

PALM BEACH OPERA, INC.

Financial Statements

***For the year ended
May 31, 2020***

HAFER

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palm Beach Opera, Inc.

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, 2020, and the related statement 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, the financial statements referred to above present fairly, in all material respects, the financial position of Palm Beach Opera, Inc. as of May 31, 2020, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Opera changed its method of accounting related to revenue recognition as required by the provisions of FASB Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.



Palm Beach, Florida
September 29, 2020

PALM BEACH OPERA, INC.
STATEMENT OF FINANCIAL POSITION
May 31, 2020

Assets

Cash and cash equivalents	\$ 1,415,537
Certificates of deposit - unrestricted (Note 4)	807,237
Certificates of deposit - Florida Cultural Endowment Program Fund (Notes 4 and 14)	1,215,668
Pledges receivable (Note 5)	1,870,054
Grants receivable	173,145
Prepaid expenses	93,346
Property and equipment, net (Note 6)	149,833
Beneficial interest in perpetual trust (Notes 7, 9 and 14)	306,677
Beneficial interest in remainder trust (Notes 8, 9 and 14)	142,877
Other assets	<u>18,892</u>

Total assets \$ 6,193,266

Liabilities and net assets

Accounts payable and accrued expenses	\$ 59,780
Deferred revenues	517,445
Note payable (Note 12)	<u>463,286</u>

Total liabilities 1,040,511

Net assets

Net assets without donor restrictions:	
Board designated (Note 15)	845,768
Undesignated	<u>665,759</u>
Total net assets without donor restrictions	1,511,527
Net assets with donor restrictions (Note 14)	<u>3,641,228</u>

Total net assets 5,152,755

Total liabilities and net assets \$ 6,193,266

The accompanying notes are an integral part of these financial statements.

PALM BEACH OPERA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended May 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Funds</u>
Operating revenue and other support			
Opera revenues	\$ 1,034,304	\$ -	\$ 1,034,304
Contributions	2,601,546	90,074	2,691,620
Contributions in-kind	17,020	-	17,020
Grant income	-	184,474	184,474
Special events	575,000	-	575,000
Investment income	22,239	-	22,239
Other income	12,213	-	12,213
Net assets released from restrictions	<u>1,577,217</u>	<u>(1,577,217)</u>	<u>-</u>
 Total operating support and revenues	 <u>5,839,539</u>	 <u>(1,302,669)</u>	 <u>4,536,870</u>
 Operating expenses			
Program services:			
Production	2,894,425	-	2,894,425
Box office	106,036	-	106,036
Education	670,866	-	670,866
Supporting services:			
General and administrative	630,270	-	630,270
Development	722,549	-	722,549
Marketing	<u>392,627</u>	<u>-</u>	<u>392,627</u>
 Total operating expenses	 <u>5,416,773</u>	 <u>-</u>	 <u>5,416,773</u>
 Change in net assets from operations	 <u>422,766</u>	 <u>(1,302,669)</u>	 <u>(879,903)</u>
 Non-operating revenues, support, gains, losses and expenses			
Depreciation expense	(26,898)	-	(26,898)
Loss on disposal of property and equipment	(6,622)	-	(6,622)
Unrealized loss on beneficial interest in remainder trust (Note 8)	-	(2,429)	(2,429)
Unrealized gain on beneficial interest in perpetual trust (Note 7)	<u>-</u>	<u>22,609</u>	<u>22,609</u>
 Total non-operating revenues, support, gains, losses and expenses	 <u>(33,520)</u>	 <u>20,180</u>	 <u>(13,340)</u>
 Change in net assets	 <u>389,246</u>	 <u>(1,282,489)</u>	 <u>(893,243)</u>
Net assets, beginning	<u>1,122,281</u>	<u>4,923,717</u>	<u>6,045,998</u>
 Net assets, ending	 <u><u>\$ 1,511,527</u></u>	 <u><u>\$ 3,641,228</u></u>	 <u><u>\$ 5,152,755</u></u>

The accompanying notes are an integral part of these financial statements.

