

PALM BEACH OPERA, INC.

Financial Statements

***For the year ended
May 31, 2018***

HAFER

Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Palm Beach Opera, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of Palm Beach Opera, Inc. ("the Opera"), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

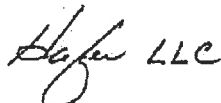
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Palm Beach Opera, Inc. as of May 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Palm Beach, Florida
October 15, 2018

PALM BEACH OPERA, INC.
STATEMENT OF FINANCIAL POSITION
May 31, 2018

Assets

Cash and cash equivalents	\$ 1,047,940
Certificate of deposit - unrestricted	694
Certificate of deposit - Florida Cultural Endowment Program Fund (Notes 2, 3 and 12)	1,200,000
Pledges receivable, net (Note 8)	385,775
Grants receivable	194,719
Prepaid expenses	22,926
Property and equipment, net (Note 9)	178,743
Beneficial interest in perpetual trust (Notes 4, 5 and 12)	275,061
Beneficial interest in remainder trust (Notes 5, 11, and 15)	155,212
Other assets	15,051
	<hr/>
Total assets	<u>\$ 3,476,121</u>

Liabilities and net assets

Accounts payable and accrued liabilities	\$ 78,115
Deferred revenues	715,139
Line of credit payable - Northern Trust (Note 7)	10,000
	<hr/>
Total liabilities	803,254

Net assets

Unrestricted:	
Board designated (Note 13)	38,499
Undesignated	186,174
Total unrestricted	<hr/> 224,673
Temporarily restricted (Note 11)	973,133
Permanently restricted (Note 12)	1,475,061
	<hr/>
Total net assets	2,672,867
	<hr/>
Total liabilities and net assets	<u>\$ 3,476,121</u>

See notes to financial statements.

PALM BEACH OPERA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended May 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenues				
Opera revenues	\$ 1,369,274	\$ -	\$ -	\$ 1,369,274
Contributions	2,905,930	315,902	-	3,221,832
Contributions in-kind	35,252	-	-	35,252
Grant income	32,469	194,719	-	227,188
Special events	493,725	-	-	493,725
Investment income	5,495	-	-	5,495
Other income	4,085	-	-	4,085
Net assets released from restrictions	<u>677,473</u>	<u>(677,473)</u>	<u>-</u>	<u>-</u>
Total operating support and revenues	<u>5,523,703</u>	<u>(166,852)</u>	<u>-</u>	<u>5,356,851</u>
Operating expenses				
Program services:				
Production	3,075,236	-	-	3,075,236
Box office	100,147	-	-	100,147
Education	515,402	-	-	515,402
Supporting services:				
General and administrative	616,445	-	-	616,445
Development	752,983	-	-	752,983
Marketing	<u>424,991</u>	<u>-</u>	<u>-</u>	<u>424,991</u>
Total operating expenses	<u>5,485,204</u>	<u>-</u>	<u>-</u>	<u>5,485,204</u>
Change in net assets from operations	<u>38,499</u>	<u>(166,852)</u>	<u>-</u>	<u>(128,353)</u>
Non-operating revenues, support, gains, losses and expenses				
Depreciation expense	(28,228)	-	-	(28,228)
Unrealized loss on beneficial interest in remainder trust	-	(1,130)	-	(1,130)
Unrealized loss on beneficial interest in perpetual trust	<u>-</u>	<u>-</u>	<u>(7,464)</u>	<u>(7,464)</u>
Total non-operating revenues, support, gains, losses and expenses	<u>(28,228)</u>	<u>(1,130)</u>	<u>(7,464)</u>	<u>(36,822)</u>
Change in net assets	10,271	(167,982)	(7,464)	(165,175)
Net assets, beginning of the year	<u>214,402</u>	<u>1,141,115</u>	<u>1,482,525</u>	<u>2,838,042</u>
Net assets, end of the year	<u>\$ 224,673</u>	<u>\$ 973,133</u>	<u>\$ 1,475,061</u>	<u>\$ 2,672,867</u>

See notes to financial statements.

