



LOS ANGELES OPERA COMPANY

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

LOS ANGELES OPERA COMPANY

Table of Contents

	Page
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Los Angeles Opera Company:

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Opera Company (the Opera), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles Opera Company as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Los Angeles, California
December 20, 2019

LOS ANGELES OPERA COMPANY

Statements of Financial Position

June 30, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 1,460,920	465,058
Accounts receivable	784,588	177,440
Contributions receivable (note 6)	12,226,758	11,126,356
Contributions receivable from related parties (note 6)	21,841,375	19,529,844
Prepaid production costs	939,457	1,088,262
Prepaid expenses, deposits, and other assets	453,707	538,539
Property, plant, and equipment, net (note 7)	1,614,562	1,149,663
Beneficial interest in perpetual trust (note 2)	15,879,595	15,620,111
Beneficial interest in remainder trust (note 2)	19,070,643	19,170,643
Restricted investments (note 4)	23,115,709	23,111,523
	\$ 97,387,314	91,977,439
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 5,279,454	4,940,926
Deferred ticket sales	6,174,882	5,993,852
Loans payable (note 8)	5,025,000	6,250,000
Loans payable to related parties (note 8)	3,616,667	4,116,667
	20,096,003	21,301,445
Commitments and contingencies (note 9 and 12)		
Net assets:		
Without donor restrictions	(6,457,004)	(9,553,894)
With donor restrictions (note 10)	83,748,315	80,229,888
Total net assets	77,291,311	70,675,994
	\$ 97,387,314	91,977,439

See accompanying notes to financial statements.

LOS ANGELES OPERA COMPANY

Statements of Activities

Years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Earned revenue:						
Ticket sales and fees – opera season	\$ 11,112,223	—	11,112,223	12,528,841	—	12,528,841
Ticket sales and fees – recitals and other performances	333,692	—	333,692	1,620,389	—	1,620,389
Other earned revenue	1,681,752	—	1,681,752	1,687,637	—	1,687,637
Total earned revenue	13,127,667	—	13,127,667	15,836,867	—	15,836,867
Support:						
Foundations, corporations, and individuals	20,514,059	11,069,718	31,583,777	13,513,469	22,048,601	35,562,070
Government grants	153,600	1,109,250	1,262,850	191,450	1,171,743	1,363,193
Donated materials and services	419,542	—	419,542	583,671	—	583,671
Distribution (note 2(m))	1,860,223	(1,233,970)	626,253	1,756,554	(1,142,184)	614,370
Change in value of beneficial interest in perpetual trust	—	259,484	259,484	—	920,202	920,202
Change in value of beneficial interest in remainder trust	—	(100,000)	(100,000)	—	—	—
Change in discount to recognize pledges at present value	—	1,163,786	1,163,786	—	1,006,890	1,006,890
Net support from foundations, corporations, individuals, and governments	22,947,424	12,268,268	35,215,692	16,045,144	24,005,252	40,050,396
Special events:						
Revenue	570,827	494,786	1,065,613	2,644,791	372,500	3,017,291
Less costs of direct benefits to donors	(458,712)	—	(458,712)	(586,878)	—	(586,878)
Net assets released from restriction	331,359	(331,359)	—	476,894	(476,894)	—
Net revenue from special events	443,474	163,427	606,901	2,534,807	(104,394)	2,430,413
Total support	23,390,898	12,431,695	35,822,593	18,579,951	23,900,858	42,480,809
Net assets released from restrictions:						
Revenue	10,525,439	(10,525,439)	—	10,634,902	(10,634,902)	—
Total support and net assets released from restrictions	33,916,337	1,906,256	35,822,593	29,214,853	13,265,956	42,480,809
Total revenue and support	47,044,004	1,906,256	48,950,260	45,051,720	13,265,956	58,317,676
Expenses (note 5):						
Programs	35,533,940	—	35,533,940	36,222,451	—	36,222,451
Management and general	4,148,700	—	4,148,700	4,347,266	—	4,347,266
Fundraising	4,107,505	—	4,107,505	4,197,187	—	4,197,187
Total expenses	43,790,145	—	43,790,145	44,766,904	—	44,766,904
Change in net assets from operating activities	3,253,859	1,906,256	5,160,115	284,816	13,265,956	13,550,772
Nonoperating Items:						
Restricted investment income (loss)	—	1,612,171	1,612,171	41,930	1,730,005	1,771,935
Other investment income	3,235	—	3,235	7,768	—	7,768
Uncollectible pledges receivable	(160,204)	—	(160,204)	(46,642)	—	(46,642)
Change in net assets	3,096,890	3,518,427	6,615,317	287,872	14,995,961	15,283,833
Net assets at the beginning of the year	(9,553,894)	80,229,888	70,675,994	(9,841,766)	65,233,927	55,392,161
Net assets at the end of the year	\$ (6,457,004)	83,748,315	77,291,311	(9,553,894)	80,229,888	70,675,994

See accompanying notes to financial statements.

