



Report of Independent Auditors and Financial Statements

**Los Angeles Opera Company**

June 30, 2024 and 2023

## **Table of Contents**

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	<b>Page</b>
<b>Report of Independent Auditors</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7

## **Report of Independent Auditors**

The Board of Directors  
The Los Angeles Opera Company

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of The Los Angeles Opera Company, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year 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 Los Angeles Opera Company as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Los Angeles Opera Company'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 Los Angeles Opera Company'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.

### ***Emphasis of Matter***

As discussed in Note 15 to the financial statements, the Los Angeles Opera Company entered into an agreement subsequent to year-end for a sale of the mobile home park held as part of the Beneficial interest in Remainder Trust as of June 30, 2024. We call your attention to that footnote as well as Note 13 - Liquidity. Our opinion is not modified with respect to this matter.

### ***Other Matter***

The financial statements of the Los Angeles Opera Company as of June 30, 2023, were audited by other auditors whose report dated November 29, 2023, expressed an unmodified opinion on those financial statements. The financial statements as of and for the year ended June 30, 2023, are presented as comparative information in the 2024 financial statements.



Los Angeles, California  
November 13, 2024

## **Financial Statements**

**Los Angeles Opera Company**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,436,992	\$ 396,418
Accounts receivable	676,665	289,873
Contributions receivable (Note 5)	31,863,325	28,026,092
Prepaid expenses, deposits, and other assets	1,905,906	1,841,542
Property, plant, and equipment, net (Note 6)	1,645,013	1,510,469
Right of use asset	659,550	1,287,633
Beneficial interest in perpetual trust (Note 2)	19,209,993	18,212,480
Beneficial interest in remainder trust (Note 2)	19,700,000	19,700,000
Investments (Note 3)	27,466,210	28,996,591
	<b>\$ 105,563,654</b>	<b>\$ 100,261,098</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 6,133,372	\$ 6,121,709
Deferred ticket sales	5,101,909	5,135,586
Operating lease liability	745,334	1,449,776
Loans payable and line of credit (Note 7)	9,250,000	5,650,000
Loans payable to related parties (Note 7)	3,000,000	-
	<b>24,230,615</b>	<b>18,357,071</b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 8 and 11)</b>		
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		
Net assets (accumulated deficit) without donor restrictions	(13,314,721)	(12,724,093)
Net assets with donor restrictions (Note 9)	94,647,760	94,628,120
	<b>81,333,039</b>	<b>81,904,027</b>
	<b>\$ 105,563,654</b>	<b>\$ 100,261,098</b>

See accompanying notes.

