallas Opera Hearst Educational Fund, and The Dallas Opera Cultural Renaissance Endowment Fund.

Basis of presentation and consolidation

The accompanying consolidated financial statements include the accounts of TDO and the Foundation (collectively, the Opera) and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). All significant intercompany transactions and balances have been eliminated in consolidation.

Not-for-profit organizations are required to report information regarding their financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

- Unrestricted net assets – Net assets not subject to donor imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors and Trustees.
 - Operating fund – assets that have not been restricted in use by the donor or designated by the board for any use.
 - Reserve fund – assets that have not been restricted in use by the donor, but the board has taken action to designate for certain uses. The board can remove or modify the designation.
- Temporarily restricted net assets - Net assets subject to donor imposed restrictions that will be met by expenditure in accordance with the donors' requests and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets subject to donor imposed restrictions to be maintained in perpetuity by the Opera.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Cash and cash equivalents

For purposes of presentation in the consolidated statements of financial position and reporting cash flows, the Opera classifies all unrestricted demand deposits and highly liquid debt instruments with a maturity at date of purchase of three months or less as cash and cash equivalents. The Opera had no cash equivalents as of June 30, 2016 and 2015.

Admission revenue

Ticket sales are recognized as admissions revenue in the period in which the production occurs.

Co-commission / co-production revenue

TDO and other opera companies periodically and collectively agree to co-commission / co-produce certain opera productions. TDO, as the administering co-commissioner / co-producer, oversees the creation and production of the opera and is given exclusive rights to premiere the opera. The other co-commissioners / co-producers reimburse TDO for their share of costs associated with the creation and production of the opera, and are given performance rights after TDO's performance. Co-commission / co-production revenue is recognized in the period in which the premiere by TDO occurs.

Contributions

Unconditional promises to give by donors are recorded as pledges receivable and contribution revenue when received or when promises are made, and are immediately 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 temporarily restricted or permanently restricted support. If a restriction is fulfilled in the same time period in which the contribution is received, the Opera reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their fair values, as determined by management's expectations on the timing of future cash flows and a discount rate which management believes is commensurate with the risk involved. Amortization of the discount is reported as contribution revenue.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met. There were no outstanding unrecorded conditional pledges as of June 30, 2016 and 2015.

Contributed services

Contributed services are reflected in the consolidated financial statements at the estimated fair value of the services received if they (a) create or enhance nonfinancial assets or (b) require and are provided by individuals with specialized skills and, if not provided by donation, would typically need to be purchased. The Opera received \$425,079 and \$327,971 of donated facility space and contributed services for advertising, transportation, legal fees, and other miscellaneous services during the years ended June 30, 2016 and 2015, respectively, which are included in support from the public in the accompanying consolidated statements of activities.

A number of volunteers and outside institutions have donated significant amounts of time to assist the Opera. The value of donated volunteer time is not reflected in the accompanying financial statements, as it is presently not subject to objective valuation or measurement.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Pledges and accounts receivable/allowance for doubtful accounts

The Opera maintains pledges receivable due from various contributors and accounts receivable for co-commissions / co-productions, ticket sales, and other items. The related allowance for doubtful accounts is established through a provision for bad debts charged to expense and represents management's best estimate of possible losses that may occur within the receivable portfolio; however, its establishment involves an element of uncertainty, and future events may cause significant fluctuations. Estimated losses for bad debts were provided for in the financial statements through a charge to expense of approximately \$266,228 and \$62,264 during the years ended June 30, 2016 and 2015, respectively. The Opera wrote off \$212,028 and \$67,264 against the allowance for doubtful accounts during the years ended June 30, 2016 and 2015, respectively.

Split interest agreements

On April 19, 2013, the Foundation received a split-interest agreement which is an irrevocable charitable remainder trust held by a third party trustee. At the date the trust was established, a beneficial interest held in trust and contribution revenue were recognized for the present value of the estimated future benefits to be received when the trust assets are distributed. The beneficial interest is adjusted during the term of the trust for changes in the value of assets. The value of the beneficial interest was \$94,777 and \$85,658 as of June 30, 2016 and 2015, respectively.

Deferred revenue

Deferred revenue is comprised of ticket sales or rentals for which services or events have not yet been performed. These unearned revenues are deferred and recognized as events or services are performed and costs are incurred. Tickets sold for the upcoming season are recorded in full as deferred revenue for the following season.