PALM BEACH OPERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2020

Description	Box Office	Development	Education	General and Administrative	Marketing	Production	Total Operating Expenses
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 143,708	\$ -	\$ 143,708
Audio and visual	-	-	-	-	-	12,197	12,197
Computer expenses	-	7,483	-	19,257	16,265	14,162	57,167
Donor recognition	-	6,773	-	1,067	-	-	7,840
Dues and subscriptions	-	-	-	19,166	991	22	20,179
Employee benefits	5,313	12,084	106,261	5,285	7,269	9,812	146,024
Event costs	-	314,174	59,208	-	-	-	373,382
Housing	-	-	149,741	-	-	146,676	296,417
Insurance	-	-	-	92,020	-	-	92,020
Interest expense	-	-	-	129	-	-	129
Licenses, permits and fees	-	-	-	680	-	-	680
Occupancy	-	-	-	109,860	-	108,481	218,341
Office expense	1,564	8,907	4,284	21,670	11,721	5,970	54,116
Other employee costs	-	1,196	330	42,258	40	741	44,565
Other production costs	-	-	-	-	-	83,087	83,087
Outside services	5,136	28,251	8,961	103,259	39,509	1,619	186,735
Payroll and payroll taxes	91,863	315,336	298,507	173,665	169,265	1,827,028	2,875,664
Professional fees	-	-	-	24,214	-	73,754	97,968
Repairs and maintenance	-	-	-	514	-	18,501	19,015
Retirement contributions	2,160	20,825	2,887	-	3,859	5,730	35,461
Scenery and costumes	-	-	-	-	-	227,078	227,078
Supplies	-	-	2,637	-	-	5,923	8,560
Travel	-	7,520	38,050	400	-	102,182	148,152
Utilities	-	-	-	16,826	-	13,881	30,707
Venue	-	-	-	-	-	237,581	237,581
	<u>\$ 106,036</u>	<u>\$ 722,549</u>	<u>\$ 670,866</u>	<u>\$ 630,270</u>	<u>\$ 392,627</u>	<u>\$ 2,894,425</u>	<u>\$ 5,416,773</u>

The accompanying notes are an integral part of these financial statements.

PALM BEACH OPERA, INC.
STATEMENT OF CASH FLOWS
For the year ended May 31, 2020

Cash flows from operating activities	
Change in net assets	\$ (893,243)
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities</u>	
Depreciation expense	26,898
Loss on disposal of property and equipment	6,622
Unrealized loss on beneficial interest in remainder trusts	2,429
Unrealized gain on beneficial interest in perpetual trusts	(22,609)
<u>Changes in assets and liabilities:</u>	
Pledges receivable	1,256,880
Grants receivable	(6,632)
Prepaid expenses	(17,612)
Other assets	3,989
Accounts payable and accrued liabilities	31,641
Deferred revenues	(158,054)
Net cash provided by operating activities	<u>230,309</u>
Cash flows from investing activities	
Purchases of certificates of deposit	(821,518)
Purchases of property and equipment	(15,784)
Net cash (used) by investing activities	<u>(837,302)</u>
Cash flows from financing activities	
Payments on line of credit	(10,000)
Proceeds from note payable	463,286
Net cash provided by financing activities	<u>453,286</u>
Net decrease in cash and cash equivalents	(153,707)
Cash and cash equivalents, beginning	<u>1,569,244</u>
Cash and cash equivalents, ending	<u><u>\$ 1,415,537</u></u>
Supplemental disclosures of cash flow information:	
Cash paid for income taxes	<u><u>\$ -</u></u>
Cash paid for interest	<u><u>\$ 129</u></u>

The accompanying notes are an integral part of these financial statements.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020

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

Basis of accounting and presentation

The financial statements of the Opera have been prepared on the accrual basis of accounting in accordance with accounting principles 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 two categories of net assets – without donor restrictions, or with donor restrictions – according to externally (donor) imposed restrictions.

Net assets without donor restrictions 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 without donor restrictions operating funds that increase or decrease without donor restrictions net assets.