**Los Angeles Opera Company**  
**Statements of Activities**  
**Years Ended June 30, 2024 and 2023**

	2024			2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Earned revenue						
Ticket sales and fees - opera season	\$ 11,872,674	\$ -	\$ 11,872,674	\$ 9,399,258	\$ -	\$ 9,399,258
Ticket sales and fees - recitals and other performances	1,379,864	-	1,379,864	839,555	-	839,555
Other earned revenue	<u>3,814,742</u>	<u>-</u>	<u>3,814,742</u>	<u>4,702,461</u>	<u>-</u>	<u>4,702,461</u>
Total earned revenue	<u>17,067,280</u>	<u>-</u>	<u>17,067,280</u>	<u>14,941,274</u>	<u>-</u>	<u>14,941,274</u>
Support						
Foundations, corporations, and individuals	20,566,079	6,095,253	26,661,332	20,911,636	3,255,989	24,167,625
Government grants	1,771,409	83,400	1,854,809	627,039	162,420	789,459
In-kind contributions	<u>517,886</u>	<u>-</u>	<u>517,886</u>	<u>461,329</u>	<u>-</u>	<u>461,329</u>
Net support from foundations, corporations, individuals, and governments	<u>22,855,374</u>	<u>6,178,653</u>	<u>29,034,027</u>	<u>22,000,004</u>	<u>3,418,409</u>	<u>25,418,413</u>
Special events						
Revenue	1,510,583	(15,179)	1,495,404	1,290,565	-	1,290,565
Less costs of direct benefits to donors	<u>(820,533)</u>	<u>-</u>	<u>(820,533)</u>	<u>(815,242)</u>	<u>-</u>	<u>(815,242)</u>
Net revenue from special events	<u>690,050</u>	<u>(15,179)</u>	<u>674,871</u>	<u>475,323</u>	<u>-</u>	<u>475,323</u>
Total support	<u>23,545,424</u>	<u>6,163,474</u>	<u>29,708,898</u>	<u>22,475,327</u>	<u>3,418,409</u>	<u>25,893,736</u>
Net assets released from restrictions						
Revenue	7,786,639	(7,786,639)	-	5,784,030	(5,784,030)	-
Distributions (Note 2)	<u>3,020,601</u>	<u>(3,020,601)</u>	<u>-</u>	<u>1,768,236</u>	<u>(1,768,236)</u>	<u>-</u>
Total support and net assets released from restrictions	<u>10,807,240</u>	<u>(10,807,240)</u>	<u>-</u>	<u>7,552,266</u>	<u>(7,552,266)</u>	<u>-</u>
Total revenue and support	<u>51,419,944</u>	<u>(4,643,766)</u>	<u>46,776,178</u>	<u>44,968,867</u>	<u>(4,133,857)</u>	<u>40,835,010</u>
<b>EXPENSES (Note 4)</b>						
Programs	41,586,019	-	41,586,019	40,574,330	-	40,574,330
Management and general	5,284,895	-	5,284,895	4,858,222	-	4,858,222
Fundraising	<u>5,400,926</u>	<u>-</u>	<u>5,400,926</u>	<u>4,726,502</u>	<u>-</u>	<u>4,726,502</u>
Total expenses	<u>52,271,840</u>	<u>-</u>	<u>52,271,840</u>	<u>50,159,054</u>	<u>-</u>	<u>50,159,054</u>
Change in net (deficit)/assets from operating activities	(851,896)	(4,643,766)	(5,495,662)	(5,190,187)	(4,133,857)	(9,324,044)
<b>NONOPERATING ITEMS</b>						
Investment income	-	161,196	161,196	-	90,968	90,968
Realized and unrealized gain	<u>261,268</u>	<u>4,502,210</u>	<u>4,763,478</u>	<u>287,556</u>	<u>3,497,023</u>	<u>3,784,579</u>
Change in net (deficit)/assets	(590,628)	19,640	(570,988)	(4,902,631)	(545,866)	(5,448,497)
NET (DEFICIT)/ASSETS AT BEGINNING OF YEAR	<u>(12,724,093)</u>	<u>94,628,120</u>	<u>81,904,027</u>	<u>(7,821,462)</u>	<u>95,173,986</u>	<u>87,352,524</u>
NET (DEFICIT)/ASSETS AT END OF YEAR	<u>\$ (13,314,721)</u>	<u>\$ 94,647,760</u>	<u>\$ 81,333,038</u>	<u>\$ (12,724,093)</u>	<u>\$ 94,628,120</u>	<u>\$ 81,904,027</u>

See accompanying notes.

**Los Angeles Opera Company**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (570,987)	\$ (5,448,497)
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation	423,448	446,740
Total (gains) in beneficial interest in perpetual trust (realized and unrealized), net	(1,558,199)	(942,585)
Change in value in beneficial interest in remainder trust	-	(124,837)
Total gains in restricted investments (realized and unrealized), net	(3,205,279)	(2,935,662)
Allowance for credit losses and other allowances	(25,000)	-
Contributions restricted in perpetuity	(558,066)	(613,960)
Change in the present value of contributions receivable	(278,431)	(303,015)
Write-off of uncollectible contributions receivable	373,165	-
Changes in operating assets and liabilities		
Accounts receivable	(361,792)	1,710,537
Contributions receivable	(3,931,967)	3,964,607
Prepaid expenses, deposits, and other assets	(64,364)	638,288
Accounts payable and accrued liabilities	11,662	298,312
Right-of-use assets and lease liabilities	(76,359)	162,143
Deferred ticket sales	(33,677)	388,468
	<u>(9,855,846)</u>	<u>(2,759,461)</u>
Net cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant, and equipment	(557,992)	(875,099)
Purchases of investments	(720,118)	(3,000,000)
Proceeds from sale of investments	2,995,863	-
Distributions from restricted investments	2,401,849	1,169,680
Distributions from beneficial interest in perpetual trust	618,752	598,556
	<u>4,738,354</u>	<u>(2,106,863)</u>
Net cash provided by (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for investment in perpetuity	558,066	613,960
Cash proceeds from Line of credit	8,300,000	2,900,000
Cash proceeds from loan from related party	3,000,000	-
Repayments of outstanding loan	(1,000,000)	(1,033,334)
Repayments of line of credit	(3,700,000)	-
	<u>7,158,066</u>	<u>2,480,626</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	2,040,574	(2,385,698)
Cash and cash equivalents at beginning of year	<u>396,418</u>	<u>2,782,116</u>
Cash and cash equivalents at end of year	<u>\$ 2,436,992</u>	<u>\$ 396,418</u>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid during the year	<u>\$ 620,402</u>	<u>\$ 280,335</u>
Contributed non-financial assets	<u>\$ 517,886</u>	<u>\$ 461,329</u>

See accompanying notes.