PALM BEACH OPERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2018

Description	Box Office	Development	Education	General and Administrative	Marketing	Production	Total Operating Expenses
Advertising	\$ -	\$ 4,279	\$ -	\$ -	\$ 136,686	\$ -	\$ 140,965
Audio and visual	-	-	-	-	-	25,572	25,572
Computer expenses	-	3,350	-	20,076	4,262	9,391	37,079
Donor recognition	-	31,147	-	-	-	-	31,147
Dues and subscriptions	-	-	-	16,102	844	1,046	17,992
Employee benefits	5,939	10,220	70,649	3,895	6,452	6,924	104,079
Event costs	-	278,443	79,968	-	-	-	358,411
Housing	-	-	111,492	-	-	152,779	264,271
Insurance	-	-	-	79,727	-	-	79,727
Interest expense	-	-	-	413	-	-	413
Licenses, permits and fees	-	-	-	1,004	-	-	1,004
Occupancy	-	-	-	94,015	-	106,750	200,765
Office expense	1,617	7,368	2,071	38,482	14,790	3,059	67,387
Other employee costs	-	2,993	124	19,884	1,302	1,670	25,973
Other production costs	-	-	-	-	-	115,054	115,054
Outside services	3,168	19,576	4,425	121,038	98,682	2,146	249,035
Payroll and payroll taxes	87,010	371,950	213,181	175,755	157,952	1,882,208	2,888,056
Professional fees	-	-	-	21,881	-	20,363	42,244
Repairs and maintenance	-	-	-	1,953	-	22,775	24,728
Retirement contributions	2,413	11,266	1,337	4,630	4,021	8,340	32,007
Scenery and costumes	-	-	-	-	-	278,319	278,319
Supplies	-	-	1,608	-	-	6,815	8,423
Travel	-	12,391	30,547	2,286	-	91,936	137,160
Utilities	-	-	-	15,304	-	14,966	30,270
Venue	-	-	-	-	-	325,123	325,123
Total operating expenses	\$ 100,147	\$ 752,983	\$ 515,402	\$ 616,445	\$ 424,991	\$ 3,075,236	\$ 5,485,204

See notes to financial statements.

PALM BEACH OPERA, INC.
STATEMENT OF CASH FLOWS
For the year ended May 31, 2018

Cash flows from operating activities	
Change in net assets	\$ (165,175)
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>	
Depreciation expense	28,228
Unrealized loss on beneficial interest in remainder trusts	1,130
Unrealized loss on beneficial interest in perpetual trusts	7,464
<u>Change in assets and liabilities:</u>	
Pledges receivable	271,695
Grants receivable	7,977
Prepaid expenses	95,069
Other assets	(371)
Accounts payable and accrued liabilities	(61,400)
Deferred revenues	83,986
	<hr/>
Net cash provided by operating activities	268,603
Cash flows from investing activities	
Purchases with earnings on certificate of deposit	(353)
Purchases of property and equipment	(19,117)
	<hr/>
Net cash (used) by investing activities	(19,470)
Net increase in cash and cash equivalents	249,133
Cash and cash equivalents, beginning of year	798,807
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 1,047,940</u>
Supplemental disclosures of cash flow information:	
Cash paid for income taxes	<u>\$ -</u>
Cash paid for interest	<u>\$ 413</u>

See notes to financial statements.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2018

NOTE 1: Organization

Palm Beach Opera, Inc. ("the Opera") is a not-for-profit organization incorporated in the State of Florida in May 1962. The Opera is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. The Opera's mission is to produce live opera at an international standard of excellence and to enrich the life of the communities it serves with a diverse offering of educational programs, concerts and lectures. Ticket sales and general contributions from donors represent the Opera's largest sources of revenue. Palm Beach Opera, Inc. is located in West Palm Beach, Florida.

NOTE 2: Summary of significant accounting policies

Net assets

The financial statements of the Opera have been prepared on the accrual basis of accounting in accordance with accounting principles for not-for-profit organizations whereby revenues and gains are recorded when earned and expenses and losses are recorded when incurred. Resources are classified for accounting and reporting purposes into three categories of net assets – unrestricted, temporarily restricted, or permanently restricted – according to externally (donor) imposed restrictions.