LOS ANGELES OPERA COMPANY

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,615,317	15,283,833
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	385,512	305,244
Total gains or losses, beneficial interest in perpetual trust (realized and unrealized), net	(354,914)	(702,562)
Change in value in beneficial interest in remainder trust	100,000	—
Total gains or losses, restricted investments (realized and unrealized), net	(1,207,745)	(1,415,258)
Contributions restricted for endowment	(180,000)	(19,275,644)
Contributions of beneficial interest in perpetual trust	(308,996)	(574,317)
Uncollectible contributions receivable	160,204	46,642
Changes in operating assets and liabilities:		
Accounts receivable	(607,148)	17,461
Contributions receivable	(3,572,137)	11,801,055
Prepaid production costs	148,805	(27,373)
Prepaid expenses and deposits	84,832	(66,794)
Accounts payable and accrued liabilities	338,528	119,234
Deferred ticket sales	181,030	(713,883)
Net cash provided by operating activities	<u>1,783,288</u>	<u>4,797,638</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(850,411)	(529,488)
Restricted investment commitments payable	554,015	(585,848)
Purchases of investments	—	(2,500,000)
Net cash used in investing activities	<u>(296,396)</u>	<u>(3,615,336)</u>
Cash flows from financing activities:		
Contributions restricted for investment by donors in perpetuity:		
Through the Opera's restricted investments	829,544	785,507
Through the beneficial interest in perpetual trust	404,426	356,677
Proceeds from loans payable	20,210,000	32,610,000
Repayments of loans payable	(21,935,000)	(35,210,000)
Net cash used in financing activities	<u>(491,030)</u>	<u>(1,457,816)</u>
Net increase (decrease) in cash and cash equivalents	995,862	(275,514)
Cash and cash equivalents at the beginning of the year	<u>465,058</u>	<u>740,572</u>
Cash and cash equivalents at the end of the year	\$ <u>1,460,920</u>	<u>465,058</u>
Supplemental disclosures of cash flow information:		
Interest paid during the year	\$ (547,875)	(460,714)
Donated materials and services	419,542	583,671

See accompanying notes to financial statements.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(1) Organization

The Los Angeles Opera Company (the Opera) is a nonprofit, tax-exempt entity organized to produce world-class opera that preserves, promotes, and advances the art form while embodying the diversity, pioneering spirit, and artistic sensibility unique to Los Angeles. The Opera is a resident company of the Performing Arts Center of Los Angeles County.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis. Net assets of the Opera and changes therein are classified and reported as follows:

- **Without donor restrictions** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Opera.
- **With donor restrictions** – Net assets subject to donor-imposed stipulations or law that may or will be met by either the actions of the Opera and/or the passage of time, or those that are maintained in perpetuity. As the restrictions are satisfied, net assets are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions that are received and expended in the same reporting period are reported as a component of net assets without donor restrictions in the accompanying financial statements. For net assets maintained in perpetuity, the earnings are available for the Opera's use, upon board appropriation and according to spending policies, unless otherwise stipulated by donors or by law.

(b) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the asset, which is three years for computers and software; five years for office equipment, furniture, and vehicles; seven years for technical equipment; and the lesser of seven years or the lease term for leasehold improvements.

(c) Ticket Sales Revenue

Ticket sales are recognized as revenue when the related performance is given. Tickets sold in advance of the applicable performance are recorded as deferred ticket sales until the date of performance.

(d) Contributed Goods and Services

The value of significant contributed goods is reflected as contributions in the financial statements at the fair value of such goods at the date of contribution.

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the fiscal years ended June 30, 2019 and 2018, the value of significant contributed goods was \$419,542 and \$583,671, respectively.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(e) Contributions Receivable

Contributions receivable are reported at the present value of expected future cash flows using fair value discount rates ranging from 0.09% to 4.70%. Life expectancies for gifts due upon donor's death are reevaluated annually using the 2012 Individual Annuity Reserving table. Contributions receivable are recorded as contributions revenue without donor restrictions if there are circumstances surrounding the promise that indicate that the donor intended it for current use, otherwise contribution receivables are reported as net assets with donor restrictions.

(f) Expense Recognition

Opera production costs are expensed in the fiscal year that the Opera is first performed. Opera production costs incurred in advance of the applicable fiscal year are recorded as prepaid production costs.

(g) Income Taxes

The Opera is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Opera is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. An income tax provision for unrelated business income was recorded at June 30, 2019 for \$37,576 and June 30, 2018 for \$15,648.

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit, donated investments held temporarily, money market accounts at a financial institution, and investments related to the Opera's 457(b) retirement plan.

(i) Concentration of Risks

The Opera is exposed to credit loss for the amount of cash in excess of the federally insured limit of \$250,000. At June 30, 2019 and 2018, the Opera had cash in banks of \$80,324 and \$643,662, respectively, in excess of Federal Deposit Insurance Corporation insurance limits.

