

SARASOTA OPERA ASSOCIATION, INC.

FINANCIAL REPORT

MAY 31, 2025

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Independent Auditor's Report

Board of Directors
Sarasota Opera Association, Inc.
Sarasota, Florida

Opinion

We have audited the accompanying financial statements of Sarasota Opera Association, Inc. (a non-profit organization), (the "Opera"), which comprise the statement of financial position as of May 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Sarasota Opera Association, Inc. as of May 31, 2025, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sarasota Opera Association, Inc. 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sarasota Opera Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

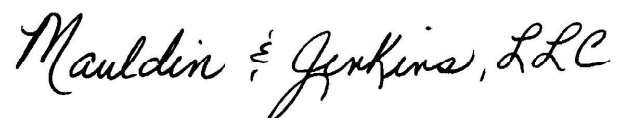
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Report on Summarized Comparative Information

We have previously audited the Opera's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bradenton, Florida
October 24, 2025

Sarasota Opera Association, Inc.

STATEMENT OF FINANCIAL POSITION

MAY 31, 2025

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF MAY 31, 2024)

	2025	2024
ASSETS		
Current assets		
Cash	\$ 324,128	\$ 406,492
Accounts receivable	295,925	20,000
Promises to give, net	576,897	288,915
Bequest receivable	4,926,127	-
Prepaid expenses and other assets	289,044	173,242
	<u>6,412,121</u>	<u>888,649</u>
Property and equipment, net	<u>14,897,738</u>	<u>15,005,652</u>
Right of use assets	<u>2,946,922</u>	<u>3,304,844</u>
Noncurrent assets		
Investments	12,713,072	11,764,300
	<u>12,713,072</u>	<u>11,764,300</u>
TOTAL ASSETS	<u>\$ 36,969,853</u>	<u>\$ 30,963,445</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 306,911	\$ 143,950
Accrued expenses	160,665	153,807
Deferred revenue	1,120,171	1,018,592
Line of credit	950,000	1,000,000
Current maturities of loan payable	122,187	117,404
Lease liabilities - operating leases, current portion	331,834	303,849
	<u>2,991,768</u>	<u>2,737,602</u>
Long-term liabilities		
Loan payable, less current maturities and deferred loan costs	2,346,165	2,465,524
Lease liabilities - operating leases, less current portion	2,731,272	3,063,106
	<u>5,077,437</u>	<u>5,528,630</u>
NET ASSETS		
Without donor restrictions		
Undesignated	16,774,002	11,330,865
Designated by the Board for endowment	3,262,598	2,442,080
With donor restrictions		
Time or purpose	741,110	1,114,230
Perpetual	8,122,938	7,810,038
TOTAL NET ASSETS	<u>28,900,648</u>	<u>22,697,213</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,969,853</u>	<u>\$ 30,963,445</u>

See Notes to Financial Statements.

Sarasota Opera Association, Inc.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2025

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED MAY 31, 2024)

	Without Donor Restrictions	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	Total	Total 2024
Revenue from operations					
Opera productions	\$ 2,578,817	\$ -	\$ -	\$ 2,578,817	\$ 2,539,202
Sarasota youth opera	216,769	-	-	216,769	208,880
Interest and dividends, net	18,583	167,611	-	186,194	191,446
Realized and unrealized gains (losses) on investments	432,989	458,728	-	891,717	1,309,598
Rents	822,279	-	-	822,279	860,528
Gain (loss) on sale of assets	(21,895)	-	-	(21,895)	92
Other	299,789	-	-	299,789	296,544
Total revenue from operations	4,347,331	626,339	-	4,973,670	5,406,290
Support from the public					
Contributions	10,382,813	325,480	312,900	11,021,193	3,513,259
Special event income	553,536	-	-	553,536	533,244
Grants	442,900	-	-	442,900	640,426
Total support from the public	11,379,249	325,480	312,900	12,017,629	4,686,929
Support from governmental agencies					
State grants	-	-	-	-	105,445
County grants	95,925	-	-	95,925	132,463
Total support from governmental agencies	95,925	-	-	95,925	237,908
Net assets released from restrictions	1,324,939	(1,324,939)	-	-	-
Total revenue and support	17,147,444	(373,120)	312,900	17,087,224	10,331,127
Functional expenses					
Program services					
Opera programs	7,373,421	-	-	7,373,421	6,919,240
Education and youth opera	456,916	-	-	456,916	325,352
Total program expenses	7,830,337	-	-	7,830,337	7,244,592
Support services					
General and administrative	1,863,432	-	-	1,863,432	1,781,131
Fundraising	1,190,020	-	-	1,190,020	1,026,173
Total support services	3,053,452	-	-	3,053,452	2,807,304
Total functional expenses	10,883,789	-	-	10,883,789	10,051,896
Increase (decrease) in net assets	6,263,655	(373,120)	312,900	6,203,435	279,231
Net assets, beginning of year	13,772,945	1,114,230	7,810,038	22,697,213	22,417,982
Net assets, end of year	\$ 20,036,600	\$ 741,110	\$ 8,122,938	\$ 28,900,648	\$ 22,697,213

