



LOS ANGELES OPERA COMPANY

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

LOS ANGELES OPERA COMPANY

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

Independent Auditors' Report

The Board of Directors
Los Angeles Opera Company:

Opinion

We have audited the financial statements of the Los Angeles Opera Company (the Opera), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Opera as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 the Opera's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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



In performing an audit in accordance with GAAS, we:

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

KPMG LLP

Los Angeles, California
March 30, 2023

LOS ANGELES OPERA COMPANY

Statements of Financial Position

June 30, 2022 and 2021

| Assets | 2022 | 2021 |
|--|-----------------------|--------------------|
| Cash and cash equivalents | \$ 2,782,116 | 1,911,398 |
| Accounts receivable | 2,000,410 | 3,505,194 |
| Contributions receivable (note 6) | 21,810,280 | 19,953,917 |
| Contributions receivable from related parties (note 6) | 9,877,404 | 13,905,946 |
| Prepaid production costs | 1,337,425 | 1,396,634 |
| Prepaid expenses, deposits, and other assets | 1,142,405 | 814,119 |
| Property, plant, and equipment, net (note 7) | 1,082,110 | 1,210,772 |
| Beneficial interest in perpetual trust (note 2) | 17,868,451 | 19,391,602 |
| Beneficial interest in remainder trust (note 2) | 19,575,163 | 19,575,163 |
| Restricted investments (note 4) | 24,230,609 | 29,749,102 |
| | \$ 101,706,373 | 111,413,847 |
| Liabilities and Net Assets | | |
| Accounts payable and accrued liabilities | \$ 5,823,397 | 4,542,073 |
| Deferred ticket sales | 4,747,118 | 5,146,884 |
| Loans payable (note 8) | 3,750,000 | 4,750,000 |
| Loans payable to related parties (note 8) | 33,334 | 2,450,000 |
| | 14,353,849 | 16,888,957 |
| Commitments and contingencies (notes 9 and 12) | | |
| Net assets (accumulated deficit): | | |
| Without donor restrictions | (7,821,462) | (6,508,425) |
| With donor restrictions (note 10) | 95,173,986 | 101,033,315 |
| Total net assets | 87,352,524 | 94,524,890 |
| | \$ 101,706,373 | 111,413,847 |

See accompanying notes to financial statements.

