

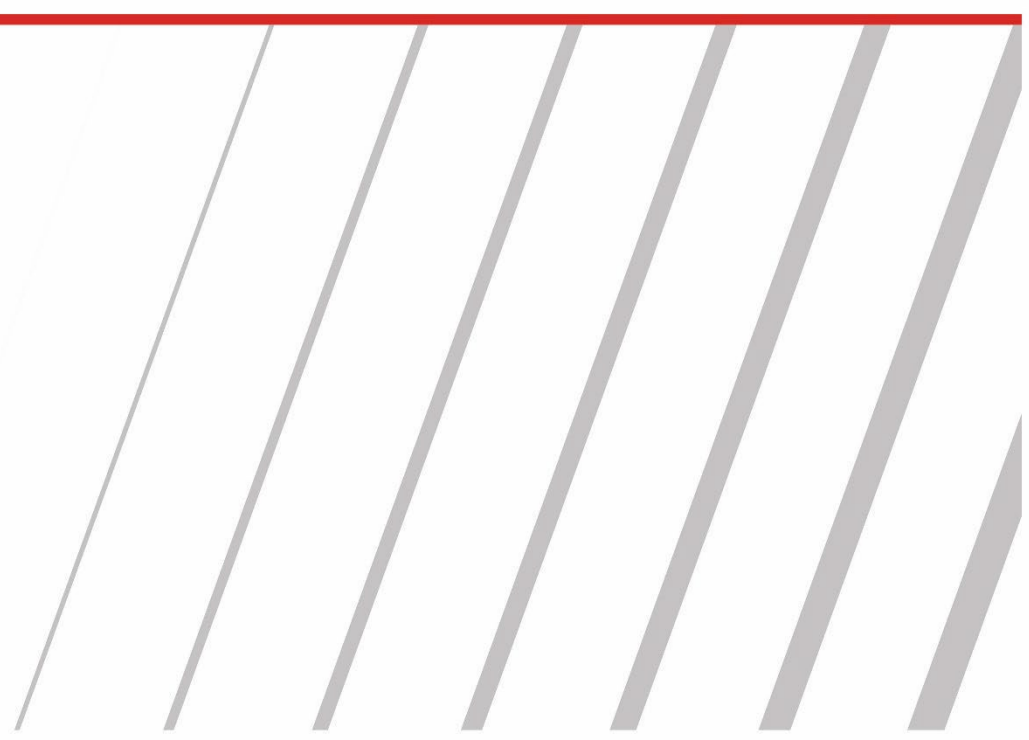


---

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

## **Independent Auditor's Report and Financial Statements**

June 30, 2023 and 2022



---

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

## **June 30, 2023 and 2022**

### **Contents**

<b>Independent Auditor's Report .....</b>	<b>1</b>
---	----------

#### **Financial Statements**

Consolidated Statements of Financial Position .....	4
Consolidated Statements of Activities.....	5
Consolidated Statements of Functional Expenses .....	7
Consolidated Statements of Cash Flows .....	9
Notes to Financial Statements .....	11

#### **Supplementary Information**

Consolidating Statements of Financial Position .....	35
Consolidating Statements of Activities .....	37



777 Main Street, Suite 2000 / Fort Worth, TX 76102

P 817.332.2301 / F 817.338.4608

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Board of Directors and Trustees  
The Dallas Opera and the Dallas Opera Foundation  
Dallas, TX

### ***Opinion***

We have audited the consolidated financial statements of The Dallas Opera and the Dallas Opera Foundation (collectively, the "Opera"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Opera as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Prior Year Audited by Other Auditors***

The 2022 consolidated financial statements were audited by other auditors, and their report thereon, dated November 4, 2022, expressed an unmodified opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 Opera'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 Opera'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 that collectively comprise the Opera's consolidated financial statements. The consolidating statements of financial position and activities listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating statements have 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 financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Board of Directors and Trustees  
The Dallas Opera and the Dallas Opera Foundation

The supplementary information for the year ended June 30, 2022, was audited by other auditors whose report dated November 4, 2022, expressed an unmodified opinion on such information in relation to the consolidated financial statements for the year ended June 30, 2022, taken as a whole.

**FORVIS, LLP**

**Fort Worth, Texas  
November 10, 2023**

**The Dallas Opera and the Dallas Opera Foundation**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**

**Assets**

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 2,183,509	\$ 2,757,362
Contributions receivable, net	5,441,979	10,258,559
Accounts receivable	922,057	15,457
Prepaid and other assets	1,120,651	1,200,366
Cash and cash equivalents held for endowment	1,591,516	1,333,909
Investments held for endowment	25,256,064	24,673,004
Right-of-use assets - financing	73,460	-
Right-of-use asset - operating	2,342,146	-
Property and equipment, net	4,431,880	4,659,158
	<hr/>	<hr/>
Total assets	\$ 43,363,262	\$ 44,897,815
	<hr/>	<hr/>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 170,904	\$ 176,244
Accrued expenses	494,889	400,725
Deferred revenue - ticket sales	1,098,108	1,258,229
Deferred revenue - rentals and other	171,594	89,202
Line-of-credit	1,000,000	1,000,000
Term notes payable	1,807,171	1,807,171
Lease liabilities - financing	74,547	-
Lease liabilities - operating	2,342,146	-
	<hr/>	<hr/>
Total liabilities	7,159,359	4,731,571
	<hr/>	<hr/>