# Los Angeles Opera Company

## Notes to Financial Statements

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### Note 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.

### Note 2 – Summary of Significant Accounting Policies

**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. Net assets without donor restrictions include board-designated funds that have also been purposed for meeting 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.

**Cash and cash equivalents** – Cash and cash equivalents consist of cash on deposit excluding cash and cash equivalents held for long term-investing purposes.

**Contributions receivables** – Contributions receivables are reported at the present value of expected future cash flows using discount rates ranging from 0.09% to 5.35%. Life expectancies for gifts due upon donor's death are reevaluated annually using the 2024 Individual Annuity Reserving table. Unconditional contributions receivables are recorded as contributions revenue without donor restrictions. If there are circumstances surrounding a promise to give that indicate that the donor intended it for specified restriction, contribution receivables are reported as net assets with donor restrictions.

**Accounts receivable** – The Opera's receivables are recorded when services are provided or as expenses are incurred for reimbursement. The Opera provides an allowance for credit losses to estimate losses from uncollectible accounts. An allowance is recorded based on past experience, on an analysis of current receivable balances, and projections about future collectability. Receivables are considered past due when payments are not received according to an established payment schedule. Receivables are written off against the allowance in the period deemed uncollectible. Receivables are unsecured and do not bear interest.

## Los Angeles Opera Company

### Notes to Financial Statements

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Accounts receivable, net of allowances are as follows:

	June 30, 2024	June 30, 2023	June 30, 2022
Gross accounts receivable	\$ 701,665	\$ 339,873	\$ 2,050,419
Reserve for credit losses	(25,000)	(50,000)	(50,000)
Accounts receivable, net	\$ 676,665	\$ 289,873	\$ 2,000,419

**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. The Opera’s capitalization policy is to capitalize purchases of property, plant and equipment in excess of \$5,000.

**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.

**Special events revenue** – The Opera hosts special events throughout the year to raise funds for ongoing operations. Gifts made to the Opera from these events are unconditional contributions and recognized when pledged.

**Other earned revenue** – The Opera recognizes income from transactions pertaining to various consortium and shared services agreements as well as interest and interest distributed as part of support received by the Music Center Foundation. The revenue is recognized when funds are received by the Opera.

**Revenue recognition** – Unconditional contributions from foundations, corporations and individuals and government grants are recognized as revenue when received or promised. Unconditional promises to give that are expected to be collected in future years are recognized when the promise is made at fair value based on discounted cash flows. Amortization of the discounts is included in contributions. Conditional promises to give are not recorded until the conditions are substantially met. The Opera has no conditional contributions awaiting recognition as of June 30, 2024 and 2023. An allowance for estimated uncollectible contributions receivable will be recorded based on management’s judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Accounts are written off against the allowance when deemed uncollectible.

**In-kind contributions** – The value of significant contributed non-financial assets is reflected as in-kind contributions in the financial statements at the fair value of such goods at the date of contribution.

## Los Angeles Opera Company

### Notes to Financial Statements

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In-kind contributions (non-contributed financial assets) 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. The Opera's policy is to utilize the contributed non-financial assets as soon as possible. For the years ended June 30, 2024 and 2023, all non-financial assets were utilized during each period and the value of the services was based on the respective rates of each service provider.

In-kind contributions recognized within the statements of activities for the years ended June 30, 2024 and 2023, include:

	2024	2023	Utilization in Programs	Donor Restrictions	Valuation Techniques and Inputs
Legal services	\$ 347,000	\$ 325,138	Management and general	No donor restrictions	Fair Value, comparable services
Advertising	63,700	84,070	Opera advertising	No donor restrictions	Fair Value, comparable services
Production equipment rentals	20,796	12,585	For fundraising events	No donor restrictions	Fair Value, comparable services
Food and beverage	86,390	39,036	For fundraising events	No donor restrictions	Fair Value, comparable services
Other	-	500	Administrative	No donor restrictions	Fair Value, comparable services
	<u>\$ 517,886</u>	<u>\$ 461,329</u>			
Total					

**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.

**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, 2024 and 2023.

The Opera recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted, as appropriate, for changes in facts and circumstances. The Opera has no uncertain tax positions recorded as of June 30, 2024 and 2023.

**Concentration of credit risks** – Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject The Opera to concentrations consist primarily of cash and cash equivalents, investments (including the beneficial interest held by the Music Center Foundation (MCF)), pledges and receivables, and beneficial interest. The Opera places its cash and cash equivalents with high-credit, quality financial institutions. These account balances usually exceed federally insured limits. To date, The Opera has not experienced any losses in such accounts and believes it is not exposed to any significant credits risk with cash and cash equivalents. At June 30, 2024 and 2023, the Opera had cash in banks of \$2,740,316 and \$636,196, respectively.

