




The Dallas Opera and the Dallas Opera Foundation

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



The Dallas Opera and the Dallas Opera Foundation
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June 30, 2024 and 2023

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Dallas Opera and the Dallas Opera Foundation (collectively, the "Opera"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Opera as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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.

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 audits were conducted for the purposes 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 audits 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.

Forvis Mazars, LLP

**Fort Worth, Texas
December 16, 2024**

**The Dallas Opera and the Dallas Opera Foundation
Consolidated Statements of Financial Position
June 30, 2024 and 2023**

Assets

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,908,352	\$ 2,183,509
Accounts receivable	596,710	922,057
Prepaid and other assets	566,249	1,120,651
Contributions receivable, net	4,061,124	5,441,979
Cash and cash equivalents held for endowment	1,546,339	1,591,516
Investments held for endowment	26,418,991	25,256,064
Right-of-use assets - financing	51,474	73,460
Right-of-use asset - operating	4,066,640	2,342,146
Property and equipment, net	<u>4,212,080</u>	<u>4,431,880</u>
Total Assets	<u><u>\$ 44,427,959</u></u>	<u><u>\$ 43,363,262</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 111,501	\$ 170,904
Accrued expenses	566,135	494,889
Deferred revenue - ticket sales	1,116,503	1,098,108
Deferred revenue - rentals and other	80,945	171,594
Line-of-credit	-	1,000,000
Term notes payable	1,807,171	1,807,171
Lease liabilities - financing	53,069	74,547
Lease liabilities - operating	<u>4,151,640</u>	<u>2,342,146</u>
Total Liabilities	<u>7,886,964</u>	<u>7,159,359</u>

Net Assets

Without donor restrictions	2,987,205	2,880,812
With donor restrictions	<u>33,553,790</u>	<u>33,323,091</u>
Total Net Assets	<u>36,540,995</u>	<u>36,203,903</u>
Total Liabilities and Net Assets	<u><u>\$ 44,427,959</u></u>	<u><u>\$ 43,363,262</u></u>

**The Dallas Opera and the Dallas Opera Foundation
Consolidated Statement of Activities
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Earned income			
Admissions revenue	\$ 2,424,011	\$ -	\$ 2,424,011
Net realized and unrealized gains on investments	-	1,065,023	1,065,023
Interest and dividends, net	183,159	1,472,738	1,655,897
Auxiliary event revenue	75,661	-	75,661
Rentals and other	321,570	-	321,570
Sponsorship revenue	82,500	-	82,500
Investment income released from restrictions	1,522,768	(1,522,768)	-
Total Earned Income	<u>4,609,669</u>	<u>1,014,993</u>	<u>5,624,662</u>
Support from the public			
Contributions	9,037,465	4,262,381	13,299,846
Contributions - special events	127,977	-	127,977
Net assets released from restriction	5,046,675	(5,046,675)	-
Total support from the public	<u>14,212,117</u>	<u>(784,294)</u>	<u>13,427,823</u>
Total Revenues, Gains and Other Support	<u>18,821,786</u>	<u>230,699</u>	<u>19,052,485</u>
Functional expenses			
Program services			
Artistic productions	12,579,584	-	12,579,584
Education and outreach	584,842	-	584,842
Total program services	<u>13,164,426</u>	<u>-</u>	<u>13,164,426</u>
Supporting services			
Management and general	3,907,966	-	3,907,966
Fundraising	1,643,001	-	1,643,001
Total Supporting Services	<u>5,550,967</u>	<u>-</u>	<u>5,550,967</u>
Total Functional Expenses	<u>18,715,393</u>	<u>-</u>	<u>18,715,393</u>
Change in Net Assets	106,393	230,699	337,092
Net Assets, Beginning of Year	<u>2,880,812</u>	<u>33,323,091</u>	<u>36,203,903</u>
Net Assets, End of Year	<u>\$ 2,987,205</u>	<u>\$ 33,553,790</u>	<u>\$ 36,540,995</u>

**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 losses 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	3,973,375	745,877	4,719,252
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	12,923,588	(4,008,775)	8,914,813
Total Revenues, Gains (Losses) and Other Support	16,896,963	(3,262,898)	13,634,065
Functional expenses			
Program services			
Artistic productions	11,788,843	-	11,788,843
Education and outreach	558,482	-	558,482
Total program services	12,347,325	-	12,347,325
Supporting services			
Management and general	3,913,752	-	3,913,752
Fundraising	1,335,329	-	1,335,329
Total Supporting Services	5,249,081	-	5,249,081
Total Functional Expenses	17,596,406	-	17,596,406
Change in Net Assets	(699,443)	(3,262,898)	(3,962,341)
Net Assets, Beginning of Year	3,580,255	36,585,989	40,166,244
Net Assets, End of Year	\$ 2,880,812	\$ 33,323,091	\$ 36,203,903

The Dallas Opera and the Dallas Opera Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services			Support Services			Total
	Artistic Productions	Education and Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	
Personel expenses							
Salaries and artistic fees	\$ 7,901,841	\$ 207,061	\$ 8,108,902	\$ 1,204,631	\$ 872,010	\$ 2,076,641	\$ 10,185,543
Pension contributions	31,651	3,645	35,296	44,597	19,897	64,494	99,790
Other employee benefits	663,297	25,457	688,754	139,180	61,985	201,165	889,919
Payroll taxes	521,521	38,273	559,794	99,837	70,839	170,676	730,470
Total personnel expenses	9,118,310	274,436	9,392,746	1,488,245	1,024,731	2,512,976	11,905,722
Professional fees	91,620	-	91,620	323,250	122,525	445,775	537,395
Advertising and promotion	-	-	-	1,035,319	27,500	1,062,819	1,062,819
Office expenses	130,815	-	130,815	99,878	26,243	126,121	256,936
Information technology	14,070	-	14,070	330,816	110,272	441,088	455,158
Rent	355,236	-	355,236	146,580	48,860	195,440	550,676
Building maintenance	115,485	-	115,485	-	-	-	115,485
Utilities	37,270	-	37,270	10,345	3,448	13,793	51,063
Travel	251,402	4,500	255,902	56,987	15,164	72,151	328,053
Interest expense	-	-	-	158,676	-	158,676	158,676
Insurance	207,294	-	207,294	17,154	5,718	22,872	230,166
Outreach, guild and other special	35,100	305,906	341,006	-	243,407	243,407	584,413
Physical production costs	2,172,968	-	2,172,968	-	-	-	2,172,968
Depreciation and amortization	50,014	-	50,014	329,756	-	329,756	379,770
Other expenses	-	-	-	(89,040)	15,133	(73,907)	(73,907)
Total expenses included in the expense section on the statement of activities	\$ 12,579,584	\$ 584,842	\$ 13,164,426	\$ 3,907,966	\$ 1,643,001	\$ 5,550,967	\$ 18,715,393

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

	Program Services			Support Services			Total
	Artistic Productions	Education and Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel 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	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	\$ 11,788,843	\$ 558,482	\$ 12,347,325	\$ 3,913,752	\$ 1,335,329	\$ 5,249,081	\$ 17,596,406

**The Dallas Opera and the Dallas Opera Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 337,092	\$ (3,962,341)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	379,770	352,808
Noncash operating lease expense	75,659	32,483
Bad debt recoveries (expense)	131,244	(21,044)
Net realized and unrealized gains on investments	(1,065,203)	(640,473)
Contributions restricted to the endowment	-	(4,982)
Changes in operating assets and liabilities		
Contributions receivable, net	1,249,611	4,837,624
Accounts receivable	325,347	(906,600)
Prepaid and other assets	554,402	79,715
Accounts payable	(59,403)	(5,340)
Accrued expenses	71,246	94,164
Deferred revenue	(72,254)	(77,729)
Operating lease liability	9,341	(32,483)
Net Cash Provided by (Used in) Operating Activities	<u>1,936,852</u>	<u>(254,198)</u>
Investing Activities		
Purchase of property and equipment	(137,984)	(104,253)
Purchases of investments	(3,942,919)	(1,854,564)
Proceeds from sale of investments	3,845,195	1,911,977
Net Cash Used in Investing Activities	<u>(235,708)</u>	<u>(46,840)</u>
Financing Activities		
Line-of-credit borrowings	-	1,000,000
Line-of-credit repayments	(1,000,000)	(1,000,000)
Principal payments on financing leases	(21,478)	(20,190)
Proceeds from contributions and investment income restricted for long-term investment	-	4,982
Net Cash Used in Financing Activities	<u>(1,021,478)</u>	<u>(15,208)</u>
Increase (Decrease) in Cash, Cash Equivalents, Restricted and Restricted Cash Equivalents held for the endowment	679,666	(316,246)
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents held for the endowment, Beginning of Year	<u>3,775,025</u>	<u>4,091,271</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents held for the endowment, End of Year	<u>\$ 4,454,691</u>	<u>\$ 3,775,025</u>

**The Dallas Opera and the Dallas Opera Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

(Continued)

	<u>2024</u>	<u>2023</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents held for the endowment consisted of		
Cash and cash equivalents	\$ 2,908,352	\$ 2,183,509
Cash and cash equivalents held for endowment	<u>1,546,339</u>	<u>1,591,516</u>
	<u>\$ 4,454,691</u>	<u>\$ 3,775,025</u>
 Supplemental Cash Flows Information		
Interest paid	\$ 147,773	\$ 188,628
ROU assets obtained in exchange for new operating lease	\$ 1,800,153	\$ 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, 2024 and 2023

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, 2024 and 2023, cash equivalents consisted primarily of money market funds.

At June 30, 2024, the Organization's cash accounts exceeded federally insured limits by approximately \$4,121,000.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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 credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

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 \$567,235 is included in accounts receivable in the accompanying consolidated statements of financial position at June 30, 2024 and 2023.

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 consolidated 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 \$2,000 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, 2024 and 2023

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, 2024 and 2023.

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.

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.

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

In the accompanying consolidated statements of activities, the Organization recognized \$2,821,232 and \$2,671,008 in revenues over time for the years ended June 30, 2024 and 2023, respectively. The following table provides information about the Organization's receivables and contract liabilities from contracts with customers:

	2024	2023
Accounts receivable, beginning of year	\$ 41,435	\$ 15,457
Accounts receivable, end of year	\$ 29,475	\$ 41,435
Contract liabilities, beginning of year	\$ 1,269,702	\$ 1,347,431
Contract liabilities, end of year	\$ 1,197,448	\$ 1,269,702

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:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
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

The Dallas Opera and the Dallas Opera Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024, the Organization was awarded contributions of \$1,000,000 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. At June 30, 2023, there were \$1,500,000 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 \$146,605 and \$90,643 of donated facility space and contributed services for advertising, transportation, legal fees, and other miscellaneous services during the years ended June 30, 2024 and 2023, respectively, which are included in contributions without donor restrictions 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.

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.

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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 \$1,062,819 and \$983,825, for the years ended June 30, 2024 and 2023, 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.

Note 2: Contributions Receivables

Contributions receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Receivables due in less than one year	\$ 1,249,555	\$ 4,817,167
Receivables due in one to five years	2,957,500	702,714
Receivables due in greater than five years	<u>237,714</u>	<u>242,500</u>
	4,444,769	5,762,381
Less: unamortized discount	(300,765)	(106,278)
Less: allowance for doubtful contributions	<u>(82,880)</u>	<u>(214,124)</u>
	<u>\$ 4,061,124</u>	<u>\$ 5,441,979</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

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rate of the General Endowment Fund. Discount rates ranged from 2.59% to 5.10% and from 2.56% to 5.07% for June 30, 2024 and 2023, respectively.