Unrestricted net assets include all resources that are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Opera to utilize funds in furtherance of its mission. Revenues received, and expenses incurred in conducting the programs and services of the Opera are presented in the financial statements as unrestricted operating funds that increase or decrease unrestricted net assets.

Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because the Opera has fulfilled the restrictions. The Opera chooses to recognize activity whose restrictions are met in the same reporting period as unrestricted support.

Permanently restricted net assets are those that are subject to donor-imposed restrictions that will never lapse, thus requiring the assets to be maintained permanently as endowment funds. Net realized and unrealized appreciation on endowment funds are classified in the financial statements as part of unrestricted, temporarily restricted, or permanently restricted net assets based on donors' restrictions and interpretations of Florida law.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses recognized during the reporting period. Actual results may differ from those estimates.

Cash and cash equivalents

The Opera considers highly liquid investments and investments with original maturities of three months or less to be cash and cash equivalents.

Prepaid expenses

Expenses applicable to the next fiscal year are included in prepaid expenses. Included in prepaid expenses at May 31, 2018 are insurance coverage, future rent, various administrative costs, and costs associated with future productions.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
May 31, 2018

NOTE 2: Summary of significant accounting policies (continued)

Certificates of deposit

Certificates of deposit consist of a certificate with an original maturity of more than 90 days. The certificates are carried at cost plus any interest earned and reinvested. The Opera, at least annually, assesses for any other-than-temporary impairment, and as of the date of these financial statements, the Opera does not believe any impairment exists. Also see Note 3.

Property and equipment

Property and equipment are stated at cost when purchased or at fair value at the date of donation. The Opera generally capitalizes all expenditures for these items in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally five to ten years for furniture and equipment and twenty to forty years for building and improvements. Amortization of assets under capital leases, when applicable, is included in depreciation expense. Also see Note 9.

Deferred revenues

Deferred revenues represent funds received from advance ticket sales for the upcoming season of the Opera, as well as certain other receipts applicable to the 2018 – 2019 fiscal year.

Contributions

The Opera follows FASB ASC 958, which requires that contributions received and made, including unconditional promises to give, shall be recognized as revenue or gains or expenses, respectively, in the period received or made. Unconditional promises to give are reported at the present value of estimated future cash flows, using a discount rate that approximates the rate of government securities (see Note 8).

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restrictions) or are restricted by the donor for specific purposes (purpose restriction) are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

From time to time, the Opera is informed of intentions to give by prospective donors. Such expressions of intent are revocable and unenforceable. The ultimate value of these expressions has not been established, and they are not recognized in the accompanying financial statements.

Donated goods and services

For the year ended May 31, 2018, the Opera received contributed goods and services for advertising and other services, which totaled \$35,252. This amount is reflected as in-kind contributions and expenses in the accompanying financial statements based upon estimated fair values assigned to them.

Additionally, a significant number of volunteers donated their time to the Opera's administration, educational programs, and fundraising campaigns. The value of donated volunteer time is not reflected in the accompanying financial statements, as it is presently not subject to objective valuation.

Short-term financial instruments

The carrying amount of the Opera's financial instruments, which include cash and cash equivalents, assessments and accounts receivable, accounts payable and accrued liabilities, and other assets and liabilities, approximate their fair values due to their short-term maturities.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
May 31, 2018

NOTE 2: Summary of significant accounting policies (continued)

Advertising

The Opera expenses the cost of advertising as incurred. Advertising expense was \$140,965 for the year ended May 31, 2018.

Income taxes

Under provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of the State of Florida, the Opera is exempt from taxes on income other than unrelated business income. Since the Opera had no net taxable unrelated business income for the year ended May 31, 2018, no provision for income taxes has been made. The Opera has been classified as a publicly supported organization that is not a private foundation under Section 501(c)(3) of the Code. The Opera's federal income tax returns for 2015 – 2017 remain subject to possible examination by the Internal Revenue Service.

Compensated absences

Beginning June 1, 2012, the Opera changed its compensated absences policy to a "use it or lose it" policy. At May 31, 2018, the remaining balance of \$19,444, which is related to the Opera's general director, remains unpaid. The Opera's policy is now to recognize the costs of compensated absences when paid to employees.