## Los Angeles Opera Company

### Notes to Financial Statements

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The Opera routinely assesses the financial strength of its debtors and believes that the promises to give and receivables credit risk exposure is limited. Financial instruments that potentially subject the Opera to concentrations of credit risk consist primarily of receivables. As of June 30, 2024, three donors represented approximately 34% of contributions receivable. As of June 30, 2023, five donors represented approximately 65% of contributions receivable.

**Functional allocation of expenses** – 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.

**Investments** – The Opera’s investments consist of a board designated endowment of \$52,772 and \$2,787,556 at June 30, 2024 and 2023, respectively, as well as, and donor-restricted investments of \$27,413,438 and \$26,209,035 at June 30, 2024 and 2023, respectively. The Opera records its investments at fair value with unrealized and realized gains and losses included in the statements of activities. Interest income is recorded when earned. Investment purchases and sales are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date.

The restricted investments consist of funds restricted by donors for investment in perpetuity (*Endowment* (Note 10)). 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, 2024 and 2023, all restricted 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.

**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’s assets in perpetuity but will never receive the assets held in the trusts. The beneficial interest comprises gifts held in perpetuity for which the Opera is the named beneficiary, and therefore, this trusts are recorded on the Opera’s financial statements at the fair value of the underlying assets. The fair value of the beneficial interest is measured 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.

## Los Angeles Opera Company

### Notes to Financial Statements

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The Opera received new gifts of beneficial interests in perpetual trust totaling \$58,066 and \$113,960 as of June 30, 2024 and 2023, respectively. No transfers into or out of Level 3 occurred during the year.

**Beneficial interest in remainder trust** – The Opera is the trustee and 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 measured 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.

**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 within realized and unrealized gain are as follows:

	2024	2023
Restricted investments	\$ 2,401,849	\$ 1,169,680
Beneficial interest in perpetual trust	618,752	598,556
Total distribution	\$ 3,020,601	\$ 1,768,236

**Government grants** – 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 has received payment for two phases of grants, \$484,044 and \$176,526 and has recognized the revenue for them as of June 30, 2024. Subsequent to year-end, FEMA obligated the third and final phase of the grants for \$1,268,035, accordingly the Opera has not recognized revenue of \$1,268,035 related to this grant.

**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

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**Leases** – The Opera is a lessee in two noncancellable warehouse operating leases. In accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases*, at the lease commencement date the Opera recognizes an operating lease right-of-use (ROU) asset and a lease liability in the accompany statement of financial position as other assets and accrued liabilities, respectively. The ROU asset is initially measured at the carrying amount of the lease liability reduced for previously reported deferred rent. The lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date, using the Opera’s incremental borrowing rate as the discount rate. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Opera elected the available practical expedient options which allows the Opera to not reassess whether any existing or expired contracts contain leases, to not reassess lease classifications for any existing or expired leases, and to not reassess initial direct costs for its existing leases. The Opera also elected the practical expedient option to not separate leases and non-lease components on real estate leases where the Opera is the lessee.

**Reclassifications** – Certain reclassifications have been made to the 2023 financial data to conform to the 2024 presentation.

**New accounting standards** – In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, which created a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than through incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The Opera adopted this standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new or enhanced disclosures only.

### **Note 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 standard 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.

## Los Angeles Opera Company

### Notes to Financial Statements

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**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’s restricted investments are managed in the Foundation’s unitized investment pool and are subject to the Opera’s investment strategy and targets set by the Foundation. The Opera has two designees who sit on the Foundation’s investment committee, to provide oversight and communication to the Opera’s board and budget and finance committees.

The following table summarizes The Opera’s financial assets by the fair value hierarchy levels as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments				
MCF unitized fund	\$ -	\$ -	\$ 27,413,438	\$ 27,413,438
Index fund	52,772	-	-	52,772
Total investments	<u>\$ 52,772</u>	<u>\$ -</u>	<u>\$ 27,413,438</u>	<u>\$ 27,466,210</u>
Other financial assets				
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 19,209,993	\$ 19,209,993
Beneficial interest in remainder trust	-	-	19,700,000	19,700,000
Total other financial assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,909,993</u>	<u>\$ 38,909,993</u>

The following table summarizes The Opera’s financial assets by the fair value hierarchy levels as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments				
MCF unitized fund	\$ -	\$ -	\$ 26,209,035	\$ 26,209,035
Index fund	2,787,556	-	-	2,787,556
Total investments	<u>\$ 2,787,556</u>	<u>\$ -</u>	<u>\$ 26,209,035</u>	<u>\$ 28,996,591</u>
Other financial assets				
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 18,212,480	\$ 18,212,480
Beneficial interest in remainder trust	-	-	19,700,000	19,700,000
Total other financial assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,912,480</u>	<u>\$ 37,912,480</u>