**Net Assets**

Without donor restrictions	2,880,812	3,580,255
With donor restrictions	33,323,091	36,585,989
	<hr/>	<hr/>
Total net assets	36,203,903	40,166,244
	<hr/>	<hr/>
Total liabilities and net assets	\$ 43,363,262	\$ 44,897,815
	<hr/>	<hr/>

**The Dallas Opera and the Dallas Opera Foundation**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Earned income			
Admissions revenue	\$ 2,518,454	\$ -	\$ 2,518,454
Net realized and unrealized gains on investments	-	640,473	640,473
Interest and dividends, net	7,448	1,384,445	1,391,893
Auxiliary event revenue	86,782	-	86,782
Rentals and other	66,650	-	66,650
Sponsorship revenue	15,000	-	15,000
Investment income released from restrictions	1,279,041	(1,279,041)	-
Total earned income	<u>3,973,375</u>	<u>745,877</u>	<u>4,719,252</u>
Support from the public			
Contributions	7,570,696	1,261,359	8,832,055
Contributions - special events	82,758	-	82,758
Net assets released from restriction	5,270,134	(5,270,134)	-
Total support from the public	<u>12,923,588</u>	<u>(4,008,775)</u>	<u>8,914,813</u>
Total revenues, gains (losses) and other support	<u>16,896,963</u>	<u>(3,262,898)</u>	<u>13,634,065</u>
Functional expenses			
Program services			
Artistic productions	11,788,843	-	11,788,843
Education and outreach	558,482	-	558,482
Total program services	<u>12,347,325</u>	<u>-</u>	<u>12,347,325</u>
Supporting services			
Management and general	3,913,752	-	3,913,752
Fundraising	1,335,329	-	1,335,329
Total supporting services	<u>5,249,081</u>	<u>-</u>	<u>5,249,081</u>
Total functional expenses	<u>17,596,406</u>	<u>-</u>	<u>17,596,406</u>
Change in net assets	(699,443)	(3,262,898)	(3,962,341)
Net assets, beginning of year	<u>3,580,255</u>	<u>36,585,989</u>	<u>40,166,244</u>
Net assets, end of year	<u>\$ 2,880,812</u>	<u>\$ 33,323,091</u>	<u>\$ 36,203,903</u>

**The Dallas Opera and the Dallas Opera Foundation**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, gains (losses) and other support			
Earned income			
Admissions revenue	\$ 2,304,745	\$ -	\$ 2,304,745
Net realized and unrealized losses 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>
Support from the public			
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 support from the public	<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>
Supporting services			
Management and general	3,724,211	-	3,724,211
Fundraising	1,193,538	-	1,193,538
Total supporting 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	1,995,000	-	1,995,000
Change in net assets	1,484,689	77,169	1,561,858
Net assets, beginning of year	2,095,566	36,508,820	38,604,386
Net assets, end of year	<u>\$ 3,580,255</u>	<u>\$ 36,585,989</u>	<u>\$ 40,166,244</u>



**The Dallas Opera and the Dallas Opera Foundation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<b>Program Services</b>			<b>Support Services</b>			
	<b>Artistic Productions</b>	<b>Education and Outreach</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Support Services</b>	<b>Total</b>
Personel expenses							
Salaries and artistic fees	\$ 7,706,819	\$ 228,002	\$ 7,934,821	\$ 1,213,257	\$ 767,991	\$ 1,981,248	\$ 9,916,069
Pension contributions	28,904	3,956	32,860	42,322	22,183	64,505	97,365
Other employee benefits	633,750	34,255	668,005	125,787	75,750	201,537	869,542
Payroll taxes	538,832	42,183	581,015	109,732	62,468	172,200	753,215
Total personnel expenses	8,908,305	308,396	9,216,701	1,491,098	928,392	2,419,490	11,636,191
Professional fees	93,120	-	93,120	354,812	13,944	368,756	461,876
Advertising and promotion	-	-	-	983,825	-	983,825	983,825
Office expenses	171,216	-	171,216	78,950	59,390	138,340	309,556
Information technology	28,399	-	28,399	298,844	96,725	395,569	423,968
Rent	256,097	-	256,097	79,200	26,400	105,600	361,697
Building maintenance	117,652	-	117,652	-	-	-	117,652
Utilities	31,642	-	31,642	19,212	6,404	25,616	57,258
Travel	208,057	3,836	211,893	56,370	4,996	61,366	273,259
Interest expense	-	-	-	199,531	-	199,531	199,531
Insurance	257,654	-	257,654	24,920	8,307	33,227	290,881
Outreach, guild and other special projects	25,881	246,250	272,131	-	184,257	184,257	456,388
Physical production costs	1,642,806	-	1,642,806	-	-	-	1,642,806
Depreciation and amortization	48,014	-	48,014	304,794	-	304,794	352,808
Other expenses	-	-	-	22,196	6,514	28,710	28,710
Total expenses included in the expense section on the statement of activities	<u>\$ 11,788,843</u>	<u>\$ 558,482</u>	<u>\$ 12,347,325</u>	<u>\$ 3,913,752</u>	<u>\$ 1,335,329</u>	<u>\$ 5,249,081</u>	<u>\$ 17,596,406</u>

