

The Dallas Opera and the Dallas Opera Foundation

Consolidated Financial Statements

June 30, 2018 and 2017



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Trustees
The Dallas Opera and the Dallas Opera Foundation
Dallas, Texas

We have audited the accompanying consolidated financial statements of The Dallas Opera and the Dallas Opera Foundation (collectively, the "Opera"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 consolidated 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 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 audit 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 auditor's 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 financial position of The Dallas Opera and the Dallas Opera Foundation as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 24 - 27 is presented for purposes of additional analysis and is not a required part of the 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 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.

Armanino LLP

Armanino^{LLP}
Dallas, Texas

October 3, 2018

The Dallas Opera and the Dallas Opera Foundation
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,579,822	\$ 1,382,628
Contributions receivable, net	8,659,547	10,672,821
Accounts receivable	75,665	86,888
Prepaid expenses	1,647,097	1,266,831
Investments, at fair value	27,841,835	28,692,809
Property and equipment, net	5,494,005	5,652,716
Other assets	192,528	94,777
Total assets	\$ 45,490,499	\$ 47,849,470
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 650,615	\$ 578,568
Accrued expenses	279,641	367,174
Deferred revenue - ticket sales	1,368,560	1,426,351
Deferred revenue - rentals and other	97,254	184,812
Line-of-credit	2,293,731	1,561,309
Term note payable	1,000,000	1,500,000
Related party notes payable	250,000	250,000
Total liabilities	5,939,801	5,868,214
Commitments and contingencies (Note 11)		
Net assets		
Unrestricted		
Operating fund	1,770,327	1,781,421
Reserve fund	4,427,236	7,187,441
Total unrestricted	6,197,563	8,968,862
Temporarily restricted	7,160,437	6,032,402
Permanently restricted	26,192,698	26,979,992
Total net assets	39,550,698	41,981,256
Total liabilities and net assets	\$ 45,490,499	\$ 47,849,470

The accompanying notes are an integral part of these consolidated financial statements.