## Los Angeles Opera Company

### Notes to Financial Statements

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The following table summarizes the liquidity, redemption restrictions, and any capital commitments of the Opera's investments, as of June 30, 2024:

	Fair Value	Unfunded Redemption Commitments	Redemption Frequency	Redemption Notice Period
MCF investments				
MCF unitized fund and other funds	\$ 27,413,438	\$ -	Daily - 3 years	1 - 120 days
Total	<u>\$ 27,413,438</u>	<u>\$ -</u>		

For the years ended June 30, 2024 and 2023, the changes in financial assets classified as Level 3 are as follows:

	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Remainder Trust
BALANCE, June 30, 2022	\$ 17,868,451	\$ 19,575,163
Contributions	113,960	-
Payments	(598,556)	-
Other adjustment	-	-
Changes in value	<u>828,625</u>	<u>124,837</u>
BALANCE, June 30, 2023	18,212,480	19,700,000
Contributions	58,066	-
Payments	(618,752)	-
Other adjustment	-	-
Changes in value	<u>1,558,199</u>	<u>-</u>
BALANCE, June 30, 2024	<u>\$ 19,209,993</u>	<u>\$ 19,700,000</u>

**Unrestricted investments** – The Opera had direct investment holdings of \$52,772 and \$2,787,556 in a balanced index fund as of June 30, 2024 and 2023, respectfully. In accordance with the requirements of FASB ASC Topic 820, these are classified as Level 1 investments and the valuation is based on observable inputs using quoted market prices in active markets. These are unrestricted board designated endowment funds described in Note 10.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Opera's investments and total net assets balance could fluctuate materially.



# Los Angeles Opera Company

## Notes to Financial Statements

### Note 4 – Functional Expenses

For the year ended June 30, 2024, functional expenses are as follows:

Current Year	Program Services				Supporting Services		Total	
	Opera	Recitals Off Grand	LA Opera Connects	Young Artist Program	Program subtotal	Management and General	Fundraising	June 30, 2024
FY 23-24								
Salaries and artist fees	\$ 19,629,289	\$ 2,014,527	\$ 2,168,217	\$ 1,200,810	\$ 25,012,843	\$ 2,065,908	\$ 2,699,522	\$ 29,778,273
Retirement contributions	1,594,706	130,901	94,777	47,381	1,867,765	64,728	118,794	2,051,287
Other benefits and taxes	3,443,800	280,769	339,369	162,451	4,226,389	176,272	357,752	4,760,413
Materials, supplies, and equipment	192,097	71,052	43,853	23,411	330,413	115,162	17,302	462,877
Production expense	2,705,632	232,794	247,881	84,201	3,270,508	6,025	4,675	3,281,208
Storage Costs	181,418	37,813	49,826	10,374	279,431	56,934	454,874	791,239
Travel and accommodations	478,336	95,665	108,873	80,806	763,680	102,199	464,124	1,330,003
Services and professional fees	888,049	169,439	204,924	68,346	1,330,758	1,286,588	513,425	3,130,771
Advertising and marketing	940,796	225,256	139,065	1,811	1,306,928	174,470	220,669	1,702,067
Occupancy	2,153,764	58,704	37,489	28,338	2,278,295	882,311	334,857	3,495,463
Depreciation	118,565	59,283	38,110	8,469	224,427	135,504	63,517	423,448
Insurance	153,483	63,090	26,902	15,371	258,846	109,861	55,297	424,004
Interest	237,091	115,342	51,263	32,039	435,735	108,934	96,118	640,787
Total expenses by function	<u>\$ 32,717,026</u>	<u>\$ 3,554,635</u>	<u>\$ 3,550,549</u>	<u>\$ 1,763,808</u>	<u>\$ 41,586,018</u>	<u>\$ 5,284,896</u>	<u>\$ 5,400,926</u>	<u>\$ 52,271,840</u>

For the year ended June 30, 2023, functional expenses are as follows:

Prior Year	Program Services				Supporting Services		Total	
	Opera	Recitals Off Grand	LA Opera Connects	Young Artist Program	Program subtotal	Management and General	Fundraising	June 30, 2023
FY 22-23								
Salaries and artist fees	\$ 19,140,591	\$ 1,988,963	\$ 2,016,835	\$ 1,325,897	\$ 24,472,286	\$ 1,574,177	\$ 2,584,652	\$ 28,631,115
Retirement contributions	1,516,401	127,924	89,546	46,634	1,780,505	53,194	70,865	1,904,564
Other benefits and taxes	3,094,622	263,668	347,696	181,814	3,887,800	291,204	301,432	4,480,436
Materials, supplies, and equipment	411,055	115,939	67,290	26,071	620,355	150,757	87,268	858,380
Production expenses	2,806,151	246,699	207,255	101,142	3,361,247	3,990	15,740	3,380,977
Storage costs	224,626	54,282	43,855	20,143	342,906	39,209	168,792	550,907
Travel and accommodations	643,634	117,672	84,495	94,417	940,218	243,295	139,609	1,323,122
Services and professional fees	928,289	224,905	235,222	34,277	1,422,693	1,395,374	764,745	3,582,812
Advertising and marketing	726,689	171,834	87,460	-	985,983	139,852	94,163	1,219,998
Occupancy	2,051,639	51,237	36,330	16,604	2,155,810	703,455	353,405	3,212,670
Depreciation	125,087	62,543	40,207	8,935	236,772	142,957	67,011	446,740
Insurance	107,018	41,980	17,901	10,228	177,127	73,101	36,770	286,998
Interest	103,724	50,460	22,427	14,017	190,628	47,657	42,050	280,335
Total expenses by function	<u>\$ 31,879,526</u>	<u>\$ 3,518,106</u>	<u>\$ 3,296,519</u>	<u>\$ 1,880,179</u>	<u>\$ 40,574,330</u>	<u>\$ 4,858,222</u>	<u>\$ 4,726,502</u>	<u>\$ 50,159,054</u>

## Los Angeles Opera Company

### Notes to Financial Statements

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#### Note 5 – Contributions Receivable

Contributions receivable, including contributions receivable from the Opera's board members, at June 30, 2024 and 2023, are expected to be received as follows:

	2024	2023
Within one year	\$ 15,778,703	\$ 15,696,437
Two to five years	6,746,323	3,212,787
Thereafter	12,530,734	12,587,733
	35,055,760	31,496,957
Less discount to reflect contributions receivable at present value	(3,042,435)	(3,320,865)
Less allowance for bad debts	(150,000)	(150,000)
Total contributions receivable	\$ 31,863,325	\$ 28,026,092
Contributions receivable	\$ 14,698,062	\$ 15,471,414
Contributions receivable from related parties	17,165,263	12,554,678
Total contributions receivable	\$ 31,863,325	\$ 28,026,092

#### Note 6 – Property, Plant, and Equipment

Property, plant, and equipment, at cost, consist of the following at June 30, 2024 and 2023:

	2024	2023
Technical equipment	\$ 5,765,330	\$ 5,668,063
Leasehold improvements	786,831	763,843
Equipment, furniture, and vehicles	434,484	429,243
Computers	2,254,765	2,254,765
Software	2,212,224	1,779,729
	11,453,634	10,895,643
Less accumulated depreciation	(9,808,621)	(9,385,174)
Total property, plant, and equipment, net	\$ 1,645,013	\$ 1,510,469

Depreciation and amortization on property, plant, and equipment totaled \$423,448 and \$446,740 for the years ended June 30, 2024 and 2023, respectively.

## Los Angeles Opera Company

### Notes to Financial Statements

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#### Note 7 – Loans Payable

**Line of credit** – The Opera has a line of credit agreement that carries a maximum borrowing limit of \$8,000,000 at June 30, 2024 and 2023, with an interest rate of 2.6% above the Term SOFR Rate, which was 9% and 8.75% on June 30, 2024 and 2023, respectively. The line of credit is collateralized by all cash and investments of the Opera. The Opera had an outstanding balance of \$7,500,000 and \$2,900,000 as of June 30, 2024 and 2023, respectively. The line of credit expires on January 31, 2025. The Opera plans to renew the credit line with similar terms.

Interest expense of \$537,728 and \$143,943 was incurred on the line of credit for the fiscal years ended June 30, 2024 and 2023 respectively.

**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, 2024, and 2023 respectively, the term loan balances were \$1,750,000 and \$2,750,000. The loan requires monthly interest payments equal to SOFR index plus 3% which on June 30 2024 and 2023, the interest rates were 7.95% and 7.69% respectively. The term loan is collateralized by the cash and investment portfolio held by the Foundation on behalf of the Opera. The March 2021 agreement contains a financial covenant requiring a minimum collateral ratio. The Opera is in compliance with this ratio covenant as of June 30, 2024.

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

Fiscal year ended June 30,	
2025	\$ 1,000,000
2026	<u>750,000</u>
	<u>\$ 1,750,000</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 SOFR index plus 3% and makes fixed interest rate payments of 3.89%. Thereby creating the equivalent of fixed rate-debt for the loan. The swap agreement allows the Opera to avoid 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 SOFR. The Opera incurred interest of \$82,674 and \$131,154 on the term loan for the fiscal years ended June 30, 2024 and 2023, respectively.