Net assets with donor restrictions comprise of both temporarily and permanently restricted donations. Temporarily restricted donations 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. Permanently restricted donations 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 net assets without donor restrictions or net assets with donor restrictions based on donors’ restrictions and interpretations of Florida law.

Change in accounting principle

The Opera changed its method of accounting related to revenue recognition as required by FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This new guidance created Topic 606 in the Accounting Standards Codification (ASC).

The Opera adopted the new guidance as of June 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning net assets. The Opera applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of June 1, 2019. Adoption of the new guidance resulted in changes in accounting policies for revenue recognition and contract liabilities. As of June 1, 2019, all previously existing contracts with customers were complete; as such, the cumulative effect of the change was \$0.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020

NOTE 2: Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including money market funds. Cash equivalents include highly liquid securities, including certificates of deposit, with original maturities of 90 days or less.

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.

Prepaid expenses

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

Property and equipment

Property and equipment are recorded at cost. Capitalized property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period when the donor's commitment received. All contributions are considered to be available for without donor restrictions use unless specifically restricted by the donor. When applicable, amounts received that are restricted for future periods (time restrictions) or are restricted by the donor for specific purposes (purpose restriction) are reported as with donor restricted support that increases that net asset class. As previously noted, the Opera does not have any with donor restrictions net assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions 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 without donor restrictions.

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 2020 – 2021 fiscal year.

Donated services

For the year ended May 31, 2020, the Opera received contributed goods and services for advertising and other services, which totaled \$17,020. 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.

Allocation of functional expenses

The cost of providing the Opera programs services and other activities have been summarized on a function basis in the statement of functional activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020

NOTE 2: Summary of significant accounting policies (continued)

Advertising

The Opera expenses the cost of advertising as incurred. Advertising expense was \$143,708 for the year ended May 31, 2020.

Compensated absences

Employees of the Opera are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. The Opera has a use it or lose it prior to fiscal year end policy and, accordingly, no liability has been recorded in the accompanying financial statements. The Opera's policy is to recognize the costs of compensated absences when paid to employees.

Income taxes

The Opera is generally exempt from income taxes under Internal Revenue Code Section 501(c)(3). Therefore, the Opera has made no provision for federal or state income taxes in the accompanying financial statements. Generally, the Opera's federal income tax returns for 2017 - 2019 remain subject to possible examination by the Internal Revenue Service.

Recently issued accounting pronouncements, not yet adopted

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. Upon the issuance of ASU No. 2020-05, for non-public entities, such as the Opera, the new standard is effective for annual periods beginning after December 15, 2021. While the Opera expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Association has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

NOTE 3: Liquidity and availability of financial assets

The Opera financial assets available to meet cash needs for general expenditure within one year at May 31, 2020 amounted to \$2,070,585. As of May 31, 2020, \$577,225 was not available for general use because of contractual or donor-imposed restrictions within one year.

NOTE 4: Certificates of deposit

Unrestricted and restricted certificates of deposits at May 31, 2020 consist of the following:

Certificate of deposit, interest rate:1.70% - 1.80% original issuance date:

August 27, 2019; maturity date: August 28, 2020 to September 30, 2020 \$ 1,215,668

Certificate of deposit, interest rate:1.75% original issuance date:

August 15, 2019; maturity date: August 25, 2020 to September 4, 2020 \$ 807,237

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 14).

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020

NOTE 5: Pledges receivable

At May 31, 2020, the Opera has recorded net pledges receivable in the amount of \$1,870,054. 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 net assets with donor restrictions 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 is due to be received, during the fiscal years ending, as follows:

2021	\$ 1,349,004
2022	250,000
2023	200,000
2024	<u>100,000</u>
	1,899,004
Less: present value discount	(28,950)
Pledge receivable, net	<u>\$ 1,870,054</u>

The Opera applies a discount rate of 2% to its pledges with terms in excess of one year.

