

**The Dallas Opera and the  
Dallas Opera Foundation**

Consolidated Financial Statements  
and Supplementary Information

June 30, 2022 and 2021



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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying consolidated financial statements of The Dallas Opera and the Dallas Opera Foundation (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, 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.

### Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Dallas Opera and the Dallas Opera Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dallas Opera and the Dallas Opera Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Dallas Opera and the Dallas Opera Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dallas Opera and the Dallas Opera Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 28 - 31 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<sup>LLP</sup>  
Dallas, Texas

November 4, 2022

The Dallas Opera and the Dallas Opera Foundation  
Consolidated Statements of Financial Position  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,757,362	\$ 3,561,891
Contributions receivable, net	10,258,559	3,015,875
Accounts receivable	15,457	58,226
Prepaid and other assets	1,200,366	991,939
Cash and cash equivalents held for endowment	1,333,909	2,651,036
Investments held for endowment	24,673,004	30,243,327
Property and equipment, net	<u>4,659,158</u>	<u>4,822,475</u>
Total assets	<u>\$ 44,897,815</u>	<u>\$ 45,344,769</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 176,244	\$ 209,418
Accrued expenses	400,725	343,131
Deferred revenue - ticket sales	1,258,229	1,296,833
Deferred revenue - rentals and other	89,202	88,830
Line-of-credit	1,000,000	1,000,000
Term notes payable	<u>1,807,171</u>	<u>3,802,171</u>
Total liabilities	<u>4,731,571</u>	<u>6,740,383</u>
Net assets		
Without donor restrictions	3,580,255	2,095,566
With donor restrictions	<u>36,585,989</u>	<u>36,508,820</u>
Total net assets	<u>40,166,244</u>	<u>38,604,386</u>
Total liabilities and net assets	<u>\$ 44,897,815</u>	<u>\$ 45,344,769</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses), and other support			
Earned income			
Admissions revenue	\$ 2,304,745	\$ -	\$ 2,304,745
Net realized and unrealized loss on investments	(1,782)	(5,041,406)	(5,043,188)
Interest and dividends, net	243	1,368,219	1,368,462
Auxiliary event revenue	77,367	-	77,367
Rentals and other	34,624	-	34,624
Sponsorship revenue	82,500	-	82,500
Investment income released from restrictions	1,218,898	(1,218,898)	-
Total earned income	<u>3,716,595</u>	<u>(4,892,085)</u>	<u>(1,175,490)</u>
Contributions	7,759,841	8,439,099	16,198,940
Contributions - special events	59,303	-	59,303
Net assets released from restriction	3,469,845	(3,469,845)	-
Total	<u>11,288,989</u>	<u>4,969,254</u>	<u>16,258,243</u>
Total revenues, gains (losses), and other support	<u>15,005,584</u>	<u>77,169</u>	<u>15,082,753</u>
Functional expenses			
Program services			
Artistic productions	10,082,053	-	10,082,053
Education and outreach	516,093	-	516,093
Total program services	<u>10,598,146</u>	<u>-</u>	<u>10,598,146</u>
Support services			
Management and general	3,724,211	-	3,724,211
Fundraising	1,193,538	-	1,193,538
Total support services	<u>4,917,749</u>	<u>-</u>	<u>4,917,749</u>
Total functional expenses	<u>15,515,895</u>	<u>-</u>	<u>15,515,895</u>
Change in net assets from operations	(510,311)	77,169	(433,142)
Gain on extinguishment of debt	<u>1,995,000</u>	<u>-</u>	<u>1,995,000</u>
Change in net assets	1,484,689	77,169	1,561,858
Net assets, beginning of year	<u>2,095,566</u>	<u>36,508,820</u>	<u>38,604,386</u>
Net assets, end of year	<u>\$ 3,580,255</u>	<u>\$ 36,585,989</u>	<u>\$ 40,166,244</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Earned income			
Admissions revenue	\$ 66,682	\$ -	\$ 66,682
Net realized and unrealized gain on investments	1,829	4,759,823	4,761,652
Interest and dividends, net	188	1,138,022	1,138,210
Auxiliary event revenue	18,494	-	18,494
Rentals and other	3,597	-	3,597
Sponsorship revenue	82,500	-	82,500
Investment income released from restrictions	2,084,430	(2,084,430)	-
Total earned income	<u>2,257,720</u>	<u>3,813,415</u>	<u>6,071,135</u>
Contributions	5,540,872	3,661,721	9,202,593
Contributions - special events	96,288	-	96,288
Net assets released from restriction	1,992,018	(1,992,018)	-
Total	<u>7,629,178</u>	<u>1,669,703</u>	<u>9,298,881</u>
Total revenues and other support	<u>9,886,898</u>	<u>5,483,118</u>	<u>15,370,016</u>
Functional expenses			
Program services			
Artistic productions	5,203,863	-	5,203,863
Education and outreach	323,659	-	323,659
Total program services	<u>5,527,522</u>	<u>-</u>	<u>5,527,522</u>
Support services			
Management and general	2,844,515	-	2,844,515
Fundraising	847,940	-	847,940
Total support services	<u>3,692,455</u>	<u>-</u>	<u>3,692,455</u>
Total functional expenses	<u>9,219,977</u>	<u>-</u>	<u>9,219,977</u>
Change in net assets from operations	666,921	5,483,118	6,150,039
Gain on extinguishment of debt	<u>1,399,000</u>	<u>-</u>	<u>1,399,000</u>
Change in net assets	2,065,921	5,483,118	7,549,039
Net assets, beginning of year	<u>29,645</u>	<u>31,025,702</u>	<u>31,055,347</u>
Net assets, end of year	<u>\$ 2,095,566</u>	<u>\$ 36,508,820</u>	<u>\$ 38,604,386</u>