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

	<b>Program Services</b>			<b>Support Services</b>			
	<b>Artistic Productions</b>	<b>Education and Outreach</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Support Services</b>	<b>Total</b>
Personel expenses							
Salaries and artistic fees	\$ 7,041,643	\$ 214,557	\$ 7,256,200	\$ 1,071,884	\$ 552,458	\$ 1,624,342	\$ 8,880,542
Pension contributions	29,075	3,205	32,280	43,075	15,988	59,063	91,343
Other employee benefits	558,279	32,922	591,201	142,462	58,249	200,711	791,912
Payroll taxes	479,676	38,205	517,881	95,359	44,759	140,118	657,999
Total personnel expenses	8,108,673	288,889	8,397,562	1,352,780	671,454	2,024,234	10,421,796
Professional fees	94,220	-	94,220	337,356	112,944	450,300	544,520
Advertising and promotion	-	-	-	909,086	-	909,086	909,086
Office expenses	149,803	-	149,803	97,234	73,563	170,797	320,600
Information technology	53,112	-	53,112	257,030	84,606	341,636	394,748
Rent	168,197	-	168,197	78,670	26,400	105,070	273,267
Building maintenance	100,844	-	100,844	-	-	-	100,844
Utilities	26,171	-	26,171	27,384	9,128	36,512	62,683
Travel	190,057	3,007	193,064	36,268	3,554	39,822	232,886
Interest expense	-	-	-	73,366	-	73,366	73,366
Insurance	73,128	-	73,128	21,745	7,248	28,993	102,121
Outreach, guild and other special projects	64,951	224,197	289,148	-	178,851	178,851	467,999
Physical production costs	1,015,681	-	1,015,681	-	-	-	1,015,681
Depreciation and amortization	37,216	-	37,216	294,315	-	294,315	331,531
Other expenses	-	-	-	238,977	25,790	264,767	264,767
Total expenses included in the expense section on the statement of activities	<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>\$ 4,917,749</u>	<u>\$ 15,515,895</u>

# The Dallas Opera and the Dallas Opera Foundation

## Consolidated Statements of Cash Flows

### Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Operating Activities</b>		
Change in net assets	\$ (3,962,341)	\$ 1,561,858
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	352,808	331,531
Noncash operating lease expense	32,483	-
Bad debt expense	(21,044)	169,441
Net realized and unrealized (gains) losses on investments	(640,473)	5,043,188
Gain on extinguishment of debt	-	(1,995,000)
Contributions restricted to the endowment	(4,982)	(6,174)
Changes in operating assets and liabilities		
Contributions receivable, net	4,837,624	(7,412,125)
Accounts receivable	(906,600)	42,769
Prepaid and other assets	79,715	(208,427)
Accounts payable	(5,340)	(33,174)
Accrued expenses	94,164	57,594
Deferred revenue	(77,729)	(38,232)
Operating lease liability	(32,483)	-
Net cash used in operating activities	<u>(254,198)</u>	<u>(2,486,751)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(104,253)	(168,214)
Purchases of investments	(1,854,564)	(13,214,855)
Proceeds from sale of investments	<u>1,911,977</u>	<u>13,741,990</u>
Net cash provided by (used in) investing activities	<u>(46,840)</u>	<u>358,921</u>
<b>Financing Activities</b>		
Line-of-credit borrowings	1,000,000	1,000,000
Line-of-credit repayments	(1,000,000)	(1,000,000)
Principal payments on financing leases	(20,190)	-
Proceeds from contributions and investment income restricted for long-term investment	<u>4,982</u>	<u>6,174</u>
Net cash provided by (used in) financing activities	<u>(15,208)</u>	<u>6,174</u>
<b>Decrease in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents held for the endowment</b>	<b>(316,246)</b>	<b>(2,121,656)</b>
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents held for the endowment, Beginning of Year</b>	<b><u>4,091,271</u></b>	<b><u>6,212,927</u></b>
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents held for the endowment, End of Year</b>	<b><u>\$ 3,775,025</u></b>	<b><u>\$ 4,091,271</u></b>

**The Dallas Opera and the Dallas Opera Foundation**  
**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash</b>		
<b>Equivalents held for the endowment consisted of</b>		
Cash and cash equivalents	\$ 2,183,509	\$ 2,757,362
Cash and cash equivalents held for endowment	<u>1,591,516</u>	<u>1,333,909</u>
	<u><u>\$ 3,775,025</u></u>	<u><u>\$ 4,091,271</u></u>
 <b>Supplemental Cash Flows Information</b>		
Interest paid (net of amount capitalized)	\$ 188,628	\$ 73,366
ROU assets obtained in exchange for new operating lease liabilities	\$ 2,374,629	\$ -
ROU assets obtained in exchange for new finance lease liabilities	\$ 94,737	\$ -

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***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.