LOS ANGELES OPERA COMPANY

Statements of Activities

Years ended June 30, 2022 and 2021

| | 2022 | | | 2021 | | |
|--|----------------------------|-------------------------|-------------|----------------------------|-------------------------|------------|
| | 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 | \$ 7,147,280 | — | 7,147,280 | — | — | — |
| Ticket sales and fees – recitals and other performances | 955,868 | — | 955,868 | — | — | — |
| Other earned revenue | 7,872,497 | — | 7,872,497 | 3,259,653 | — | 3,259,653 |
| Total earned revenue | 15,975,645 | — | 15,975,645 | 3,259,653 | — | 3,259,653 |
| Support: | | | | | | |
| Foundations, corporations, and individuals | 15,389,706 | 7,587,917 | 22,977,623 | 9,664,484 | 10,640,803 | 20,305,287 |
| Government grants | 4,168,846 | 650,000 | 4,818,846 | 1,539,480 | 6,147,982 | 7,687,462 |
| Donated materials and services | 656,858 | — | 656,858 | 482,658 | — | 482,658 |
| Change in value of beneficial interest in perpetual trust | — | (1,523,151) | (1,523,151) | — | 3,387,666 | 3,387,666 |
| Change in value of beneficial interest in remainder trust | — | — | — | — | 504,520 | 504,520 |
| Change in discount to recognize pledges at present value | — | 386,005 | 386,005 | — | 575,853 | 575,853 |
| Net support from foundations, corporations, individuals, and governments | 20,215,410 | 7,100,771 | 27,316,181 | 11,686,622 | 21,256,824 | 32,943,446 |
| Special events: | | | | | | |
| Revenue | 3,689,308 | — | 3,689,308 | 1,063,435 | — | 1,063,435 |
| Less costs of direct benefits to donors | (1,373,417) | — | (1,373,417) | (234,173) | — | (234,173) |
| Net revenue from special events | 2,315,891 | — | 2,315,891 | 829,262 | — | 829,262 |
| Total support | 22,531,301 | 7,100,771 | 29,632,072 | 12,515,884 | 21,256,824 | 33,772,708 |
| Net assets released from restrictions: | | | | | | |
| Revenue | 6,281,013 | (6,281,013) | — | 7,031,655 | (7,031,655) | — |
| Distributions (note 2) | 1,686,634 | (1,686,634) | — | 1,540,474 | (1,540,474) | — |
| Special events | — | — | — | 150,000 | (150,000) | — |
| Total support and net assets released from restrictions | 7,967,647 | (7,967,647) | — | 8,722,129 | (8,722,129) | — |
| Total revenue and support | 46,474,593 | (866,876) | 45,607,717 | 24,497,666 | 12,534,695 | 37,032,361 |
| Expenses (note 5): | | | | | | |
| Programs | 37,178,455 | — | 37,178,455 | 14,720,068 | — | 14,720,068 |
| Management and general | 5,732,181 | — | 5,732,181 | 3,630,939 | — | 3,630,939 |
| Fundraising | 4,876,994 | — | 4,876,994 | 2,901,464 | — | 2,901,464 |
| Total expenses | 47,787,630 | — | 47,787,630 | 21,252,471 | — | 21,252,471 |
| Change in net assets from operating activities | (1,313,037) | (866,876) | (2,179,913) | 3,245,195 | 12,534,695 | 15,779,890 |
| Nonoperating items: | | | | | | |
| Restricted investment income | — | (4,992,453) | (4,992,453) | — | 7,335,826 | 7,335,826 |
| Uncollectible pledges receivable | — | — | — | (92,258) | — | (92,258) |
| Change in net (deficit)/assets | (1,313,037) | (5,859,329) | (7,172,366) | 3,152,937 | 19,870,521 | 23,023,458 |
| Net (deficit)/assets at beginning of year | (6,508,425) | 101,033,315 | 94,524,890 | (9,661,362) | 81,162,794 | 71,501,432 |
| Net (deficit)/assets at end of year | \$ (7,821,462) | 95,173,986 | 87,352,524 | (6,508,425) | 101,033,315 | 94,524,890 |

See accompanying notes to financial statements.

LOS ANGELES OPERA COMPANY

Statements of Cash Flows

Years ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|----------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (7,172,366) | 23,023,458 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 505,451 | 463,707 |
| Total losses (gains) in beneficial interest in perpetual trust (realized and unrealized), net | 1,540,893 | (3,701,903) |
| Change in value in beneficial interest in remainder trust | — | (504,520) |
| Total losses (gains) in restricted investments (realized and unrealized), net | 4,994,701 | (7,321,363) |
| Contributions restricted in perpetuity | (1,180,584) | (1,258,055) |
| Change in the present value of contributions receivable | 386,005 | (575,853) |
| Uncollectible contributions receivable | 25,000 | 92,258 |
| Forgiveness of loans from related parties | (16,666) | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,504,784 | (858,109) |
| Contributions receivable | 1,761,174 | (6,123,981) |
| Prepaid production costs | 59,209 | (761,828) |
| Prepaid expenses and deposits | (328,286) | (254,149) |
| Accounts payable and accrued liabilities | 1,281,324 | 9,144 |
| Deferred ticket sales | (399,766) | 719,991 |
| Net cash provided by operating activities | 2,960,873 | 2,948,797 |
| Cash flows from investing activities: | | |
| Purchases of property, plant, and equipment | (376,789) | (358,465) |
| Purchases of investments | (630,000) | (1,080,000) |
| Distributions from restricted investments | 1,153,792 | 1,048,182 |
| Distributions from beneficial interest in perpetual trust | 532,842 | 492,292 |
| Net cash provided by investing activities | 679,845 | 102,009 |
| Cash flows from financing activities: | | |
| Contributions restricted for investment in perpetuity | 630,000 | 1,080,000 |
| Proceeds from loans payable | — | 13,245,000 |
| Repayments of loans payable | (3,400,000) | (15,875,000) |
| Net cash used in financing activities | (2,770,000) | (1,550,000) |
| Net increase in cash and cash equivalents | 870,718 | 1,500,806 |
| Cash and cash equivalents at beginning of year | 1,911,398 | 410,592 |
| Cash and cash equivalents at end of year | \$ 2,782,116 | 1,911,398 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid during the year | \$ 174,854 | 159,511 |
| Donated materials and services | 656,858 | 482,658 |

See accompanying notes to financial statements.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

(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) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and donated investments held temporarily, excluding cash and cash equivalents held for long-term investing purposes.