(j) Restricted Investments

Restricted investments at June 30, 2019 and 2018 consist of funds restricted by donors for investment in perpetuity (Endowment (note 11)), the earnings from which are available for the Opera's use upon board appropriation, unless otherwise stipulated by donors or by law. At June 30, 2019 and 2018, substantially all investments of the Opera are managed in a unitized pool of investments of the Music Center Foundation (the Foundation), a not-for-profit organization that raises and holds funds on behalf of the Opera and other operating companies of the Performing Arts Center of Los Angeles. These investments are reported at net asset value as a practical expedient to determining fair value and are classified as restricted investments in the accompanying statements of financial position.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(k) Beneficial Interest in Perpetual Trust

The Opera is the income beneficiary of several perpetual trusts held by the Foundation. The Opera has the right to receive the income earned on the trust assets in perpetuity but will never receive the assets held in the trust. The beneficial interest comprises gifts held in perpetuity in which the Opera is the named beneficiary; therefore, this trust is recorded on the Opera's financial statements at the fair value of the underlying assets. The fair value of the beneficial interest is remeasured annually. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statements of activities as a component of net assets with donor restrictions as a change in value of beneficial interest in perpetual trust. In accordance with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the beneficial interest is valued using unobservable inputs and, therefore, is categorized as Level 3 in the three-tier fair value hierarchy described in note 3.

The board of directors of the Foundation determines the distribution pursuant to its distribution policy. Distributions are accrued based on a percentage of the fund's average fair value calculated on a 12-quarter rolling average fair value ending the preceding fiscal year.

Included in the beneficial interest are pledge receivables restricted for endowment totaling \$6,117,372 and \$6,058,700 as of June 30, 2019 and 2018, respectively.

The following table includes a reconciliation of the beginning and ending fund balances of the beneficial interest reported at fair value using unobservable inputs categorized as level 3, as of June 30, 2019 and 2018:

	2019	2018
Beginning balance at June 30	\$ 15,620,111	14,699,909
Total gains or losses (realized and unrealized)	354,914	702,562
Purchases	308,996	574,317
Issuances and settlements	(404,426)	(356,677)
Ending balance at June 30	\$ 15,879,595	15,620,111
Total gains or losses for the year included in income attributable to the change in unrealized gains and losses relating to assets held at June 30	\$ (139,512)	345,885

(l) Beneficial Interest in Remainder Trust

During fiscal year 2018, the Opera was notified that they are the remainder beneficiary of a trust that includes a mobile home park, a partial interest in an apartment building, and various investment accounts. The Beneficial Interest in Remainder Trust is recorded on the Opera's financial statements at the fair value of the trust assets reduced by the liabilities of the trust. The fair value of the Beneficial Interest is remeasured annually. Subsequent changes in the value of the underlying assets will be recorded in the accompanying statements of activities as a component of net assets without donor restrictions as a change in value of beneficial interest in remainder trust. In accordance with the

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

requirements of FASB ASC Topic 820, the beneficial interest is valued using unobservable inputs and, therefore, is categorized as Level 3 in the three-tier fair value hierarchy described in note 3.

The following table includes a reconciliation of the beginning and ending fund balances of the beneficial interest reported at fair value using unobservable inputs categorized as level 3, as of June 30, 2019 and 2018:

	2019	2018
Beginning balance at June 30	\$ 19,170,643	—
Total gains or losses (realized and unrealized)	(100,000)	—
Contribution	—	19,170,643
Issuances and settlements	—	—
Ending balance at June 30	\$ 19,070,643	19,170,643
Total gains or losses for the year included in income attributable to the change in unrealized gains and losses relating to assets held at June 30	\$ (100,000)	—

(m) Music Center Foundation Distributions

The Music Center Foundation distributes funds to the Opera annually. Such distributions comprise earnings on the Opera's restricted investments, beneficial interest, and from the Music Center Foundation's general fund investments. The distributions from the Music Center Foundation's investments are included in endowment distributions in the statement of activities, as follows:

	2019	2018
Restricted investments	\$ 829,544	785,507
Beneficial interest in perpetual trust	404,426	356,677
Music Center general fund investments ¹	626,253	614,370
Total endowment distribution	\$ 1,860,223	1,756,554

¹ Investment income and net assets related to Music Center Foundation's general fund are not reflected on the Opera's financial statements. The Opera is only entitled to a distribution from the Music Center Foundation's general fund.

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(o) Expense Allocation

Expenses that can be specifically identified with a particular program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by the Opera's management.

(p) New Accounting Standards

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in ASC Topic 958, *Not-for-Profit Entities*. Provisions of this update include the reduction in the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; the requirement to present expenses by their functional and their natural classifications in one location in the financial statements; the requirement to present quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and the retention of the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. This update is effective for the Opera for the fiscal year ended June 30, 2019.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions* made, which amends the reporting requirements for contributions in ASC Topic 958, *Not-for-Profit Entities*. The amendments in this update will impact how an entity evaluates whether transactions should be accounted for as contributions within the scope of Topic 958, or as exchange transactions and determining whether a contribution is conditional. This update is effective for the Opera for the fiscal year ending June 30, 2020. The Opera is currently evaluating the financial impact of this on the financial statements as a whole.

(3) Fair Value Measurements

The Opera follows the provisions of FASB ASC Topic 820. ASC Topic 820 establishes a common definition of fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles and expands disclosures about fair value measurements. ASC Topic 820 defines fair value as the price that would be received to sell an asset or the price paid to transfer the liability in an orderly transaction between market participants at the measurement date.