**Loan payable to related parties** – The Opera received a related party loan in the amount of \$3,000,000 during the year ended June 30, 2024. As of year-end, the full balance remains outstanding. The interest rate on the loan is 4% per annum. The related party loan plus accrued interest are payable on the maturity date of October 31, 2024. After year-end, the Opera entered into an extension of the maturity date of the related party loan to June 30, 2025.

## Los Angeles Opera Company

### Notes to Financial Statements

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#### Note 8 – Commitments

**Operating leases** – The Opera leases its costume shop and warehouse under operating leases that expire April 2025 and August 2025, respectively.

The components of lease expense for the year ended June 30, 2024, were as follows:

Lease cost	
Operating lease cost	<u>\$ 727,260</u>
Total lease cost	<u><u>\$ 727,260</u></u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities for operating leases	<u>\$ 803,619</u>
Weighted-average remaining lease term (in years)	
Operating leases	1.0
Weighted-average discount rate	
Operating leases	8.75%

Minimum lease payments for the future fiscal years ending June 30, 2024, are as follows:

	Warehouse and Costume Shop Shop	Total Undiscounted Cash Flows
2025	\$ 732,691	\$ 732,691
2026	<u>47,627</u>	<u>47,627</u>
Total minimum lease payments	<u><u>\$ 780,318</u></u>	<u><u>\$ 780,318</u></u>
Present values		<u>\$ 745,334</u>
Operating Lease Liabilities		745,334
Total operating lease liabilities		<u><u>\$ 745,334</u></u>
Difference between undiscounted cash flows and discounted cash flows		<u><u>\$ 34,984</u></u>

**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.

## Los Angeles Opera Company

### Notes to Financial Statements

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Total rent expensed during the fiscal years ended June 30, 2024 and 2023, totaled \$1,202,895 and \$1,321,218, respectively. Total annual rent under the lease agreement is variable and 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. As payments under this lease are variable, and the present value of future payments is not readily measurable, there is no lease asset or lease liability recorded for this lease agreement in the financial statements as of June 30, 2024 or 2023, in accordance with ASC Topic 842.

**Future contract commitments** – In connection with future opera productions, the Opera has entered into various contracts at June 30, 2024. Such commitments are to be paid as follows as of June 30, 2024:

Years ending June 30:	
2025	\$ 3,570,970
2026	1,920,000
2027	1,355,000
2028	<u>1,400,000</u>
	<u>\$ 8,245,970</u>

#### Note 9 – Net Assets

Net assets with donor restrictions at June 30, 2024 and 2023, are available for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Contributions receivable restricted for passage of time and purpose	\$ 18,207,006	\$ 17,408,769
Contributions receivable restricted for investment in perpetuity	10,117,323	10,617,323
Beneficial interest in perpetual trust	19,209,993	18,212,480
Beneficial interest in remainder trust for investment in perpetuity	19,700,000	19,700,000
Restricted investments	27,413,438	26,209,035
Resources restricted for a specific purpose	<u>-</u>	<u>2,480,513</u>
	<u>\$ 94,647,760</u>	<u>\$ 94,628,120</u>
Net assets restricted in perpetuity	\$ 70,630,799	\$ 68,733,122
Net assets restricted for the passage of time and purpose	<u>24,016,961</u>	<u>25,894,998</u>
	<u>\$ 94,647,760</u>	<u>\$ 94,628,120</u>

Contributions receivable pledged and expected to be collected within three months or less are not included as contributions receivable restricted for passage of time. Endowment assets restricted in perpetuity at June 30, 2024 and 2023, 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

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### Note 10 – 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, of which trusts are not included (both donor restricted funds and board designated funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA.

**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 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:

- The original value of gifts donated to the perpetual endowment.
- The original value of subsequent gifts to the perpetual endowment.
- Accumulations to the perpetual 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:

- The duration and preservation of the fund
- The purposes of the Opera and the donor restricted- endowment fund
- The general economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation and depreciation of investments
- Other resources of the Opera
- The investment policies of the Opera

## Los Angeles Opera Company

### Notes to Financial Statements

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**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 2024 and 2023, 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.

The Opera's donor restricted endowment net assets for the fiscal years ended June 30, 2024 and 2023, totaled \$27,413,438 and \$26,209,035, respectively. 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. The board designated endowment balance as of June 30, 2024, was \$52,772.