(c) Contributions Receivable

Contributions receivable are reported at the present value of expected future cash flows using fair value discount rates ranging from 0.15% to 3.11%. 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.

(d) 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.

(e) 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.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

(f) 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, 2022 and 2021, the value of significant contributed goods was \$656,858 and \$482,658, respectively, and includes legal services, marketing expenses, musical instruments, and production supplies.

(g) 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.

(h) 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. No income tax provision for unrelated business income tax was recorded at June 30, 2022 or 2021.

(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, 2022, the Opera had cash in banks of \$2,799,058, including individual accounts carrying balances in excess of Federal Deposit Insurance Corporation insurance limits. At June 30, 2021, the Opera had cash in banks of \$1,565,000, including individual accounts carrying balances in excess of Federal Deposit Insurance Corporation insurance limits.

(j) Restricted Investments

Restricted investments at June 30, 2022 and 2021 consist of funds restricted by donors for investment in perpetuity (*Endowment* (note 11)). The earnings from such investments are available for the Opera's use upon board appropriation, unless otherwise stipulated by donors or by law. At June 30, 2022 and 2021, substantially all investments owned by 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, 2022 and 2021

(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 for which the Opera is the named beneficiary, and 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 amount and timing 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 \$6,500,737 and \$6,394,035 as of June 30, 2022 and 2021, respectively.

The Opera received new gifts of beneficial interests in perpetual trust totaling \$550,584 and \$178,055 as of June 30, 2022 and 2021, respectively. No transfers into or out of Level 3 occurred during the year.

(l) Beneficial Interest in Remainder Trust

During fiscal 2018, the Opera was notified that it was the remainder beneficiary of a trust that includes a mobile home park 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 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 Opera made no purchases or issuances of interests in the remainder trust during the year, and there were no transfers into or out of Level 3 during the year.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

(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 and beneficial interest. The distributions included in the statements of activities are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|------------------|
| Restricted investments | \$ 1,153,792 | 1,048,182 |
| Beneficial interest in perpetual trust | <u>532,842</u> | <u>492,292</u> |
| Total distribution | <u>\$ 1,686,634</u> | <u>1,540,474</u> |

(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.

(o) New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to recognize a lease asset and a lease liability for most of its operating leases. Prior to the adoption of the update, operating leases are not recognized by a lessee in its statements of financial position. In general, the new leased asset and liability will equal the present value of lease payments. The statement is effective the fiscal year ending June 30, 2023. The Opera is currently evaluating the effects the adoption of this statement will have on the financial statements.

(p) Current Environment

The coronavirus (COVID 19) pandemic resulted in cancellation of all scheduled opera performances during the fiscal year ended June 30, 2021. The Opera received funding in the form of Paycheck Protection Program (PPP) loans as provided by the Coronavirus Aid, Relief, and Economic Security Act of 2020. In April 2020, the Opera was approved for a PPP loan totaling \$4,104,545 through the Small Business Administration and an additional loan of \$2,000,000 in March 2021. The PPP loan proceeds were used to pay payroll, lease, utility, and interest payments eligible under the loan program. The Small Business Administration has approved forgiveness of all PPP loans as of June 30, 2022. Pursuant to the forgiveness guidelines and under the Opera's accounting policies, the full amount of the loans was recognized as governments grants in the statements of activities in the year that eligible expenditures were incurred.

The Opera resumed rehearsals and performances in August 2021, implementing County of Los Angeles Department of Health compliance protocols. Five operas were held during the fiscal year. Ticket sales revenue did not reach pre pandemic levels, but contribution revenue was not adversely impacted.