Functional allocation of expenses

The costs of providing the various services the Opera offers have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs may have been allocated among the programs and supporting services benefited.

Subsequent events

Subsequent events have been evaluated through October 15, 2018, the date the financial statements were available to be issued in accordance with FASB ASC 855.

Recently issued accounting guidance, not yet adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers*". This new guidance will replace most existing U.S. GAAP guidance on this topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issues ASU No. 2015-14, which deferred, by one year, the effective date for the revenue reporting standard. For non-public entities, such as the Opera, these new ASUs are effective for annual periods beginning after December 15, 2018. The Opera is currently evaluating the impact that these ASUs will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*". The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For non-public entities, such as the Opera, the new standard is effective for annual periods beginning after December 15, 2019. While the Opera expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Opera has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
May 31, 2018

NOTE 2: Summary of significant accounting policies (continued)

Recently issued accounting guidance, not yet adopted (continued)

In August 2016, the FASB issued ASU No. 2016-14, "Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities." The standard simplifies and improves how a not-for-profit organization classifies its net assets as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The provisions of this standard are effective for fiscal years beginning after December 31, 2017. The Opera is currently evaluating the impact that the adoption of this standard will have on its financial statements and related disclosures.

NOTE 3: Certificates of deposit

Unrestricted and restricted certificates of deposits at May 31, 2018 consist of the following:

Certificate of deposit, interest rate: 0.345% original issuance date: August 16, 2013; maturity date: August 16, 2019	<u>\$ 1,200,694</u>
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Florida Cultural Endowment Program

The Florida Cultural Endowment Program restricted investments were established in accordance with the terms of the Trust Agreements dated November 7, 1996 and August 4, 1999, between the State of Florida and the Opera (see Note 12). Scholarship restricted investments are restricted for the first prize in the Senior Division of the annual Scholarship Competition sponsored by the Opera.

NOTE 4: Beneficial interest in perpetual trust

The Opera is a beneficiary of an irrevocable trust created by a donor, the assets of which are held by a third-party trustee at a local financial institution. Under the terms of the agreement, the Opera is to receive the annual income from the trust in perpetuity. The interest in the trust was valued at \$275,061 at May 31, 2018, based on the fair value of the trust (see Note 5 for additional information regarding fair value) and is classified as a permanently restricted asset in the accompanying financial statements.

NOTE 5: Fair value measurements

FASB ASC 820, *Fair Value Measurement*, established a fair value hierarchy that categorizes the inputs to valuation methods, used to measure fair value, into three unique levels, they are:

Level 1 inputs – are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Opera can access at the measurement date. Level 1 inputs are given the highest precedence.

Level 2 inputs – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. An example of a Level 2 input would be quoted prices in active markets for similar, but not identical, assets or liabilities.

Level 3 inputs – are unobservable for the asset or liability. Level 3 inputs are given the lowest precedence.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
May 31, 2018

NOTE 5: Fair value measurements (continued)

The following schedule details the fair value of the Opera's assets, by level, at May 31, 2018:

<u>Description</u>	<u>Fair Value at May 31, 2018</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in remainder trust	\$ 155,212	155,212	-	-
Beneficial interest in perpetual trust	\$ 275,061	275,061	-	-

NOTE 6: Employee benefit plan – 403(b)

The Opera has a 403(b) Plan (“the Plan”) for the benefit of its employees. The Opera, at its discretion, may contribute up to 3% of an employee’s salary to the Plan. Employees may contribute up to maximum allowable IRS limits. The amount of expense related to the Plan for the year ended May 31, 2018 was \$32,007.

NOTE 7: Line of credit payable – Northern Trust

On September 25, 2016, the Opera renewed its existing line of credit in the amount of \$700,000 with Northern Trust, N.A. for short term working capital. The line of credit is for a period of three years, expiring September 25, 2019 and bears a variable interest rate using the LIBOR rate plus 2.75%. At May 31, 2018, the interest rate was 4.457880%. The line of credit is payable in monthly installments of interest only, until September 25, 2019, at which time all principal and accrued interest are payable in full. The line of credit is collateralized by the Opera’s certificate of deposit account held at Northern Trust. At May 31, 2018, the outstanding balance on the line of credit is \$10,000.