See Notes to Financial Statements.

Sarasota Opera Association, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2025

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED MAY 31, 2024)

	Opera Programs	Education and Youth Opera	Total Program Services	General and Administrative	Fundraising	Total Expenses	Total 2024
Production labor							
Salaries and wages	\$ 1,097,151	\$ 187,127	\$ 1,284,278	\$ 1,009,434	\$ 289,699	\$ 2,583,411	\$ 2,434,113
Contracted services	2,281,749	97,758	2,379,507	32,200	229,776	2,641,483	2,135,213
Payroll taxes	94,306	13,680	107,986	62,691	20,396	191,073	179,771
Employee benefits	249,307	34,966	284,273	104,130	42,256	430,659	400,603
Travel and related housing	655,010	4,782	659,792	2,258	1,793	663,843	548,675
Owned housing	284,061	-	284,061	-	-	284,061	247,865
Total production labor	4,661,584	338,313	4,999,897	1,210,713	583,920	6,794,530	5,946,240
Production materials							
Sets and scenery	119,429	818	120,247	-	-	120,247	163,728
Costuming	309,392	6,695	316,087	-	-	316,087	262,199
Music	21,317	3,751	25,068	-	-	25,068	21,069
Total production materials	450,138	11,264	461,402	-	-	461,402	446,996
General							
Marketing and advertising	316,882	83,962	400,844	-	-	400,844	330,772
Legal fees	-	-	-	14,891	-	14,891	3,392
Accounting fees	-	-	-	27,500	-	27,500	26,000
Credit card fees	-	-	-	123,155	12,645	135,800	130,968
Depreciation	798,843	-	798,843	36,821	-	835,664	826,309
Office expense	12,623	414	13,037	35,924	5,727	54,688	59,408
Information technology	7,430	-	7,430	138,495	3,387	149,312	154,719
Facilities	834,563	-	834,563	74,351	-	908,914	1,009,546
Insurance	188,131	-	188,131	5,463	-	193,594	176,795
Memberships, dues and subscriptions	-	-	-	17,820	-	17,820	25,252
Conferences and meetings	21,833	1,615	23,448	30,350	4,177	57,975	33,012
Interest expense	65,881	-	65,881	88,807	5,512	160,200	207,917
Scholarships	-	5,500	5,500	-	-	5,500	5,500
Other presentations	-	-	-	-	-	-	-
Other general and administrative	-	-	-	59,142	-	59,142	45,079
Fundraising events and activities	-	-	-	-	429,922	429,922	419,017
Bad debt expense	-	-	-	-	-	-	-
Other fundraising	-	-	-	-	1,497	1,497	4,813
Other program expense	15,513	15,848	31,361	-	-	31,361	35,102
Guilds	-	-	-	-	143,233	143,233	165,059
Total general	2,261,699	107,339	2,369,038	652,719	606,100	3,627,857	3,658,660
Total expenses	\$ 7,373,421	\$ 456,916	\$ 7,830,337	\$ 1,863,432	\$ 1,190,020	\$ 10,883,789	\$ 10,051,896

See Notes to Financial Statements.