The U.S. Small Business Administration awarded and disbursed to the Opera a total of \$7,624,828 of Shuttered Venue Operators Grant funding in the fall of 2021. The funds were used to pay eligible expenses incurred in fiscal year ended June 30, 2022 for employee payroll, artists, and facility rent.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

Ticket sales revenue has not returned to pre-pandemic levels. The Opera continues to monitor national and local audience trends for operas and other live performances and is prepared to take the measures required to address potential future challenges.

(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.

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 ASC Topic 820, to value the Opera's restricted investments with the Music Center Foundation. ASC Topic 820 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 committees.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

The following table summarizes the underlying investments held in the unitized investment pool with the Foundation at June 30, 2022 and 2021:

| | 2022 | 2021 |
|--|---------------|-------------|
| Cash and cash equivalents | \$ 1,626,164 | 522,666 |
| Intermediate-term bond fund | 1,094,743 | 1,303,118 |
| Large-and mid-cap equities | 9,873,601 | 12,216,091 |
| Small-cap equities | 1,844,951 | 3,686,571 |
| International equity | 2,783,409 | 2,635,953 |
| Emerging market equities | 1,276,365 | 3,123,776 |
| Equity hedge funds | 3,013,677 | 3,610,393 |
| Absolute return funds | 2,717,699 | 2,650,534 |
| Restricted investments with Music Center Foundation | \$ 24,230,609 | 29,749,102 |

The Opera's restricted investments with the Music Center Foundation are valued using net asset value as a practical expedient as provided for under ASC Topic 820. The restricted investments have no unfunded commitments and are available for redemption under the terms of the original investment agreement ranging from daily to three years. 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 Opera did not have any direct investment holdings as of June 30, 2022 or 2021.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

(5) Functional Expenses

For the year ended June 30, 2022, 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, 2022 |
| Salaries and artist fees | \$ 17,792,025 | 1,895,534 | 2,317,515 | 1,182,550 | 23,187,624 | 1,576,717 | 2,853,313 | 4,430,030 | 27,617,654 |
| Retirement contributions | 998,006 | 81,431 | 46,508 | 27,285 | 1,153,230 | 3,417 | 2,915 | 6,332 | 1,159,562 |
| Other benefits and taxes | 2,161,499 | 153,786 | 165,728 | 78,695 | 2,559,708 | 6,325 | 8,305 | 14,630 | 2,574,338 |
| Materials, supplies, and equipment | 587,958 | 134,508 | 162,149 | 33,873 | 918,488 | 1,116,204 | 571,383 | 1,687,587 | 2,606,075 |
| Production expenses | 2,018,169 | 370,200 | 396,739 | 129,832 | 2,914,940 | 2,254 | 9,077 | 11,331 | 2,926,271 |
| Storage costs | 135,192 | 27,698 | 43,673 | 21,956 | 228,519 | 131,455 | 234,916 | 366,371 | 594,890 |
| Travel and accommodations | 314,279 | 62,172 | 36,438 | 57,173 | 470,062 | 13,454 | 71,784 | 85,238 | 555,300 |
| Services and professional fees | 1,077,532 | 322,236 | 310,944 | 139,835 | 1,850,547 | 929,064 | 429,643 | 1,358,707 | 3,209,254 |
| Advertising and marketing | 968,418 | 225,938 | 112,938 | 1,665 | 1,308,959 | 1,013,660 | 222,556 | 1,236,216 | 2,545,175 |
| Occupancy | 1,960,721 | 51,661 | 34,553 | 21,874 | 2,068,809 | 691,284 | 345,960 | 1,037,244 | 3,106,053 |
| Depreciation | 146,555 | 68,180 | 45,851 | 10,289 | 270,875 | 161,831 | 72,745 | 234,576 | 505,451 |
| Insurance | 71,589 | 32,926 | 14,040 | 8,022 | 126,577 | 57,335 | 28,840 | 86,175 | 212,752 |
| Interest | 67,936 | 31,246 | 13,323 | 7,612 | 120,117 | 29,181 | 25,557 | 54,738 | 174,855 |
| Total expenses by function | \$ 28,299,879 | 3,457,516 | 3,700,399 | 1,720,661 | 37,178,455 | 5,732,181 | 4,876,994 | 10,609,175 | 47,787,630 |