##### ***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.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

##### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be 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.

At June 30, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$3,335,000.

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

## **Notes to Consolidated Financial Statements**

**June 30, 2023 and 2022**

### ***Accounts Receivable***

Accounts receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to receive. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Accounts receivable are ordinarily due at the time of purchase. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

The Organization filed for payroll tax credits under the Employee Retention Credit (ERC) during the year ended June 30, 2023, in the amount of \$1,389,814. The Organization received \$822,579 related to ERC during 2023 and the remaining portion is included in accounts receivable in the accompanying consolidated statements of financial position.

### ***Investments and Net Investment Return***

The Organization measures equity securities, fixed income securities, real estate, and commodities at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions, and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under finance lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

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

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

#### ***Long-Lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

#### ***Deferred Revenue***

Revenue from fees for ticket sales, rentals or other purposes is deferred and recognized over the periods to which the fees relate.

#### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### ***Admission, Auxiliary Event, and Rentals Revenue***

The Opera and other opera companies periodically and collectively agree to co-commission or co-produce certain opera productions. The Opera, as the administering co-commissioner or co-producer, oversees the creation and production of the performance and is given exclusive rights to premier the performance. The other co-commissioners or 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 or co-production revenue is recognized in the period in which the premier by the performance occurs.

# The Dallas Opera and the Dallas Opera Foundation

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

Admission, auxiliary event, and rentals revenue is recognized as the Organization satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing performances or event space.

The Organization determines the transaction price based on standard charges for goods and services provided (reduced by implicit and explicit price concessions). The Organization determines its estimates of implicit and explicit price concessions based upon contractual agreements, its discount policies and historical experience.

In the accompanying consolidated statements of activities, the Organization recognized \$2,671,886 and \$2,416,736 in revenues over time for the years ended June 30, 2023 and 2022, respectively. The following table provides information about the Organization's receivables and contract liabilities from contracts with customers:

	<u>2023</u>	<u>2022</u>
Accounts receivable, beginning of year	\$ 15,457	\$ 58,226
Accounts receivable, end of year	41,435	15,457
Contract liabilities, beginning of year	1,347,431	1,385,663
Contract liabilities, end of year	1,269,702	1,347,431

### **Contributions**

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
---------------------------	-------------------------

*Conditional gifts, with or without restriction*

<p>Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds</p>	<p>Not recognized until the gift becomes unconditional, <i>i. e.</i> the donor imposed barrier is met</p>
---	---

*Unconditional gifts, with or without restriction*

<p>Received at date of gift – cash and other assets</p>	<p>Fair value</p>
<p>Received at date of gift – property, equipment and long-lived assets</p>	<p>Estimated fair value</p>



# The Dallas Opera and the Dallas Opera Foundation

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

Nature of the Gift	Value Recognized
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. At June 30, 2023, the Organization was awarded contributions of \$1,500,000 that have not been recognized in revenue as the underlying conditions have not yet been met. Specifically, \$1,000,000 is available to be recognized upon approval of the Opera's performance and achievement of certain benchmarks established within the agreement, and \$500,000 is available to be recognized upon meeting of a challenge match per the terms of the agreement. At June 30, 2022, there were \$2,000,000 of conditional contributions.

#### ***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 \$90,643 and \$71,209 of donated facility space and contributed services for advertising, transportation, legal fees, and other miscellaneous services during the years ended June 30, 2023 and 2022, respectively, which are included in contributions in the accompanying consolidated statements of activities.

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

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.

#### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

#### ***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.

#### ***Advertising Costs***

Advertising expense of \$983,825 and \$909,086 for the years ended June 30, 2023 and 2022, are recorded in the accompanying statements of functional expenses within 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.

**The Dallas Opera and the Dallas Opera Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2023 and 2022**

**Change in Accounting Principle**

In 2023, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. See *Note 8*.

**Note 2: Contributions Receivables**

Contributions receivable consisted of the following:

	<b>2023</b>	<b>2022</b>
Receivables due in less than one year	\$ 4,817,167	\$ 5,981,408
Receivables due in one to five years	702,714	4,347,714
Receivables due in greater than five years	242,500	362,500
	<u>5,762,381</u>	<u>10,691,622</u>
Less: unamortized discount	(106,278)	(197,376)
Less: allowance for doubtful contributions	(214,124)	(235,687)
	<u><u>\$ 5,441,979</u></u>	<u><u>\$ 10,258,559</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. Discount rates ranged from 2.56% to 5.07% and from 2.53% to 5.07% for 2023 and 2022, respectively.