Property and equipment

Property and equipment and leasehold improvements are carried at cost, if purchased, or fair value at the date of gift, if donated. The Opera capitalizes amounts in excess of \$500 which have a useful life of three years or longer. Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures which extend the life of the assets are capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis, ranging from 3 to 39 years.

Investments and income recognition

Investments consist primarily of mutual funds, marketable equity securities, and short-term marketable debt securities. The Opera carries all investments at fair value with increases or decreases in fair value being recognized in the period in which such changes occur. Realized and unrealized gain/loss and investment income are included in the consolidated statements of activities as changes in unrestricted, temporarily restricted, or permanently restricted net assets in accordance with donor imposed restriction. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Fair value measurements

The Opera is required to classify its assets and liabilities that are reported at fair value into three levels based on the method used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant other observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect management's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments. These valuation levels are presented in Note 4.

Risks and uncertainties

The Opera invests primarily in debt and equity securities. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and hedge funds, it is at least reasonably possible that changes in the values of securities and hedge funds will occur in the near term and that such changes could be material.

Endowment funds

On June 1, 2009, the Opera adopted Financial Accounting Standards Board (FASB) guidance for net asset classification of endowment funds, subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures for all endowment funds. A not-for-profit organization that is subject to an enacted version of UPMIFA shall classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets. The amount classified as permanently restricted shall be the amount of the fund that must be retained permanently in accordance with explicit donor stipulations, or that in the absence of such stipulations, the Opera's governing board determines must be retained (preserved) permanently consistent with the relevant law. The Opera is subject to the version of UPMIFA enacted by the state of Texas (See Note 7).

Federal income taxes

The Opera is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Opera did not have taxable unrelated business income during the years ended June 30, 2016 and 2015.

The Opera follows the provisions of FASB Accounting Standards Codification ("ASC") 740 *Income Taxes*. The amount of income taxes the Opera pays is subject to ongoing audits by federal and state tax authorities. At June 30, 2016, the Opera is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2013.

The Opera's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Opera uses a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To the extent that the Opera's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Opera reports tax-related interest and penalties, if applicable, as a component of income tax expense. As of June 30, 2016 and 2015, no uncertain tax positions have been identified and, therefore, no amounts have been recognized in the accompanying consolidated financial statements.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized in the consolidated statements of activities. Accordingly, certain functional expenses have been allocated among the programs and supporting services benefited.

Production costs

The costs of costumes and scenery are charged to expense during the fiscal period in which the production is staged.

Advertising

The Opera expenses advertising costs in the year in which the related production is performed. Advertising expense was \$845,975 and \$840,370 for the years ended June 30, 2016 and 2015, respectively.

Management estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, support, and expenses during the reporting periods. Significant estimates include the allocation of functional expenses, useful lives of property and equipment, fair value of contributions to be received over a period in excess of one year, and the valuation allowance for pledges receivable. Accordingly, actual results may vary from management's estimates.

Concentrations of credit risk

Financial instruments exposed to concentrations of credit risk consist primarily of cash, pledges receivable and investments. The Opera may from time to time maintain cash in excess of federally insured limits in a financial institution which management considers to be of high credit quality.

Pledges receivable includes two donors that account for more than 10% of total pledges receivable at June 30, 2016. These donors make up \$6,000,000, or 52%, of the total pledges receivable balance at June 30, 2016. Pledges receivable include one donor that accounts for more than 10% of total pledges receivable at June 30, 2015. This donor made up \$5,000,000, or 55%, of the total pledges receivable balance at June 30, 2015.

The Opera has a formal investment policy of placing investments in high-quality financial institutions and limiting the size of any investment with any single entity or type of investment. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term which could materially affect the Opera's investment balances.