The Dallas Opera and the Dallas Opera Foundation
Consolidated Statement of Activities
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Earned income				
Admissions revenue	\$ 3,090,952	\$ -	\$ -	\$ 3,090,952
Interest and dividends	161,338	1,108,749	-	1,270,087
Auxiliary event revenue	149,705	-	-	149,705
Rentals and other	268,904	-	-	268,904
Sponsorship revenue	82,500	-	-	82,500
Investment management fees	-	(37,272)	-	(37,272)
Other revenues	-	115	-	115
Net realized and unrealized gain (loss) on investments	296,950	56,113	(333,856)	19,207
Investment income released from restrictions	<u>1,064,596</u>	<u>(1,064,596)</u>	<u>-</u>	<u>-</u>
Total earned income	<u>5,114,945</u>	<u>63,109</u>	<u>(333,856)</u>	<u>4,844,198</u>
Support from the public				
Contributions - campaign, net	7,143,303	-	-	7,143,303
Contributions - other	587,214	2,132,188	296,562	3,015,964
Grants	240,500	-	-	240,500
Net assets released from restriction	<u>1,817,262</u>	<u>(1,067,262)</u>	<u>(750,000)</u>	<u>-</u>
Total support from the public	<u>9,788,279</u>	<u>1,064,926</u>	<u>(453,438)</u>	<u>10,399,767</u>
Total revenues, gains, and other support	14,903,224	1,128,035	(787,294)	15,243,965
Transfer from reserve fund	<u>2,760,205</u>	<u>-</u>	<u>-</u>	<u>2,760,205</u>
Total revenues, gains, other support, and transfers	<u>17,663,429</u>	<u>1,128,035</u>	<u>(787,294)</u>	<u>18,004,170</u>
Expenses				
Program services				
Performers expense	4,584,947	-	-	4,584,947
Artistic and musical staff	1,880,957	-	-	1,880,957
Production staff	2,573,704	-	-	2,573,704
Physical production	1,455,654	-	-	1,455,654
Facility costs	613,011	-	-	613,011
Education expenses	414,590	-	-	414,590
Marketing costs	<u>2,136,136</u>	<u>-</u>	<u>-</u>	<u>2,136,136</u>
Total program services	<u>13,658,999</u>	<u>-</u>	<u>-</u>	<u>13,658,999</u>
Supporting services				
General and administrative	1,872,681	-	-	1,872,681
Depreciation	294,799	-	-	294,799
Fundraising	1,530,269	-	-	1,530,269
Auxiliary events	128,124	-	-	128,124
Interest expense	<u>189,651</u>	<u>-</u>	<u>-</u>	<u>189,651</u>
Total supporting services	<u>4,015,524</u>	<u>-</u>	<u>-</u>	<u>4,015,524</u>
Total expenses	<u>17,674,523</u>	<u>-</u>	<u>-</u>	<u>17,674,523</u>
Change in net assets from operations	(11,094)	1,128,035	(787,294)	329,647
Transfer to operating	<u>(2,760,205)</u>	<u>-</u>	<u>-</u>	<u>(2,760,205)</u>
Change in net assets	(2,771,299)	1,128,035	(787,294)	(2,430,558)
Net assets, beginning of year	<u>8,968,862</u>	<u>6,032,402</u>	<u>26,979,992</u>	<u>41,981,256</u>
Net assets, end of year	<u>\$ 6,197,563</u>	<u>\$ 7,160,437</u>	<u>\$ 26,192,698</u>	<u>\$ 39,550,698</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Dallas Opera and the Dallas Opera Foundation
Consolidated Statement of Activities
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Earned income				
Admissions revenue	\$ 3,569,770	\$ -	\$ -	\$ 3,569,770
Interest and dividends	152,446	1,093,539	-	1,245,985
Auxiliary event revenue	152,455	-	-	152,455
Rentals and other	184,095	-	-	184,095
Sponsorship revenue	82,500	-	-	82,500
Investment management fees	-	(35,987)	-	(35,987)
Net realized and unrealized gain (loss) on investments	474,488	64,548	998,861	1,537,897
Investment income released from restrictions	<u>1,015,915</u>	<u>(1,015,915)</u>	<u>-</u>	<u>-</u>
Total earned income	<u>5,631,669</u>	<u>106,185</u>	<u>998,861</u>	<u>6,736,715</u>
Support from the public				
Contributions - campaign, net	8,567,031	-	-	8,567,031
Contributions - other	1,252,808	739,387	1,184,166	3,176,361
Grants	258,330	-	-	258,330
Net assets released from restrictions	<u>2,391,928</u>	<u>(2,391,928)</u>	<u>-</u>	<u>-</u>
Total support from the public	<u>12,470,097</u>	<u>(1,652,541)</u>	<u>1,184,166</u>	<u>12,001,722</u>
Total revenues, gains, and other support	18,101,766	(1,546,356)	2,183,027	18,738,437
Transfer to reserve fund	<u>(357,607)</u>	<u>-</u>	<u>-</u>	<u>(357,607)</u>
Total revenues, gains, other support, and transfers	<u>17,744,159</u>	<u>(1,546,356)</u>	<u>2,183,027</u>	<u>18,380,830</u>
Expenses				
Program services				
Performers expense	4,886,374	-	-	4,886,374
Artistic and musical staff	1,725,648	-	-	1,725,648
Production staff	2,630,192	-	-	2,630,192
Physical production	1,241,533	-	-	1,241,533
Facility costs	550,612	-	-	550,612
Education expenses	378,176	-	-	378,176
Marketing costs	2,539,779	-	-	2,539,779
Other expense	94,777	-	-	94,777
Total program services	<u>14,047,091</u>	<u>-</u>	<u>-</u>	<u>14,047,091</u>
Supporting services				
General and administrative	2,195,754	-	-	2,195,754
Depreciation	336,130	-	-	336,130
Fundraising	1,746,354	-	-	1,746,354
Auxiliary events	125,034	-	-	125,034
Interest expense	114,825	-	-	114,825
Total supporting services	<u>4,518,097</u>	<u>-</u>	<u>-</u>	<u>4,518,097</u>
Total expenses	<u>18,565,188</u>	<u>-</u>	<u>-</u>	<u>18,565,188</u>
Change in net assets from operations	(821,029)	(1,546,356)	2,183,027	(184,358)
Transfer from operating	<u>357,607</u>	<u>-</u>	<u>-</u>	<u>357,607</u>
Change in net assets	(463,422)	(1,546,356)	2,183,027	173,249
Net assets, beginning of year	<u>9,432,284</u>	<u>7,578,758</u>	<u>24,796,965</u>	<u>41,808,007</u>
Net assets, end of year	<u>\$ 8,968,862</u>	<u>\$ 6,032,402</u>	<u>\$ 26,979,992</u>	<u>\$ 41,981,256</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Dallas Opera and the Dallas Opera Foundation
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (2,430,558)	\$ 173,249
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	294,799	336,130
Bad debt expense	7,102	175,673
Net realized and unrealized gain on investments	(19,207)	(1,537,897)
Forgiveness of related party notes payable	-	(125,000)
Changes in operating assets and liabilities		
Contributions and accounts receivables	2,017,395	239,067
Prepaid expenses	(380,266)	(247,797)
Other assets	(97,751)	-
Accounts payable	72,047	71,125
Accrued Expenses	(87,533)	(449,200)
Deferred revenues	(145,349)	(69,885)
Net cash used in operating activities	(769,321)	(1,434,535)
Cash flows from investing activities		
Purchases of property and equipment	(136,088)	(51,039)
Purchases of investments	(837,720)	(1,906,089)
Proceeds from sale of investments	1,707,901	1,172,463
Net cash provided by (used in) investing activities	734,093	(784,665)
Cash flows from financing activities		
Line-of-credit borrowings	10,050,423	7,882,054
Line-of-credit payments	(9,318,001)	(8,694,052)
Proceeds from (repayment of) term note payable	(500,000)	1,500,000
Net cash provided by financing activities	232,422	688,002
Net increase (decrease) in cash and cash equivalents	197,194	(1,531,198)
Cash and cash equivalents, beginning of year	1,382,628	2,913,826
Cash and cash equivalents, end of year	\$ 1,579,822	\$ 1,382,628