**Note 3: Investments Held for Endowment**

Investments held for endowment consisted of the following at June 30:

	<b>2023</b>	<b>2022</b>
Equity securities	\$ 9,226,728	\$ 8,586,396
Fixed income securities	15,575,673	15,627,574
Real estate	119,720	128,424
Commodities	333,943	330,610
	<u><u>\$ 25,256,064</u></u>	<u><u>\$ 24,673,004</u></u>

# The Dallas Opera and the Dallas Opera Foundation

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

#### **Note 4: Property and Equipment**

Property and equipment at June 30, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Land	\$ 158,600	\$ 158,600
Buildings and leasehold improvements	8,108,846	8,108,846
Automobiles	114,997	62,956
Furniture and equipment	1,403,768	1,362,751
Computer equipment	229,597	219,667
	<u>10,015,808</u>	<u>9,912,820</u>
Less accumulated depreciation	<u>(5,583,928)</u>	<u>(5,253,662)</u>
	<u><u>\$ 4,431,880</u></u>	<u><u>\$ 4,659,158</u></u>

Depreciation expense totaled \$330,265 and \$331,531 for the years ended June 30, 2023 and 2022, respectively.

#### **Note 5: 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 matured 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 plus 2%. Interest at June 30, 2023 and 2022 was 7.15% and 3.57%, respectively. During the year ended June 30, 2023 and 2022, 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 Cultural Renaissance Endowment Fund (CREF). The balance on the line of credit for the years ended June 30, 2023 and 2022, was \$1,000,000. Interest expense on the line of credit totaled \$51,186 and \$10,416 during the years ended June 30, 2023 and 2022, respectively. Effective August 9, 2023, the Organization extended the line of credit through August 9, 2024.

The Organization is subject to certain financial debt covenant requirements under the terms of line-of-credit. As of June 30, 2023 and 2022, the Organization was in compliance with required covenants.

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

#### **Note 6: Notes Payable**

The Opera signed a Term Note in March 2021 which matured 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, 2023 and 2022. Interest on outstanding borrowings under the Term Note is payable monthly at the greater of the prime rate (8.25% and 4.75% at June 30, 2023 and 2022, respectively) or 1.00%. Interest expense totaled \$128,410 and \$62,950 during the years ended June 30, 2023 and 2022, respectively. Borrowings under the Term Note are collateralized by all assets of the Organization. Effective October 2, 2023, the Opera extended the Term Note through October 2, 2024.

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 Accounting Standards Codification (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 statements of activities.

#### **Note 7: Operating Leases**

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 Dallas Center for the Performing Arts (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 the year ended June 30, 2022.

# The Dallas Opera and the Dallas Opera Foundation

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

The Organization has noncancelable operating leases for certain office equipment. Rent expense under the office equipment leases was \$39,095 for the year ended June 30, 2022.

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>

#### Note 8: Leases

##### ***Change in Accounting Principle***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Organization adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization has lease agreements with nonlease components that relate to the lease components. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. The Organization elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. Also, the Organization elected the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022. The Organization did not elect the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date.

The most significant impact of adoption was the recognition of an operating lease ROU asset and operating lease liability of \$2,374,629, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the consolidated statements of activities or cash flows.

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

#### ***Accounting Policies***

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U. S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

#### ***Nature of Leases***

The Organization has entered into the following lease arrangements:

##### ***Finance Leases***

These leases mainly consist of equipment, copiers, etc. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

##### ***Operating Lease***

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.

# The Dallas Opera and the Dallas Opera Foundation

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

#### *All Leases*

The Organization has no material related-party leases.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

#### **Quantitative Disclosures**

The lease cost and other required information for the year ended June 30, 2023 are:

##### Lease cost

Finance lease cost	
Amortization of right-of-use asset	\$ 21,278
Interest on lease liabilities	2,524
Operating lease cost	<u>105,600</u>
 Total lease cost	 <u><u>\$ 129,402</u></u>

##### Other information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	\$ 2,391
Financing cash flows from finance leases	20,323
Operating cash flows from operating leases	105,600
Right-of-use assets obtained in exchange for new finance lease liabilities	94,737
Right-of-use assets obtained in exchange for new operating lease liabilities	2,374,629
Weighted-average remaining lease term	
Finance leases	3.4 years
Operating leases	37.5 years
Weighted-average discount rate	
Finance leases	3.2%
Operating leases	3.1%



**The Dallas Opera and the Dallas Opera Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2023 and 2022**

Future minimum lease payments and reconciliation to the consolidated statements of financial position at June 30, 2023, are as follows:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2024	\$ 23,502	\$ 105,600
2025	23,502	105,600
2026	23,502	105,600
2027	6,293	105,600
2028	1,970	105,600
Thereafter	<u>-</u>	<u>3,432,000</u>
Total future undiscounted lease payments	78,769	3,960,000
Less imputed interest	<u>(4,222)</u>	<u>(1,617,854)</u>
Lease liabilities	<u><u>\$ 74,547</u></u>	<u><u>\$ 2,342,146</u></u>