NOTE 6: Property and equipment

A schedule of property, equipment, and accumulated depreciation was as follows at May 31, 2020:

Equipment	\$ 154,029
Leasehold improvements	196,897
Furniture and fixtures	20,224
Costumes and scenery	<u>54,933</u>
	426,083
Less: accumulated depreciation	(276,250)
	<u>\$ 149,833</u>

For the year ended May 31, 2020, depreciation expense was \$26,898.

NOTE 7: 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 \$306,677, at May 31, 2020, based on the fair value of the trust (see Note 9 for additional information regarding fair value) and is classified as net assets with donor restrictions in the accompanying financial statements. For the year ended May 31, 2020, the Opera recorded unrealized gain of \$22,609 related to the trust.

NOTE 8: Beneficial interest in remainder trust

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, 2020, the fair value of the trust is \$142,877 (see Note 9 for additional information regarding fair value). For the year ended May 31, 2020, the Opera recorded \$2,429 of unrealized loss related to the trust.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020

NOTE 9: 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 Association 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.

The following schedule details the fair value of the Association's assets, by level, at May 31, 2020:

Description	Fair Value at May 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in remainder trust	\$ 142,877	142,877	-	-
Beneficial interest in perpetual trust	\$ 306,677	306,677	-	-

NOTE 10: Concentration of credit 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; balances at times may exceed this federally insured limit. At May 31, 2020, the Opera has uninsured deposits in the amount of \$1,036,841. The Opera believes that the financial institution it uses have sufficient ratings to mitigate this risk.

NOTE 11: Line of credit payable

On September 25, 2019, the Opera renewed its existing line of credit in the amount of \$684,000 with Northern Trust for short term working capital. The line of credit expires September 25, 2020 and bears a variable interest rate of LIBOR rate plus 2.75%. At May 31, 2020, the interest rate was 3.20%. The line of credit is payable in monthly installments of interest only, until September 25, 2020, 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 held at Northern Trust. At May 31, 2020, the outstanding balance on the line of credit is \$0.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020

NOTE 12: Note payable

During 2020, the Opera entered into a loan agreement in the amount of \$463,286 under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief, and Economic Security Act (“the Program”). The note bears a fixed interest rate of 1.00% per annum. No interest or principal is due during the first six months of the loan. After the six-month deferral period and after taking into account any loan forgiveness applicable to the loan pursuant to the Program, any remaining principal and interest will be payable in equal monthly installments over the remaining period of the loan. The loan matures two years from the date of the loan agreement. At May 31, 2020, the outstanding balance on the note payable was \$463,286.

NOTE 13: Leases

Effective, July 1, 2016, the Opera entered into a five-year lease, ending July 31, 2021 for administrative office space. The lease calls for annual rent increase of 3%. For the year ended May 31, 2020, office lease expense was \$109,860. The future lease payments are as follows

For the year ending May 31:

2021	\$ 110,772
2022	18,552
Total minimum lease payments	\$ 129,324

NOTE 14: Net assets with donor restrictions

Net assets with temporary donor restrictions

Net assets with temporary donor restrictions consist of the following at May 31, 2020:

Cash on hand	\$ 47,479
Grants receivable	173,145
Beneficial interest in remainder trust (Note 8)	142,877
Pledges receivable, net of discount	1,771,050
	\$ 2,134,551

Net assets with permanent donor restrictions

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 funds with permanent donor restrictions 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 without donor restriction funds for use in operations.

In addition, the beneficial interest in perpetual trust which had a fair value of \$306,677 at May 31, 2020, is also recorded as net assets with permanent donor restrictions (see Notes 7 and 9 for additional information).

Accordingly, assets totaling \$1,506,677 are net assets with permanent donor restrictions at May 31, 2020.

PALM BEACH OPERA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020

NOTE 15: Net assets without donor restrictions – board designated

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, 2020, the balance of the Board designated operating reserve was \$845,768 and is included in the accompanying statement of financial position.

NOTE 16: 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, 2020 was \$35,460.

NOTE 17: Subsequent events

Management has evaluated subsequent events through September 29, 2020, the date the financial statements were available to be issued.