For the year ended June 30, 2021, 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, 2021 |
| Salaries and artist fees | \$ 4,059,341 | 1,642,576 | 1,061,228 | 737,311 | 7,500,456 | 1,677,563 | 1,937,475 | 3,615,038 | 11,115,494 |
| Retirement contributions | 159,106 | 91,639 | 19,082 | 6,164 | 275,991 | 22,732 | 38,094 | 60,826 | 336,817 |
| Other benefits and taxes | 943,162 | 252,097 | 181,681 | 115,715 | 1,492,655 | 210,301 | 265,086 | 475,387 | 1,968,042 |
| Materials, supplies, and equipment | 49,977 | 16,252 | 21,321 | 1,048 | 88,598 | 60,989 | 8,349 | 69,338 | 157,936 |
| Production expenses | 138,728 | 276,653 | 8,810 | 3,728 | 427,919 | 430 | 3,040 | 3,470 | 431,389 |
| Storage costs | 511,223 | 38,966 | 8,544 | 5,494 | 564,227 | 12,677 | 302 | 12,979 | 577,206 |
| Travel and accommodations | 86,385 | 3,630 | 14,876 | 8,287 | 113,178 | 21,747 | 16,828 | 38,575 | 151,753 |
| Services and professional fees | 516,523 | 745,352 | 154,985 | 16,437 | 1,433,297 | 1,107,984 | 266,392 | 1,374,376 | 2,807,673 |
| Advertising and marketing | 329,531 | 93,551 | 46,269 | 73 | 469,424 | 89,964 | 169,586 | 259,550 | 728,974 |
| Occupancy | 1,186,504 | 509,022 | 32,600 | 5,633 | 1,733,759 | 132,570 | 46,454 | 179,024 | 1,912,783 |
| Depreciation | 134,451 | 62,549 | 42,064 | 9,439 | 248,503 | 148,467 | 66,737 | 215,204 | 463,707 |
| Insurance | 148,456 | 68,279 | 29,114 | 16,635 | 262,484 | 118,895 | 59,807 | 178,702 | 441,186 |
| Interest | 61,975 | 28,504 | 12,154 | 6,944 | 109,577 | 26,620 | 23,314 | 49,934 | 159,511 |
| Total expenses by function | \$ 8,325,362 | 3,829,070 | 1,632,728 | 932,908 | 14,720,068 | 3,630,939 | 2,901,464 | 6,532,403 | 21,252,471 |

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

These financial statements reflect expenses, which are attributable to multiple programs or supporting activities, requiring different allocation methods using a reasonable allocation basis that is consistently applied. For all departments that have salaries, benefits and other supporting services that support multiple programs, the expenses are allocated on a time and effort basis. Advertising expenses which directly relate to the promotion and sale of Opera, recital, 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.

(6) Contributions Receivable

Contributions receivable, including contributions receivable from the Opera's board members, at June 30, 2022 and 2021 are expected to be received as follows:

| | 2022 | 2021 |
|--|---------------|-------------|
| Within one year | \$ 15,858,049 | 20,908,611 |
| Two to five years | 6,956,173 | 3,162,500 |
| Thereafter | 12,647,342 | 13,948,637 |
| | 35,461,564 | 38,019,748 |
| Less discount to reflect contributions receivable at present value | (3,773,880) | (4,159,885) |
| Total contributions receivable | \$ 31,687,684 | 33,859,863 |
| Contributions receivable | \$ 21,810,280 | 19,953,917 |
| Contributions receivable from related parties | 9,877,404 | 13,905,946 |
| Total contributions receivable | \$ 31,687,684 | 33,859,863 |

(7) Property, Plant, and Equipment

Property, plant, and equipment, at cost, consist of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|--------------|-------------|
| Technical equipment | \$ 4,875,057 | 4,653,853 |
| Leasehold improvements | 660,215 | 660,215 |
| Equipment, furniture, and vehicles | 532,871 | 532,871 |
| Computers | 2,254,765 | 2,099,180 |
| Software | 1,697,636 | 1,697,636 |
| | 10,020,544 | 9,643,755 |
| Less accumulated depreciation | (8,938,434) | (8,432,983) |
| Total property, plant, and equipment, net | \$ 1,082,110 | 1,210,772 |

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Notes to Financial Statements

June 30, 2022 and 2021

Depreciation and amortization on property, plant, and equipment totaled \$505,451 and \$463,707 for the years ended June 30, 2022 and 2021, respectively.

(8) Loans Payable

(a) Line of Credit

The Opera has a line of credit agreement that carries a maximum borrowing limit of \$6,000,000 at June 30, 2022 and 2021 with an interest rate of 3.00% above the London InterBank Offered Rate (LIBOR) or prime rate plus 0.75%. Under the line of credit agreement, the Opera had borrowing limits as follows: \$8,000,000 through February 28, 2022, \$6,000,000 for the period of March 1, 2022 through August 31, 2022, and \$8,000,000 for the period from September 1, 2022 through November 30, 2022. The Opera did not draw on the line during the year and there was no outstanding balance as of June 30, 2022. The line of credit expired on November 30, 2022. In January 2022, the line of credit was extended through November 30, 2023 with the same terms.

No interest was incurred on the line of credit for the fiscal year ended June 30, 2022. Interest incurred on the line of credit totaled \$69,773 for the fiscal year ended June 30, 2021.

(b) Term Loan

The Opera entered into a \$5,000,000 term loan agreement on March 31, 2021. Quarterly principal payments are required, which will retire the loan on its maturity date of March 31, 2026. As of June 30, 2021, the term loan balance was \$3,750,000. The loan requires monthly interest payments equal to LIBOR index plus 3%.

Future principal payments required on the term loan are as follows:

| Fiscal year ended June 30: | |
|----------------------------|---------------------|
| 2023 | \$ 1,000,000 |
| 2024 | 1,000,000 |
| 2025 | 1,000,000 |
| 2026 | <u>750,000</u> |
| Total | <u>\$ 3,750,000</u> |

In conjunction with this loan, the Opera entered into an interest rate swap with the lender. Under the terms of the interest rate swap, the Opera receives variable interest rate payments equal to LIBOR index plus 3% and makes fixed interest rate payments 3.89%. Thereby creating the equivalent of fixed-rate debt for the loan. The swap agreement allows the Opera to avoid the variability in interest payments due to changes in interest rates, which allows the Opera to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. The Opera incurred interest of \$174,854 and \$50,031 on the term loan for the fiscal years ended June 30, 2022 and 2021, respectively.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

(c) Loan Payable to Related Parties

The Opera receives interest free loans from board members. During the fiscal year ended June 30, 2022, the Opera repaid a total of \$2,416,666. The Opera did not receive any new loans from donors for fiscal year ended June 30, 2022. During the fiscal year ended June 30, 2021, the Opera received interest free loans totaling \$3,400,000 and repaid a total of \$3,000,000 which includes payments on both loans received during the year ended June 30, 2021 and loans outstanding prior to that date. Additionally, the Opera received loans from California Community Foundation (CCF) beginning in 2015. The annual interest rate on the loans was 4% or 10% in the event of default. The loans were paid in full during the fiscal year ended June 30, 2021. The loan payable balance as of June 30, 2022 and 2021 was \$33,334 and \$2,450,000, respectively.

No interest was incurred on these borrowings for the fiscal year ended June 30, 2022. Interest incurred on these borrowings totaled \$39,707 for the fiscal year ended June 30, 2021.

(9) Commitments

(a) Costume Shop and Storage Facilities

The Opera had two noncancelable operating leases for its costume shop operations in the fiscal years ended June 30, 2022 and 2021.

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 an off-site storage facility that covers both technical and costume needs commenced on August 15, 2019 for a period of six years and one-half month and expires on August 31, 2025.

The Opera recognizes rent expense on a straight-line basis for shop facilities. Total rent expense (including common area charges of \$119,354 and \$146,037) was \$846,614 and \$873,298 for the fiscal years ended June 30, 2022 and 2021, respectively.

Minimum lease payments for both costume shop facilities are as follows:

| | |
|---------------|---------------------|
| Fiscal years: | |
| 2022–2023 | \$ 782,906 |
| 2023–2024 | 803,619 |
| 2024–2025 | 732,691 |
| 2025–2026 | <u>47,627</u> |
| | <u>\$ 2,366,843</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 the 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 1, provided that the Opera is not then in default of any of the lease provisions.

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June 30, 2022 and 2021

Total rent paid during the fiscal years ended June 30, 2022 and 2021 totaled \$1,144,844 and \$906,150, 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 and none during the fiscal year ended June 30, 2022 and 2021.

(c) Future Contract Commitments

In connection with future opera productions, the Opera has entered into various contracts at June 30, 2021. Such commitments are to be paid as follows as of June 30, 2022:

| | | |
|---------------|----|-------------------------|
| Fiscal years: | | |
| 2022–2023 | \$ | 2,712,500 |
| 2023–2024 | | 610,000 |
| 2024–2025 | | <u>415,000</u> |
| | \$ | <u><u>3,737,500</u></u> |

(10) Net Assets

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes or periods:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|--------------------|
| Contributions receivable restricted for passage of time | \$ 22,310,288 | 23,352,548 |
| Contributions receivable restricted for the passage of time and specific purposes | 9,377,396 | 8,964,900 |
| Beneficial interest in perpetual trust | 17,868,451 | 19,391,602 |
| Beneficial interest in remainder trust | 19,575,163 | 19,575,163 |
| Restricted investments | 24,230,609 | 29,749,102 |
| Cash equivalents restricted for a specific purpose | <u>1,812,079</u> | <u>—</u> |
| | <u>\$ 95,173,986</u> | <u>101,033,315</u> |

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

The following summarizes the components of net assets with donor restrictions at June 30, 2022 and 2021:

| <u>Net assets</u> | <u>With donor restrictions</u> | | |
|--|--|---|-------------------|
| | <u>Time and purpose restrictions¹</u> | <u>Restricted in perpetuity²</u> | <u>Total</u> |
| Beginning balance at June 30, 2020 | \$ 18,506,812 | 62,655,982 | 81,162,794 |
| Contributions and special event support | 15,210,465 | 4,948,185 | 20,158,650 |
| Change in discount | 462,854 | 112,999 | 575,853 |
| Revenue released from restrictions | (7,031,655) | — | (7,031,655) |
| Distributions and net investment income/(loss) | 6,167,673 | — | 6,167,673 |
| Ending balance at June 30, 2021 | 33,316,149 | 67,717,166 | 101,033,315 |
| Contributions and special event support | 6,084,766 | 630,000 | 6,714,766 |
| Change in discount | 299,009 | 86,996 | 386,005 |
| Net assets released from restrictions | (6,281,013) | — | (6,281,013) |
| Net investment income/(loss) | (6,679,087) | — | (6,679,087) |
| Ending balance at June 30, 2022 | \$ <u>26,739,824</u> | <u>68,434,162</u> | <u>95,173,986</u> |

¹ 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.

² 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.

Endowment assets restricted in perpetuity at June 30, 2022 and 2021 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.

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

(11) Endowment

The Opera follows the standards codified in ASC Section 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 Section 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.

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Notes to Financial Statements

June 30, 2022 and 2021

(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 2022, 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.

All of the Opera's endowment net assets for the fiscal years ended June 30, 2022 and 2021 are categorized as donor restricted. In June 2022, the board of directors authorized the establishment of a board designated endowment and designated \$2,500,000 of net assets without donor restriction to be invested for a long but not necessarily specified period of time.