**The Dallas Opera and the Dallas Opera Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2023 and 2022**

**Note 9: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Subject to the passage of time		
Time restricted for specific use in future years	\$ 6,570,954	\$ 10,584,711
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
General Endowment Fund	1,473,368	1,043,242
Cultural Renaissance Endowment Fund	1,537,445	1,387,618
Great Orchestra Endowment Fund	73,643	47,976
	<u>3,084,456</u>	<u>2,478,836</u>
Subject to NFP endowment spending policy and appropriation		
General Endowment Fund	3,878,770	3,878,770
Cultural Renaissance Endowment Fund	19,527,543	19,382,304
Great Orchestra Endowment Fund	261,368	261,368
	<u>23,667,681</u>	<u>23,522,442</u>
Total endowments	<u>26,752,137</u>	<u>26,001,278</u>
	<u><u>\$ 33,323,091</u></u>	<u><u>\$ 36,585,989</u></u>

# The Dallas Opera and the Dallas Opera Foundation

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

#### ***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u><b>2023</b></u>	<u><b>2022</b></u>
Expiration of time restrictions	\$ 5,270,134	\$ 1,469,845
Restricted purpose spending-rate distributions and appropriations		
General endowment fund	225,632	201,923
Cultural Renaissance Endowment Fund	1,037,957	3,002,202
Great Orchestra Endowment Fund	15,452	14,773
	<u>1,279,041</u>	<u>3,218,898</u>
	<u><u>\$ 6,549,175</u></u>	<u><u>\$ 4,688,743</u></u>

#### **Note 10: Endowment**

The Organization's governing body is subject to the State of Texas enacted version of the Uniform Prudent Management of Institutional Funds Act (Texas UPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with Texas UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

In accordance with 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, 2023 and 2022

The Organization's endowment consists of approximately four individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 95,443	\$ -	\$ 95,443
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	23,667,681	23,667,681
Accumulated investment gains	-	3,084,456	3,084,456
<b>Total endowment funds</b>	<b>\$ 95,443</b>	<b>\$ 26,752,137</b>	<b>\$ 26,847,580</b>

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 5,635	\$ -	\$ 5,635
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	23,522,442	23,522,442
Accumulated investment gains	-	2,478,836	2,478,836
<b>Total endowment funds</b>	<b>\$ 5,635</b>	<b>\$ 26,001,278</b>	<b>\$ 26,006,913</b>

**The Dallas Opera and the Dallas Opera Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2023 and 2022**

Change in endowment net assets for the years ended June 30, 2023 and 2022 were:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 5,635	\$ 26,001,278	\$ 26,006,913
Investment return, net	(1,692)	2,024,918	2,023,226
Contributions	-	4,982	4,982
Transfers	91,500	-	91,500
Appropriation of endowment assets for expenditures	-	(1,279,041)	(1,279,041)
Endowment net assets, end of year	<u>\$ 95,443</u>	<u>\$ 26,752,137</u>	<u>\$ 26,847,580</u>

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 7,174	\$ 32,887,189	\$ 32,894,363
Investment return, net	(1,539)	(3,673,187)	(3,674,726)
Contributions	-	6,174	6,174
Appropriation of endowment assets for expenditures	-	(1,218,898)	(1,218,898)
Other changes			
Loan to the Opera	-	(2,000,000)	(2,000,000)
Endowment net assets, end of year	<u>\$ 5,635</u>	<u>\$ 26,001,278</u>	<u>\$ 26,006,913</u>

In September 2020, the Foundation's Board approved a loan to the Opera for \$2,000,000 from the endowment, as allowed by the donors, 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.

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

## **Notes to Consolidated Financial Statements**

**June 30, 2023 and 2022**

### ***Investment and Spending Policies***

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity as well as board-designed funds.

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.

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. Unrealized gains (losses) are added to the corpus. Other funds may be appropriated as deemed necessary by the Foundation's Board from time to time.

### ***Underwater Endowments***

The governing body of the Organization has interpreted Texas UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Organization has interpreted Texas UPMIFA to permit not spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2023 and 2022, no funds had such deficiencies.

**The Dallas Opera and the Dallas Opera Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2023 and 2022**

**Note 11: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Financial assets		
Cash and cash equivalents	\$ 2,183,509	\$ 2,757,362
Contributions receivable, net	5,441,979	10,258,559
Accounts receivable	922,057	
Cash and cash equivalents held for endowment	1,591,516	1,333,909
Investments held for endowment	<u>25,256,064</u>	<u>24,673,004</u>
	<u>35,395,125</u>	<u>39,022,834</u>
Less amounts unavailable for general expenditure within one		
Long-term contributions receivable	(624,812)	(4,710,214)
Board-designated endowment	(95,443)	(5,635)
Restricted by donors for endowment	<u>(26,752,137)</u>	<u>(26,001,278)</u>
	<u>(27,472,392)</u>	<u>(30,717,127)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 7,922,733</u></u>	<u><u>\$ 8,305,707</u></u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2023 and 2022, restricted contributions of \$4,496,765 and \$5,548,345, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Organization has committed a line of credit in the amount of \$1,000,000, which it could draw upon.