Reclassification

Certain reclassifications of prior year consolidated financial information have been made to conform to the current year presentation. None of the changes impact the Opera's previously reported consolidated revenues, support or changes in net assets.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 2 - Pledges and Accounts Receivable

Pledges receivable were due as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 3,889,153	\$ 1,729,846
One to five years	6,953,068	6,567,751
Six years and thereafter	662,500	722,500
Unamortized discount	(320,333)	(913,826)
Allowance for uncollectible accounts	<u>(154,200)</u>	<u>(100,000)</u>
Total pledges receivable, net	\$ <u>11,030,188</u>	\$ <u>8,006,271</u>

Accounts receivable consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Ticket sales receivables	\$ -	\$ 135,411
Credit cards receivables	61,457	48,817
Other receivables	<u>82,804</u>	<u>6,543</u>
Total accounts receivable	\$ <u>144,261</u>	\$ <u>190,771</u>

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 158,600	\$ 158,600
Building and building improvements	7,975,938	7,975,938
Vehicles	73,881	73,881
Furniture and equipment	1,132,799	999,264
Computer software and hardware	<u>229,013</u>	<u>229,013</u>
Total property and equipment	9,570,231	9,436,696
Less accumulated depreciation and amortization	<u>(3,632,424)</u>	<u>(3,292,019)</u>
Property and equipment, net	\$ <u>5,937,807</u>	\$ <u>6,144,677</u>

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 4 - Fair Value Measurements

The fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2016 and 2015 is as follows:

	<u>Fair Value</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>
June 30, 2016:							
Equity securities	\$ 14,936,225	\$	14,936,225	\$	-	\$	-
Debt securities	11,485,061		7,938,675		3,546,386		-
Split interest agreement	94,777		-		-		94,777
Total	\$ 26,516,063	\$	22,874,900	\$	3,546,386	\$	94,777
June 30, 2015:							
Equity securities	\$ 13,532,923	\$	13,532,923	\$	-	\$	-
Debt securities	10,673,124		7,327,932		3,345,192		-
Split interest agreement	85,658		-		-		85,658
Total	\$ 24,291,705	\$	20,860,855	\$	3,345,192	\$	85,658

Note 5 - Line-of-Credit

The Opera has a \$3,000,000 line-of-credit with a financial institution which matures on March 23, 2017. The line-of-credit is due upon demand. At June 30, 2016, the outstanding balance is \$1,373,307. There was no amount outstanding at June 30, 2015. Interest on outstanding borrowings under the line-of-credit is payable monthly at the prime rate (3.50% at June 30, 2015). Interest expense totaled \$16,531 and \$7,190 during the years ended June 30, 2016 and 2015, respectively. Borrowings under the line-of-credit are collateralized by all assets of the Opera.

TDO is subject to certain debt covenant requirements under the line-of-credit, including the maintenance of a minimum level of unrestricted cash and pledges. The Opera believes it was in compliance with these covenants as of June 30, 2016.

On August 1, 2013, the Foundation entered into a one-year \$1,000,000 line-of-credit note with a financial institution that through its affiliates is also the trustee for the Foundation's cash and investments, which collateralize borrowings under the note. On August 1, 2014, the Foundation renewed the line of credit, which now matures on August 1, 2016, with substantially the same terms. Management believes that the line-of-credit will be renewed at terms no less favorable to the Foundation. Interest on the line-of-credit note is payable monthly at the Overnight LIBOR-Based Rate (0.41% at June 30, 2016) plus 2%. During the years ended June 30, 2016 and 2015, the Foundation trustees approved a \$1,000,000 draw against its line of credit. The Foundation repaid the \$1,000,000 advance in fiscal year 2015 on July 23, 2015, and the \$1,000,000 advance made in fiscal year 2016 remains outstanding as of June 30, 2016.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 6 - Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2016</u>		<u>2015</u>
Time restricted for use in future specific years	\$ 5,373,033	\$	4,984,214
Unappropriated earnings on donor-restricted endowments	<u>2,205,725</u>		<u>2,079,662</u>
Total temporarily restricted net assets	\$ <u>7,578,758</u>	\$	<u>7,063,876</u>

Permanently restricted net assets at June 30, 2016 and 2015, totaled \$24,796,965 and \$22,722,505, respectively, in endowments to be held in perpetuity. The investment income, depending on the donor-imposed stipulations, is to be used for operating expenses when appropriated or added to the original corpus held in perpetuity. These investments are invested in a mix of common stocks/equity funds and fixed income securities.

Note 7 - Endowment Funds

The Foundation's endowment consists of three endowment funds established for the exclusive purpose of operating for the benefit of TDO. The endowment includes funds that are donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted endowment funds represent those funds designated by the Board at the inception of the endowment plus appropriated earnings of the permanently restricted fund as designated by the donor.