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

The Dallas Opera and the Dallas Opera Foundation  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2022

	Program Services			Support Services		
	Artistic Productions	Education and Outreach	Total Program Services	Management and General	Fundraising	Total
Personnel expenses						
Salaries and artistic fees	\$ 7,041,643	\$ 214,557	\$ 7,256,200	\$ 1,071,884	\$ 552,458	\$ 8,880,542
Pension contributions	29,075	3,205	32,280	43,075	15,988	91,343
Other employee benefits	558,279	32,922	591,201	142,462	58,249	791,912
Payroll taxes	479,676	38,205	517,881	95,359	44,759	657,999
Total personnel expenses	8,108,673	288,889	8,397,562	1,352,780	671,454	10,421,796
Professional fees	94,220	-	94,220	337,356	112,944	544,520
Advertising and promotion	-	-	-	909,086	-	909,086
Office expenses	149,803	-	149,803	97,234	73,563	320,600
Information technology	53,112	-	53,112	257,030	84,606	394,748
Rent	168,197	-	168,197	78,670	26,400	273,267
Building maintenance	100,844	-	100,844	-	-	100,844
Utilities	26,171	-	26,171	27,384	9,128	62,683
Travel	190,057	3,007	193,064	36,268	3,554	232,886
Interest expense	-	-	-	73,366	-	73,366
Insurance	73,128	-	73,128	21,745	7,248	102,121
Outreach, guild and other special projects	64,951	224,197	289,148	-	178,851	467,999
Physical production costs	1,015,681	-	1,015,681	-	-	1,015,681
Depreciation	37,216	-	37,216	294,315	-	331,531
Other expenses	-	-	-	238,977	25,790	264,767
	<u>\$ 10,082,053</u>	<u>\$ 516,093</u>	<u>\$ 10,598,146</u>	<u>\$ 3,724,211</u>	<u>\$ 1,193,538</u>	<u>\$ 15,515,895</u>

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



The Dallas Opera and the Dallas Opera Foundation  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2021

	Program Services			Support Services		
	Artistic Productions	Education and Outreach	Total Program Services	Management and General	Fundraising	Total
Personnel expenses						
Salaries and artistic fees	\$ 3,806,477	\$ 151,878	\$ 3,958,355	\$ 986,555	\$ 367,527	\$ 5,312,437
Pension contributions	21,939	3,409	25,348	33,076	8,473	66,897
Other employee benefits	312,944	22,108	335,052	139,646	37,426	512,124
Payroll taxes	272,568	26,344	298,912	80,039	30,635	409,586
Total personnel expenses	4,413,928	203,739	4,617,667	1,239,316	444,061	6,301,044
Professional fees	15,270	-	15,270	314,283	202,356	531,909
Advertising and promotion	-	-	-	512,539	-	512,539
Office expenses	70,697	-	70,697	68,973	41,919	181,589
Information technology	36,000	-	36,000	157,478	52,493	245,971
Rent	103,090	-	103,090	79,200	26,400	208,690
Building maintenance	82,333	-	82,333	-	-	82,333
Utilities	22,760	-	22,760	37,030	12,343	72,133
Travel	35,908	660	36,568	5,008	440	42,016
Interest expense	-	-	-	68,408	-	68,408
Insurance	137,348	-	137,348	23,174	7,725	168,247
Outreach, guild and other special projects	-	119,260	119,260	-	18,745	138,005
Physical production costs	256,939	-	256,939	-	-	256,939
Special Events	-	-	-	-	35,118	35,118
Depreciation	29,590	-	29,590	268,062	-	297,652
Other expenses	-	-	-	71,044	6,340	77,384
	<u>\$ 5,203,863</u>	<u>\$ 323,659</u>	<u>\$ 5,527,522</u>	<u>\$ 2,844,515</u>	<u>\$ 847,940</u>	<u>\$ 9,219,977</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,561,858	\$ 7,549,039
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	331,531	297,652
Bad debt expense	169,441	36,022
Net realized and unrealized (gains) losses on investments	5,043,188	(4,761,652)
Gain on extinguishment of debt	(1,995,000)	(1,399,000)
Contributions restricted to the endowment	(6,174)	(1,562,960)
Changes in operating assets and liabilities		
Contributions receivable, net	(7,412,125)	(942,087)
Accounts receivable	42,769	(18,246)
Prepaid and other assets	(208,427)	(13,246)
Accounts payable	(33,174)	(116,266)
Accrued expenses	57,594	50,439
Deferred revenue	(38,232)	(9,530)
Net cash used in operating activities	<u>(2,486,751)</u>	<u>(889,835)</u>
Cash flows from investing activities		
Purchases of property and equipment	(168,214)	(114,144)
Purchases of investments	(13,214,855)	(14,519,690)
Proceeds from sale of investments	13,741,990	14,768,735
Net cash provided by investing activities	<u>358,921</u>	<u>134,901</u>
Cash flows from financing activities		
Line-of-credit borrowings	1,000,000	1,000,000
Line-of-credit repayments	(1,000,000)	(1,000,000)
Proceeds from term note payable	-	1,995,000
Cash received for contributions to the endowment	6,174	1,562,960
Net cash provided by financing activities	<u>6,174</u>	<u>3,557,960</u>
Net increase (decrease) in cash, cash equivalents and cash equivalents held for endowment	(2,121,656)	2,803,026
Cash, cash equivalents, and cash and cash equivalents held for the endowment, beginning of year	<u>6,212,927</u>	<u>3,409,901</u>
Cash, cash equivalents, and cash and cash equivalents held for the endowment, end of year	<u>\$ 4,091,271</u>	<u>\$ 6,212,927</u>
Cash, cash equivalents, and cash and cash equivalents held for the endowment consisted of the following:		
Cash and cash equivalents	\$ 2,757,362	\$ 3,561,891
Cash and cash equivalents held for endowment	<u>1,333,909</u>	<u>2,651,036</u>
	<u>\$ 4,091,271</u>	<u>\$ 6,212,927</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 73,366	\$ 68,408
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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, 2022 and 2021