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization aims to maintain a minimum of \$2,000,000 of cash throughout the year. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves quarterly. During the years ended June 30, 2023 and 2022, the Organization believes the level of liquidity and reserves was managed within the policy requirements.

#### **Note 12: 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 \$97,365 and \$94,214 to the plan for the years ended June 30, 2023 and 2022, 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 \$284,794 and \$216,673 to these plans during the years ended June 30, 2023 and 2022, respectively.

#### **Note 13: Related Party Transactions**

Approximately \$950,200 and \$794,000 of total contributions receivable was due from members of the Opera's Board and the Foundation's Board as of June 30, 2023 and 2022, respectively. Total contribution revenue from members of the Opera's Board and Foundation's Board for the years ended June 30, 2023 and 2022, was \$2,880,171 and \$1,774,416, respectively.

#### **Note 14: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets



# The Dallas Opera and the Dallas Opera Foundation

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

### ***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
	Total Fair Value			
June 30, 2023				
Assets				
Investments held for endowment				
Equity securities	\$ 9,226,728	\$ 9,226,728	\$ -	\$ -
Fixed income securities	15,575,673	14,487,194	1,088,479	-
Real estate	119,720	119,720	-	-
Commodities	333,943	333,943	-	-
Total investments held for endowment	\$ 25,256,064	\$ 24,167,585	\$ 1,088,479	\$ -
June 30, 2022				
Assets				
Investments held for endowment				
Equity securities	\$ 8,586,396	\$ 8,586,396	\$ -	\$ -
Fixed income securities	15,627,574	13,008,929	2,618,645	-
Real estate	128,424	128,424	-	-
Commodities	330,610	330,610	-	-
Total investments held for endowment	\$ 24,673,004	\$ 22,054,359	\$ 2,618,645	\$ -

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2023.

#### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization held no Level 3 investments at June 30, 2023 or 2022.

#### **Note 15: Significant Estimates, Concentrations, and Commitments**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Facility Use Agreement***

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

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

## **Notes to Consolidated Financial Statements**

### **June 30, 2023 and 2022**

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 \$252,349 and \$165,782 for the years ended June 30, 2023 and 2022, respectively.

#### ***Contributions and Contributions Receivable***

At June 30, 2023, contributions receivable from two donors equaled approximately 52% of the total contributions receivable. At June 30, 2022, contributions receivable from three donors equaled approximately 75% of the total contributions receivable. For the year ended June 30, 2023, four donors provided support to the Organization which equaled approximately 26% of the total contributions. For the year ended June 30, 2022, two donors provided support to the Organization which equaled approximately 58% of the total contributions.

#### ***General Litigation***

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

#### ***Investments***

The Organization invests in various investment securities. Investment securities 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 investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

#### ***Future Production Commitments***

The Organization enters into noncancelable agreements related to activities for future productions. At June 30, 2023, future minimum payments required under noncancelable artist contracts, and set and costume rental agreements were as follows:

2024	\$ 1,274,432
2025	518,000
2026	364,000
	<hr/>
	\$ 2,156,432
	<hr/>

**The Dallas Opera and the Dallas Opera Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2023 and 2022**

**Note 16: Subsequent Events**

Subsequent events have been evaluated through November 10, 2023, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**The Dallas Opera and the Dallas Opera Foundation**  
**Consolidating Statement of Financial Position**  
**June 30, 2023**

**Assets**

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Cash and cash equivalents	\$ 2,183,509	\$ -	\$ -	\$ 2,183,509
Contributions receivable, net	5,441,979	-	-	5,441,979
Accounts receivable	922,057	-	-	922,057
Prepaid and other assets	1,120,651	-	-	1,120,651
Intercompany transfers	-	28,575	(28,575)	-
Notes receivable from the Opera	-	3,232,275	(3,232,275)	-
Cash and cash equivalents held for endowment	-	1,591,516	-	1,591,516
Investments held for endowment	-	25,256,064	-	25,256,064
Right-of-use assets - financing	73,460	-	-	73,460
Right-of-use asset - operating	2,342,146	-	-	2,342,146
Property and equipment, net	4,431,880	-	-	4,431,880
	<u>\$ 16,515,682</u>	<u>\$ 30,108,430</u>	<u>\$ (3,260,850)</u>	<u>\$ 43,363,262</u>
Total assets	<u>\$ 16,515,682</u>	<u>\$ 30,108,430</u>	<u>\$ (3,260,850)</u>	<u>\$ 43,363,262</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 170,904	\$ -	\$ -	\$ 170,904
Accrued expenses	523,464	-	(28,575)	494,889
Deferred revenue - ticket sales	1,098,108	-	-	1,098,108
Deferred revenue - rentals and other	171,594	-	-	171,594
Line-of-credit	-	1,000,000	-	1,000,000
Term notes payable	1,807,171	-	-	1,807,171
Lease liabilities - financing	74,547	-	-	74,547
Lease liability - operating	2,342,146	-	-	2,342,146
Notes payable to the Foundation	3,232,275	-	(3,232,275)	-
	<u>9,420,209</u>	<u>1,000,000</u>	<u>(3,260,850)</u>	<u>7,159,359</u>
Total liabilities	<u>9,420,209</u>	<u>1,000,000</u>	<u>(3,260,850)</u>	<u>7,159,359</u>