## Los Angeles Opera Company

### Notes to Financial Statements

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Changes in endowment net assets of the Opera for the fiscal years ended June 30, 2024 and 2023, are as follows:

	Unrestricted	Donor Restricted	Total
Balance, June 30, 2022	\$ 2,500,000	\$ 24,230,609	\$ 26,730,609
Investment return			
Investment income	-	90,968	90,968
Net unrealized and realized gains	287,556	2,557,138	2,844,694
Total investment return	287,556	2,648,106	2,935,662
Contributions	-	500,000	500,000
Amounts appropriated for expenditure	-	(1,169,680)	(1,169,680)
Total expenditures and repayments	-	(669,680)	(669,680)
Balance, June 30, 2023	2,787,556	26,209,035	28,996,591
Investment return			
Investment income	-	162,240	162,240
Net unrealized and realized gains	261,268	2,944,012	3,205,280
Total investment return	261,268	3,106,252	3,367,520
Contributions	-	500,000	500,000
Amounts appropriated for expenditure	(2,996,052)	(2,401,849)	(5,397,901)
Total expenditures and repayments	(2,996,052)	(1,901,849)	(4,897,901)
Balance, June 30, 2024	\$ 52,772	\$ 27,413,438	\$ 27,466,210

#### Note 11 – 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.

#### Note 12 – Pension and Retirement Plans

For employees not represented by a union who work at least 20 hours per week, the Opera matches the employee's 403(b) contributions on a weekly basis, dollar for dollar, up to 5%.

Employees qualify for the company match the first of the month following the 90th calendar day after they began in an eligible, non-union represented position. These matching contributions are immediately fully vested.



## Los Angeles Opera Company

### Notes to Financial Statements

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The plan's costs are accrued and funded annually. The contribution amounts for the fiscal years ended June 30, 2024 and 2023, totaled \$354,297 and \$346,915, respectively.

Certain employees of the Opera are covered by union sponsored, collectively bargained multiemployer pension plans. Contributions to these plans totaled \$1,697,551 and \$1,557,650 for the fiscal years ended June 30, 2024 and 2023, respectively. Payments to these plans are made and recorded as incurred.

#### Note 13 – Liquidity and Availability

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

	2024	2023
Financial assets and available resources, at year end		
Cash and cash equivalents	\$ 2,436,992	\$ 396,418
Accounts receivable	676,665	289,873
Current contributions receivable	15,778,703	15,696,437
Expected endowment distributions for general expenditures	1,259,647	1,242,149
Total financial assets and available resources	20,152,007	17,624,877
Less those unavailable for general expenditure within one year, due to		
Contractual or donor-imposed restrictions		
Resources restricted for a specific purpose	-	(2,480,513)
Financial assets available to meet cash needs for general expenditures within one year	\$ 20,152,007	\$ 15,144,364

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 10, the Opera maintains a donor restricted endowment of \$27,413,438 and a board designed endowment of \$52,772. The board designated endowment may be available for general expenditures with Board approval. 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, \$1,259,647 and \$1,242,149 have been designated for general expenditures for the years ended June 30, 2024 and 2023, respectively.

As described in Note 7, the Opera also maintains a line of credit with a limit up to \$8,000,000, which can be used during times of liquidity needs. At June 30, 2024, the Opera had \$500,000 of the line of credit available to be drawn.

## Los Angeles Opera Company

### Notes to Financial Statements

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#### Note 14 – Deferred Ticket Sales

Deferred ticket sales for the years ended June 2024 and 2023 totaled \$5,101,909 and \$5,135,586, respectively. Included in those amounts are liabilities relating to prepaid admissions and memberships. The following table provides information about significant changes in deferred ticket sales for the years ended June 30, 2024 and 2023:

	2024	2023
Deferred ticket sales, beginning of year	\$ 5,135,586	\$ 4,747,118
Decreases in deferred ticket sales revenue due to performance satisfaction	(13,252,538)	(10,238,813)
Increases in deferred ticket sales due to cash received during the year	13,218,861	10,627,281
Deferred ticket sales, end of year	\$ 5,101,909	\$ 5,135,586

#### Note 15 – Subsequent Events

The Opera has evaluated subsequent events and transactions for potential recognition or disclosure through November 13, 2024, the date the accompanying financial statements were available to be issued and identified the following events.

On September 10, 2024, the Opera executed a \$20,000,000 sales agreement for the mobile home park held as part of the Beneficial Interest in the Remainder Trust. The Opera received a \$1,500,000 earnest money deposit, which became non-refundable on October 17, 2024. The balance of the proceeds after closing costs are expected to be received on the escrow closing date of November 26, 2024.

On October 3, 2024, the Opera received notification from FEMA that they had obligated \$1,268,045 in Public Assistance for eligible COVID 19 costs for work performed and items used from the beginning of the pandemic through July 1, 2022.