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

| | <u>Unrestricted</u> | <u>Donor restricted</u> | <u>Total</u> |
|--|---------------------|-------------------------|--------------|
| Balance, June 30, 2020 | \$ — | 22,395,921 | 22,395,921 |
| Investment return: | | | |
| Investment income | — | 85,942 | 85,942 |
| Net unrealized and realized gains and losses | — | 7,235,421 | 7,235,421 |
| Total investment return | — | 7,321,363 | 7,321,363 |
| Contributions | — | 1,080,000 | 1,080,000 |
| Amounts appropriated for expenditure | — | (1,048,182) | (1,048,182) |
| Total expenditures and repayments | — | 31,818 | 31,818 |
| Balance, June 30, 2021 | — | 29,749,102 | 29,749,102 |

LOS ANGELES OPERA COMPANY

Notes to Financial Statements

June 30, 2022 and 2021

| | <u>Unrestricted</u> | <u>Donor restricted</u> | <u>Total</u> |
|--|---------------------|-------------------------|-------------------|
| Investment return: | | | |
| Investment income | \$ — | 84,412 | 84,412 |
| Net unrealized and realized gains and losses | — | (5,078,402) | (5,078,402) |
| Total investment return | — | (4,993,990) | (4,993,990) |
| Contributions | 2,500,000 | 630,000 | 3,130,000 |
| Amounts appropriated for expenditure | — | (1,154,503) | (1,154,503) |
| Total expenditures and repayments | 2,500,000 | (524,503) | 1,975,497 |
| Balance, June 30, 2022 | \$ <u>2,500,000</u> | <u>24,230,609</u> | <u>26,730,609</u> |

(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 eligible employees' compensation. For the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021, totaled \$129,320 and \$118,161, respectively.

Certain employees of the Opera are covered by union-sponsored, collectively bargained multiemployer pension plans. Contributions to these plans totaled \$1,094,960 and \$218,656 for the fiscal years ended June 30, 2022 and 2021, respectively. Payments to these plans are made and recorded as incurred.

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Notes to Financial Statements

June 30, 2022 and 2021

(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:

| | 2022 | 2021 |
|---|---------------|-------------|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | \$ 2,782,116 | 1,911,398 |
| Accounts receivable | 2,000,410 | 3,505,194 |
| Current contributions receivable | 15,858,049 | 20,908,611 |
| Total financial assets | 20,640,575 | 26,325,203 |
| Less those unavailable for general expenditure within one year, due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Funds set aside for Simulcast ³ | (1,675,000) | (1,675,000) |
| Funds restricted for a specific purpose | (1,812,079) | — |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 17,153,496 | 24,650,203 |

³ The Opera receives funding from the County of Los Angeles to present a live simulcast of one opera each year to locations within the County as well as funding for other special programs. These programs are available to the public free of charge.

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 receipts of annual giving pledged in both prior and future periods, ticket sales, and endowment distributions. Accordingly, the Opera manages its liquidity needs through timing the receipt of the above funding sources.

As described in note 11, the Opera maintains a donor-restricted endowment of \$24,230,609 and a board designed endowment of \$2,500,000. Accordingly, none of the donor-restricted 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, \$1,169,680 and \$1,154,503 have been designated for general expenditures for the years ended June 30, 2023 and 2022, respectively.

As described in note 8, the Opera also maintains a line of credit with a limit up to \$6,000,000, which can be used during times of liquidity needs. At June 30, 2022, the Opera had no amount of the line of credit outstanding. 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.

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Notes to Financial Statements

June 30, 2022 and 2021

(15) Subsequent Events

The Opera has evaluated subsequent events and transactions for potential recognition or disclosure through March 30, 2023, the date the accompanying financial statements were available to be issued and identified the following event. In July 2022, the Opera received notification from the California Governor's Office of Emergency Services (Cal OES) that its Request for Public Assistance for COVID-19 was approved by the Federal Emergency Management Agency (FEMA). In accordance with FEMA Policy #104-22-0002, FEMA will apply 100% federal funding for all eligible COVID-19 costs for work performed and items used from the beginning of the pandemic through July 1, 2022. FEMA will apply the 90% federal cost share to funding for all eligible expenses for work performed and items used on or after July 2, 2022. This includes any supplies purchased but not used or distributed for use until on or after July 2, 2022. The Opera estimates expenses of approximately \$1,800,000 eligible for 100% federal cost share and up to \$400,000 for 90% federal cost share. The Opera is awaiting Cal OES notification of the grant amount and funding process.