Sarasota Opera Association, Inc.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2025

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED MAY 31, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 6,203,435	\$ 279,231
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	835,664	826,309
Amortization of deferred loan costs	1,393	1,393
Amortization of right of use assets	54,073	42,057
Realized and unrealized gains on investments	(891,717)	(1,309,598)
Contributions restricted for endowment	(312,900)	(10,500)
(Gain) loss on disposal of property and equipment	21,895	(92)
(Increase) decrease in operating assets:		
Accounts receivable	(275,925)	58,986
Promises to give and bequest receivable	(5,214,109)	12,533
Prepaid expenses and other assets	(115,802)	(49,209)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	169,819	60,598
Deferred revenue	101,579	(61,215)
Net cash provided by (used in) operating activities	577,405	(149,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(749,645)	(351,668)
Proceeds from the sale of investments	15,027,186	7,659,732
Purchases of investments	(15,084,241)	(7,254,262)
Net cash provided by (used in) investing activities	(806,700)	53,802
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(1,665,969)	(1,060,519)
Proceeds from long-term debt	1,500,000	1,350,000
Proceeds from contributions restricted for endowment	312,900	10,500
Net cash provided by financing activities	146,931	299,981
Net increase (decrease) in cash	(82,364)	204,276
Cash, beginning of year	406,492	202,216
Cash, end of year	\$ 324,128	\$ 406,492
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 154,167	\$ 203,707
Initial recognition of operating lease right of use assets	-	2,328,097
Initial recognition of operating lease liabilities	-	2,328,097

See Notes to Financial Statements.

Notes To Financial Statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sarasota Opera Association, Inc. (the "Opera") is a not-for-profit organization that was founded in 1961 as the Asolo Opera Guild, Inc. and in 1983 changed its name to Sarasota Opera Association, Inc. The Opera's mission is to produce outstanding opera, true to the vision of the composer, to entertain, enrich, and educate the communities in Southwest Florida as well as patrons from across the state and around the world. The objectives of the Opera are to produce such operas; and to foster, promote and increase public knowledge and appreciation of opera and similar presentations; to instruct, train and educate both students and the public, generally, in opera, music and related performing arts; and to rent, acquire for use, or own, maintain, and operate a place or places to accomplish these objectives.

The Opera also has two affiliates: the Sarasota Opera Guild and the Manatee Opera Guild, whose purposes are to raise funds to support the Opera. Net assets without donor restrictions also include activities of the Sarasota Youth Opera.

Significant accounting policies are as follows:

Basis of Accounting

The financial statements of the Opera have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, net assets are reported in each of the following two classes: (1) net assets without donor restrictions, and (2) net assets with donor restrictions.

Net assets with donor restrictions are created only by donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met either by actions of the Opera and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

All other net assets, including Board designated or appropriated amounts, are not subject to donor-imposed stipulations and are reported as part of net assets without donor restrictions.

From time to time the Board designates certain recurring and/or non-recurring items for use on specific future projects. At May 31, 2025, net assets designated by the Board for future uses totaled \$3,262,598 for endowment.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management 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 and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of grants receivable and other receivables. Accounts receivable are recorded at their net realizable value and are based on services performed prior to year-end, but not collected as of the statement of financial position date.

Under the current expected credit loss model, the allowance for credit losses ("ACL") on account receivables is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the amortized cost basis of contract receivables to present the net amount expected to be collected.

The Opera estimates the ACL on account receivables based on the amount billed to customers for services and measures expected credit losses of contract receivables on an individual basis where all or a portion of the balance exceeds 90 days from the invoice date. Based on the assessment of the customer's current creditworthiness, the Opera estimates the portion, if any, of the balance that will not be collected. Additionally, a five-year weighted-average of write-offs is applied to the aggregate remaining accounts receivable to estimate an additional allowance covering those amounts not specifically identified. The weighted-average gives greater weight to the most recent years and is adjusted for management's estimate of any changes in expected future economic conditions that might give rise to results that differ from past experience. Receivables are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless.

The Opera does not have a history of losses associated with contract receivables and has not forecasted that future economic conditions may differ from past results; therefore, an allowance for credit losses has not been recorded as of and for the period ended May 31, 2025.

The Opera's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions over a period that has been determined to be reasonable and supportable.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Opera considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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

Deferred Loan Costs

Deferred loan costs consist of fees for obtaining the term loan in 2021 and are being amortized on the straight-line method over the life of the loan. Gross deferred loan costs were \$27,870 and accumulated amortization on the loan costs was \$6,735 at May 31, 2025. Amortization expense was \$1,393 for the year ended May 31, 2025. The use of the straight-line method is not materially different from the effective interest method.