In addition to defining fair value, ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following categories:

- Level 1: Valuation is based on observable inputs using quoted market prices in active markets for identical assets and liabilities.
- Level 2: Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not as active, or valuation methods using models, interest rates, and yield curves as observable inputs.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

Level 3: Valuation is based on unobservable inputs that are corroborated by little or no market activity. Therefore, valuation reflects the organization's own assessment about assumptions that market participants would use in pricing the asset and liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Opera's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Opera follows the measurement provisions of ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and ASU No. 2015-05, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to value the Opera's restricted investments with the Music Center Foundation. ASU No. 2009-12 allows for the fair value of certain investments that do not have readily determinable fair values, including private investments, hedge funds, real estate, and other funds to be reported using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to ASC Topic 820.

(4) Restricted Investments

The Opera's restricted investments are managed in the Music Center Foundation's unitized investment pool and are subject to the Opera's investment strategy and targets set by the Music Center Foundation. The Opera's investment strategy currently does not allow investment of its restricted funds in nonmarketable securities (i.e., venture capital). The Opera has a designee who sits on the Foundation's investment committee to provide oversight and communication to the Opera's board and budget and finance committee.

The following table summarizes the underlying investments held in the unitized investment pool with the Foundation at June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 1,869,129	340,674
Intermediate-term bond fund	1,122,765	1,054,686
Large- and mid-cap equities	4,655,205	5,732,891
Small-cap equities	2,955,523	2,840,727
International equity	2,859,495	3,002,371
Emerging market equities	3,016,268	3,046,394
Equity hedge funds	2,974,290	3,187,956
Absolute return funds	3,663,034	3,649,505
Commodities	—	256,319
Restricted investments with Music Center Foundation	\$ 23,115,709	23,111,523

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

The restricted investments, reported at net asset value totaling \$23,115,709 and \$23,111,523 at June 30, 2019 and 2018, respectively, are redeemable at net asset value under the original terms of the investment agreement with the Foundation. The investment agreement subjects the investments to the Foundation's respective partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Opera's interests in the funds.

The following table summarizes the unfunded commitments, redemptions frequency, and notice period for Opera's investments, which are valued using net asset value as a practical expedient to estimating fair value in accordance with ASU No. 2009-12 as of June 30, 2019:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Restricted investments with Music Center Foundation	\$ <u>23,115,709</u>	—	Daily to three years	—
Total investments	\$ <u><u>23,115,709</u></u>			

The Opera did not have any direct investment holdings as of June 30, 2019 or June 30, 2018.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(5) Functional Expenses

For the year ended June 30, 2019, functional expenses are as follows:

	Program services					Supporting services			Total	
	Opera	Recitals and Off Grand	LA Opera Connects	Young Artist Program	Program subtotal	G&A	Fundraising	Supporting subtotal	June 30 2019	June 30 2018
Salaries and artist fees	\$ 18,362,499	1,154,977	1,356,469	696,948	21,570,893	1,545,626	2,317,549	3,863,175	25,434,068	25,352,678
Retirement contributions	1,243,278	60,887	27,635	5,142	1,336,942	26,858	40,707	67,565	1,404,507	1,386,388
Other benefits and taxes	2,875,750	162,101	219,522	117,080	3,374,453	185,559	296,270	481,829	3,856,282	3,782,184
Materials, supplies, and equipment	134,386	293,470	47,465	838	476,159	119,455	7,902	127,357	603,516	646,896
Production expenses	1,763,231	550,079	48,690	1,508	2,363,508	12,396	6,010	18,406	2,381,914	2,673,364
Storage costs	363,212	17,804	13,793	6,839	401,648	23,544	3,535	27,079	428,727	488,754
Transit, lodging, and meetings	723,005	72,703	83,458	54,084	933,250	74,343	98,155	172,498	1,105,748	1,107,184
Services and professional fees	1,200,220	394,952	241,902	34,611	1,871,685	694,686	1,389,541	2,084,227	3,955,912	4,897,327
Advertising, marketing, and communications	347,954	79,118	58,208	307	485,587	1,182,355	223,785	1,406,140	1,891,727	1,980,380
Occupancy	1,683,685	65,790	50,503	6,128	1,806,106	101,666	49,339	151,005	1,957,111	1,961,713
Depreciation	181,615	18,755	29,200	6,552	236,122	103,062	46,328	149,390	385,512	305,244
Insurance	185,874	18,476	14,011	5,986	224,347	26,223	28,854	55,077	279,424	277,973
Interest	375,514	37,327	28,306	12,093	453,240	52,927	58,242	111,169	564,409	493,697
Less cost of direct benefits to donors	—	—	—	—	—	—	(458,712)	(458,712)	(458,712)	(586,878)
Total expenses by function	\$ <u>29,440,223</u>	<u>2,926,439</u>	<u>2,219,162</u>	<u>948,116</u>	<u>35,533,940</u>	<u>4,148,700</u>	<u>4,107,505</u>	<u>8,256,205</u>	<u>43,790,145</u>	<u>44,766,904</u>

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

For the year ended June 30, 2018, functional expenses are as follows:

	Program services					Supporting services			Total
	Opera	Recitals and Off Grand	LA Opera Connects	Young Artist Program	Program subtotal	G&A	Fundraising	Supporting subtotal	June 30 2018
Salaries and artist fees	\$ 18,007,365	1,918,638	1,175,594	455,914	21,557,511	1,539,217	2,255,950	3,795,167	25,352,678
Retirement contributions	1,172,005	118,703	24,280	5,082	1,320,070	24,482	41,836	66,318	1,386,388
Other benefits and taxes	2,756,141	243,283	207,580	113,765	3,320,769	170,851	290,564	461,415	3,782,184
Materials, supplies, and equipment	178,946	284,104	36,225	944	500,219	127,341	19,336	146,677	646,896
Production expenses	2,072,807	552,370	33,700	424	2,659,301	6,783	7,280	14,063	2,673,364
Storage costs	412,834	23,414	16,757	9,119	462,124	23,552	3,078	26,630	488,754
Transit, lodging, and meetings	569,202	232,445	77,728	38,367	917,742	99,780	89,662	189,442	1,107,184
Services and professional fees	1,516,757	434,622	253,828	252,937	2,458,144	738,829	1,700,354	2,439,183	4,897,327
Advertising, marketing, and communications	317,851	73,298	53,087	364	444,600	1,338,378	197,402	1,535,780	1,980,380
Occupancy	1,662,410	54,143	60,448	7,569	1,784,570	120,430	56,713	177,143	1,961,713
Depreciation	135,021	19,412	23,785	5,337	183,555	83,952	37,737	121,689	305,244
Insurance	177,673	24,259	12,102	5,486	219,520	26,346	32,107	58,453	277,973
Interest	319,158	43,576	21,738	9,854	394,326	47,325	52,046	99,371	493,697
Less cost of direct benefits to donors	—	—	—	—	—	—	(586,878)	(586,878)	(586,878)
Total expenses by function	\$ <u>29,298,170</u>	<u>4,022,267</u>	<u>1,996,852</u>	<u>905,162</u>	<u>36,222,451</u>	<u>4,347,266</u>	<u>4,197,187</u>	<u>8,544,453</u>	<u>44,766,904</u>

These financial statements reflect expenses, which are attributable to multiple program or supporting activities, requiring different allocation methods. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. For all departments that have salaries and benefits that support multiple programs and/or supporting services, salaries and benefits expenses are allocated on a time and effort basis. It is common for departments to support multiple programs; in these areas, departmental expenses that are not directly attributed to a program are therefore allocated on a time and effort basis. Per ASU No. 2016-14, advertising expenses, which directly relate to the promotion and sale of Opera, recitals, or Off Grand tickets are considered a general and administrative expense and are therefore counted accordingly under supporting services. For occupancy and depreciation, the Opera utilizes a square footage allocation method. For insurance and interest, and when these expenses are not directly allocated to a program or supporting function, the Opera allocates based on budget size.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(6) Contributions Receivable

Contributions receivable, including contributions receivable from the Opera's board members, at June 30, 2019 and 2018, are expected to be received as follows:

	2019	2018
Within one year	\$ 9,962,228	14,235,103
Two to five years	14,368,826	8,555,030
Thereafter	15,322,832	14,615,605
	39,653,886	37,405,738
Less discount to reflect contributions receivable at present value	(5,585,753)	(6,749,538)
Total	\$ 34,068,133	30,656,200
Contributions receivable	\$ 12,226,758	11,126,356
Contributions receivable from related parties	21,841,375	19,529,844
	\$ 34,068,133	30,656,200

(7) Property, Plant, and Equipment

Property, plant, and equipment at cost consist of the following at June 30, 2019 and 2018:

	2019	2018
Technical equipment	\$ 4,254,507	3,901,617
Leasehold improvements	608,814	586,801
Equipment, furniture, and vehicles	525,251	467,020
Computers	2,012,967	1,947,272
Software	1,688,270	1,336,688
	9,089,809	8,239,398
Less accumulated depreciation	(7,475,247)	(7,089,735)
	\$ 1,614,562	1,149,663

Depreciation and amortization on property, plant, and equipment totaled \$385,512 and \$305,244 at June 30, 2019 and 2018, respectively.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(8) Loans Payable

(a) *Line of Credit*

The Opera has a line-of-credit agreement that carries a borrowing limit of \$8,000,000 at June 30, 2019 and June 30, 2018, with interest rates ranging up to 6.25%. The line of credit expires on November 30, 2019. Amounts outstanding under this agreement totaled \$5,025,000 and \$6,250,000 at June 30, 2019 and 2018, respectively.

On December 16, 2019, the bank approved an extension of the line of credit through November 30, 2020. Under the extension, the borrowing has a variable interest rate of LIBOR plus 3% and a limit of \$8,000,000. In addition, the loan contains certain financial covenants that are consistent with the terms of the previous line of credit and include an overall outstanding debt limit for the Opera. At December 20, 2019, the outstanding balance on the line of credit is \$8,000,000.

Interest incurred on these borrowings totaled \$391,721 and \$267,499 for the fiscal years ended June 30, 2019 and 2018, respectively.