1. NATURE OF OPERATIONS

The Dallas Opera (Opera), founded in 1957, is governed by the Opera Board of Directors (Opera's Board). The Opera is committed to producing opera performances of uncompromising artistic quality, educating and enriching the life of the community, and embracing its diverse cultural heritage. The Opera 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. The Opera perpetuates the art form by commissioning new American works and is further committed to discovering and nurturing talented young artists.

The Dallas Opera Foundation (Foundation), established in 1984 as a 501(c)(3) trust, is governed by the Foundation's Board of Trustees (Foundation's Board). The Foundation is committed to providing financial support for the Opera. Assets of the Foundation include The Dallas Opera General Endowment Fund, The Dallas Opera Great Orchestra Fund, and The Dallas Opera Cultural Renaissance Endowment Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The accompanying consolidated financial statements include the accounts of the Organization and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Opera's Board or the Foundation's Board.
- *Net assets with donor restrictions* - 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. Other donor imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions also include the accumulated earnings of donor restricted endowment funds that are not required to be maintained in perpetuity, but rather until such funds are appropriated for expenditure. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets. Contributions with donor-imposed restrictions whose restrictions are satisfied in the same reporting period as received are reported as net assets without donor restrictions. Investment income (loss) (e.g. interest and dividends and realized and unrealized gains and losses) with donor-imposed restrictions that are met in the same year as earned are also reported as net assets without donor restrictions.

Principles of consolidation

All significant intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements. The consolidated financial statements include the financial statements of the Opera and the Foundation. The Opera and the Foundation are collectively referred to herein as the Organization.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity at date of purchase of three months or less to be cash and cash equivalents.

Cash and cash equivalents held for the endowment represents the cash portion of the investment accounts that are held for long-term use for the endowment.

Contributions and promises to give

The Organization recognizes contributions when they are received or unconditionally pledged and records these amounts as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows at a discount rate which management believes is commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions. The Organization records an allowance for doubtful accounts which is estimated based on management's judgment including such factors as the current aging of contributions receivable.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or release - are not recognized until the conditions on which they depend have been met. There were \$2,000,000 of conditional contributions as of June 30, 2022 and 2021. There were no conditional contributions as of June 30, 2021.

Investments and income recognition

Investments consist primarily of equity securities, fixed income securities, real estate and commodities. The Organization carries all investments at fair value as determined primarily by quoted market prices in active markets with increases or decreases in fair value being recognized in the period in which such changes occur. Realized and unrealized gain/loss and interest and dividend income, net of investment management fees are included in the accompanying consolidated statements of activities as changes in net assets with donor restrictions and net assets without donor restrictions in accordance with donor imposed restrictions.

Fair value measurements

The Organization applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates based on available data.

The Organization holds pooled fixed income securities reported at level 2 based on the market price of the investments in the pool at the close of the last business day of the statement period or on the last available market price for each security in the fund.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Property and equipment

Property, equipment and leasehold improvements are carried at cost, if purchased, or fair value at the date of gift, if donated. The Organization capitalizes all property and equipment that is purchased for more than \$1,000 and will provide future benefit to the Organization beyond one year. Expenditures for maintenance and repairs are charged to operations as incurred.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building and building improvements	3-39 years
Automobiles	5 years
Furniture and equipment	3-15 years
Computer equipment	3-4 years

Revenue recognition and deferred revenue

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

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

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and facilities

Contributed services are reflected in the 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 Organization received \$71,209 and \$75,225 of donated facility space and contributed services for advertising, transportation, legal fees, and other miscellaneous services during the years ended June 30, 2022 and 2021, respectively, which are included in contributions in the accompanying consolidated statements of activities.

A number of volunteers and outside institutions have donated significant amounts of time to assist the Organization. The value of donated volunteer time is not reflected in the accompanying consolidated financial statements as the criteria for recognition of such volunteer effort have not been satisfied.

Functional allocation of expenses

The Opera's expenses have been summarized in the accompanying consolidated statements of activities on a functional basis into program services and supporting services. Supporting services include management and general activities as well as fundraising activities. Management and general activities provide support allowing the Opera to effectively provide quality education, outreach, and artistic productions. They include activities that provide governance, oversight, business management, financial record keeping, budgeting, legal services, human resource management, production advertising, marketing and similar functions. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions allowing the Opera to have the greatest impact on the community.