Contributions

Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as net assets without donor restrictions. As of May 31, 2025, the allowance for uncollectible promises to give is \$91,367.

Functional Allocation of Expenses

The costs of providing various programs and other activities and the administration of the Opera have been summarized on a functional basis in the statement of activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Administrative and general expenses and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment acquisitions in excess of \$1,000 are recorded at cost, estimated cost, or if donated, at fair value on the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

	Years
Buildings and improvements	5-50
Furniture, fixtures and equipment	3-10
Theater equipment	5-10

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized.

Fair Value of Financial Instruments

The Opera has adopted FASB's fair value measurement and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these fluctuations. Cash and cash equivalents designated for long-term purposes are classified as investments. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The Opera invests in a variety of investment vehicles, as described in Note 5. These investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Opera's investments, which could materially affect amounts reported in the financial statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Opera qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes under Internal Revenue Code Section 501(a). However, the Opera is subject to income tax on unrelated business income. For the year ended May 31, 2025, the Opera incurred no income tax expense.

It is the Opera's policy to account for any uncertainties in income tax law in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 clarifies the accounting for uncertain income tax positions and requires that the Opera recognize the impact of such a tax position in its financial statements if, upon ultimate settlement, that position is more-likely-than-not to be sustained. Management has evaluated the Opera's tax positions and concluded that the Opera has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. As a result, no provision or liability for income taxes has been included in the financial statements. The Opera files a 990 Return of Organization Exempt from Income Tax.

Advertising

The Opera expenses advertising and promotion costs in the period incurred. For the year ended May 31, 2025, advertising costs totaled \$208,324.

Deferred Revenue

Revenue from ticket sales received in advance is reported as deferred revenue and is recognized in the year in which the performance is given.

Summarized Financial Information for 2024

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Opera's financial statements as of and for the year ended May 31, 2024 from which the summarized information was derived.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities.

On June 1, 2022, the Opera adopted ASU No. 2016-02, *Leases (Topic 842)*, and subsequent amendments thereto, which requires the Opera to recognize most leases on the statement of financial position. The Opera adopted the standard under the modified retrospective approach as of the date of adoption which specified the comparative financial information will not be restated and will continue to be reported under the lease standard in effect during those periods. The Opera also elected to apply several of the available practical expedients, which permits us not to reassess under the new standard our prior conclusions on lease identification, lease classification and initial direct costs. The Opera also elected the short-term lease recognition practical expedient in which leases with a term of 12 months or less will not be recognized on the statement of financial position and the practical expedient to not separate lease and non-lease components for the majority of leases.

Subsequent Events

The Opera has evaluated subsequent events through October 24, 2025 the date which the financial statements were available to be issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Opera's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for subscriptions and a concentration of sponsorships received near fiscal year-end. The Opera manages liquidity during the year by utilizing the following strategies: operating with a balanced budget which assumes collection of sufficient revenue via contributions, grants, and ticket revenue to cover operating expenditures not covered by donor-restricted resources, regular analysis of actual operating results versus budget, timing of annual endowment transfers, and establishment of a line of credit to be used to fund operating shortfalls with the approval of the Board of Directors.

The Opera's endowment investment policy employs the following principals: preservation of capital, risk aversion, adherence to investment discipline, and maintenance of sufficient liquidity to meet its cash needs.

The following table reflects the Opera's total financial assets as of May 31, 2025, and the amounts of those financial assets which could be made available within 12 months to meet operating expenditures:

Financial assets available to meet operating expenditures over the next 12 months	
Cash and equivalents	\$ 324,128
Accounts receivable	295,925
Contributions for operating expenditure due in one year or less	576,897
Bequest receivable	4,926,127
Investments	12,713,072
Board approved endowment spending allocation year ending May 31, 2026	715,103
Less Board designated net assets	(3,262,598)
Less net assets with donor restrictions	(8,864,048)
Financial assets available to meet operating expenditures	<u>\$ 7,424,606</u>

NOTE 3. PROMISES TO GIVE

Unconditional promises to give consist of the following at May 31, 2025:

	Amounts Due In		Total
	Less Than One Year	One to Five Years	
Co-producer and other	\$ 668,264	\$ -	\$ 668,264
Comprehensive campaign	-	-	-
	668,264	-	668,264
Less allowance	(91,367)	-	(91,367)
	<u>\$ 576,897</u>	<u>\$ -</u>	<u>\$ 576,897</u>

The Opera evaluates the collectability of its promises to give annually. Management believes the allowance for doubtful accounts displayed above is adequate. Unconditional promises to give due in one to five years are discounted at 3.0%.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at May 31, 2025:

Land	\$	464,466
Building and improvements		23,741,408
Furniture, fixtures and equipment		1,112,993
Theatre equipment		4,525,753
		<u>29,844,620</u>
Less accumulated depreciation		<u>(14,946,882)</u>
	\$	<u><u>14,897,738</u></u>

NOTE 5. INVESTMENTS

Investments at May 31, 2025 consist of the following:

	Cost	Market
Money market funds	\$ 311,347	\$ 311,347
Exchange traded funds	6,010,319	6,341,795
Fixed income bonds	5,447,743	6,050,479
Equity securities	9,802	9,451
	<u>\$ 11,779,211</u>	<u>\$ 12,713,072</u>

Investment income for the year ended May 31, 2025 consists of the following:

Interest and dividends	\$	287,195
Unrealized and realized gains		891,717
Investment fees		<u>(101,001)</u>
	\$	<u><u>1,077,911</u></u>

NOTE 6. LINE OF CREDIT

The Opera has an open-ended line of credit agreement with a financial institution for \$1,500,000. The line of credit bears interest at the Wall Street Journal Prime rate (7.50% at May 31, 2025). The line of credit is secured by the general assets of the Opera, excluding endowment restricted assets. As of May 31, 2025, the outstanding balance on the line of credit was \$950,000.

NOTE 7. NOTES PAYABLE

During 2017, the Opera entered into a mortgage agreement with a financial institution for up to \$2,700,000 to purchase 30 condominium units, known as Steinwachs Artist Residences. In August 2020, the Opera refinanced the balance on the mortgage loan and a line of credit into a new term loan in the amount of \$3,000,000. The loan requires 120 consecutive monthly payments of principal and interest in the amount of \$18,269 and then 120 consecutive monthly payments of \$18,487. The note bears interest at 4% for the first 120 months and then at the five-year Federal Home Loan Bank – Atlanta Rate plus 2.75% for the remaining 120 months. As of May 31, 2025, the unpaid balance was \$2,489,487 and total interest expensed for the year ended May 31, 2025 was \$102,941.

Aggregate maturities on the notes payable at May 31, 2025 are as follows:

2026	\$	122,187
2027		127,166
2028		132,346
2029		137,738
2030		143,350
Later		1,826,700
		<u>2,489,487</u>
Less deferred loan costs		(21,135)
	\$	<u><u>2,468,352</u></u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions – time and purpose are restricted for the following purposes or periods:

Capital projects	\$	128,430
Endowments		612,680
	\$	<u><u>741,110</u></u>

Net assets with donor restrictions – time or purpose at May 31, 2025 consist of \$50,000 cash and \$691,110 of investments.

Net assets perpetual in nature at May 31, 2025 consist of the following:

General endowment	\$	6,562,938
Florida cultural endowment		1,560,000
	\$	<u><u>8,122,938</u></u>

Net assets with donor restrictions – perpetual at May 31, 2025 consist of \$8,122,938 of investments.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINNUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended May 31, 2025:

Time restriction	\$ 735,000
Capital projects	589,939
	<u>\$ 1,324,939</u>

NOTE 9. FAIR VALUE MEASUREMENTS

The Opera adopted the *Fair Value Measurements and Disclosures Topic* of the FASB Accounting Standards Codification which provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The level within the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at May 31, 2025.

The money market fund is valued at amortized cost, which approximates fair market value. The money market fund seeks to preserve a value of \$1 per share. Under the amortized cost method, the portfolio instrument is initially valued at cost, and thereafter assumes the constant accretion/amortization to maturity date, or next reset date of any discount or premium. While amortized cost provides certainty in valuation, it may result in periods when the value of an instrument is higher or lower than a price the Opera would receive if it sold the instrument.

NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)

Equity securities and exchange traded funds are valued at the price per share on the number of shares held at year-end. These funds may also be valued as determined by an independent pricing service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions.

Fixed income bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Opera believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at reporting date.

The following table presents the Opera's financial instruments measured at fair value on a recurring basis at May 31, 2025:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Investments					
Money market funds	\$ 311,347	\$ -	\$ -	\$ -	\$ 311,347
Exchange traded funds	6,341,795	-	-	-	6,341,795
Fixed income bonds	-	6,050,479	-	-	6,050,479
Equity securities	9,451	-	-	-	9,451
Total Investments	<u>\$ 6,662,593</u>	<u>\$ 6,050,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,713,072</u>

NOTE 10. ENDOWMENT FUNDS

The Opera has two endowment funds: a State Matching Endowment Fund and a General Endowment Fund. The State Matching Endowment Fund is separated to ensure its investments comply with allowed investments under a state endowment matching program. Earnings from the State Matching Endowment Fund are available for operations of the Opera. The current state matching requires this endowment to maintain a \$1,560,000 minimum investment. The primary goal in the management of this restricted endowment fund (as required under the State of Florida's Cultural Endowment Program trust agreement) is preservation of a minimum market value of \$1,560,000, while maximizing current income through the use of investment quality financial instruments.

The General Endowment Fund contains other assets of the Opera that are to be invested to provide income to support operations and achieve growth of principal modestly greater than inflation. This endowment contains those assets that are donor restricted in perpetuity by an original donor gift, and other assets whether donor restricted by purpose or unrestricted, that the Opera has identified as available for long-term investment. Investments will be managed for "total return" to provide, in addition to current income for operations, growth of principal modestly greater than inflation. Income and appreciation on the invested funds are available to support current operations and new initiatives as recommended by the Finance Committee and approved by the Board of Trustees.

NOTE 10. ENDOWMENT FUNDS (CONTINUED)

Both endowment funds are managed by outside investment managers, whose performance is reviewed by the investment committee, subject to the direction and oversight by the Board. Investment policies and guidelines provide for asset allocation and performance objectives, and impose various restrictions and limitations on the managers. The risk of invested funds must be limited in such a manner as to preserve the corpus of the donated funds.

Securities of any one issuer cannot exceed 10% of the asset class market value in the fund, nor can investments in any one sector (as defined by the S&P 500 Index) exceed the greater of 20% of the market value in the fund or 150% of the sector weighting in the index.

The Board reviews its policy annually by considering the Endowment Fund's short- and long-term financial objectives, and determining a range of projected investment values that would align with those objectives. The Board monitors the impact of actual market trends during the year.

The Opera employs a spending policy intended to balance the trade-off between preserving the purchasing power of assets and providing a stable flow of resources for current operations. The spending rule adopted by the Board of Trustees uses a long-term spending rate of 3% to 6% of the average total market value of invested assets over a three-year trailing period, provided that donor restrictions in force at the time of withdrawal are not violated. Only funds in excess of the endowment corpus are available for withdrawal. No distributions are made from earnings on permanently restricted funds unless earnings are sufficient to support the distribution. The endowment funds allow the withdrawal of unrestricted funds and temporarily restricted funds when needed.

Accounting Standards Codification (ASC) 958-205, *Reporting Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The State of Florida enacted the Uniform Prudent Management of Institutional Funds Act (FUPMIFA) effective July 1, 2012. The following disclosures are made in accordance with ASC 958-205 and the Board's interpretation of enacted law at May 31, 2025.

The Board of Trustees has interpreted the FUPMIFA as requiring the presentation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Opera classified as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Any remaining portions of the donor-restricted endowment fund that are not classified as net assets with donor restrictions - perpetual are classified as net assets with or without donor restrictions based on the donor direction and the Board's current interpretation of FUPMIFA, as applicable.