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 191,259	\$ 122,053
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The accompanying notes are an integral part of these consolidated financial statements.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

1. NATURE OF OPERATIONS

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 The Dallas Opera (the Opera). Assets of the Foundation include The Dallas Opera Endowment Fund, The Dallas Opera Great Orchestra Fund, and The Dallas Opera Cultural Renaissance Endowment Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Consolidated Financial Statements
June 30, 2018 and 2017

2. 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. Cash equivalents designated for investment are classified as investments.

Concentrations of credit risk

Financial instruments exposed to concentrations of credit risk consist primarily of cash, contributions 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.

Contributions receivable includes two donors that account for more than 10% of gross contributions receivable at June 30, 2018. These donors make up \$6,500,000, or 75%, of the gross contributions receivable balance at June 30, 2018. Contributions receivable include two donors that account for more than 10% of gross contributions receivable at June 30, 2017. These donors made up \$7,750,000, or 73%, of the gross contributions receivable balance at June 30, 2017.

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.

Contributions and accounts receivable/allowance for doubtful accounts

The Opera maintains contributions 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 \$7,102 and \$175,673 during the years ended June 30, 2018 and 2017, respectively. The Opera wrote off \$29,860 and \$83,680 against the allowance for doubtful accounts during the years ended June 30, 2018 and 2017, respectively.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 restrictions. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

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 8).

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 assets or liabilities. 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, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could be material.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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.

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 contributions receivable and contribution revenue when received or when unconditional 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.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

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 (see note 3).

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met. There were no outstanding unrecorded conditional contributions receivable as of June 30, 2018 and 2017.

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 \$478,289 and \$347,450 of donated facility space and contributed services for advertising, transportation, legal fees, and other miscellaneous services during the years ended June 30, 2018 and 2017, 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.

Functional allocation of expenses

The costs of providing the various program 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 based on usage and management estimates.

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 \$840,469 and \$803,739 for the years ended June 30, 2018 and 2017, respectively.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018 and 2017.

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. Opera reports tax-related interest and penalties, if applicable, as a component of income tax expense, as incurred. As of June 30, 2018 and 2017, no uncertain tax positions have been identified and, therefore, no amounts have been recognized in the accompanying consolidated financial statements.

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 investments and contributions to be received over a period in excess of one year, and the valuation allowance for contributions receivable. Accordingly, actual results may vary from management's estimates.

Subsequent events

Management of the Opera has evaluated subsequent events through October 3, 2018, the date the consolidated financial statements were available to be issued.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

3. CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Contributions receivable were due as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 2,761,158	\$ 3,233,172
One to five years	3,442,400	5,193,503
Thereafter	3,766,665	3,852,500
Unamortized discount	(1,087,241)	(1,360,161)
Allowance for uncollectible accounts	<u>(223,435)</u>	<u>(246,193)</u>
	<u>\$ 8,659,547</u>	<u>\$ 10,672,821</u>

Accounts receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Credit cards receivables	\$ 30,248	\$ 66,263
Other receivables	<u>45,417</u>	<u>20,625</u>
	<u>\$ 75,665</u>	<u>\$ 86,888</u>

4. FAIR VALUE MEASUREMENTS

This fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2018 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 16,296,061	\$ -	\$ -	\$ 16,296,061
Debt securities	<u>11,545,774</u>	<u>-</u>	<u>-</u>	<u>11,545,774</u>
	<u>\$ 27,841,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,841,835</u>

This fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2017 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 17,061,750	\$ -	\$ -	\$ 17,061,750
Debt securities	<u>11,631,059</u>	<u>-</u>	<u>-</u>	<u>11,631,059</u>
	<u>\$ 28,692,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,692,809</u>

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 158,600	\$ 158,600
Building and building improvements	7,986,278	7,978,618
Vehicles	62,956	62,956
Furniture and equipment	1,205,518	1,140,271
Computer software and hardware	64,475	54,214
Work in progress	<u>52,920</u>	<u>-</u>
	9,530,747	9,394,659
Accumulated depreciation	<u>(4,036,742)</u>	<u>(3,741,943)</u>
	<u>\$ 5,494,005</u>	<u>\$ 5,652,716</u>

6. LONG-TERM DEBT AND LINE-OF-CREDIT

The Opera has a \$3,000,000 line-of-credit with a financial institution which matures on March 13, 2019. The line-of-credit is due upon demand. The outstanding balance was \$1,293,731 and \$561,309 as of June 30, 2018 and 2017, respectively. Interest on outstanding borrowings under the line-of-credit is payable monthly at the prime rate (5.00% at June 30, 2018). Interest expense totaled \$46,442 and \$15,767 during the years ended June 30, 2018 and 2017, respectively. Borrowings under the line-of-credit are collateralized by all assets of the Opera.

During 2017, the Opera borrowed \$1,500,000 from a financial institution under the terms of a Term Note (Term Note). The Term Note accrues interest at a rate equal to the greater of 2.50% or the sum of the overnight LIBOR plus the rate margin (4.44% at June 30, 2018). Interest expense totaled \$54,297 and \$16,235 during the years ended June 30, 2018 and 2017, respectively. The Term Note matures on April 2, 2020, at which time the principal balance, and any outstanding principal balances are due. The outstanding principal balance of the Term Note was \$1,000,000 as of June 30, 2018.

The Opera is subject to certain debt covenant requirements under the terms of the line-of-credit and Term Note, including the maintenance of a minimum level of unrestricted cash and contributions receivable. The Opera believes it was in compliance with these covenants as of June 30, 2018.

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 July 26, 2017, the Foundation renewed the line of credit, which now matures on July 22, 2018, with substantially the same terms. Interest on the line-of-credit is payable monthly at the Overnight LIBOR-Based Rate (1.94% at June 30, 2018) plus 2%. As discussed in Note 12, subsequent to year end, the Foundation renewed the line of credit through July 17, 2019, with substantially the same terms.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

6. LONG-TERM DEBT AND LINE-OF-CREDIT (continued)

During the years ended June 30, 2018 and 2017, the Foundation trustees approved a \$1,000,000 draw against its line of credit, the proceeds of which, it loaned to the Opera, in advance of the Foundation's annual dividend and interest income distribution to the Opera from the Cultural Renaissance Endowment Fund. The Opera repaid the \$1,000,000 advance made in fiscal year 2017, on July 20, 2017. The \$1,000,000 advance made in fiscal year 2018 remains outstanding as of June 30, 2018.

Required principal payments are under the terms of the agreements are due as follows:

<u>Year ending June 30,</u>	
2019	\$ 2,793,731
2020	<u>500,000</u>
	<u>\$ 3,293,731</u>

7. RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Time restricted for specific use in future years	\$ 4,785,418	\$ 3,720,492
Unappropriated earnings on donor-restricted endowments	<u>2,375,019</u>	<u>2,311,910</u>
	<u>\$ 7,160,437</u>	<u>\$ 6,032,402</u>

Restricted net assets released from restriction were as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Released based on time restriction	\$ 1,817,262	\$ 2,391,928
Release of investment income	<u>1,064,596</u>	<u>1,015,915</u>
	<u>\$ 2,881,858</u>	<u>\$ 3,407,843</u>

Permanently restricted net assets at June 30, 2018 and 2017, totaled \$26,192,698 and \$26,979,992, 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.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
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8. ENDOWMENT

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.

Return objectives 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.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

8. ENDOWMENT (continued)

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 three areas: the General Endowment, the Great Orchestra Fund, and the Cultural Renaissance Endowment Fund. The General Endowment spending policy is at the quarterly rate of 1.25%, with the exception of two gifts within the General Endowment that are expended at a rate of 5% annually. 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, 2018 and 2017.

Endowment composition

Endowment net asset composition by type of fund consists of the following at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 2,375,019	\$ 26,192,698	\$ 28,567,717
Board-designated	<u>1,770,327</u>	<u>-</u>	<u>-</u>	<u>1,770,327</u>
	<u>\$ 1,770,327</u>	<u>\$ 2,375,019</u>	<u>\$ 26,192,698</u>	<u>\$ 30,338,044</u>

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

8. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund consists of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 2,311,910	\$ 26,979,992	\$ 29,291,902
Board-designated	<u>1,781,421</u>	<u>-</u>	<u>-</u>	<u>1,781,421</u>
	<u>\$ 1,781,421</u>	<u>\$ 2,311,910</u>	<u>\$ 26,979,992</u>	<u>\$ 31,073,323</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, June 30, 2017	\$ 1,781,421	\$ 2,311,910	\$ 26,979,992	\$ 31,073,323
Endowment contributions	-	-	296,562	296,562
Interest and dividends	161,214	1,108,749	-	1,269,963
Investment management fees	-	(37,272)	-	(37,272)
Other revenues	-	115	-	115
Transfers to The Dallas Opera	-	-	(750,000)	(750,000)
Net realized and unrealized gain (loss) on investments	296,963	56,113	(333,856)	19,220
Appropriation of assets for expenditure	(1,525,389)	-	-	(1,525,389)
Assets released from restrictions	1,064,596	(1,064,596)	-	-
Expenses	<u>(8,478)</u>	<u>-</u>	<u>-</u>	<u>(8,478)</u>
Balance, June 30, 2018	<u>\$ 1,770,327</u>	<u>\$ 2,375,019</u>	<u>\$ 26,192,698</u>	<u>\$ 30,338,044</u>

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

8. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, June 30, 2016	\$ 2,602,450	\$ 2,205,725	\$ 24,796,965	\$ 29,605,140
Endowment contributions	-	-	1,184,166	1,184,166
Interest and dividends	150,551	1,093,539	-	1,244,090
Investment management fees	-	(35,987)	-	(35,987)
Net realized and unrealized gain on investments	474,832	64,548	998,861	1,538,241
Appropriation of assets for expenditure	(2,359,850)	-	-	(2,359,850)
Assets released from restrictions	1,015,915	(1,015,915)	-	-
Expenses	<u>(102,477)</u>	<u>-</u>	<u>-</u>	<u>(102,477)</u>
Balance, June 30, 2017	<u>\$ 1,781,421</u>	<u>\$ 2,311,910</u>	<u>\$ 26,979,992</u>	<u>\$ 31,073,323</u>

9. 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 \$94,391 and \$85,163 to the plan for the years ended June 30, 2018 and 2017, 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 \$7,600 and \$9,150 to the plan for the years ended June 30, 2018 and 2017, 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 \$242,247 and \$228,046 to these plans during the years ended June 30, 2018 and 2017, respectively.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

10. RELATED PARTIES

Under the Amended and Restated Trust Agreement of the Dallas Opera Foundation, the Foundation may authorize distributions to the Opera of unrestricted income and principal of the Foundation as it may determine from time to time in its sole discretion. The Foundation approved distributions of \$1,525,389 and \$2,359,850 to the Opera during the years ended June 30, 2018 and 2017, respectively.

In 2011, the Foundation loaned the Opera \$3,500,000 under the terms of a Subordinated Revolving Credit Note (the Note). The Note accrues interest at the prime rate plus 1% (6.00% at June 30, 2018), with accrued and unpaid interest due monthly. The Note matures on October 31, 2018. The amount outstanding under the Note is \$219,275 and \$495,000 as of June 30, 2018 and 2017, respectively.

Approximately \$5,227,915 and \$5,788,298 of total contributions receivable were due from certain board of directors and trustees as of June 30, 2018 and 2017, respectively. Total contribution revenue from certain board of directors and trustees for the years ended June 30, 2018 and 2017, was approximately \$1,385,350 and \$6,089,810, respectively.

During 2016, the Opera entered into agreements to borrow \$500,000 from four board members. Each note accrues interest at a rate of 4.50% and matures on December 31, 2019. During 2016, one of the board members elected to forgive the note and contribute the total outstanding balance of \$125,000. During 2017, a separate board member elected to forgive the note and contribute the total outstanding balance of \$125,000. The outstanding balance on the related party notes payable was \$250,000 as of June 30, 2018 and 2017, respectively. Interest expense totaled \$11,250 and \$12,328 during the years ended June 30, 2018 and 2017, respectively.

In February 2018, a donor modified a \$1,000,000 endowment gift to the Foundation, such that the recipient will be The Dallas Opera, with the remaining amount of \$750,000 owed to be used for current operations. As of the date of the modification, \$250,000 will remain intact at The Dallas Opera Foundation and will adhere to all terms in the original agreement. Therefore, The Foundation transferred \$750,000 to The Opera. Of the \$750,000, \$250,000 was received in fiscal year 2018, and the remaining \$500,000 is scheduled to be received in future years.

11. 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.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

11. COMMITMENTS AND CONTINGENCIES (continued)

Leases (continued)

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. Rent expense for the use of the Margot and Bill Winspear Opera House and parking fees totaled \$420,807 and \$383,767 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017.

The Opera has noncancelable operating leases for certain office equipment. Rent expense under the office equipment leases was \$47,533 and \$41,809 for the years ended June 30, 2018 and 2017, respectively.

The future scheduled minimum rental income under the lease terms is as follows:

<u>Year ending June 30,</u>	
2019	\$ 146,622
2020	146,622
2021	146,622
2022	120,072
2023	107,005
Thereafter	<u>2,842,400</u>
	<u>\$ 3,509,343</u>

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

11. COMMITMENTS AND CONTINGENCIES (continued)

Leases (continued)

The Company enters into noncancelable agreements related to activities for future productions. At June 30, 2018, future minimum payments required under noncancelable artist contracts and set and costume rental agreements were as follows:

<u>Year ending June 30,</u>	
2019	\$ 1,635,550
2020	1,476,000
2021	1,184,900
2022	<u>235,000</u>
	<u>\$ 4,531,450</u>

Future productions

The Opera enters into noncancelable agreements related to activities for future productions. At June 30, 2018, future minimum payments required under noncancelable artist contracts and set and costume rental agreements were as follows:

<u>Year ending June 30,</u>	
2019	\$ 1,635,550
2020	1,476,000
2021	1,184,900
2022	<u>235,000</u>
	<u>\$ 4,531,450</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.

12. SUBSEQUENT EVENTS

On July 20, 2018, the Opera repaid the \$1,000,000 advance made in fiscal year 2018 from the Foundation. On July 20, 2018 the Opera On July 22, 2018, the Foundation extended its \$1,000,000 line-of-credit note through July 17, 2019, at terms no less favorable to the Foundation.

SUPPLEMENTARY INFORMATION

The Dallas Opera and the Dallas Opera Foundation
Consolidating Statement of Financial Position
June 30, 2018

ASSETS

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Cash and cash equivalents	\$ 300,605	\$ 1,279,217	\$ -	\$ 1,579,822
Contributions receivable, net	8,659,547	-	-	8,659,547
Accounts receivable	75,665	-	-	75,665
Prepaid expenses	1,647,097	-	-	1,647,097
Notes receivable from The Dallas Opera	-	2,219,275	(2,219,275)	-
Investments, at fair value	2,283	27,839,552	-	27,841,835
Property and equipment, net	5,494,005	-	-	5,494,005
Other assets	192,528	-	-	192,528
Total assets	<u>\$ 16,371,730</u>	<u>\$ 31,338,044</u>	<u>\$ (2,219,275)</u>	<u>\$ 50,984,504</u>

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable	\$ 650,615	\$ -	\$ -	\$ 650,615
Accrued expenses	279,641	-	-	279,641
Deferred revenue - ticket sales	1,368,560	-	-	1,368,560
Deferred revenue - rentals and other	97,254	-	-	97,254
Line-of-credit	1,293,731	1,000,000	-	2,293,731
Term note payable	1,000,000	-	-	1,000,000
Related party notes payable	250,000	-	-	250,000
Notes payable to The Dallas Opera Foundation	2,219,275	-	(2,219,275)	-
Total liabilities	<u>7,159,076</u>	<u>1,000,000</u>	<u>(2,219,275)</u>	<u>5,939,801</u>
Net assets				
Unrestricted				
Operating fund	-	1,770,327	-	1,770,327
Reserve fund	4,427,236	-	-	4,427,236
Total unrestricted	4,427,236	1,770,327	-	6,197,563
Temporarily restricted	4,785,418	2,375,019	-	7,160,437
Permanently restricted	-	26,192,698	-	26,192,698
Total net assets	<u>9,212,654</u>	<u>30,338,044</u>	<u>-</u>	<u>39,550,698</u>
Total liabilities and net assets	<u>\$ 16,371,730</u>	<u>\$ 31,338,044</u>	<u>\$ (2,219,275)</u>	<u>\$ 45,490,499</u>

See accompanying independent auditor's report.

The Dallas Opera and the Dallas Opera Foundation
Consolidating Statement of Financial Position
June 30, 2017

ASSETS

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Cash and cash equivalents	\$ 124,984	\$ 1,257,644	\$ -	\$ 1,382,628
Contributions receivable, net	9,943,656	729,165	-	10,672,821
Accounts receivable	86,888	-	-	86,888
Prepaid expenses	1,266,831	-	-	1,266,831
Notes receivable from The Dallas Opera	-	1,495,000	(1,495,000)	-
Investments, at fair value	101,295	28,591,514	-	28,692,809
Property and equipment, net	5,652,716	-	-	5,652,716
Other assets	94,777	-	-	94,777
Total assets	<u>\$ 17,271,147</u>	<u>\$ 32,073,323</u>	<u>\$ (1,495,000)</u>	<u>\$ 47,849,470</u>

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable	\$ 578,568	\$ -	\$ -	\$ 578,568
Accrued expenses	367,174	-	-	367,174
Deferred revenue - ticket sales	1,426,351	-	-	1,426,351
Deferred revenue - rentals and other	184,812	-	-	184,812
Line-of-credit	561,309	1,000,000	-	1,561,309
Term note payable	1,500,000	-	-	1,500,000
Related party notes payable	250,000	-	-	250,000
Notes payable to The Dallas Opera Foundation	1,495,000	-	(1,495,000)	-
Total liabilities	<u>6,363,214</u>	<u>1,000,000</u>	<u>(1,495,000)</u>	<u>5,868,214</u>
Net assets				
Unrestricted				
Operating fund	-	1,781,421	-	1,781,421
Reserve fund	7,187,441	-	-	7,187,441
Total unrestricted	3,720,492	2,311,910	-	6,032,402
Temporarily restricted	-	26,979,992	-	26,979,992
Permanently restricted	-	-	-	-
Total net assets	<u>10,907,933</u>	<u>31,073,323</u>	<u>-</u>	<u>41,981,256</u>
Total liabilities and net assets	<u>\$ 17,271,147</u>	<u>\$ 32,073,323</u>	<u>\$ (1,495,000)</u>	<u>\$ 47,849,470</u>

See accompanying independent auditor's report.

The Dallas Opera and the Dallas Opera Foundation
Consolidating Statement of Activities
For the Year Ended June 30, 2018

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Revenues, gains, and other support				
Earned income				
Admissions revenue	\$ 3,090,952	\$ -	\$ -	\$ 3,090,952
Interest and dividends	124	1,269,963	-	1,270,087
Auxiliary event revenue	149,705	-	-	149,705
Rentals and other	268,904	-	-	268,904
Sponsorship revenue	82,500	-	-	82,500
Investment management fees	-	(37,272)	-	(37,272)
Other revenues	-	115	-	115
Net realized and unrealized gain (loss) on investments	(13)	19,220	-	19,207
Investment income transferred from The Dallas Opera Foundation	1,249,664	-	(1,249,664)	-
Total earned income	<u>4,841,836</u>	<u>1,252,026</u>	<u>(1,249,664)</u>	<u>4,844,198</u>
Support from the public				
Contributions - campaign, net	7,143,303	-	-	7,143,303
Contributions - other	2,719,402	296,562	-	3,015,964
Grants	240,500	-	-	240,500
Transfer from the Dallas Opera Foundation	1,025,725	-	(1,025,725)	-
Total support from the public	<u>11,128,930</u>	<u>296,562</u>	<u>(1,025,725)</u>	<u>10,399,767</u>
Total revenues, gains, and other support	<u>15,970,766</u>	<u>1,548,588</u>	<u>(2,275,389)</u>	<u>15,243,965</u>
Transfer from reserve fund	<u>2,760,205</u>	<u>-</u>	<u>-</u>	<u>2,760,205</u>
Total revenues, gains, other support, and transfers	<u>18,730,971</u>	<u>1,548,588</u>	<u>(2,275,389)</u>	<u>18,004,170</u>
Expenses				
Program services				
Performers expense	4,584,947	-	-	4,584,947
Artistic and musical staff	1,880,957	-	-	1,880,957
Production staff	2,573,704	-	-	2,573,704
Physical production	1,455,654	-	-	1,455,654
Facility costs	613,011	-	-	613,011
Education expenses	414,590	-	-	414,590
Marketing costs	2,136,136	-	-	2,136,136
Investment income transferred to The Dallas Opera	-	1,249,664	(1,249,664)	-
Transfer to The Dallas Opera	-	1,025,725	(1,025,725)	-
Total program services	<u>13,658,999</u>	<u>2,275,389</u>	<u>(2,275,389)</u>	<u>13,658,999</u>
Supporting services				
General and administrative	1,864,203	8,478	-	1,872,681
Depreciation	294,799	-	-	294,799
Fundraising	1,530,269	-	-	1,530,269
Auxiliary events	128,124	-	-	128,124
Interest expense	189,651	-	-	189,651
Total supporting services	<u>4,007,046</u>	<u>8,478</u>	<u>-</u>	<u>4,015,524</u>
Total expenses	<u>17,666,045</u>	<u>2,283,867</u>	<u>2,275,389</u>	<u>17,674,523</u>
Change in net assets from operations	1,064,926	(735,279)	-	329,647
Transfer to operating	<u>(2,760,205)</u>	<u>-</u>	<u>-</u>	<u>(2,760,205)</u>
Change in net assets	(1,695,279)	(735,279)	-	(2,430,558)
Net assets, beginning of year	<u>10,907,933</u>	<u>31,073,323</u>	<u>-</u>	<u>41,981,256</u>
Net assets, end of year	<u>\$ 9,212,654</u>	<u>\$ 30,338,044</u>	<u>\$ -</u>	<u>\$ 39,550,698</u>

See accompanying independent auditor's report.

The Dallas Opera and the Dallas Opera Foundation
Consolidating Statement of Activities
For the Year Ended June 30, 2017

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Revenues, gains, and other support				
Earned income				
Admissions revenue	\$ 3,569,770	\$ -	\$ -	\$ 3,569,770
Interest and dividends	1,895	1,244,090	-	1,245,985
Auxiliary event revenue	152,455	-	-	152,455
Rentals and other	184,095	-	-	184,095
Sponsorship revenue	82,500	-	-	82,500
Investment management fees	-	(35,987)	-	(35,987)
Net realized and unrealized gain (loss) on investments	(344)	1,538,241	-	1,537,897
Investment income transferred from The Dallas Opera Foundation	1,154,850	-	(1,154,850)	-
Total earned income	<u>5,145,221</u>	<u>2,746,344</u>	<u>(1,154,850)</u>	<u>6,736,715</u>
Support from the public				
Contributions - campaign, net	8,567,031	-	-	8,567,031
Contributions - other	1,992,195	1,184,166	-	3,176,361
Grants	258,330	-	-	258,330
Transfer from the Dallas Opera Foundation	1,205,000	-	(1,205,000)	-
Total support from the public	<u>12,022,556</u>	<u>1,184,166</u>	<u>(1,205,000)</u>	<u>12,001,722</u>
Total revenues, gains, and other support	<u>17,167,777</u>	<u>3,930,510</u>	<u>(2,359,850)</u>	<u>18,738,437</u>
Transfer from reserve fund	(357,607)	-	-	(357,607)
Total revenues, gains, other support, and transfers	<u>16,810,170</u>	<u>3,930,510</u>	<u>(2,359,850)</u>	<u>18,380,830</u>
Expenses				
Program services				
Performers expense	4,886,374	-	-	4,886,374
Artistic and musical staff	1,725,648	-	-	1,725,648
Production staff	2,630,192	-	-	2,630,192
Physical production	1,241,533	-	-	1,241,533
Facility costs	550,612	-	-	550,612
Education expenses	378,176	-	-	378,176
Marketing costs	2,539,779	-	-	2,539,779
Other expense	-	94,777	-	94,777
Investment income transferred to The Dallas Opera	-	1,154,850	(1,154,850)	-
Transfer to The Dallas Opera	-	1,205,000	(1,205,000)	-
Total program services	<u>13,952,314</u>	<u>2,454,627</u>	<u>(2,359,850)</u>	<u>14,047,091</u>
Supporting services				
General and administrative	2,188,054	7,700	-	2,195,754
Depreciation	336,130	-	-	336,130
Fundraising	1,746,354	-	-	1,746,354
Auxiliary events	125,034	-	-	125,034
Interest expense	114,825	-	-	114,825
Total supporting services	<u>4,510,397</u>	<u>7,700</u>	<u>-</u>	<u>4,518,097</u>
Total expenses	<u>18,462,711</u>	<u>2,462,327</u>	<u>2,359,850</u>	<u>18,565,188</u>
Change in net assets from operations	(1,652,541)	1,468,183	-	(184,358)
Transfer from operating	357,607	-	-	357,607
Change in net assets	(1,294,934)	1,468,183	-	173,249
Net assets, beginning of year	<u>12,202,867</u>	<u>29,605,140</u>	<u>-</u>	<u>41,808,007</u>
Net assets, end of year	<u>\$ 10,907,933</u>	<u>\$ 31,073,323</u>	<u>\$ -</u>	<u>\$ 41,981,256</u>

See accompanying independent auditor's report.