Certain functional expenses have been allocated among the programs and supporting services benefited based on usage and management estimates. These expenses include certain payroll expenses, which are allocated based on estimates of time and effort as produced by a study conducted by management, and depreciation and other occupancy expenses, which have been allocated based on the estimated square footage utilized within each function.

Production costs

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

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

The Opera expenses advertising costs in the year in which the related production is performed. Advertising expense of \$909,086 and \$512,539 for the years ended June 30, 2022 and 2021 are recorded in the accompanying statements of functional expenses within the advertising and promotion category of supporting services, respectively. Supporting services, such as advertising costs, allow the Opera to draw in new patrons of the arts and promote upcoming productions to current patrons and supporters.

Federal income taxes

The Organization 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 Organization'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 Organization 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 Organization's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Organization reports tax-related interest and penalties, if applicable, as a component of income tax expense, as incurred. As of June 30, 2022 and 2021, no uncertain tax positions have been identified by management and, therefore, no amounts have been recognized in the accompanying consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. 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 the valuation allowance for contributions receivable. Accordingly, actual results may vary from those estimates.

New accounting pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and to disclose contributed nonfinancial assets. The Organization implemented this standard effective July 1, 2021 and determined there was not a material impact to the consolidated financial statements.



The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management of the Organization has evaluated subsequent events through November 4, 2022, the date the consolidated financial statements were available to be issued. Other than as disclosed in the notes to the financials, no other subsequent events have occurred that would have a material impact on the presentation of the consolidated financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE

The following disclosure describes assets that are available or expected to be available within one year of June 30, 2022 to fund general expenditures:

Financial assets:

Cash and cash equivalents	\$ 2,757,362
Contributions receivable, net	10,258,559
Cash and cash equivalents held for endowment	1,333,909
Investments held for endowment	<u>24,673,004</u>
	<u>39,022,834</u>

Less amounts unavailable for general expenditure within one year:

Long-term contributions receivable	(4,710,214)
Board-designated endowment	(5,635)
Restricted by donors for endowment	<u>(26,001,278)</u>
	<u>(30,717,127)</u>
	<u>\$ 8,305,707</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, or other obligations become due.

4. CREDIT RISKS, CONCENTRATIONS AND UNCERTAINTIES

The Organization maintains its cash and cash equivalents in bank accounts which, at times, exceed federally insured limits. The Organization has not experienced any such losses in such accounts and believes it is not exposed to significant credit risk on cash.

At June 30, 2022 and 2021, contributions receivable from three donors equaled approximately 75% of the total contributions receivable. At June 30, 2021 contributions receivable from two donors equaled approximately 57% of the total contributions receivable. For the year ended June 30, 2022 and 2021, two donors provided support to the Organization which equaled approximately 58% of the total contributions. For the year ended June 30, 2021, two donors provided support to the Organization which equaled approximately 36% of the total contributions.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consisted of the following:

	<u>2022</u>	<u>2021</u>
Receivables due in less than one year	\$ 5,981,408	\$ 1,285,345
Receivables due in one to five years	4,347,714	1,547,714
Receivables due in greater than five years	<u>362,500</u>	<u>422,500</u>
	10,691,622	3,255,559
Less: discount to net present value	(197,376)	(153,000)
Less: allowance for doubtful contributions	<u>(235,687)</u>	<u>(86,684)</u>
	<u><u>\$ 10,258,559</u></u>	<u><u>\$ 3,015,875</u></u>

Contributions receivable were discounted to net present value based on the average of the U.S. treasury bill rate on the original pledge date and the established yearly endowment appropriation rate of the General Endowment Fund.

6. INVESTMENTS HELD FOR ENDOWMENT

Investments held for endowment consisted of the following:

	<u>2022</u>	<u>2021</u>
Equity securities	\$ 8,586,396	\$ 9,835,914
Fixed income securities	15,627,574	20,088,027
Real estate	128,424	123,150
Commodities	<u>330,610</u>	<u>196,236</u>
	<u><u>\$ 24,673,004</u></u>	<u><u>\$ 30,243,327</u></u>

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

7. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 8,586,396	\$ -	\$ -	\$ 8,586,396
Fixed income securities	13,008,929	2,618,645	-	15,627,574
Real estate	128,424	-	-	128,424
Commodities	<u>330,610</u>	<u>-</u>	<u>-</u>	<u>330,610</u>
	<u>\$ 22,054,359</u>	<u>\$ 2,618,645</u>	<u>\$ -</u>	<u>\$ 24,673,004</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 9,835,914	\$ -	\$ -	\$ 9,835,914
Fixed Income Securities	16,613,662	3,474,365	-	20,088,027
Real Estate	123,150	-	-	123,150
Commodities	<u>196,236</u>	<u>-</u>	<u>-</u>	<u>196,236</u>
	<u>\$ 26,768,962</u>	<u>\$ 3,474,365</u>	<u>\$ -</u>	<u>\$ 30,243,327</u>

8. ENDOWMENT

Endowment Funds

The Foundation's endowment consists of three endowment funds established for the exclusive purpose of operating for the benefit of the Opera. The endowment includes funds that are donor-restricted endowment funds and a fund designated by the Foundation Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Foundation Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds without restriction represent those funds designated by the Foundation Board.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

8. ENDOWMENT (continued)

Endowment Funds (continued)

*Interpretation of relevant law*

The Organization adopted Financial Accounting Standards Board (FASB) guidance for net asset classification of endowment funds, subject to the Texas enacted version of the Uniform Prudent Management of Institutional Funds Act (Texas UPMIFA) and enhanced disclosures for all endowment funds. The Organization has adopted and interpreted Texas UPMIFA as requiring the Organization to classify as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment explicitly requested to be held in perpetuity in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified within net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Texas UPMIFA.

The Organization interprets Texas UPMIFA as allowing the Foundation, absent donor restriction to the contrary, to appropriate so much of a donor-restricted endowment fund as the Foundation's 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 Organization

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

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

8. ENDOWMENT (continued)

Endowment Funds (continued)

*Return objectives and risk parameters*

The Foundation's Board 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 Board. 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 policies and how the investment objectives relate to the spending policies*

Currently, the spending policy is divided into three areas: the General Endowment (GE), the Great Orchestra Fund (GOF), and the Cultural Renaissance Endowment Fund (CREF). GE's spending policy is at the trailing 12-quarter average rate of 1.25%, with the exception of two gifts within the GE that are expended at a rate of 5% annually. GOF's spending policy is at the trailing 12-quarter average rate of 1.1875% or 4.75% annually. Per explicit donor instruction, CREF's 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 Board from time to time.

*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 Texas UPMIFA requires the Organization 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, 2022 and 2021.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

8. ENDOWMENT (continued)

Composition and changes in endowment

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 26,001,278	\$ 26,001,278
Board-designated	<u>5,635</u>	<u>-</u>	<u>5,635</u>
	<u><u>\$ 5,635</u></u>	<u><u>\$ 26,001,278</u></u>	<u><u>\$ 26,006,913</u></u>

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 32,887,189	\$ 32,887,189
Board-designated	<u>7,174</u>	<u>-</u>	<u>7,174</u>
	<u><u>\$ 7,174</u></u>	<u><u>\$ 32,887,189</u></u>	<u><u>\$ 32,894,363</u></u>

Changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2020	\$ 5,163	\$ 27,510,814	\$ 27,515,977
Net realized and unrealized gains	1,829	4,759,823	4,761,652
Interest and dividends, net	182	1,138,022	1,138,204
Contributions	-	1,562,960	1,562,960
Appropriation of assets for expenditure	<u>-</u>	<u>(2,084,430)</u>	<u>(2,084,430)</u>
Balance, June 30, 2021	\$ 7,174	\$ 32,887,189	\$ 32,894,363
Net realized and unrealized (losses)	(1,782)	(5,041,406)	(5,043,188)
Interest and dividends, net	243	1,368,219	1,368,462
Contributions	-	6,174	6,174
Appropriation of assets for expenditure	-	(1,218,898)	(1,218,898)
Loan to the Opera	<u>-</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Balance, June 30, 2022	<u><u>\$ 5,635</u></u>	<u><u>\$ 26,001,278</u></u>	<u><u>\$ 26,006,913</u></u>

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

8. ENDOWMENT (continued)

Composition and changes in endowment (continued)

In September 2020, the Foundation's Board approved a loan to the Opera for \$2,000,000 from the endowment as a subordinated revolving credit loan. The loan can be outstanding up to \$2,000,000 at any time during the first four years of the loan. Beginning in year five, the allowed outstanding balance decreases annually. The Opera is required to pay down the entire outstanding balance to the Foundation by September 17, 2028. The loan was drawn by the Opera during 2022 in two installments and may be used for general operations. The loan is included as a note receivable from the Opera to the Foundation on the 2022 consolidating statement of financial position. The loan was eliminated upon consolidation on the accompanying consolidated statement of financial position.

9. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 158,600	\$ 158,600
Building and building improvements	8,108,846	8,054,200
Automobiles	62,956	62,956
Furniture and equipment	1,362,751	1,275,117
Computer equipment	219,667	178,202
Work in progress	<u>-</u>	<u>15,531</u>
	9,912,820	9,744,606
Accumulated depreciation	<u>(5,253,662)</u>	<u>(4,922,131)</u>
	<u><u>\$ 4,659,158</u></u>	<u><u>\$ 4,822,475</u></u>

Depreciation expense totaled \$331,531 and \$297,652 for the years ended June 30, 2022 and 2021, respectively.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

10. LINE-OF-CREDIT

During the year ended June 30, 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. This note renews annually. On July 9, 2021, the Foundation renewed the line of credit, which now matures on July 9, 2022, with substantially the same terms. In July of 2022, the Foundation extended its \$1,000,000 line of credit note through August 9, 2023. Interest on the line-of-credit is payable monthly at the Overnight LIBOR-Based Rate (1.57% at June 30, 2022 and 2021 ) plus 2%. During the year ended June 30, 2022 and 2021 , the Foundation Board approved a \$1,000,000 draw against this 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 CREF. The balance on the line of credit for the years ended June 30, 2022 and 2021 was \$1,000,000. Interest expense on the line of credit totaled \$10,416 and \$8,859 during the years ended June 30, 2022 and 2021, respectively.

The Organization is subject to certain financial debt covenant requirements under the terms of line-of-credit. As of June 30, 2022 and 2021 the Organization was in compliance with required covenants.

11. NOTES PAYABLE

The Opera had a \$3,000,000 line-of-credit with a financial institution which matured on March 2, 2021. The line-of-credit was due upon demand. On the date of maturity, the Opera signed a Term Note for the outstanding balance which now matures on September 2, 2022. In September of 2022, the Opera extended its Term Note through October 2, 2023. The outstanding balance on the Term Note was \$1,807,171 as of June 30, 2022 and 2021 . Interest on outstanding borrowings under the Term Note is payable monthly at the greater of the prime rate (4.75% and 3.25% at June 30, 2022 and 2021 , respectively) or 1.00%. Interest expense totaled \$62,950 and \$59,549 during the years ended June 30, 2022 and 2021 , respectively. Borrowings under the Term Note are collateralized by all assets of the Organization.

On April 10, 2020, the Opera received loan proceeds of \$1,399,000 from a promissory note issued by American Bank, N.A. under the Paycheck Protection Program (PPP) which was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the U.S. Small Business Administration ("SBA"). The loan accrued interest at a rate of 1% and had an original maturity date in 2022. The Opera elected to record this loan under ASC 470, Debt in which any subsequent forgiveness of the debt would result in a gain on extinguishment in the period when the Opera is legally released from the obligations of the debt. On January 20, 2021, the PPP loan was forgiven in full by the SBA. Forgiveness of the note totaled \$1,399,000, which is included as a gain on extinguishment of debt in the Consolidated Statement of Activities.



The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

11. NOTES PAYABLE (continued)

On March 18, 2021, the Opera received loan proceeds of \$1,995,000 from a promissory note issued by American Bank, N.A. under the Paycheck Protection Program (PPP) Round 2, which was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the U.S. Small Business Administration (SBA). The loan accrued interest at a rate of 1% and had an original maturity date in 2026. The Opera elected to record this loan under ASC 470, Debt in which any subsequent forgiveness of the debt would result in a gain on extinguishment in the period when the Opera is legally released from the obligations of the debt. On September 23, 2021, the PPP Round 2 loan was forgiven in full by the SBA. Forgiveness of the note totaled \$1,995,000, which is included as a gain on extinguishment of debt in the consolidated statement of activities.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time		
Time restricted for specific use in future years	\$ 10,584,711	\$ 3,621,631
Subject to spending policy and appropriations:		
Endowments invested in perpetuity (including amounts above original gift amount of \$25,522,442 and \$29,503,257 for the years ended June 30, 2022 and 2021, respectively), the income from which is expendable to support.		
General Endowment Fund	4,922,012	5,872,814
Cultural Renaissance Endowment Fund	20,769,922	26,643,257
Great Orchestra Endowment Fund	309,344	371,118
	<u>26,001,278</u>	<u>32,887,189</u>
	<u>\$ 36,585,989</u>	<u>\$ 36,508,820</u>

Net assets with donor restrictions released from restriction were as follows for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Release of investment income	\$ 1,218,898	\$ 2,084,430
Release based on time restriction	1,469,845	1,992,018
Loan to the Opera	<u>2,000,000</u>	<u>-</u>
	<u>\$ 4,688,743</u>	<u>\$ 4,076,448</u>

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

13. 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 performance seasons, daily rental fees were multiplied and increased by an adjustment as determined by the Business Office Management Association (BOMA Adjustment) as defined in the agreement. The BOMA Adjustment will fluctuate from year to year. Subsequent to the 2015 performance season, in five year increments, rent will be determined in good faith by both parties. 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 \$165,782 and \$103,090 for the years ended June 30, 2022 and 2021, respectively.

The Organization has a noncancelable sublease agreement for the Organization's offices in the Margot and Bill Winspear Opera House under which the Organization agrees to pay certain operating expenses. On January 7, 2010, the Organization 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 Organization beginning January 1, 2013, and once every twelve months thereafter.

Rent expense under office space leases was \$105,600 for both the years ended June 30, 2022 and 2021, respectively.

The Organization has noncancelable operating leases for certain office equipment. Rent expense under the office equipment leases was \$39,095 and \$41,360 for the years ended June 30, 2022 and 2021, respectively.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

13. COMMITMENTS AND CONTINGENCIES (continued)

Leases (continued)

The future minimum lease payments required under noncancelable operating leases with initial or remaining terms in excess of one year were as follows:

<u>Year ending June 30,</u>	
2023	\$ 125,779
2024	124,374
2025	124,374
2026	124,374
2027	107,165
Thereafter	<u>2,376,000</u>
	<u>\$ 2,982,066</u>

Future production

The Organization enters into noncancelable agreements related to activities for future productions. At June 30, 2022, future minimum payments required under noncancelable artist contracts and set and costume rental agreements were as follows:

<u>Year ending June 30,</u>	
2023	\$ 1,262,219
2024	491,400
2025	<u>36,000</u>
	<u>\$ 1,789,619</u>

Legal

The Organization 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 Organization.

The Dallas Opera and the Dallas Opera Foundation  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

14. EMPLOYEE BENEFIT PLANS

The Organization 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 day of employment. The Organization 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 Organization made contributions of \$94,214 and \$62,216 to the plan for the years ended June 30, 2022 and 2021, respectively.

The Organization contributed to three multi-employer pension plans under the terms of collective-bargaining agreements that cover its union-represented contractors. The Organization made contributions of \$216,673 and \$83,372 to these plans during the years ended June 30, 2022 and 2021, respectively.

15. RELATED PARTIES

Approximately \$794,000 and \$551,000 of total contributions receivable was due from members of the Opera's Board and the Foundation's Board as of June 30, 2022 and 2021 and 2021, respectively. Total contribution revenue from members of the Opera's Board and Foundations's Board for the years ended June 30, 2022 and 2021, was \$1,774,416 and \$1,706,713, respectively.

## SUPPLEMENTARY INFORMATION

The Dallas Opera and the Dallas Opera Foundation  
Consolidating Statement of Financial Position  
June 30, 2022

ASSETS

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Cash and cash equivalents	\$ 2,757,362	\$ -	\$ -	\$ 2,757,362
Contributions receivable, net	10,258,559	-	-	10,258,559
Accounts receivable	15,457	-	-	15,457
Prepaid and other assets	1,200,366	-	-	1,200,366
Intercompany transfers	-	17,672	(17,672)	-
Notes receivable from the Opera	-	3,232,275	(3,232,275)	-
Cash and cash equivalents held for endowment	-	1,333,909	-	1,333,909
Investments held for endowment	-	24,673,004	-	24,673,004
Property and equipment, net	<u>4,659,158</u>	<u>-</u>	<u>-</u>	<u>4,659,158</u>
Total assets	<u>\$ 18,890,902</u>	<u>\$ 29,256,860</u>	<u>\$ (3,249,947)</u>	<u>\$ 44,897,815</u>

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable	\$ 176,244	\$ -	\$ -	\$ 176,244
Accrued expenses	418,397	-	(17,672)	400,725
Deferred revenue - ticket sales	1,258,229	-	-	1,258,229
Deferred revenue - rentals and other	89,202	-	-	89,202
Line-of-credit	-	1,000,000	-	1,000,000
Term notes payable	1,807,171	-	-	1,807,171
Notes payable to the Foundation	<u>3,232,275</u>	<u>-</u>	<u>(3,232,275)</u>	<u>-</u>
Total liabilities	<u>6,981,518</u>	<u>1,000,000</u>	<u>(3,249,947)</u>	<u>4,731,571</u>
Net assets				
Without donor restrictions				
Board-designated endowment	-	2,255,582	(2,249,947)	5,635
Undesignated	<u>1,324,673</u>	<u>-</u>	<u>2,249,947</u>	<u>3,574,620</u>
Total without donor restrictions	1,324,673	2,255,582	-	3,580,255
With donor restrictions	<u>10,584,711</u>	<u>26,001,278</u>	<u>-</u>	<u>36,585,989</u>
Total net assets	<u>11,909,384</u>	<u>28,256,860</u>	<u>-</u>	<u>40,166,244</u>
Total liabilities and net assets	<u>\$ 18,890,902</u>	<u>\$ 29,256,860</u>	<u>\$ (3,249,947)</u>	<u>\$ 44,897,815</u>

The Dallas Opera and the Dallas Opera Foundation  
Consolidating Statement of Financial Position  
June 30, 2021

ASSETS

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Cash and cash equivalents	\$ 3,561,891	\$ -	\$ -	\$ 3,561,891
Contributions receivable, net	3,015,875	-	-	3,015,875
Accounts receivable	58,226	-	-	58,226
Prepaid and other assets	991,939	-	-	991,939
Intercompany transfers	-	4,170	(4,170)	-
Notes receivable from the Opera	-	1,232,275	(1,232,275)	-
Cash and cash equivalents held for endowment	-	2,651,036	-	2,651,036
Investments held for endowment	-	30,243,327	-	30,243,327
Property and equipment, net	<u>4,822,475</u>	<u>-</u>	<u>-</u>	<u>4,822,475</u>
Total assets	<u>\$ 12,450,406</u>	<u>\$ 34,130,808</u>	<u>\$ (1,236,445)</u>	<u>\$ 45,344,769</u>

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable	\$ 209,418	\$ -	\$ -	\$ 209,418
Accrued expenses	347,301	-	(4,170)	343,131
Deferred revenue - ticket sales	1,296,833	-	-	1,296,833
Deferred revenue - rentals and other	88,830	-	-	88,830
Line-of-credit	-	1,000,000	-	1,000,000
Term notes payable	3,802,171	-	-	3,802,171
Notes payable to the Foundation	<u>1,232,275</u>	<u>-</u>	<u>(1,232,275)</u>	<u>-</u>
Total liabilities	<u>6,976,828</u>	<u>1,000,000</u>	<u>(1,236,445)</u>	<u>6,740,383</u>
Net assets				
Without donor restrictions				
Board-designated endowment	-	243,619	(236,445)	7,174
Undesignated	<u>1,851,947</u>	<u>-</u>	<u>236,445</u>	<u>2,088,392</u>
Total without donor restrictions	1,851,947	243,619	-	2,095,566
With donor restrictions	<u>3,621,631</u>	<u>32,887,189</u>	<u>-</u>	<u>36,508,820</u>
Total net assets	<u>5,473,578</u>	<u>33,130,808</u>	<u>-</u>	<u>38,604,386</u>
Total liabilities and net assets	<u>\$ 12,450,406</u>	<u>\$ 34,130,808</u>	<u>\$ (1,236,445)</u>	<u>\$ 45,344,769</u>

The Dallas Opera and the Dallas Opera Foundation  
Consolidating Statement of Activities  
June 30, 2022

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Revenues, gains (losses) and other support				
Earned income				
Admissions revenue	\$ 2,304,745	\$ -	\$ -	\$ 2,304,745
Net realized and unrealized losses on investments	-	(5,043,188)	-	(5,043,188)
Interest and dividends, net	820	1,367,642	-	1,368,462
Auxiliary event revenue	77,367	-	-	77,367
Rentals and other	34,624	-	-	34,624
Sponsorship revenue	82,500	-	-	82,500
Transfers from The Dallas Opera	-	19,676	(19,676)	-
Investment income transferred from the Foundation	1,218,339	-	(1,218,339)	-
Total earned income	<u>3,718,395</u>	<u>(3,655,870)</u>	<u>(1,238,015)</u>	<u>(1,175,490)</u>
Support from the public				
Contributions	16,192,766	6,174	-	16,198,940
Contributions - special events	<u>59,303</u>	<u>-</u>	<u>-</u>	<u>59,303</u>
Total support from the public	<u>16,252,069</u>	<u>6,174</u>	<u>-</u>	<u>16,258,243</u>
Total revenues, gains (losses), and other support	<u>19,970,464</u>	<u>(3,649,696)</u>	<u>(1,238,015)</u>	<u>15,082,753</u>
Functional expenses				
Program services				
Artistic productions	10,082,053	-	-	10,082,053
Education and outreach	516,093	-	-	516,093
Investment income transferred to the Opera	-	1,218,339	(1,218,339)	-
Transfer to The Dallas Opera Foundation	<u>19,676</u>	<u>-</u>	<u>(19,676)</u>	<u>-</u>
Total program services	<u>10,617,822</u>	<u>1,218,339</u>	<u>(1,238,015)</u>	<u>10,598,146</u>
Supporting services				
Management and general	3,718,298	5,913	-	3,724,211
Fundraising	<u>1,193,538</u>	<u>-</u>	<u>-</u>	<u>1,193,538</u>
Total supporting services	<u>4,911,836</u>	<u>5,913</u>	<u>-</u>	<u>4,917,749</u>
Total functional expenses	<u>15,529,658</u>	<u>1,224,252</u>	<u>1,238,015</u>	<u>15,515,895</u>
Change in net assets from operations	4,440,806	(4,873,948)	-	(433,142)
Gain on extinguishment of debt	<u>1,995,000</u>	<u>-</u>	<u>-</u>	<u>1,995,000</u>
Change in net assets	6,435,806	(4,873,948)	-	1,561,858
Net assets, beginning of year	<u>5,473,578</u>	<u>33,130,808</u>	<u>-</u>	<u>38,604,386</u>
Net assets, end of year	<u>\$ 11,909,384</u>	<u>\$ 28,256,860</u>	<u>\$ -</u>	<u>\$ 40,166,244</u>



The Dallas Opera and the Dallas Opera Foundation  
Consolidating Statement of Activities  
June 30, 2021

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Revenues and other support				
Earned income				
Admissions revenue	\$ 66,682	\$ -	\$ -	\$ 66,682
Net realized and unrealized gains on investments	-	4,761,652	-	4,761,652
Interest and dividends, net	6	1,138,204	-	1,138,210
Auxiliary event revenue	18,494	-	-	18,494
Rentals and other	3,597	-	-	3,597
Sponsorship revenue	82,500	-	-	82,500
Investment income transferred from the Foundation	2,084,430	-	(2,084,430)	-
Total earned income	<u>2,255,709</u>	<u>5,899,856</u>	<u>(2,084,430)</u>	<u>6,071,135</u>
Support from the public				
Contributions	7,656,593	1,546,000	-	9,202,593
Contributions - special events	96,288	-	-	96,288
Transfer from the Foundation	1,418,517	-	(1,418,517)	-
Total support from the public	<u>9,171,398</u>	<u>1,546,000</u>	<u>(1,418,517)</u>	<u>9,298,881</u>
Total revenues and other support	<u>11,427,107</u>	<u>7,445,856</u>	<u>(3,502,947)</u>	<u>15,370,016</u>
Functional expenses				
Program services				
Artistic productions	5,203,863	-	-	5,203,863
Education and outreach	323,659	-	-	323,659
Investment income transferred to the Opera	-	2,084,430	(2,084,430)	-
Transfer to The Dallas Opera	-	1,418,517	(1,418,517)	-
Total program services	<u>5,527,522</u>	<u>3,502,947</u>	<u>(3,502,947)</u>	<u>5,527,522</u>
Supporting services				
Management and general	2,838,161	6,354	-	2,844,515
Fundraising	847,940	-	-	847,940
Total supporting services	<u>3,686,101</u>	<u>6,354</u>	<u>-</u>	<u>3,692,455</u>
Total functional expenses	<u>9,213,623</u>	<u>3,509,301</u>	<u>3,502,947</u>	<u>9,219,977</u>
Change in net assets from operations	2,213,484	3,936,555	-	6,150,039
Gain on extinguishment of debt	<u>1,399,000</u>	<u>-</u>	<u>-</u>	<u>1,399,000</u>
Change in net assets	3,612,484	3,936,555	-	7,549,039
Net assets, beginning of year	<u>1,861,094</u>	<u>29,194,253</u>	<u>-</u>	<u>31,055,347</u>
Net assets, end of year	<u>\$ 5,473,578</u>	<u>\$ 33,130,808</u>	<u>\$ -</u>	<u>\$ 38,604,386</u>