**Net Assets**

Without donor restrictions				
Board-designated endowment	-	2,356,293	(2,260,850)	95,443
Undesignated	524,519	-	2,260,850	2,785,369
	<u>524,519</u>	<u>2,356,293</u>	<u>-</u>	<u>2,880,812</u>
With donor restrictions	6,570,954	26,752,137	-	33,323,091
	<u>7,095,473</u>	<u>29,108,430</u>	<u>-</u>	<u>36,203,903</u>
Total net assets	<u>7,095,473</u>	<u>29,108,430</u>	<u>-</u>	<u>36,203,903</u>
	<u>\$ 16,515,682</u>	<u>\$ 30,108,430</u>	<u>\$ (3,260,850)</u>	<u>\$ 43,363,262</u>
Total liabilities and net assets	<u>\$ 16,515,682</u>	<u>\$ 30,108,430</u>	<u>\$ (3,260,850)</u>	<u>\$ 43,363,262</u>

**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	-	1,333,909	-	1,333,909
Investments held for endowment	-	24,673,004	-	24,673,004
Property and equipment, net	4,659,158	-	-	4,659,158
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	3,232,275	-	(3,232,275)	-
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	1,324,673	-	2,249,947	3,574,620
	1,324,673	2,255,582	-	3,580,255
With donor restrictions	10,584,711	26,001,278	-	36,585,989
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 Activities

### Year Ended June 30, 2023

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Revenues, gains (losses) and other support				
Earned income				
Admissions revenue	\$ 2,518,454	\$ -	\$ -	\$ 2,518,454
Net realized and unrealized gains on investments	-	640,473	-	640,473
Interest and dividends, net	7,448	1,384,445	-	1,391,893
Auxiliary event revenue	86,782	-	-	86,782
Rentals and other	66,650	-	-	66,650
Sponsorship revenue	15,000	-	-	15,000
Transfers from The Dallas Opera	-	111,810	(111,810)	-
Investment income transferred from the Foundation	1,279,041	-	(1,279,041)	-
Total earned income	<u>3,973,375</u>	<u>2,136,728</u>	<u>(1,390,851)</u>	<u>4,719,252</u>
Support from the public				
Contributions	8,832,055	-	-	8,832,055
Contributions - special events	82,758	-	-	82,758
Total support from the public	<u>8,914,813</u>	<u>-</u>	<u>-</u>	<u>8,914,813</u>
Total revenues, gains (losses) and other support	<u>12,888,188</u>	<u>2,136,728</u>	<u>(1,390,851)</u>	<u>13,634,065</u>
Functional expenses				
Program services				
Artistic productions	11,788,843	-	-	11,788,843
Education and outreach	558,482	-	-	558,482
Investment income transferred to the Opera	-	1,279,041	(1,279,041)	-
Transfer to The Dallas Opera Foundation	111,810	-	(111,810)	-
Total program services	<u>12,459,135</u>	<u>1,279,041</u>	<u>(1,390,851)</u>	<u>12,347,325</u>
Supporting services				
Management and general	3,907,635	6,117	-	3,913,752
Fundraising	1,335,329	-	-	1,335,329
Total supporting services	<u>5,242,964</u>	<u>6,117</u>	<u>-</u>	<u>5,249,081</u>
Total functional expenses	<u>17,702,099</u>	<u>1,285,158</u>	<u>(1,390,851)</u>	<u>17,596,406</u>
Change in net assets	(4,813,911)	851,570	-	(3,962,341)
Net assets, beginning of year	11,909,384	28,256,860	-	40,166,244
Net assets, end of year	<u>\$ 7,095,473</u>	<u>\$ 29,108,430</u>	<u>\$ -</u>	<u>\$ 36,203,903</u>



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

	<b>The Dallas Opera</b>	<b>The Dallas Opera Foundation</b>	<b>Eliminating Entries</b>	<b>Total</b>
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	59,303	-	-	59,303
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	19,676	-	(19,676)	-
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	1,193,538	-	-	1,193,538
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	1,995,000	-	-	1,995,000
Change in net assets	6,435,806	(4,873,948)	-	1,561,858
Net assets, beginning of year	5,473,578	33,130,808	-	38,604,386
Net assets, end of year	<u>\$ 11,909,384</u>	<u>\$ 28,256,860</u>	<u>\$ -</u>	<u>\$ 40,166,244</u>