The Foundation interprets the State of Texas UPMIFA as allowing the Foundation, absent donor restriction to the contrary, to appropriate so much of a donor-restricted endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established.

The following factors are considered in making a determination to appropriate or accumulate donor restricted endowment funds:

- the duration and preservation of the fund,
- the purposes of the donor restricted endowment fund,
- general economic conditions,
- the possible effect of inflation and deflation,
- the expected total return from income and the appreciation of investments, and
- other resources of the Opera

In accordance with the State of Texas UPMIFA, the Foundation adopted The Dallas Opera Foundation Amended and Restated Trust Agreement, which was approved by the Board on April 23, 2009. In conjunction with this agreement, the Foundation's Trustees adopted a revised investment and spending policy further outlined below.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 7 - Endowment Funds - (Continued)

Return objective and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a consistent stream of funding to programs supported by its endowment while seeking to preserve and enhance the purchasing and earning value of the Foundation's assets. Endowments include those assets of donor restricted funds that the Foundation must hold in perpetuity as well as board-designated funds.

Strategies employed for achieving objectives

Endowment assets are invested in accordance with a target asset allocation and range approved by the Foundation's Trustees. Quarterly rebalancing is required for any class which falls outside the approved range. Assets held are well diversified and highly liquid, with the intent to minimize the risk of large losses.

Spending policy and how the investment objective relate to spending policy

Currently, the spending policy is divided into two areas: the General Endowment and the Cultural Renaissance Endowment Fund. The General Endowment spending policy is at the quarterly rate of 1.25%. The Cultural Renaissance Endowment Fund spending policy allows for distribution of the interest and dividends earned by the fund, net of investment fees, during the fiscal year previously ended. Other funds may be appropriated as deemed necessary by the Foundation's Trustees from time to time. Distributions shall reflect the intent that (1) the Foundation operates as a long-term endowment for the benefit of the Opera and (2) the principal of the Foundation be preserved in a manner consistent with spending policies commonly used by similar endowment funds; provided, however, that the Trustees may make distributions of principal in the event they determine, in their discretion, that the Opera is in need of funds to address an emergency need.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. However, the fair value of assets associated with individual donor restricted endowment funds exceeded the level required at June 30, 2016 and 2015.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 7- Endowment Funds - (Continued)

Endowment net asset composition by type of fund consists of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 2,205,725	\$ 24,796,965	\$ 27,002,690
Board-restricted	2,602,450	-	-	2,602,450
Total	\$ 2,602,450	\$ 2,205,725	\$ 24,796,965	\$ 29,605,140

Endowment net asset composition by type of fund consists of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 2,079,662	\$ 22,722,505	\$ 24,802,167
Board-restricted	4,006,031	-	-	4,006,031
Total	\$ 4,006,031	\$ 2,079,662	\$ 22,722,505	\$ 28,808,198

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,006,031	\$ 2,079,662	\$ 22,722,505	\$ 28,808,198
Endowment contributions	-	-	2,051,422	2,051,422
Change in split interest agreement	-	9,119	-	9,119
Interest and dividends	114,918	1,102,348	-	1,217,266
Investment fees	-	(34,378)	-	(34,378)
Net realized and unrealized loss	(65,795)	69,522	23,038	26,765
Appropriation of assets for expenditure	(2,464,952)	-	-	(2,464,952)
Assets released from restrictions	1,020,548	(1,020,548)	-	-
Expenses	(8,300)	-	-	(8,300)
Endowment net assets, end of year	\$ 2,602,450	\$ 2,205,725	\$ 24,796,965	\$ 29,605,140

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 7 - Endowment Funds - (Continued)

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,022,317	\$ 2,045,571	\$ 23,637,586	\$ 29,705,474
Endowment contributions	100,883	-	-	100,883
Interest and dividends	161,503	1,176,325	-	1,337,828
Investment fees	-	(35,725)	-	(35,725)
Net realized and unrealized gain	(39,783)	(2,344)	(915,081)	(957,208)
Appropriation of assets for expenditure	(1,271,971)	-	-	(1,271,971)
Assets released from restrictions	1,104,165	(1,104,165)	-	-
Expenses	(71,083)	-	-	(71,083)
Endowment net assets, end of year	\$ <u>4,006,031</u>	\$ <u>2,079,662</u>	\$ <u>22,722,505</u>	\$ <u>28,808,198</u>

Note 8 - Employee Benefit Plans

The Opera sponsors a tax deferred annuity retirement plan through Fidelity Investment Advisors, Inc. This 403(b) plan is available to all qualified employees at the first open enrollment date following six months of service. The Opera contributes two percent of the participants' compensation, plus an additional fifty percent match of the first four percent of compensation that the participant contributes. The Opera made contributions of \$81,314 and \$89,539 to the plan for the years ended June 30, 2016 and 2015, respectively.

The Opera sponsors a tax deferred compensation retirement plan through Fidelity Investment Advisors, Inc. Participation in this 457(b) plan is limited to a select group of management or highly compensated employees. For each payroll period that begins on or after the payroll period in which a participant's compensation exceeds the 401(a)(17) limit, the employer will contribute to the participant's account an amount equal to four percent of the participant's compensation for such payroll period. The Opera made contributions of \$25,267 and \$7,400 to the plan for the years ended June 30, 2016 and 2015, respectively.

The Opera contributed to three multi-employer pension plans under the terms of collective-bargaining agreements that cover its union-represented contractors. The Opera made contributions of \$222,589 and \$193,061 to these plans during the years ended June 30, 2016 and 2015, respectively.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 9 - Related Parties

Approximately \$2,520,476 and \$3,707,572 of total pledges receivable were due from certain board of directors and trustees as of June 30, 2016 and 2015, respectively. Total contribution revenue from certain board of directors and trustees for the years ended June 30, 2016 and 2015, was approximately \$3,827,263 and \$5,045,694, respectively.

During 2016, the Opera entered into agreements to borrow \$375,000 from three Board members. Each note accrues interest at a rate of 4.50%, and matures on December 31, 2019. The outstanding balance on the related party notes payable as of June 30, 2016 was \$375,000. Interest expense totaled \$12,032 during the year ended June 30, 2016.

Note 10 - Commitments and Contingencies

Leases

On September 27, 2010, the Facilities Use Agreement was finalized between the Dallas Center for the Performing Arts (DCPA) and the Opera. The agreement documents the understandings and terms of the Opera occupying the AT&T Performing Arts Center and presenting productions in the Margot and Bill Winspear Opera House. The agreement is effective from September 1, 2009, through December 31, 2049. The Opera may extend the agreement for five consecutive periods of ten years each. Under the agreement, the Opera will pay a daily rental fee for the use of the Margot and Bill Winspear Opera House during the "center use period", which is a continuous period of time, generally six weeks, which the Opera has reserved for its productions.

For the 2013 through 2015 opera seasons, daily rental fees were multiplied and increased by an adjustment (BOMA Adjustment) as defined in the agreement. The BOMA Adjustment will fluctuate from year to year. Subsequent to the 2015 opera season, in five year increments, rent will be determined in good faith by both parties. In the agreement dated February 2012 (for the first five year increment), the BOMA Adjustment will continue to be used for years 2016 to 2020. In addition to rent for the use of the Margot and Bill Winspear Opera House, the Opera will pay DCPA certain parking fees per space during performances and rehearsals. Parking fees are subject to adjustment based on DCPA's discretion. Notice of any adjustment must be provided to the Opera at least 12 months in advance and the new rate cannot be more than 75% of the parking fee then currently charged to the general public by DCPA.

The Opera has a noncancelable sublease agreement for the Opera's offices in the Margot and Bill Winspear Opera House under which the Opera agrees to pay certain operating expenses. On January 7, 2010, the Opera signed the sublease agreement with DCPA for a period of 40 years ending December 31, 2049. There are no escalation terms; however, DCPA may adjust the monthly rent of \$8,800 on a prospective basis based on an index or agreement with the Opera beginning January 1, 2013, and once every twelve months thereafter.

Rent expense under office space leases was \$105,600, for each of the years ended June 30, 2016 and 2015.

The Opera has noncancelable operating leases for certain office equipment. Rent expense under the office equipment leases was \$32,281 and \$34,156 for the years ended June 30, 2016 and 2015, respectively.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015

Note 10 - Commitments and Contingencies - (Continued)

Leases - continued

At June 30, 2016, future minimum lease payments required under noncancelable operating leases with initial or remaining terms in excess of one year were as follows:

	<u>Amount</u>
Years ending June 30:	
2017	\$ 137,881
2018	133,231
2019	109,980
2020	107,790
2021	105,600
Thereafter	<u>3,053,600</u>
Total future minimum lease payments	\$ <u><u>3,648,082</u></u>

The Company enters into noncancelable agreements related to activities for future productions. At June 30, 2016, future minimum payments required under noncancelable artist contracts and set and costume rental agreements were as follows:

	<u>Amount</u>
Years ending June 30:	
2017	\$ 1,541,938
2018	943,425
2019	543,750
2020	<u>90,000</u>
Total	\$ <u><u>3,119,113</u></u>

Legal

The Opera is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, change in net assets, or cash flows of the Opera.

Note 11 - Subsequent Events

Management of the Opera has evaluated subsequent events through October 7, 2016, the date the consolidated financial statements were available to be issued. On September 28, 2016, the Company received a \$5,000,000 unrestricted pledge from a donor. The pledge will be paid in twenty equal installments of \$250,000, with the first payment due on June 30, 2017. The full amount of the pledge will be recognized at net present value during the year ended June 30, 2017.

CONSOLIDATING INFORMATION

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidating Statement of Financial Position
June 30, 2016

	<u>The Dallas Opera</u>	<u>The Dallas Opera Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:				
Cash	\$ 1,171,810	\$ 1,742,016	\$ -	\$ 2,913,826
Pledges receivable, net	11,030,188	-	-	11,030,188
Accounts receivable	144,261	-	-	144,261
Due from The Dallas Opera Foundation	1,300	-	(1,300)	-
Split interest agreement, at fair value	-	94,777	-	94,777
Prepaid expenses and other assets	1,019,034	-	-	1,019,034
Notes receivable from The Dallas Opera	-	2,700,000	(2,700,000)	-
Investments, at fair value	351,639	26,069,647	-	26,421,286
Property and equipment, net	5,937,807	-	-	5,937,807
Total assets	\$ 19,656,039	\$ 30,606,440	\$ (2,701,300)	\$ 47,561,179
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts Payable	\$ 507,443	\$ -	\$ -	\$ 507,443
Accrued expenses	816,374	-	-	816,374
Due to The Dallas Opera	-	1,300	(1,300)	-
Deferred revenue - ticket sales	1,651,424	-	-	1,651,424
Deferred revenue - rentals and other	29,624	-	-	29,624
Line-of-credit	1,373,307	1,000,000	-	2,373,307
Related party notes payable	375,000	-	-	375,000
Notes payable to The Dallas Opera Foundation	2,700,000	-	(2,700,000)	-
Total liabilities	7,453,172	1,001,300	(2,701,300)	5,753,172
Net assets:				
Unrestricted:				
Operating fund	-	2,602,450	-	2,602,450
Reserve fund	6,829,834	-	-	6,829,834
Temporarily restricted	5,373,033	2,205,725	-	7,578,758
Permanently restricted	-	24,796,965	-	24,796,965
Total net assets	12,202,867	29,605,140	-	41,808,007
Total liabilities and net assets	\$ 19,656,039	\$ 30,606,440	\$ (2,701,300)	\$ 47,561,179

See independent auditors' report.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidating Statement of Financial Position
June 30, 2015

	<u>The Dallas Opera</u>	<u>The Dallas Opera Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:				
Cash	\$ 1,213,155	\$ 1,516,493	\$ -	\$ 2,729,648
Pledges receivable, net	8,006,271	-	-	8,006,271
Accounts receivable	190,771	-	-	190,771
Split interest agreement, at fair value	-	85,658	-	85,658
Prepaid expenses and other assets	1,217,340	-	-	1,217,340
Notes receivable from The Dallas Opera	-	4,000,000	(4,000,000)	-
Investments, at fair value	-	24,206,047	-	24,206,047
Property and equipment, net	6,144,677	-	-	6,144,677
Total assets	\$ 16,772,214	\$ 29,808,198	\$ (4,000,000)	\$ 42,580,412
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts Payable	\$ 172,220	\$ -	\$ -	\$ 172,220
Accrued expenses	539,821	-	-	539,821
Deferred revenue - ticket sales	1,805,470	-	-	1,805,470
Deferred revenue - rentals and other	503,678	-	-	503,678
Line-of-credit	-	1,000,000	-	1,000,000
Notes payable to The Dallas Opera Foundation	4,000,000	-	(4,000,000)	-
Total liabilities	7,021,189	1,000,000	(4,000,000)	4,021,189
Net assets:				
Unrestricted:				
Operating fund	-	4,006,031	-	4,006,031
Reserve fund	4,766,811	-	-	4,766,811
Temporarily restricted	4,984,214	2,079,662	-	7,063,876
Permanently restricted	-	22,722,505	-	22,722,505
Total net assets	9,751,025	28,808,198	-	38,559,223
Total liabilities and net assets	\$ 16,772,214	\$ 29,808,198	\$ (4,000,000)	\$ 42,580,412