(b) *Loans Payable to Related Parties*

(i) *Loans from Board Members*

The Opera received interest-free loans from board members totaling \$7,360,000 during the fiscal year ended June 30, 2019, \$6,360,000 of which was repaid during the year. Of the \$116,667 other loans payable to board members at June 30, 2019, \$83,333 were payable to related parties that had outstanding pledges receivable totaling \$645,000.

The Opera received interest-free loans from board members totaling \$9,360,000 during the fiscal year ended June 30, 2018, all of which was repaid during the year. Of the \$116,667 other loans payable to board members at June 30, 2018, \$83,333 were payable to related parties that had outstanding pledges receivable totaling \$725,000.

(ii) *Loans from the California Community Foundation*

In 2018, 2016, 2015, and 2014, the Opera entered into four loan agreements with the California Community Foundation (CCF). The loans were provided to the Opera through a donor-advised fund maintained at CCF. The donor-advised fund from which the loans were obtained was at the direction of a board member of the Opera. The first loan was entered into on September 9, 2014 for \$4,000,000. The loan was due and payable in three installments at an annual interest rate of 4% or 10% in the event of default. The loan is payable as follows: \$1,000,000 on September 15, 2016; \$1,000,000 on September 15, 2017; and \$2,000,000 plus any remaining accrued interest on September 15, 2018. On September 24, 2018, the loan agreement was amended to extend the September 15, 2018 payment date to \$500,000 due on January 31, 2019 and \$1,500,000 due on March 30, 2019. The balance at June 30, 2019 on the first loan is \$0.

The second loan was entered into on November 24, 2015 for \$2,000,000. The loan was due and payable in two installments at an annual interest rate of 4% or 10% in the event of default. The loan was payable as follows: \$1,000,000 on September 15, 2016 and \$1,000,000 on September 15, 2017. On July 31, 2017 following payment of the first installment, the loan agreement was amended to extend the September 15, 2017 payment date to March 30, 2018. On March 23, 2018,

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

the loan agreement was amended to extend the March 30, 2018 payment date to March 30, 2019. On April 1, 2019, payment of \$500,000 was made and the loan agreement was amended to extend the remaining \$500,000 payment to March 31, 2020. The balance at June 30, 2019 on the second loan is \$500,000.

The third loan was entered on September 20, 2016 for \$1,000,000. The loan was due and payable in one installment on March 20, 2018, at an annual interest rate of 4% or 10% in the event of default. On March 23, 2018, the loan agreement was amended to extend the March 20, 2018 payment date to March 30, 2019. On April 12, 2019, the loan agreement was amended to extend the March 20, 2018 payment to March 31, 2020. The balance at June 30, 2019 on the third loan is \$1,000,000.

The fourth loan was entered on October 17, 2018 for \$1,000,000. The loan is due and payable in one installment on October 17, 2019, at an annual interest rate of 4% or 10% in the event of default. The balance at June 30, 2019 on the fourth loan is \$1,000,000.

Interest incurred on these borrowings totaled \$165,000 and \$190,000 for the fiscal years ended June 30, 2019 and 2018, respectively.

(iii) Loan payment schedule

Based on the terms of the loans with board members and CCF, all amounts outstanding at June 30, 2019, are due during fiscal year 2020. Accordingly, during fiscal year 2020, the Opera anticipates making payments of \$1,116,667 and \$2,500,000 on the loans from board members and CCF, respectively.

(9) Commitments

(a) Costume Shop

The Opera had two noncancelable operating leases for its costume shop operations in the fiscal years ended June 30, 2019 and 2018.

A lease for one costume shop facility commenced on May 1, 2015 for a period of 10 years and expires on April 30, 2025. The lease includes scheduled rent escalations over the term of the lease.

A lease for the other costume shop storage facility commenced on May 1, 2015 for a period of five years and one month and expires on May 31, 2020. The lease includes scheduled rent escalations over the term of the lease.

The Opera recognizes rent expense on a straight-line basis for shop facilities. Total rent expense (including common area charges of \$139,850 and \$53,754) was \$654,298 and \$568,201 for the fiscal years ended June 30, 2019 and 2018, respectively. Common area charges for the fiscal year ended

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

June 30, 2019 include a supplemental property tax bill of \$73,441 due to a change of ownership of the building. Minimum lease payments for both costume shop facilities are as follows:

Fiscal years:		
2019–2020	\$	517,913
2020–2021		479,892
2021–2022		494,309
2022–2023		509,218
2023–2024		524,391
Thereafter		<u>447,863</u>
	\$	<u>2,973,586</u>

(b) Performing Arts Center of Los Angeles

The Opera also leases performance space and office facilities from the Performing Arts Center of Los Angeles County (PACLAC) at the Dorothy Chandler Pavilion (the Pavilion). The Opera entered into a four-year lease agreement with Los Angeles County effective July 1, 2006 that ended on July 1, 2010. Upon termination of the lease agreement the term automatically extends for successive one-year periods each July 1st provided that the Opera is not then in default of any of the lease provisions.

Total rent paid during the fiscal years ended June 30, 2019 and 2018 totaled \$990,595 and \$990,557, respectively. Total annual rent under the lease agreement is calculated by subtracting the estimated operations receipts of the Pavilion from the estimated operations cost of the Pavilion and multiplying the result by the Opera's estimated rental share, which approximates the facility usage. In addition, the Opera transmitted facility fees to PACLAC, on a per-performance charge on ticket sales under the terms of the lease, of \$270,000 and \$307,500, during the fiscal years ended June 30, 2019 and 2018, respectively.

(c) Future Contract Commitments

In connection with future opera productions, the Opera has entered into various contracts at June 30, 2019. Such commitments are to be paid as follows as of June 30, 2019:

Fiscal years:		
2019–2020	\$	5,865,522
2020–2021		2,010,000
2021–2022		1,915,000
2022–2023		<u>1,110,000</u>
	\$	<u>10,900,522</u>

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(10) Net Assets

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Passage of specified time	\$ 18,310,389	18,439,332
Production underwriting	775,000	750,000
Young artist program	250,000	1,550,000
Beneficial interest in perpetual trust	15,879,595	15,620,111
Beneficial interest in remainder trust	19,070,643	19,170,643
Unrealized gains on restricted investment	2,562,353	2,184,157
Endowment receivables	6,367,305	2,162,615
Endowment corpus	<u>20,533,030</u>	<u>20,353,030</u>
	<u>\$ 83,748,315</u>	<u>80,229,888</u>

The following summarizes the components of net assets with donor restrictions at June 30, 2019:

<u>Net assets</u>	<u>With donor restrictions</u>		<u>Total</u>
	<u>Time and purpose restrictions²</u>	<u>Restricted in perpetuity³</u>	
Beginning balance at June 30, 2018	\$ 22,923,489	57,306,399	80,229,888
Contributions and support	6,898,968	5,439,484	12,338,452
Change in discount	2,059,096	(895,310)	1,163,786
Special events	163,427	—	163,427
Net assets released from restrictions	(10,525,439)	—	(10,525,439)
Nonoperating items	<u>378,201</u>	<u>—</u>	<u>378,201</u>
Ending balance at June 30, 2019	<u>\$ 21,897,742</u>	<u>61,850,573</u>	<u>83,748,315</u>

² Net assets restricted by time or purpose are subject to donor-imposed stipulations or law that may or will be met by either the actions of the Opera and/or the passage of time. As the restrictions are satisfied, these net assets are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions that are received and expended in the same reporting period are reported as a component of net assets without donor restrictions in the accompanying financial statements.

³ Net assets restricted in perpetuity are subject to donor-imposed stipulations that resources be maintained in perpetuity, the earnings from which are available for the Opera's use upon board appropriation, unless otherwise stipulated by donors or by law.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

Endowments assets restricted in perpetuity at June 30, 2019 and 2018 are subject to donor-imposed restrictions that the principal will be maintained in perpetuity. Investment income generated from the endowment funds continues to be reflected as a component of net assets with donor restrictions until appropriated by the board to support the general operations of the Opera.

(11) Endowment

The Opera follows the standards codified in ASC Subtopic 958-205-65, *Endowments for Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures of All Endowment Funds*. ASC Subtopic 958-205-65 provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. It also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA.

(a) Interpretation of Relevant Law

The Opera's board of directors has interpreted the State of California UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent to explicit donor stipulations to the contrary. As a result of this interpretation, for accounting and financial statement purposes, the Opera classifies as donor-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
- (c) Accumulations to the permanent endowment made in accordance with the direction of the application donor gift instrument at the time the accumulation is added to the fund.

Accumulated but unspent earnings generated by the endowment are also reflected as net assets with donor restrictions until those amounts are appropriated for expenditure by the Opera in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, The Opera's board of directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) The general economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

(b) *Endowment Investment and Spending Policies*

The finance committee of the board of directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To satisfy the long-term rate-of-return objectives, the Opera relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). These policies establish asset classes that are deemed suitable for investment of endowment funds, which currently include investments in domestic and international equities, fixed income, alternative strategies, and real assets through the Foundation investment pool.

In order to support the long-term growth of the Opera, the finance committee has established a spending rate policy where the endowment shall annually distribute a percentage of the 12-quarter rolling average fair value ending on March 30 of the prior fiscal year. In 2019 and 2018, the percentage rate used was 5%. For funds with donor-imposed asset allocations or distributions, the distributions conform to the donor's expressed wishes. This spending rate policy is consistent with the Opera's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through net gifts and investment return. Final authorization of the appropriation by the board occurs when the budget is approved.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

All of the Opera's endowment net assets for the fiscal years ended June 30, 2019 and 2018 are categorized as donor restricted. The Opera does not have any board-designated endowments as of June 30, 2019 or 2018. Changes in endowment net assets of the Opera for the fiscal years ended June 30, 2019 and 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets:			
Balance, July 1, 2018	\$ —	22,537,187	22,537,187
Investment return:			
Investment income	—	829,544	829,544
Net unrealized and realized gains and losses	—	378,201	378,201
Total investment return	—	1,207,745	1,207,745
Contributions	—	180,000	180,000
Amounts:			
Appropriated for expenditure	—	(829,544)	(829,544)
Total expenditures and repayments	—	(649,544)	(649,544)
Balance, June 30, 2019	\$ —	23,095,388	23,095,388

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets:			
Balance, July 1, 2017	\$ (41,930)	19,232,854	19,190,924
Investment return:			
Investment income	—	785,507	785,507
Net unrealized and realized gains and losses	<u>41,930</u>	<u>587,821</u>	<u>629,751</u>
Total investment return	<u>41,930</u>	<u>1,373,328</u>	<u>1,415,258</u>
Contributions	—	216,512	216,512
Appropriated for expenditure	—	(785,507)	(785,507)
Repayment	—	<u>2,500,000</u>	<u>2,500,000</u>
Total expenditures and repayments	<u>—</u>	<u>1,931,005</u>	<u>1,931,005</u>
Balance, June 30, 2018	\$ <u>—</u>	<u>22,537,187</u>	<u>22,537,187</u>

Endowment net assets comprised \$23,115,709 of restricted investment, net of \$20,321 in accrued liabilities as of June 30, 2019, and \$23,111,523 of restricted investments, net of \$574,336 in accrued liabilities as of June 30, 2018.

(12) Legal Matters

In the ordinary course of business, the Opera is subject to certain lawsuits and other potential legal actions. In the opinion of management and outside counsel, there are no matters that will have a material effect on the financial position or changes in net assets of the Opera.

(13) Pension and Retirement Plans

The Opera makes an annual contribution to a 403(b) retirement plan on behalf of all eligible employees. Contributions to the plan are made for nonunion employees who have completed one year of employment, which included 1,000 hours of service. The Opera may make a discretionary contribution equal to 2% of

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

eligible employees' compensation. For the fiscal years ended June 30, 2019 and 2018, the contribution rate was 2%. The vested percentage for each year of service is as follows:

<u>Year(s) of service</u>	<u>Vested percentage</u>
1	20 %
2	40
3	60
4	80
5	100

Costs of the plan are accrued and funded on an annual basis. The contribution amounts for the fiscal years ended June 30, 2019 and 2018 totaled \$131,393 and \$130,277, respectively.

Certain employees of the Opera are covered by union-sponsored, collectively bargained multiemployer pension plans. Contributions to these plans totaled \$1,267,227 and \$1,257,654 for the fiscal years ended June 30, 2019 and 2018, respectively. Payments to these plans are made and recorded as incurred.

(14) Liquidity and Availability

The Opera has the following financial assets available as of the statements of financial position to meet cash needs for general expenditures within the following year:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,460,920	465,058
Accounts receivable	784,588	177,440
Current contributions receivable	<u>9,962,228</u>	<u>14,235,103</u>
Total financial assets	<u>12,207,736</u>	<u>14,877,601</u>
Less those unavailable for general expenditure within one year, due to: contractual or donor-imposed restrictions:		
Funds set aside for Simulcast ⁴	(1,025,000)	(1,025,000)
Investments held in trust (457b)	<u>(158,759)</u>	<u>(150,020)</u>
Total unavailable financial assets	<u>(1,183,759)</u>	<u>(1,175,020)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>11,023,977</u></u>	<u><u>13,702,581</u></u>

⁴ The Opera receives funding from the County of Los Angeles to present a live simulcast of one opera each year to two different locations within the county. The simulcast is available to the public free of charge.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2019 and 2018

As part of the Opera's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Opera's primary funding sources are receipt of annual giving pledged in both prior and future periods, ticket sales, and endowment distributions. Accordingly, the Opera manages its liquidity needs through the timing the receipt of the above funding sources.

As described in note 11, the Opera maintains a donor-restricted endowment of \$23,095,388 as of June 30, 2019. Accordingly, none of the endowment assets are available for general expenditures and are not considered in the above determination of financial assets available. However, in accordance with the endowment gifts agreements and UPMIFA, a spending rate of 5% of the 12-quarter rolling average of the endowment is available for general expenditures. Hence, \$1,012,023 and \$829,544 has been designated for general expenditures for the years ended June 30, 2020 and 2019, respectively.

For the past seven years, the Opera has generated positive changes in net assets without donor restrictions, reducing the accumulated deficit significantly from its highest point in 2012 of \$(21,690,651) to the balance in net assets without donor restrictions of \$(6,457,007) in 2019. The Opera still relies on long-term donor loans. As such, available resources are directed to cover debt obligations, which results in negative working capital.

As described in note 8, the Opera also maintains a line of credit with a limit of \$8,000,000, which can be used during times of liquidity needs. At June 30, 2019, the Opera had utilized \$5,025,000 of the line of credit, resulting in \$2,975,000 available to be used in future periods. As also described in note 8, from time to time, it is necessary for the Opera to borrow additional funds in the form of donor loans to cover unanticipated cash needs. The line of credit and the donor loans are used to provide additional liquidity, as needed. The Opera continues to make progress improving its liquidity position by reducing the accumulated deficit and its reliance upon donor loans.

(15) Subsequent Events

The Opera has evaluated subsequent events and transactions for potential recognition or disclosure through December 20, 2019, the date the accompanying financial statements were available to be issued.