Note 3: Investments Held for Endowment

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

	<u>2024</u>	<u>2023</u>
Equity securities	\$ 10,333,858	\$ 9,226,728
Fixed income securities	15,627,138	15,575,673
Real estate	123,469	119,720
Commodities	<u>334,526</u>	<u>333,943</u>
	<u>\$ 26,418,991</u>	<u>\$ 25,256,064</u>

Note 4: Property and Equipment

Property and equipment at June 30, 2024 and 2023, consists of:

	<u>2024</u>	<u>2023</u>
Land	\$ 158,600	\$ 158,600
Buildings and leasehold improvements	8,167,702	8,108,846
Automobiles	114,997	114,997
Furniture and equipment	1,410,122	1,403,768
Computer equipment	<u>302,577</u>	<u>229,597</u>
	10,153,998	10,015,808
Less accumulated depreciation	<u>(5,941,918)</u>	<u>(5,583,928)</u>
	<u>\$ 4,212,080</u>	<u>\$ 4,431,880</u>

Depreciation expense totaled \$379,770 and \$330,265 for the years ended June 30, 2024 and 2023, respectively.

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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, 2023, with substantially the same terms. In July of 2023, the Foundation again extended the line of credit note through August 9, 2024, with substantially the same terms. Interest on the line-of-credit is payable monthly at the Overnight LIBOR-Based Rate plus 2%. Interest at June 30, 2024 and 2023, was 8.5% and 7.15%, respectively. During the year, 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, 2024 and 2023, was \$0 and \$1,000,000, respectively. Interest expense on the line of credit totaled \$168,828 and \$51,186 during the years ended June 30, 2024 and 2023, respectively. Effective August 9, 2024, the Organization extended the line of credit through August 9, 2025.

The Organization is subject to certain financial debt covenant requirements under the terms of line-of-credit. As of June 30, 2024 and 2023, the Organization believes it was in compliance with required covenants.

Note 6: Note Payable

The Opera signed a Term Note in March 2021 which matured on September 2, 2022. In September 2022 and October 2023, the Opera extended its Term Note through October 2, 2023 and October 2, 2024, respectively. The outstanding balance on the Term Note was \$1,807,171 as of June 30, 2024 and 2023. Interest on outstanding borrowings under the Term Note is payable monthly at the greater of the prime rate (8.5% and 8.25% at June 30, 2024 and 2023, respectively) or 1.00%. Interest expense totaled \$155,856 and \$128,410 during the years ended June 30, 2024 and 2023, respectively. Borrowings under the Term Note are collateralized by all assets of the Organization. Effective October 2, 2024, the Opera extended the Term Note through October 2, 2025.

Note 7: Leases

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.

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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 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 on a prospective basis based on an index or agreement with the Organization beginning January 1, 2013, and once every twelve months thereafter. During 2024, the lease was amended with a minimum annual increase of 3%. At the time of the amendment, the monthly rent was adjusted from \$8,800 to \$9,420 in accordance with the terms of the agreement and the right of use asset and lease liability was remeasured for these fixed costs.

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 years ended June 30, 2024 and 2023, are:

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	2024	2023
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 21,986	\$ 21,278
Interest on lease liabilities	2,024	2,524
Operating lease cost	<u>195,440</u>	<u>105,600</u>
Total lease cost	<u>\$ 219,450</u>	<u>\$ 129,402</u>
	2024	2023
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 2,065	\$ 2,391
Financing cash flows from finance leases	21,437	20,323
Operating cash flows from operating leases	110,440	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	1,800,153	2,374,629
Weighted-average remaining lease term		
Finance leases	2.4 years	3.4 years
Operating leases	36.5 years	37.5 years
Weighted-average discount rate		
Finance leases	3.2%	3.2%
Operating leases	3.0%	3.1%

Future minimum lease payments and reconciliation to the consolidated statements of financial position at June 30, 2024, are as follows:

	Finance Leases	Operating Leases
2025	\$ 23,502	\$ 115,962
2026	23,502	119,626
2027	6,293	123,214
2028	1,970	126,910
2029	-	130,718
Thereafter	<u>-</u>	<u>6,900,251</u>
Total future undiscounted lease payments	55,267	7,516,681
Less imputed interest	<u>(2,198)</u>	<u>(3,365,041)</u>
Lease liabilities	<u>\$ 53,069</u>	<u>\$ 4,151,640</u>

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Note 8: Net Assets

Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Subject to the passage of time		
Promises to give that are restricted by donors for the Linda and Mitch Hart Institute for Women Conductors	\$ 750,000	\$ -
Promises to give and contributions received that are restricted by donors for specific future time periods	<u>5,036,660</u>	<u>6,570,954</u>
	<u>5,786,660</u>	<u>6,570,954</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
General Endowment Fund	2,013,975	1,473,368
Cultural Renaissance Endowment Fund	1,986,783	1,537,445
Great Orchestra Endowment Fund	<u>98,691</u>	<u>73,643</u>
	<u>4,099,449</u>	<u>3,084,456</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	19,527,543
Great Orchestra Endowment Fund	<u>261,368</u>	<u>261,368</u>
	<u>23,667,681</u>	<u>23,667,681</u>
Total endowments	<u>27,767,130</u>	<u>26,752,137</u>
	<u>\$ 33,553,790</u>	<u>\$ 33,323,091</u>

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.

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	<u>2024</u>	<u>2023</u>
Expiration of time restrictions	\$ 5,046,675	\$ 5,270,134
Restricted purpose spending-rate distributions and appropriations		
General endowment fund	256,122	225,632
Cultural Renaissance Endowment Fund	1,250,580	1,037,957
Great Orchestra Endowment Fund	16,066	15,452
	<u>1,522,768</u>	<u>1,279,041</u>
	<u>\$ 6,569,443</u>	<u>\$ 6,549,175</u>

Note 9: 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 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.

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The composition of net assets by type of endowment fund at June 30, 2024 and 2023, was:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 198,200	\$ -	\$ 198,200
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	-	4,099,449	4,099,449
Total Endowment Funds	\$ 198,200	\$ 27,767,130	\$ 27,965,330
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
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
Total endowment funds	\$ 95,443	\$ 26,752,137	\$ 26,847,580

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Change in endowment net assets for the years ended June 30, 2024 and 2023, were:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 95,443	\$ 26,752,137	\$ 26,847,580
Investment return, net	2,757	2,537,761	2,540,518
Transfers	100,000	-	100,000
Appropriation of endowment assets for expenditures	-	(1,522,768)	(1,522,768)
Endowment Net Assets, End of Year	<u>\$ 198,200</u>	<u>\$ 27,767,130</u>	<u>\$ 27,965,330</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
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>

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. In 2024, Board approved repayment to begin in 2027. The loan is included as a note receivable from the Opera to the Foundation on the 2024 and 2023 consolidating statements of financial position. The loan was eliminated upon consolidation on the accompanying consolidated statement of financial position.

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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, 2024 and 2023, no funds had such deficiencies.

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Note 10: 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, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 2,908,352	\$ 2,183,509
Contributions receivable, net	4,061,124	5,441,979
Accounts receivable	596,710	922,057
Cash and cash equivalents held for endowment	1,546,339	1,591,516
Investments held for endowment	<u>26,418,991</u>	<u>25,256,064</u>
	<u>35,531,516</u>	<u>35,395,125</u>
Less amounts unavailable for general expenditure within one year		
Long-term contributions receivable	(2,811,569)	(624,812)
Board-designated endowment	(198,200)	(95,443)
Restricted by donors for endowment	<u>(27,767,130)</u>	<u>(26,752,137)</u>
	<u>(30,776,899)</u>	<u>(27,472,392)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,754,617</u>	<u>\$ 7,922,733</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 2024 and 2023, restricted contributions of \$4,111,907 and \$4,496,765, 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.

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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, 2024 and 2023, the Organization believes the level of liquidity and reserves was managed within the policy requirements.

Note 11: 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 \$99,790 and \$97,365 to the plan for the years ended June 30, 2024 and 2023, 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 \$287,723 and \$284,794 to these plans during the years ended June 30, 2024 and 2023, respectively.

Note 12: Related Party Transactions

Approximately \$1,620,970 and \$950,200 of total contributions receivable was due from members of the Opera's Board and the Foundation's Board as of June 30, 2024 and 2023, respectively. Total contribution revenue from members of the Opera's Board and Foundation's Board for the years ended June 30, 2024 and 2023, was \$3,626,014 and \$2,880,171, respectively.

Note 13: 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

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- 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, 2024 and 2023:

	<u>Fair Value Measurements Using</u>			
	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
June 30, 2024				
Assets				
Investments held for endowment				
Equity securities	\$ 10,333,858	\$ 10,333,858	\$ -	\$ -
Fixed income securities	15,627,138	14,583,281	1,043,857	-
Real estate	123,469	123,469	-	-
Commodities	334,526	334,526	-	-
Total Investments Held for Endowment	\$ 26,418,991	\$ 25,375,134	\$ 1,043,857	\$ -
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	\$ -

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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, 2024.

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, 2024 or 2023.

Note 14: 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 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 \$339,119 and \$252,349 for the years ended June 30, 2024 and 2023, respectively.

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June 30, 2024 and 2023

Contributions and Contributions Receivable

At June 30, 2024, contributions receivable from three donors equaled approximately 33% of the total contributions receivable. At June 30, 2023, contributions receivable from two donors equaled approximately 52% of the total contributions receivable. For the year ended June 30, 2024, two donors provided support to the Organization which equaled approximately 34% of the total contributions. For the year ended June 30, 2023, four donors provided support to the Organization which equaled approximately 26% of the total contributions.

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, 2024, future minimum payments required under noncancelable artist contracts, and set and costume rental agreements were as follows:

2025	\$ 974,404
2026	<u>822,224</u>
	<u>\$ 1,796,628</u>

Note 15: Subsequent Events

Subsequent events have been evaluated through December 16, 2024 which is the date the financial statements were available to be issued.

In September 2024, the Organization paid \$1,000,000 on the Note Payable described in *Note 6*.

Supplementary Information

**The Dallas Opera and the Dallas Opera Foundation
Consolidating Statement of Financial Position
June 30, 2024**

Assets

	The Dallas Opera	The Dallas Opera Foundation	Eliminating Entries	Total
Cash and cash equivalents	\$ 2,908,352	\$ -	\$ -	\$ 2,908,352
Contributions receivable, net	4,061,124	-	-	4,061,124
Accounts receivable	596,710	-	-	596,710
Prepaid and other assets	566,249	-	-	566,249
Intercompany transfers	-	27,742	(27,742)	-
Notes receivable from the Opera	-	2,232,275	(2,232,275)	-
Cash and cash equivalents held for endowment	-	1,546,339	-	1,546,339
Investments held for endowment	-	26,418,991	-	26,418,991
Right-of-use assets - financing	51,474	-	-	51,474
Right-of-use asset - operating	4,066,640	-	-	4,066,640
Property and equipment, net	4,212,080	-	-	4,212,080
Total Assets	\$ 16,462,629	\$ 30,225,347	\$ (2,260,017)	\$ 44,427,959

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 111,499	\$ 2	\$ -	\$ 111,501
Accrued expenses	593,877	-	(27,742)	566,135
Deferred revenue - ticket sales	1,116,503	-	-	1,116,503
Deferred revenue - rentals and other	80,945	-	-	80,945
Term notes payable	1,807,171	-	-	1,807,171
Lease liabilities - financing	53,069	-	-	53,069
Lease liability - operating	4,151,640	-	-	4,151,640
Notes payable to the Foundation	2,232,275	-	(2,232,275)	-
Total Liabilities	10,146,979	2	(2,260,017)	7,886,964

Net Assets

Without donor restrictions				
Board-designated endowment	-	2,458,215	(2,260,015)	198,200
Undesignated	528,990	-	2,260,015	2,789,005
	528,990	2,458,215	-	2,987,205
With donor restrictions	5,786,660	27,767,130	-	33,553,790
Total Net Assets	6,315,650	30,225,345	-	36,540,995
Total Liabilities and Net Assets	\$ 16,462,629	\$ 30,225,347	\$ (2,260,017)	\$ 44,427,959

**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
Total Assets	\$ 16,515,682	\$ 30,108,430	\$ (3,260,850)	\$ 43,363,262

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)	-
Total Liabilities	9,420,209	1,000,000	(3,260,850)	7,159,359

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
	524,519	2,356,293	-	2,880,812
With donor restrictions	6,570,954	26,752,137	-	33,323,091
Total Net Assets	7,095,473	29,108,430	-	36,203,903
Total Liabilities and Net Assets	\$ 16,515,682	\$ 30,108,430	\$ (3,260,850)	\$ 43,363,262

The Dallas Opera and the Dallas Opera Foundation
Consolidating Statement of Activities
Year Ended June 30, 2024

	<u>The Dallas Opera</u>	<u>The Dallas Opera Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
Revenues, gains and other support				
Earned income				
Admissions revenue	\$ 2,424,011	\$ -	\$ -	\$ 2,424,011
Net realized and unrealized gains on investments	-	1,065,023	-	1,065,023
Interest and dividends, net	183,159	1,472,738	-	1,655,897
Auxiliary event revenue	75,661	-	-	75,661
Rentals and other	321,570	-	-	321,570
Sponsorship revenue	82,500	-	-	82,500
Transfers from The Dallas Opera	-	114,952	(114,952)	-
Investment income transferred from the Foundation	1,522,768	-	(1,522,768)	-
Total earned income	<u>4,609,669</u>	<u>2,652,713</u>	<u>(1,637,720)</u>	<u>5,624,662</u>
Support from the public				
Contributions	13,299,846	-	-	13,299,846
Contributions - special events	127,977	-	-	127,977
Total support from the public	<u>13,427,823</u>	<u>-</u>	<u>-</u>	<u>13,427,823</u>
Total revenues, gains and other support	<u>18,037,492</u>	<u>2,652,713</u>	<u>(1,637,720)</u>	<u>19,052,485</u>
Functional expenses				
Program services				
Artistic productions	12,579,584	-	-	12,579,584
Education and outreach	584,842	-	-	584,842
Investment income transferred to the Opera	-	1,522,768	(1,522,768)	-
Transfer to The Dallas Opera Foundation	114,952	-	(114,952)	-
Total program services	<u>13,279,378</u>	<u>1,522,768</u>	<u>(1,637,720)</u>	<u>13,164,426</u>
Supporting services				
Management and general	3,894,936	13,030	-	3,907,966
Fundraising	1,643,001	-	-	1,643,001
Total supporting services	<u>5,537,937</u>	<u>13,030</u>	<u>-</u>	<u>5,550,967</u>
Total functional expenses	<u>18,817,315</u>	<u>1,535,798</u>	<u>(1,637,720)</u>	<u>18,715,393</u>
Change in Net Assets	(779,823)	1,116,915	-	337,092
Net Assets, Beginning of Year	7,095,473	29,108,430	-	36,203,903
Net Assets, End of Year	\$ 6,315,650	\$ 30,225,345	\$ -	\$ 36,540,995

**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 losses on	-	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	3,973,375	2,136,728	(1,390,851)	4,719,252
Support from the public				
Contributions	8,832,055	-	-	8,832,055
Contributions - special events	82,758	-	-	82,758
Total support from the public	8,914,813	-	-	8,914,813
Total revenues, gains (losses) and other	12,888,188	2,136,728	(1,390,851)	13,634,065
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	12,459,135	1,279,041	(1,390,851)	12,347,325
Supporting services				
Management and general	3,907,635	6,117	-	3,913,752
Fundraising	1,335,329	-	-	1,335,329
Total supporting services	5,242,964	6,117	-	5,249,081
Total functional expenses	17,702,099	1,285,158	(1,390,851)	17,596,406
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	\$ 7,095,473	\$ 29,108,430	\$ -	\$ 36,203,903