See independent auditors' report.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidating Statement of Activities
Year Ended June 30, 2016

	<u>The Dallas Opera</u>	<u>The Dallas Opera Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Change in unrestricted net assets:				
Revenue, gains, and other support:				
Earned income:				
Admissions revenue	\$ 3,740,781	\$ -	\$ -	\$ 3,740,781
Interest and dividends	2,856	114,918	-	117,774
Auxiliary event revenue	153,864	-	-	153,864
Rentals and other	719,402	-	-	719,402
Sponsorship revenue	96,600	-	-	96,600
Net realized and unrealized gain (loss) on investments	1,377	(65,795)	-	(64,418)
Investment income transferred from the Dallas Opera Foundation	1,164,952	-	(1,164,952)	-
Transfer from The Dallas Opera Foundation	1,300,000	-	(1,300,000)	-
Investment income released from restrictions	-	1,020,548	-	1,020,548
Total earned income	7,179,832	1,069,671	(2,464,952)	5,784,551
Support from the public:				
Contributions - campaign, net	11,400,182	-	-	11,400,182
Contributions - other	614,623	-	-	614,623
Grants	219,125	-	-	219,125
Net assets released from restrictions	2,941,589	-	-	2,941,589
Total support from the public	15,175,519	-	-	15,175,519
Transfer to reserve fund	(2,063,023)	-	-	(2,063,023)
Total revenue, gains, and other support	20,292,328	1,069,671	(2,464,952)	18,897,047
Expenses:				
Program costs:				
Performers expenses	4,453,179	-	-	4,453,179
Artistic and musical staff	2,367,695	-	-	2,367,695
Production staff	2,653,165	-	-	2,653,165
Physical production	3,035,345	-	-	3,035,345
Facility costs	580,159	-	-	580,159
Education expenses	332,276	-	-	332,276
Marketing costs	2,651,244	-	-	2,651,244
Total program costs	16,073,063	-	-	16,073,063
Supporting services:				
General and administrative	1,761,661	8,300	-	1,769,961
Investment income transferred to The Dallas Opera	-	1,164,952	(1,164,952)	-
Depreciation	340,405	-	-	340,405
Fundraising	1,862,771	-	-	1,862,771
Auxiliary events	122,868	-	-	122,868
Interest expense	131,560	-	-	131,560
Transfer to The Dallas Opera	-	1,300,000	(1,300,000)	-
Total supporting services	4,219,265	2,473,252	(2,464,952)	4,227,565
Total expenses	20,292,328	2,473,252	(2,464,952)	20,300,628
Change in unrestricted net assets operating fund	-	(1,403,581)	-	(1,403,581)
Transfer to reserve fund	2,063,023	-	-	2,063,023
Increase (decrease) in unrestricted net assets	2,063,023	(1,403,581)	-	659,442

See independent auditors' report.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidating Statement of Activities - (Continued)
Year Ended June 30, 2016

	<u>The Dallas Opera</u>	<u>The Dallas Opera Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Change in temporarily restricted net assets:				
Contributions	\$ 3,330,408	\$ -	\$ -	\$ 3,330,408
Interest and dividends	-	1,102,348	-	1,102,348
Investment fees	-	(34,378)	-	(34,378)
Net realized and unrealized gain on investments	-	69,522	-	69,522
Change in split interest agreement	-	9,119	-	9,119
Net assets released from restrictions	(2,941,589)	(1,020,548)	-	(3,962,137)
Change in temporarily restricted net assets	388,819	126,063	-	514,882
Change in permanently restricted net assets:				
Contributions	-	2,051,422	-	2,051,422
Net realized and unrealized gain on investments	-	23,038	-	23,038
Change in permanently restricted net assets	-	2,074,460	-	2,074,460
Change in net assets	2,451,842	796,942	-	3,248,784
Net assets, beginning of year	9,751,025	28,808,198	-	38,559,223
Net assets, end of year	\$ 12,202,867	\$ 29,605,140	\$ -	\$ 41,808,007

See independent auditors' report.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidating Statement of Activities
Year Ended June 30, 2015

	<u>The Dallas Opera</u>	<u>The Dallas Opera Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Change in unrestricted net assets:				
Revenue, gains, and other support:				
Earned income:				
Admissions revenue	\$ 3,904,674	\$ -	\$ -	\$ 3,904,674
Interest and dividends	-	161,503	-	161,503
Auxiliary event revenue	179,768	-	-	179,768
Rentals and other	39,127	-	-	39,127
Sponsorship revenue	110,800	-	-	110,800
Net realized and unrealized loss on investments	-	(39,783)	-	(39,783)
Investment income transferred from the Dallas Opera Foundation	1,271,971	-	(1,271,971)	-
Investment income released from restrictions	-	1,104,165	-	1,104,165
Total earned income	5,506,340	1,225,885	(1,271,971)	5,460,254
Support from the public:				
Contributions - campaign, net	10,681,313	-	-	10,681,313
Contributions - other	431,136	100,883	-	532,019
Grants	184,231	-	-	184,231
Net assets released from restrictions	1,844,598	-	-	1,844,598
Total support from the public	13,141,278	100,883	-	13,242,161
Transfer to reserve fund	(2,742,700)	-	-	(2,742,700)
Total revenue, gains, and other support	15,904,918	1,326,768	(1,271,971)	15,959,715
Expenses:				
Program costs:				
Performers expenses	3,698,215	-	-	3,698,215
Artistic and musical staff	1,441,361	-	-	1,441,361
Production staff	2,202,124	-	-	2,202,124
Physical production	1,331,359	-	-	1,331,359
Facility costs	518,848	-	-	518,848
Education expenses	326,872	-	-	326,872
Marketing costs	2,425,692	-	-	2,425,692
Total program costs	11,944,471	-	-	11,944,471
Supporting services:				
General and administrative	1,904,178	71,083	-	1,975,261
Investment income transferred to The Dallas Opera	-	1,271,971	(1,271,971)	-
Depreciation	346,717	-	-	346,717
Fundraising	1,402,393	-	-	1,402,393
Auxiliary events	142,626	-	-	142,626
Interest expense	164,533	-	-	164,533
Total supporting services	3,960,447	1,343,054	(1,271,971)	4,031,530
Total expenses	15,904,918	1,343,054	(1,271,971)	15,976,001
Change in unrestricted net assets operating fund	-	(16,286)	-	(16,286)
Transfer to reserve fund	2,742,700	-	-	2,742,700
Increase (decrease) in unrestricted net assets	2,742,700	(16,286)	-	2,726,414

See independent auditors' report.

**THE DALLAS OPERA AND
THE DALLAS OPERA FOUNDATION**
Consolidating Statement of Activities - (Continued)
Year Ended June 30, 2015

	<u>The Dallas Opera</u>	<u>The Dallas Opera Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Change in temporarily restricted net assets:				
Contributions	\$ 2,024,589	\$ -	\$ -	\$ 2,024,589
Interest and dividends	-	1,176,325	-	1,176,325
Investment fees	-	(35,725)	-	(35,725)
Net realized and unrealized loss on investments	-	(2,344)	-	(2,344)
Net assets released from restrictions	<u>(1,844,598)</u>	<u>(1,104,165)</u>	-	<u>(2,948,763)</u>
Change in temporarily restricted net assets	179,991	34,091	-	214,082
Change in permanently restricted net assets:				
Net realized and unrealized loss on investments	<u>-</u>	<u>(915,081)</u>	-	<u>(915,081)</u>
Change in permanently restricted net assets	<u>-</u>	<u>(915,081)</u>	-	<u>(915,081)</u>
Change in net assets	2,922,691	(897,276)	-	2,025,415
Net assets, beginning of year	<u>6,828,334</u>	<u>29,705,474</u>	-	<u>36,533,808</u>
Net assets, end of year	<u>\$ 9,751,025</u>	<u>\$ 28,808,198</u>	<u>\$ -</u>	<u>\$ 38,559,223</u>

See independent auditors' report.