NOTE 8: Pledges receivable

At May 31, 2018 the Opera has recorded net pledges receivable in the amount of \$385,775. This amount represents signed, irrevocable amounts due from donors in future periods. In accordance with the terms of the pledge agreements, the amounts are due during future periods and accordingly have been recorded as temporarily restricted net assets until receipt of the funds at which time the funds will be released from restriction. The Opera believes the pledges are fully collectible, and therefore, has not recorded an allowance for uncollectible accounts. The pledges receivable are due to be received, during the fiscal years ending, as follows:

May 31, 2019	\$ 248,475
May 31, 2020	50,000
May 31, 2021	50,000
May 31, 2022	50,000
	<u>398,475</u>
Less: present value discount (Note 2)	<u>(12,700)</u>
Pledges receivable, net	<u>385,775</u>

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
May 31, 2018

NOTE 9: Property and equipment

Property and equipment at May 31, 2018 consists of the following:

Equipment	\$ 143,097
Leasehold improvements	186,081
Furniture and fixtures	20,224
Costumes and scenery	<u>54,933</u>
	404,335
Less: accumulated depreciation	<u>(225,592)</u>
Net property and equipment	<u>\$ 178,743</u>

Depreciation expense for the year ended May 31, 2018 was \$28,228.

NOTE 10: Concentration of risk

The Opera maintains its cash in bank at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At May 31, 2018, the Opera has uninsured deposits in the amount of \$1,786,604. The Opera believes that the financial institutions it uses have sufficient ratings to mitigate this risk.

NOTE 11: Temporarily restricted net assets

Temporarily restricted net assets consist of the following at May 31, 2018:

Cash on hand	\$	315,902
Grants receivable		194,719
Beneficial interest in remainder trust (Note 15)		155,212
Pledges receivable, net discount		<u>307,300</u>
Total	\$	<u>973,133</u>

NOTE 12: Permanently restricted net assets

The Opera was awarded two grants (first in 1996 and second in 1999) totaling \$480,000 from the State of Florida's Cultural Endowment Program. The grants require the Opera to deposit these funds along with \$720,000 of the Opera's funds in a pre-approved investment plan under the agreement. The Opera is entitled to use the investment income which these funds earn but cannot invade the principal. Therefore, total permanently restricted funds related to the grants were \$1,200,000. The Opera, at the discretion of the Board of Directors, has the option, at any time, to return the \$480,000 to the State of Florida. Upon this return of capital to the State, the Opera's portion of \$720,000 would become unrestricted funds for use in operations.

In addition, the beneficial interest in perpetual trust which had a fair value of \$275,061 at May 31, 2018, is also recorded as a permanently restricted net asset (see Notes 4 and 5 for additional information).

Accordingly, assets totaling \$1,475,061 are permanently restricted at May 31, 2018.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
May 31, 2018

NOTE 13: Board designated net assets

On September 27, 2018, the Opera's Board of Directors approved the establishment of a board designated operating reserve to support the Opera's day to day operations in the event of unforeseen shortfalls. The board designated operating reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. At May 31, 2018, the balance of the board designated operating reserve was \$38,499 and is included in the accompanying statement of financial position.

NOTE 14: Commitments and contingencies

Effective, July 1, 2016, the Opera entered into a five-year lease, ending July 31, 2021 for office space with KAS Gold, LLC for administrative office space. The lease calls for annual rent increase of 3%. For the year ended May 31, 2018, office lease expense was \$94,015. The future lease payments are as follows:

May 31, 2019	\$ 104,414
May 31, 2020	107,546
May 31, 2021	110,772
May 31, 2022	18,552
	<u>341,284</u>

NOTE 15: Beneficial interest in remainder trust

During the year ended May 31, 2016, it was discovered that the Opera is the beneficiary of a charitable remainder uni-trust. According to the trust agreement, the Opera will receive a distribution from the trust, of 100% of the remaining assets in accordance with the trust agreement, upon the death of the final participant in each trust. At May 31, 2018, the fair value of the trust is \$155,212.