NOTE 10. ENDOWMENT FUNDS (CONTINUED)

The Opera's endowment funds consisted of the following at May 31, 2025:

	Without Donor Restrictions	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	Total
State matching	\$ 636,426	\$ -	\$ 1,560,000	\$ 2,196,426
General				
Endowment	78,430	612,680	6,562,938	7,254,048
Board designated	3,262,598	-	-	3,262,598
Total general	3,341,028	612,680	6,562,938	10,516,646
Total at May 31, 2025	<u>\$ 3,977,454</u>	<u>\$ 612,680</u>	<u>\$ 8,122,938</u>	<u>\$ 12,713,072</u>

Changes in endowment net assets for the year ended May 31, 2025 were as follows:

	Without Donor Restrictions	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	Total
Balance at May 31, 2024	\$ 3,191,358	\$ 762,904	\$ 7,810,038	\$ 11,764,300
Appropriation of assets for expenditure	(355,000)	(817,651)	-	(1,172,651)
Transfers	(41,088)	41,088	-	-
Contributions	733,537	-	312,900	1,046,437
Investment income	120,062	167,611	-	287,673
Realized and unrealized gains	328,585	458,728	-	787,313
Balance at May 31, 2025	<u>\$ 3,977,454</u>	<u>\$ 612,680</u>	<u>\$ 8,122,938</u>	<u>\$ 12,713,072</u>

NOTE 11. EMPLOYEE BENEFIT PLAN

The Opera sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all nonunion employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed amount, to the plan. The Opera may agree to make discretionary matching contributions equal to a uniform percentage, except matching contributions shall not exceed \$500 annually, and shall be deemed an employer non-elective contribution. Contributions to fund plan administrative expenses totaling \$4,920 for the year ended May 31, 2025 were made by the Opera in addition to the elective deferrals made by employees.

NOTE 12. CONCENTRATION OF CREDIT AND OTHER RISKS

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times throughout the year, the Opera's cash balances may exceed insured limits. Management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

The Opera holds various investments in securities which 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 change could affect the amounts reported in the financial statements.

The Opera employs certain labor forces subject to a collective bargaining agreement with a union. The existing agreement will expire on May 31, 2028 and covers all stagehands or approximately 25% of the Opera's employed labor force.

NOTE 13. LEASES

The Opera enters into leases in the normal course of business primarily for office and warehouse facilities. The Opera's leases have remaining terms ranging from one to nine years, some of which include renewal options to extend the lease for up to five years and none include lease termination options.

The Opera includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Opera will exercise the option. The Opera has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Opera's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Opera's right to use an underlying asset for the lease term and lease liabilities represent the Opera's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Right-of-use assets related to operating leases are associated with real estate primarily used in the Opera's operations as office and warehouse facilities.

As permitted under U.S. GAAP for non-public business entities, when the rate implicit in a lease is not known, the Opera uses a risk-free rate for a period comparable to the lease term to calculate the present value of lease payments. The risk-free rate is the zero-coupon U.S. Treasury rate for an instrument for the same period as the lease term.

NOTE 13. LEASES (CONTINUED)

Right-of-use assets and lease liabilities by lease type, and the associated statement of financial position classifications at May 31, 2025 are as follows:

Statement of Financial Position Classification

Right-of-use assets:

Operating leases	Right-of-use asset, net	\$	2,946,922
Finance leases	Right-of-use asset, net		-

Total right-of-use assets	\$	2,946,922
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Lease liabilities:

Operating leases	Lease liabilities	\$	3,063,106
Finance leases	Lease liabilities		-

Total lease liabilities	\$	3,063,106
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Lease Expense: The components of total lease cost were as follows for the year ending May 31, 2025:

Finance lease cost

Right-of-use asset amortization	\$	-
Interest expense		-
Operating lease cost		502,255
Short-term lease cost		150,610

Total lease cost	\$	652,865
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NOTE 13. LEASES (CONTINUED)

Lease Obligations: Future undiscounted lease payments for finance and operating leases with initial terms of one year or more as of May 31, 2025 are as follows:

	Operating Leases	Finance Leases
2026	\$ 462,239	\$ -
2027	412,933	-
2028	428,054	-
2029	443,739	-
2030	460,009	-
Thereafter	1,463,680	-
Total undiscounted lease payments	3,670,654	-
Less: imputed interest	607,548	-
Net lease liabilities	<u>\$ 3,063,106</u>	<u>\$ -</u>

Supplemental Lease Information:

Weighted average remaining lease term (years)	7.85
Weighted average discount rate	4.54
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 448,182
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -