

# PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

## Consolidated Financial Statements

For the fiscal years ended June 30, 2023 and 2022

**PORTLAND  
OPERA**



PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

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For the fiscal years ended June 30, 2023 and 2022

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PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

**Report of the Treasurer**

For the fiscal years ended June 30, 2023 and 2022

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The financial statements and other information contained in this report have been prepared by management, which is responsible for the information's integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and are deemed to present fairly the financial position of the Portland Opera and the changes in its net assets and cash flows. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this report, management relies on a system of internal controls established to ensure, within reasonable limits, that assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and executed in accordance with management's authorization, and that the accounting records can be relied upon to prepare financial statements in accordance with generally accepted accounting principles. This system is augmented by careful selection and training of qualified personnel and the dissemination of written policies and procedures.

The financial statements have been examined by the Opera's independent auditing firm of DOUGALL CONRADIE LLC, CERTIFIED PUBLIC ACCOUNTANTS whose report follows. Their examinations were made in accordance with generally accepted auditing standards. The Finance Committee of the Board of Trustees meets periodically with management and the independent auditing firm to review accounting, auditing, internal accounting controls, and financial reporting matters, and to ensure that all responsibilities are fulfilled with regard to the objectivity and integrity of the Opera's financial statements. The Finance Committee of the Board of Trustees also reviews the scope and results of the Opera's audit, and current and emerging accounting and financial requirements and practices affecting the Opera.

**Matt Essieh**  
*Treasurer*  
*Board of Trustees*  
*Portland Opera Association*



**Dougall Conradie LLC**  
Certified Public Accountants

Geoffrey Dougall, CPA  
Heather Jackson, CPA  
Lee Owen, CPA  
Richard Winkel, CPA  
Members of AICPA & OSCP

### Independent Auditor's Report

#### **To the Board of Directors**

#### **Portland Opera Association, Inc. and Subsidiary**

Portland, Oregon

#### **Opinion**

We have audited the accompanying consolidated financial statements of Portland Opera Association, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Portland Opera Association, Inc. and Subsidiary as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Portland Opera Association, Inc. and Subsidiary 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 opinions.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 Portland Opera Association, Inc. and Subsidiary'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 consolidated 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 consolidated 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 Portland Opera Association, Inc. and Subsidiary'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 Portland Opera Association, Inc. and Subsidiary'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of Portland Opera Association, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Portland Opera Association, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Portland Opera Association, Inc. and Subsidiary's internal control over financial reporting and compliance.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The report of the treasurer and the other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Dougall Conradie LLC*

Portland, Oregon  
December 12, 2023



## **FINANCIAL STATEMENTS**

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Consolidated Statements of Financial Position**  
As of June 30, 2023 and 2022

|   |        | 2023                          |                            |                      |
|---|--------|-------------------------------|----------------------------|----------------------|
|   |        | Without donor<br>restrictions | With donor<br>restrictions | Total                |
| <b>Assets:</b>                                    |        |                               |                            |                      |
| Current:  |        |                               |                            |                      |
| Cash and cash equivalents                         | Note 2 | \$ 2,027,778                  | \$ -                       | \$ 2,027,778         |
| Receivables - trade                               | Note 2 | 309,277                       | -                          | 309,277              |
| Receivables - contributions                       | Note 2 | 70,743                        | -                          | 70,743               |
| Prepaid expenses                                  | Note 2 | 37,321                        | -                          | 37,321               |
| Deferred charges                                  | Note 2 | 143,219                       | -                          | 143,219              |
|   |        | <u>2,588,338</u>              | <u>-</u>                   | <u>2,588,338</u>     |
| Noncurrent:                                       |        |                               |                            |                      |
| Deferred charges                                  | Note 2 | -                             | -                          | -                    |
| Capital assets, net of depreciation               | Note 3 | 422,476                       | -                          | 422,476              |
| Investment in endowment                           | Note 4 | 2,147,048                     | 2,864,565                  | 5,011,613            |
| Investment in real estate                         | Note 5 | 18,461,548                    | -                          | 18,461,548           |
| Beneficial interest in trusts                     | Note 6 | -                             | 2,560,625                  | 2,560,625            |
|   |        | <u>21,031,072</u>             | <u>5,425,190</u>           | <u>26,456,262</u>    |
| Total assets                                      |        | <u>\$ 23,619,410</u>          | <u>\$ 5,425,190</u>        | <u>\$ 29,044,600</u> |
| <b>Liabilities:</b>                               |        |                               |                            |                      |
| Current:  |        |                               |                            |                      |
| Accounts payable and accrued liabilities          |        | \$ 187,578                    | \$ -                       | \$ 187,578           |
| Due on line of credit                             | Note 9 | 1,000,000                     | -                          | 1,000,000            |
| Deferred contribution revenue                     |        | 14,800                        | -                          | 14,800               |
| Deferred ticket revenue                           | Note 2 | 4,674,669                     | -                          | 4,674,669            |
| Deferred grant revenue                            | Note 8 | 474,850                       | -                          | 474,850              |
| Long-term debt due in one year                    | Note 8 | 69,664                        | -                          | 69,664               |
|   |        | <u>6,421,561</u>              | <u>-</u>                   | <u>6,421,561</u>     |
| Noncurrent:                                       |        |                               |                            |                      |
| Deposits refundable                               |        | 27,741                        | -                          | 27,741               |
| Due on long-term debt                             | Note 8 | 2,050,658                     | -                          | 2,050,658            |
| Less long-term debt due in one year               | Note 8 | (69,664)                      | -                          | (69,664)             |
|   |        | <u>2,008,735</u>              | <u>-</u>                   | <u>2,008,735</u>     |
| Total liabilities                                 |        | <u>8,430,296</u>              | <u>-</u>                   | <u>8,430,296</u>     |
| <b>Net Assets:</b>                                |        |                               |                            |                      |
| Without donor restrictions:                       |        |                               |                            |                      |
| Available for programs and general operations     | Note 9 | (644,252)                     | -                          | (644,252)            |
| Net investments in capital assets and real estate | Note 9 | 15,833,366                    | -                          | 15,833,366           |
| Total net assets without donor restrictions       | Note 9 | 15,189,114                    | -                          | 15,189,114           |
| With donor restrictions                           | Note 9 | -                             | 5,425,190                  | 5,425,190            |
| Total net assets                                  | Note 9 | 15,189,114                    | 5,425,190                  | 20,614,304           |
| Total liabilities and net assets                  |        | <u>\$ 23,619,410</u>          | <u>\$ 5,425,190</u>        | <u>\$ 29,044,600</u> |

The notes to consolidated financial statements are an integral part of these financial statements

| 2022                          |                            |               |
|-------------------------------|----------------------------|---------------|
| Without donor<br>restrictions | With donor<br>restrictions | Total         |
| \$ 5,706,860                  | \$ -                       | \$ 5,706,860  |
| 336,321                       | -                          | 336,321       |
| -                             | -                          | -             |
| 125,341                       | -                          | 125,341       |
| 80,746                        | -                          | 80,746        |
| 6,249,268                     | -                          | 6,249,268     |
| 7,172                         | -                          | 7,172         |
| 461,279                       | -                          | 461,279       |
| 2,708,603                     | 3,329,930                  | 6,038,533     |
| 18,461,548                    | -                          | 18,461,548    |
| -                             | 2,567,164                  | 2,567,164     |
| 21,638,602                    | 5,897,094                  | 27,535,696    |
| \$ 27,887,870                 | \$ 5,897,094               | \$ 33,784,964 |
| 246,505                       | \$ -                       | \$ 246,505    |
| -                             | -                          | -             |
| 29,063                        | -                          | 29,063        |
| 6,709,843                     | -                          | 6,709,843     |
| 1,591,675                     | -                          | 1,591,675     |
| 66,834                        | -                          | 66,834        |
| 8,643,920                     | -                          | 8,643,920     |
| 27,741                        | -                          | 27,741        |
| 2,102,659                     | -                          | 2,102,659     |
| (66,834)                      | -                          | (66,834)      |
| 2,063,566                     | -                          | 2,063,566     |
| 10,707,486                    | -                          | 10,707,486    |
| 360,216                       | -                          | 360,216       |
| 16,820,168                    | -                          | 16,820,168    |
| 17,180,384                    | -                          | 17,180,384    |
| -                             | 5,897,094                  | 5,897,094     |
| 17,180,384                    | 5,897,094                  | 23,077,478    |
| \$ 27,887,870                 | \$ 5,897,094               | \$ 33,784,964 |

The notes to consolidated financial statements are an integral part of these financial statements

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Consolidated Statements of Activities and Changes in Net Assets**  
For the fiscal years ended June 30, 2023 and 2022

|  |            | 2023                          |                            |                      |
|--|------------|-------------------------------|----------------------------|----------------------|
|  |            | Without donor<br>restrictions | With donor<br>restrictions | Total                |
| <b>Revenues, gains and other support:</b>        |            |                               |                            |                      |
| Earned revenue                                   | Note 2     | \$ 2,684,624                  | \$ -                       | \$ 2,684,624         |
| Contributions of cash and outside support        | Note 2     | 2,982,858                     | -                          | 2,982,858            |
| Contributions of nonfinancial assets             | Note 2, 12 | 69,777                        | -                          | 69,777               |
| Contributions to endowment fund                  |            | 3,570                         | -                          | 3,570                |
| Investment gains (losses)                        | Note 4, 5  | 199,621                       | 238,875                    | 438,496              |
| Rental and other revenues                        | Note 10    | 392,789                       | -                          | 392,789              |
| Total revenues and gains                         |            | 6,333,239                     | 238,875                    | 6,572,114            |
| Net assets released from restriction, endowments | Note 9     | 710,779                       | (710,779)                  | -                    |
| Total revenues, gains and other support          |            | 7,044,018                     | (471,904)                  | 6,572,114            |
| <b>Expenses:</b>                                 |            |                               |                            |                      |
| Program activities:                              |            |                               |                            |                      |
| Production costs                                 |            | 4,866,638                     | -                          | 4,866,638            |
| Sales and customer service costs                 |            | 1,415,336                     | -                          | 1,415,336            |
| Total program activities                         |            | 6,281,974                     | -                          | 6,281,974            |
| Supporting activities:                           |            |                               |                            |                      |
| Management and general                           |            | 2,049,841                     | -                          | 2,049,841            |
| Fundraising and development                      |            | 703,473                       | -                          | 703,473              |
| Total supporting activities                      |            | 2,753,314                     | -                          | 2,753,314            |
| Total expenses                                   |            | 9,035,288                     | -                          | 9,035,288            |
| <b>Changes in net assets</b>                     |            | (1,991,270)                   | (471,904)                  | (2,463,174)          |
| <b>Net Assets:</b>                               |            |                               |                            |                      |
| Net assets, beginning                            | Note 9     | 17,180,384                    | 5,897,094                  | 23,077,478           |
| Net assets, ending                               | Note 9     | <u>\$ 15,189,114</u>          | <u>\$ 5,425,190</u>        | <u>\$ 20,614,304</u> |

The notes to consolidated financial statements are an integral part of these financial statements

| 2022                          |                            |               |
|-------------------------------|----------------------------|---------------|
| Without donor<br>restrictions | With donor<br>restrictions | Total         |
| \$ 2,537,848                  | \$ -                       | \$ 2,537,848  |
| 3,497,527                     | -                          | 3,497,527     |
| -                             | -                          | -             |
| -                             | -                          | -             |
| 1,161,811                     | (755,482)                  | 406,329       |
| 330,498                       | -                          | 330,498       |
| 7,527,684                     | (755,482)                  | 6,772,202     |
| 294,056                       | (294,056)                  | -             |
| 7,821,740                     | (1,049,538)                | 6,772,202     |
| 3,834,196                     | -                          | 3,834,196     |
| 1,477,371                     | -                          | 1,477,371     |
| 5,311,567                     | -                          | 5,311,567     |
| 1,816,632                     | -                          | 1,816,632     |
| 486,775                       | -                          | 486,775       |
| 2,303,407                     | -                          | 2,303,407     |
| 7,614,974                     | -                          | 7,614,974     |
| 206,766                       | (1,049,538)                | (842,772)     |
| 16,973,618                    | 6,946,632                  | 23,920,250    |
| \$ 17,180,384                 | \$ 5,897,094               | \$ 23,077,478 |

The notes to consolidated financial statements are an integral part of these financial statements

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Consolidated Statements of Cash Flows**  
For the fiscal years ended June 30, 2023 and 2022

|   | 2023                       | 2022                       |
|---|----------------------------|----------------------------|
| <b>Cash flows from operating activities:</b>  |                            |                            |
| Changes in net assets   | \$ (2,463,174)             | \$ (842,772)               |
| Adjustments to reconcile changes in net assets<br>to net cash used in operating activities: |                            |                            |
| Depreciation and amortization   | 38,803                     | 110,786                    |
| Forgiveness of SBA loan   | -                          | (1,085,091)                |
| Decrease (increase) in value of investment in endowment                                     | 1,091,615                  | 1,254,187                  |
| Decrease (increase) in value of investment in real estate                                   | -                          | (1,600,000)                |
| Decrease (increase) in value of beneficial interest in trusts                               | (93,960)                   | 130,757                    |
| Change in assets and liabilities:   |                            |                            |
| Decrease (increase) in trade receivables  | 23,394                     | 300,976                    |
| Decrease (increase) in contributions receivables  | (67,093)                   | (3,650)                    |
| Decrease (increase) in prepaid expenses and supplies  | 88,020                     | (9,189)                    |
| Decrease (increase) in deferred charges   | (55,301)                   | 45,181                     |
| Increase (decrease) in accounts payable and accrued liabilities                             | (1,595,577)                | (347,496)                  |
| Increase (decrease) in deferred ticket revenue  | (2,035,174)                | 4,962,583                  |
| Increase (decrease) in deferred grant revenue   | (895,888)                  | 606,878                    |
| Increase (decrease) in deferred contribution revenue  | (235,200)                  | 29,063                     |
| Net cash provided by (used in) operating activities   | <u>(6,199,535)</u>         | <u>3,552,213</u>           |
| <b>Cash flows from investing activities:</b>  |                            |                            |
| Proceeds from sales of investments in endowment   | 1,475,525                  | 533,246                    |
| Proceeds from distributions from beneficial interest in trusts                              | 100,499                    | 86,020                     |
| Net cash provided by (used in) investing activities   | <u>1,572,454</u>           | <u>619,266</u>             |
| <b>Cash flows from financing activities:</b>  |                            |                            |
| Repayment of long-term debt   | (52,001)                   | (92,555)                   |
| Net cash provided by (used in) financing activities   | <u>947,999</u>             | <u>(92,555)</u>            |
| Changes in cash and cash equivalents  | (3,679,082)                | 4,078,924                  |
| Cash and cash equivalents, beginning of year  | <u>5,706,860</u>           | <u>1,627,936</u>           |
| Cash and cash equivalents, end of year  | <u><u>\$ 2,027,778</u></u> | <u><u>\$ 5,706,860</u></u> |

The notes to consolidated financial statements are an integral part of these financial statements

**Notes to Consolidated Financial Statements**

For the fiscal years ended June 30, 2023 and 2022

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**Note 1 – Organization**

The Portland Opera Association, Inc. (the “Opera”) was incorporated in 1965 as a tax-exempt educational nonprofit organization described in section 501(c)(3) of the Internal Revenue Code. The Opera is also classified as a public charity under section 509(a)(2) and contributions to the Opera are deductible under section 170. The Opera is also qualified to receive tax deductible bequests, devises, transfers, or gifts under sections 2055, 2106 or 2522 of the Internal Revenue Code.

The vision of the Opera is to celebrate the power of performance, storytelling, and song as an inclusive artistic leader. The mission of the Opera is to gather and inspire audiences, artists, and collaborators to create shared opera experiences that enliven and connect us all, enhancing the cultural landscape of the beautiful Pacific Northwest.

These consolidated financial statements present the operations of the Opera and its wholly owned subsidiary, Portland Theater Productions, Inc. whose mission is to promote and develop community education and understanding of dramatic musical theater productions. All intercompany transactions and balances have been eliminated in the consolidation. Through each entity, the Opera presents a diverse program of visual, theatrical, and vocal outreach and educational productions reaching the community.

**Diversity and Inclusion** – At the Opera, we are committed to diversity and inclusion in the workplace, and we are an equal opportunity employer. The Opera will not discriminate against any employee or applicant for employment based on race, color, national origin, gender, gender identity, sexual orientation, age, religion, disability, protected veteran status, or other characteristics protected by law. We are committed to eliminating barriers to access and equity and see a diverse workforce as a key step toward this goal.

The Opera’s 59<sup>th</sup> performance season is now complete. The Resident Artist program continues to flourish and underscores our commitment to the artists who represent the future of our field. Portland Opera to Go, an educational outreach program, continues to provide more than 65 performances of shorter 50-minute versions of opera taking place in K-12 schools, reaching over 14,000 students throughout Oregon annually. In addition, the award-winning Opera a la Cart program continues to connect communities with opera at neighborhood festivals, parks, and gatherings.

**Note 2 – Summary of Significant Accounting Policies**

The significant accounting policies followed by the Opera are described below to enhance the usefulness of the consolidated financial statements to the reader.

**Basis of Accounting** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives by donors.

**Basis of Presentation** – The Opera has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition*, and No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Opera and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Board of Trustees may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Opera and/or passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. The balances also include net assets subject to donor-imposed stipulations that they be maintained permanently by the Board (e.g., endowment funds). Generally, the donors of these assets permit the Opera to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Program Services** – Program services consist of the following:

Portland Opera Productions

Gathering and inspiring audiences, artists, and collaborators to create shared opera experiences that enliven and connect us all, enhancing the cultural landscape of the beautiful Pacific Northwest.

Community Programs

The Opera shares free community programming and educational events by offering free concerts, previews, lectures, broadcasts, and more.

Resident Artist Program

This program assists with the development of new opera talent by providing residencies for early-career opera singers.

Portland Theatre Productions

These Broadway productions exist to sponsor, promote and present the performance of musical and dramatic theater for the audiences of the Portland metropolitan area.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.



**Fair Value Measurements** – Included in the accompanying consolidated financial statements are certain financial assets carried at fair value. These assets include:

- Investment in endowment
- Investment in real estate
- Beneficial interest in trusts

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses and real estate appraisals, incorporating current market inputs for similar assets with comparable terms and credit quality.

**Cash and Cash Equivalents** – For purposes of the financial statements, the Opera considers all liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. The Opera maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Opera has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash. The Opera also holds a certificate of deposit with a maturity date of January 2, 2024, and an interest rate of 0.02%. The State of Oregon requires that this certificate of deposit is reserved as an unemployment deposit. This certificate of deposit has a fair value of \$93,052 at June 30, 2023 and 2022.

**Trade and Contributions Receivables** – In accordance with FASB ASC No. 825-10, *Financial Instruments*, the Opera has adopted fair value as the initial and subsequent measurement for trade and contribution receivables. Accordingly, trade and contributions receivable which are expected to be received within one year are reported at their net realizable value. Contributions that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and outside support revenue. The allowance for uncollectible trade and contributions receivable is the Opera's best estimate of the amount of probable losses in its existing receivables. The Opera determines the allowance based on historical write-off experience and current information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Opera's management determined that no allowance is necessary at June 20, 2023 and 2022.

**Deferred Charges** – Deferred charges primarily represent costs incurred in advance related to the following season's productions. These costs are recognized as expenses in the season when the productions are performed. Marketing and sales costs, except for costs associated with promotion of future productions, are recognized as expense when incurred.

**Capital Assets and Depreciation** – Generally, items of property and equipment which have a useful life of greater than one year with a carrying value in excess of \$5,000 are capitalized and reported at cost when purchased, and initially at fair value when acquired by gift. Interest is capitalized in connection with the construction of major facilities until such time as the facilities become operational. The capitalized interest is recorded as a part of the assets to which it relates and is amortized over the asset's estimated useful life. When assets are retired or otherwise disposed of, the cost and related

accumulated depreciation or amortization is removed from the accounts, and any related gain or loss is recorded in the consolidated statements of activities and changes in net assets. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the respective assets, which is forty years for buildings and between three and ten years for furniture, equipment, and leasehold improvements, or the term of the lease, if shorter. Any impairment of long-lived assets is accounted for in accordance with FASB ASC No. 360, *Property, Plant and Equipment*.

**Investments** – Under the provisions of FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities and valued at their fair value in the statements of financial position. Investments in real estate for which observable prices in active markets do not exist are reported at fair value as described further in Notes 4 and 5. Unrealized gains or losses are recorded for the change in the fair value of investments during the year, net of investment administrative fees, and are included in the *Consolidated Statement of Activities and Changes in Net Assets*.

**Endowment** – In accordance with the *Uniform Prudent Management of Institutional Funds Act* (“UPMIFA”), adopted by the State of Oregon effective January 1, 2008, the Board of Trustees has adopted investment and spending that preserve the fair value of endowment gifts, absent explicit donor stipulations to the contrary. Although the Opera has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. For example, the Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment. As a result, a portion of the endowment’s original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

The Opera’s endowment consists of one individual fund established for a variety of purposes. The Portland Opera Endowment, invested with Vanguard Investments, includes donor restricted funds that are permanently restricted by specific donor stipulations. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Endowment History

The Opera, together with the Portland Art Museum and Oregon Symphony, participated in a campaign to raise funds equally for all three organizations. The three organizations entered into an agreement in December 1980 providing for a joint operating endowment drive and establishing the Oregon Arts Heritage Endowment Fund. The Oregon Community Foundation (“OCF”), a not-for-profit corporation, was engaged to administer the endowment funds received. The initial term of the endowment ceased on May 31, 2008. On May 30, 2008, the Opera exercised its option to withdraw its one-third interest in the endowment and reinvest it with OCF. The new Fund Agreement with OCF management had a term of five years. The funds held at OCF were moved to Vanguard Investments in December 2015.

#### Investment Return Objectives, Risk Parameters and Strategies

The Opera has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution.

### Spending Policy

The Opera has a policy of appropriating for distribution for general operations each year 5% of the Portland Opera Endowment Fund's average fair value for a period of thirteen quarters (unless prohibited by donor stipulations) and up to 2% to cover debt service on its long-term obligations. The following factors are considered by the Trustees 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 fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Opera; and
- The investment policies of the Opera

In establishing this policy, the Opera considered the long-term expected return on its investment assets and the nature and duration of the individual endowment funds. The Opera expects the current spending policy to allow its endowment funds to maximize long-term growth of assets and provide stable periodic returns.

The State of Oregon has adopted UPMIFA with an annual distribution limit equal to 7% of the fair market value of the endowment fund, calculated on an average period up to three years. However, a Board of Trustees is allowed to spend more than the limit if they believe it is prudent to do so. Special distributions from the endowment in the amount of \$1,000,000 were authorized and distributed in the fiscal year ended June 20, 2023. There were no special distributions from the endowment in the fiscal year ended June 30, 2022.

**Beneficial Interest in Trusts** – The Opera is named the beneficiary of perpetual trust arrangements in which donors established and funded perpetual trusts that are administered by a third-party trustee. Under the terms of the trusts, the Opera has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Annual distributions from the trusts are reported as contributed revenue.

In addition, the Opera is a beneficiary of a charitable remainder trust where a third party receives income from the trust during their lifetime and the Opera is entitled to a share of the remaining assets after their death.

Pursuant to FASB ASC 958-605-30-14, interests in perpetual trusts are recognized by the Opera as contributed revenue and as an asset, measured at fair value based on estimated future cash-flows, at the time the Opera becomes aware of the trust's existence. Periodically, the Opera re-measures its beneficial interest at fair value, using the same valuation technique used to measure the asset initially. The adjustment is recognized as a gain or loss in the appropriate asset class.

**Other Assets and Liabilities** – The carrying value of the Opera's cash and cash equivalents, receivables, prepaid expenses, accounts payable, accrued, and other liabilities approximate market value due to their short-term nature.

**Revenue Recognition** – Contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Revenues associated with future fiscal years are reported as deferred revenues until earned.

Ticket sales collected for the following fiscal year's productions and sponsorship revenues relating to a specific production are deferred and recognized as income in the period in which the related productions are performed. Rental and other income collected in advance for the following fiscal year's rental of the Opera's sets and costumes by third parties is recorded as deferred revenue until the initiation of the rental period.

Rental income collected from the sublease of the second floor of the Opera's building and the parking lot are recognized as earned. Deferred revenue related to the temporary and permanent construction easements discussed in Note 10 will be recognized as earned over the term of the agreement.

Broadway presentation revenues consist of the Opera's share of income under a joint agreement with a partner to cooperate in the presentation of Broadway shows. Revenue is deferred and recognized as income in the period in which the presentations are performed.

**Contributions** – Contributions, which include unconditional promises to give, are recognized as revenue in the period the promise was received by the Opera. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Opera records contributions to be received in future periods as temporarily restricted contributions unless explicit donor stipulations or circumstances make clear that the donor intended to support activities of the current period. If a donor-imposed restriction has been met in the same reporting period in which the contribution was received, the contribution is reported as unrestricted support.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management estimates an allowance for uncollectible contributions receivable based on past collection history.

**In-Kind Contributions** – The Opera receives contributed services from many volunteers who assist with opera productions and other efforts through their participation in a range of businesses and activities. In accordance with FASB ASC No. 958-605, the value of such services, which the Opera considers generally not practicable to estimate, have not been recognized in the accompanying financial statements. Significant services received, which create or enhance a non-financial asset or require specialized skills that the Opera would have purchased if not donated, are recognized in the accompanying financial statements in the amount of \$69,777 and \$67,959 for fiscal years ended June 30, 2023 and 2022 respectively. In-kind contributions and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Opera's activities.

**Expense Allocation on Functional Basis** – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Stage Settings and Costumes** – The Opera designs and builds stage sets and makes costumes for certain productions. The cost of such sets and costumes are expensed to the production for which they are

designed in the period the production is performed. Part of these sets and costumes may be used in future productions or rented to other opera companies.

**Tax Exempt Status** – The Opera and its subsidiary have been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Both entities are also classified as public charities under section 509(a)(2) and contributions to them are deductible under section 170. They both are also qualified to receive tax deductible bequests, devises, transfers, or gifts under sections 2055, 2106 or 2522 of the Internal Revenue Code. Both entities are operated in a manner that continues to qualify them for tax-exempt status. In any year in which either the Opera or its subsidiary have unrelated business income of \$1,000 or more, before related expenses, it must file Form 990-T with the Internal Revenue Service and may pay tax on such income.

**Conflict-of-Interest Policy** – The Opera has established a conflict-of-interest policy whereby Board and committee members must advise the Board of Trustees of any direct or indirect interest in any transaction or relationship with the Opera, and not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

**Concentrations of Credit Risk** – The Opera’s financial instruments consist primarily of cash equivalents, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”) and the Securities Investor Protection Corporation (“SIPC”). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC and the SIPC for up to \$250,000 for each depositor, for each insured bank and broker, for each account ownership category. As of June 30, 2023 and 2022 respectively, the Opera held cash balances in the amount of \$152,392 and \$5,275,463 in excess of the FDIC/SIPC-insured level.

**Subsequent Events** – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through the date the financial statements were available to be issued.

**Other Significant Accounting Policies** – Other significant accounting policies are set forth in the financial statements and the following notes.

### Note 3 – Capital Assets

A summary of capital assets net of accumulated depreciation is as follows:

|                                 | As of<br>June 30, 2023 | As of<br>June 30, 2022 |
|---------------------------------|------------------------|------------------------|
| Theater equipment               | \$ 1,357,909           | \$ 1,357,909           |
| Computer equipment and software | 1,398,990              | 1,398,990              |
| Vehicles                        | 98,477                 | 98,477                 |
|                                 | <u>2,855,376</u>       | <u>2,855,376</u>       |
| Less accumulated depreciation   | <u>(2,432,900)</u>     | <u>(2,394,097)</u>     |
|                                 | <u>\$ 422,476</u>      | <u>\$ 461,279</u>      |

Depreciation expense was \$38,804 and \$110,786 for the fiscal years ended June 30, 2023 and 2022 respectively.

### Note 4 – Investment in Endowment

Cash and investments carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurement and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Opera's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following tables set forth carrying amounts and estimated fair values for financial instruments:

|                             | As of June 30, 2023 |             |             |                     |             |
|-----------------------------|---------------------|-------------|-------------|---------------------|-------------|
|                             | Level I             | Level II    | Level III   | Total               | %           |
| Equity funds                | \$ 1,528,360        | \$ -        | \$ -        | \$ 1,528,360        | 30%         |
| Fixed income funds          | 982,214             | -           | -           | 982,214             | 20%         |
| Money market and cash funds | 2,501,039           | -           | -           | 2,501,039           | 50%         |
| Total endowment             | <u>\$ 5,011,613</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,011,613</u> | <u>100%</u> |

|                    | As of June 30, 2022 |             |             |                     |             |
|--------------------|---------------------|-------------|-------------|---------------------|-------------|
|                    | Level I             | Level II    | Level III   | Total               | %           |
| Equity funds       | \$ 3,484,526        | \$ -        | \$ -        | \$ 3,484,526        | 58%         |
| Fixed income funds | 2,554,007           | -           | -           | 2,554,007           | 42%         |
| Total endowment    | <u>\$ 6,038,533</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,038,533</u> | <u>100%</u> |

The Level I investment is a component fund which is valued based on the published market values from Vanguard Institutional Advisory Services. There were no investments classified as Level II or Level III for the fiscal years ended June 30, 2023 and 2022.

Unrealized gain (loss) is the amount of gains (losses) for the period included in income attributable to change in unrealized gains (losses) relating to investments still held at the reporting date. Realized and unrealized gains (losses) are reflected in investment income in the *Consolidated Statement of Activities and Changes in Net Assets*.

Original and Reset Principal Corpus of Permanently Restricted Endowment – from 1980 to 2008, the Opera, the Portland Art Museum and the Oregon Symphony, participated in a campaign to raise funds equally for all three organizations establishing the Oregon Arts Heritage Endowment Fund (OAHE). The Oregon Community Foundation (OCF) was engaged to administer the endowment funds received. In May 2008, the Opera exercised its option to withdraw its one-third interest in this jointly shared endowment investment and reinvested its share directly with OCF all of which is considered permanently restricted.

The principal corpus of the Opera's permanently restricted endowment is as follows:

| Amount              | Year | Purpose   |
|---------------------|------|---|
| \$ 392,000          | 1992 | Donor restricted - to be held in perpetuity                   |
| 100,000             | 2000 | Donor restricted - to be held in perpetuity                   |
| 6,227,449           | 2008 | Distribution from the original OAHE endowment                 |
| <u>6,719,449</u>    |      | Original principal corpus of permanently restricted endowment |
| (185,000)           | 2014 | Special Board-approved endowment distribution                 |
| (250,000)           | 2015 | Special Board-approved endowment distribution                 |
| (685,000)           | 2016 | Special Board-approved endowment distribution                 |
| (1,150,000)         | 2019 | Special Board-approved endowment distribution                 |
| (1,000,000)         | 2020 | Special Board-approved endowment distribution                 |
| (200,000)           | 2021 | Special Board-approved endowment distribution                 |
| (1,000,000)         | 2023 | Special Board-approved endowment distribution                 |
| <u>(4,470,000)</u>  |      |   |
| <u>\$ 2,249,449</u> |      | Reset principal corpus of permanently restricted endowment    |

Endowments with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Opera to retain as a fund of perpetual duration. In addition, the Opera's Board of Trustees interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and the organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

As of June 30, 2023, the Opera held endowment funds with original gift values of \$2,249,449 and fair value of \$2,864,565 with no deficiency.

| For the fiscal year ended June 30, 2023   |                            |                         |                               |                     |                     |                     |
|---|----------------------------|-------------------------|-------------------------------|---------------------|---------------------|---------------------|
|   | Without donor restrictions | With donor restrictions |                               |                     |                     | Total endowment     |
|   |                            | Underwater endowment    | Accumulated endowment returns | Endowment principal | Subtotal            |                     |
| Endowment net assets, beginning           | \$ 2,708,603               | \$ -                    | \$ 80,481                     | \$ 3,249,449        | \$ 3,329,930        | \$ 6,038,533        |
| Contributions and bequests                | 3,570                      | -                       | -                             | -                   | -                   | 3,570               |
| Investment gains (losses)                 | 210,437                    | -                       | 258,710                       | -                   | 258,710             | 469,147             |
| Investment expenses                       | (10,816)                   | -                       | (13,296)                      | -                   | (13,296)            | (24,112)            |
| Net change in cumulative endowment losses | -                          | -                       | -                             | -                   | -                   | -                   |
| Amounts appropriated for expenditure:     |                            |                         |                               |                     |                     |                     |
| 5% spending rate to fund operations       | (141,379)                  | -                       | (173,809)                     | -                   | (173,809)           | (315,188)           |
| Utilization to fund debt service          | (71,920)                   | -                       | (88,417)                      | -                   | (88,417)            | (160,337)           |
| Utilization to fund operations            | (551,447)                  | -                       | 551,447                       | (1,000,000)         | (448,553)           | (1,000,000)         |
| Endowment net assets, ending              | <u>\$ 2,147,048</u>        | <u>\$ -</u>             | <u>\$ 615,116</u>             | <u>\$ 2,249,449</u> | <u>\$ 2,864,565</u> | <u>\$ 5,011,613</u> |

As of June 30, 2022, the Opera held endowment funds with original gift values of \$3,249,449 and fair value of \$3,329,930 with no deficiency.

| For the fiscal year ended June 30, 2022   |                            |                         |                               |                     |                     |                     |
|---|----------------------------|-------------------------|-------------------------------|---------------------|---------------------|---------------------|
|   | Without donor restrictions | With donor restrictions |                               |                     |                     | Total endowment     |
|   |                            | Underwater endowment    | Accumulated endowment returns | Endowment principal | Subtotal            |                     |
| Endowment net assets, beginning           | \$ 3,385,982               | \$ -                    | \$ 913,242                    | \$ 3,249,449        | \$ 4,162,691        | \$ 7,548,673        |
| Contributions and bequests                | -                          | -                       | -                             | -                   | -                   | -                   |
| Investment gains (losses)                 | (428,742)                  | -                       | (527,092)                     | -                   | (527,092)           | (955,834)           |
| Investment expenses                       | (9,447)                    | -                       | (11,613)                      | -                   | (11,613)            | (21,060)            |
| Net change in cumulative endowment losses | -                          | -                       | -                             | -                   | -                   | -                   |
| Amounts appropriated for expenditure:     |                            |                         |                               |                     |                     |                     |
| 5% spending rate to fund operations       | (167,270)                  | -                       | (205,639)                     | -                   | (205,639)           | (372,909)           |
| Utilization to fund debt service          | (71,920)                   | -                       | (88,417)                      | -                   | (88,417)            | (160,337)           |
| Endowment net assets, ending              | <u>\$ 2,708,603</u>        | <u>\$ -</u>             | <u>\$ 80,481</u>              | <u>\$ 3,249,449</u> | <u>\$ 3,329,930</u> | <u>\$ 6,038,533</u> |

## Note 5 – Investment in Real Estate

Investment in real estate includes two parcels located at 211 SE Caruthers Street, Portland, Oregon which are accounted for as an investment using fair value accounting. The Opera represents that the intent of purchasing and holding these properties is for investment purposes and that the stated fair value of these investments represents reasonable estimates of the fair value as of June 30, 2023 and 2022.

Unrealized gain (loss) is the amount of gains (losses) for the period included in income attributable to change in unrealized gains (losses) relating to this investment in real estate and reflected in investment income in the *Consolidated Statement of Activities and Changes in Net Assets*.



In September 2019, the appraisal firm of CBRE VALUATION & ADVISORY SERVICES appraised these two parcels in the amount of \$17,500,000.

The fair value as of June 30, 2023 and 2022 was estimated to be \$18,461,548 and \$18,461,548 respectively. Formal appraisals are performed every two to three years depending upon market conditions. For the fiscal years ended June 30, 2023 and 2022, there was no unrealized gain(loss) recorded in investment income in the *Consolidated Statement of Activities and Changes in Net Assets*.

#### **Note 6 – Beneficial Interest in Trusts**

Perpetual Trust No. 1 – in July 1980, the *William Sterling Findlay and Susan Halton Fund* invested with Oregon Community Foundation (OCF) providing a perpetual trust principal of \$59,000 and its income is to be used for general operating expenses.

Perpetual Trust No. 2 – in June 1989, the *Eleanor Lieber Auditions Fund* invested with OCF providing a perpetual trust principal of \$250,000 and its income is to be used for holding nation-wide auditions of young opera singers seeking to enter the *Portland Opera Resident Artists* program.

Perpetual Trust No. 3 – in January 1996, the *Emilie and Don Frisbee Fund* invested with OCF providing a perpetual trust principal of \$110,000 and its income is to be used for general operating expenses.

Perpetual Trust No. 4 – in May 1999, the *John and Carol Hampton Endowment Fund* invested with OCF providing a perpetual trust principal of \$1,000,000 and its income is to be used for general operating expenses.

Charitable Remainder Trust No. 5 – in September 1999, the *Macleod Charitable Remainder Trust* invested 30,500 shares of SunGard common stock with UBS and Alex Brown investment firms providing a split-interest remainder trust where the Opera will receive its respective ten percent share upon the death of the life-time beneficiary.

Perpetual Trust No. 6 – in December 2000, the *Ben and Elaine Whiteley Fund* invested with OCF providing a perpetual trust principal of \$50,000 and its income is to be used for general operating expenses.

Perpetual Trust No. 7 – in May 2002, the *Sir James and Lady McDonald Fund* invested with OCF providing a perpetual trust principal of \$87,500 and its income is to be used for general operating expenses.

Perpetual Trust No. 8 – in March 2021, the *Richard and Mary Rosenberg Fund* invested with OCF providing a perpetual trust principal of \$17,978 and its income is to be used for general operating expenses.

Changes in the Opera's beneficial interest in trusts is summarized as follows:

|  | As of<br>June 30, 2023 | As of<br>June 30, 2022 |
|--|------------------------|------------------------|
| Fair value at the beginning of the fiscal year     | \$ 2,567,164           | \$ 2,783,941           |
| Increase (decrease) in fair value, net of expenses | 93,960                 | (130,757)              |
| Distribution from trust, contributed revenue       | (100,499)              | (86,020)               |
| Fair value at the end of the fiscal year           | <u>\$ 2,560,625</u>    | <u>\$ 2,567,164</u>    |

#### Note 7 – Short-term Outstanding Debt

The Opera has a \$1 million line of credit with a bank that is secured by the general assets of the Opera and a lien on the real estate accounted for under investments in real estate as described in Note 5. The interest rate on this line of credit is subject to change from time to time based on changes in an independent index which is the U.S. Prime Rate as published in The Wall Street Journal. The index was 8.25% and 5.00% as of June 30, 2023 and 2022 respectively, with \$1,000,000 outstanding balance as of June 30, 2023 and no outstanding balance as of June 30, 2022.

#### Note 8 – Long-Term Outstanding Debt

The Opera has a \$2.4 million first mortgage agreement that is secured by the general assets of the Opera and a lien on the real estate accounted for under investments in real estate as described in Note 5. The interest rate on this first mortgage is 4.45% fixed for five years and then subject to change from time to time based on changes in an independent index which is the One Month London Interbank Offered Rate (LIBOR) as published in The Wall Street Journal. The index at the time the first mortgage was signed was 4.45% per annum and the interest rate is 8.01% and 5.125% as of June 30, 2023 and 2022 respectively. The outstanding principal balance at June 30, 2023 and 2022 is equal to \$2,035,825 and \$2,102,659 respectively. The \$2.4 million first mortgage has amortized monthly principal and interest payments over twenty-five years with an overall loan agreement expiring in ten years on May 15, 2027.

Bank loan covenants include maintaining a liquidity covenant of unencumbered liquid assets equal to not less than 1.00 times the \$3.4 million committed amount, reporting covenants to include investment and audited financial statements, and no additional indebtedness without the prior written consent of the lender. As of June 30, 2023 and 2022, the actual liquidity covenant calculated at 1.22 and 2.48 times the \$3.4 million committed amount respectively and all bank covenants were met.

Future payments under the terms of the \$2.4 million first mortgage as of June 30, 2023 is as follows:

|            | Principal           | Interest          | Total               |
|------------|---------------------|-------------------|---------------------|
| FY 2023-24 | \$ 69,664           | \$ 90,673         | \$ 160,337          |
| FY 2024-25 | 73,121              | 87,216            | 160,337             |
| FY 2025-26 | 76,489              | 83,848            | 160,337             |
| FY 2026-27 | 1,831,384           | 73,644            | 1,905,028           |
|            | <u>\$ 2,050,658</u> | <u>\$ 335,381</u> | <u>\$ 2,386,039</u> |

Small Business Loans and Federal Assistance – In April 2020, the Opera was granted a loan in the aggregate amount of \$1,050,400, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. This loan was forgiven and recorded as grant revenue during the nine months ended June 30, 2021. In April 2021, the Opera was awarded a second PPP loan for \$1,113,756. \$1,085,091 of this loan was forgiven and recorded as grant

revenue with the unforgiven amount of \$28,665 being returned to the SBA during the fiscal year ended June 30, 2022. In June 2021, the Opera was awarded a Shuttered Venue Operating Grant (“SVOG”) for \$984,797 and a supplemental SVOG grant of \$1,049,276 in September 2021 for a total of \$2,034,073, which is recorded as deferred grant revenue being recognized as grant revenue when the funds are spent.

The proceeds of the PPP loans and SVOG grants have been and are expected to be used for payroll costs but may also be used for other permitted purposes under the CARES Act, including rent or utility costs. Under the terms of the CARES Act, borrowers can apply for forgiveness for all or a portion of the PPP loans, and the Opera received such forgiveness. Such forgiveness was determined, subject to limitations, based on the use of loan proceeds in accordance with the terms of the CARES Act during the 24-week period after loan origination and the maintenance or achievement of certain employee levels.

**Rainy Day Endowment Reserve** – In June 2017, the Board of Trustees approved changes to the Opera’s Investment Policy Statement to include a rainy-day reserve concept for its investment in endowment referenced in Note 4. This rainy-day reserve concept was designed so that endowment earnings of up to two percent are used to cover the principal and interest payments on its long-term debt listed in Note 8. Endowment earnings of five percent will continue to be distributed for operations. In years where the endowment earns more than these two endowment distributions, the excess is tracked as a rainy-day reserve. This rainy-day reserve is available in any future years where the endowment may not earn enough to cover these two distribution amounts and is available to pay down the outstanding principal balance prior to the loan agreement expiring on May 15, 2027.

Below is a summary of the rainy-day reserve balance as of June 30, 2023 and 2022:

|            | Endowment Earnings |            | Endowment Distributions |                          | Rainy-day Reserve                               |                                  |
|------------|--------------------|------------|-------------------------|--------------------------|---|----------------------------------|
|            | %                  | Amount     | Operations<br>5%        | Debt Service<br>Up to 2% | Annual Earnings<br>over(under)<br>Distributions | Reserve<br>Cumulative<br>Balance |
| FY 2016-17 | 10.42%             | \$ 909,819 | \$ (433,670)            | \$ (76,750)              | \$ 399,399                                      | \$ 399,399                       |
| FY 2017-18 | 7.36%              | 673,092    | (454,846)               | (160,377)                | 57,869  | 457,268                          |
| FY 2018-19 | 5.59%              | 348,647    | (425,169)               | (160,337)                | (236,859)                                       | 220,409                          |
| FY 2019-20 | 11.31%             | 749,786    | (412,320)               | (160,337)                | 177,129   | 397,538                          |
| FY 2020-21 | 14.90%             | 1,120,137  | (412,320)               | (160,337)                | 547,480   | 945,018                          |
| FY 2021-22 | -14.26%            | (955,834)  | (372,909)               | (160,337)                | (1,489,080)                                     | -                                |
| FY 2022-23 | 9.97%              | 469,147    | (315,188)               | (160,337)                | (6,378)   | -                                |

## **Note 9 – Net Assets**

**Net Assets without Donor Restrictions** – as of June 30, 2023 and 2022, there were net assets without donor restrictions available for programs and general operations and net assets without donor restrictions invested in real estate and investments. There were no board-designated net assets.

**Net Assets with Donor Restrictions** – as of June 30, 2023 and 2022, the Opera held permanently restricted endowment funds. These funds earn investment income that is all unrestricted. From time to time, the fair value of assets associated with these permanently restricted endowment funds may fall below the level of the original principal corpus of which donors pledged to be retained as a fund in perpetual duration. See also Note 4 for further information on the original and reset principal corpus of the permanently restricted endowment.

## Note 10 – Commitments

### Rental Income

The Opera entered into a ten-year agreement to lease the second floor of its investment in real estate, see Note 5, with the term beginning on July 1, 2013, through August 31, 2023. Future minimum rental income under the lease is as follows:

|            | Office    | Parking  | Total     |
|------------|-----------|----------|-----------|
| FY 2023-24 | \$ 55,482 | \$ 4,000 | \$ 59,482 |

The Opera recognizes escalating office rent provisions on a straight-line basis over the lease term. The office rental income was \$263,326 for the fiscal years ended June 30, 2023 and 2022. The tenant requested a lease extension through February 2024, after which, they plan on relocating.

## Note 11 – Education and Outreach

The Opera maintains an education and outreach program to provide school children with the opportunity to view and appreciate opera and musical theater. Revenues from performance fees are included in rental and other income. Contributions received to offset certain expenses of the program are included in contributions and sponsorships.

## Note 12 – Contributions of Nonfinancial Assets

For the fiscal years ended June 30, 2023 and 2022 contributed nonfinancial assets recognized on the statement of activities included the following. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

|                                | 2023             | 2022             |
|--------------------------------|------------------|------------------|
| Professional services          | \$ 10,000        | \$ 10,000        |
| Discounted housing for artists | 42,000           | 38,364           |
| Fundraising goods              | 17,777           | 19,595           |
|                                | <u>\$ 69,777</u> | <u>\$ 67,959</u> |

Contributed professional services comprise IT support services used in the management and general activities. The services are valued at the estimated fair value based on the current rate for similar services.

Discounted housing represents a lower rate for hotel rooms for visiting artists and is recorded in production costs. They are valued at the estimated fair value of the rooms at the full rate.

Fundraising goods are donated to the Opera to use in our events and are recorded in fundraising and development costs. These goods are valued at the estimated fair value based on information provided by the donor.

## Note 13 – Retirement Plan

The Opera sponsors a defined contribution retirement savings plan established under Section 403(b) of the Internal Revenue Code (the “Plan”). Employees may make voluntary contributions to the Plan on a pre-tax or post-tax basis up to the maximum amount allowed by law. This Plan is self-directed by the

employees who choose to participate. The Opera matches employee contributions in the amount of 100% of the first 3.00% of salary deferred and contributed to the Plan by the employee. During the fiscal years ended June 30, 2023 and 2022, total contributions to the Plan were \$186,813 and \$184,097 respectively, of which \$59,618 and \$47,330 was the Opera's matching component respectively.

#### Note 14 – Expenses

The expenses of providing the various programs and other activities of the Opera have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques, such as square footage, headcount, or percentage of time and effort, as appropriate.

Expenses by their natural classification for the fiscal year ended June 30, 2023 is summarized as follows:

|                            | Portland Opera Association, Inc. |                        |   |                     | Portland Theater Productions, Inc. |                        |   |                   | Total               |
|----------------------------|----------------------------------|------------------------|---|---------------------|------------------------------------|------------------------|---|-------------------|---------------------|
|                            | Opera programs                   | Management and general | Fundraising, membership and development | Sub-total           | Broadway programs                  | Management and general | Fundraising, membership and development | Sub-total         |                     |
| Salaries and related costs | \$ 1,874,849                     | \$ 781,177             | \$ 491,048                              | \$ 3,147,074        | \$ 91                              | \$ 4,857               | \$ -                                    | \$ 4,948          | \$ 3,152,022        |
| Performance costs          | 3,267,494                        | -                      | -                                       | 3,267,494           | -                                  | -                      | -                                       | -                 | 3,267,494           |
| Advertising and promotion  | 283,342                          | -                      | 128,079                                 | 411,421             | 29,000                             | -                      | -                                       | 29,000            | 440,421             |
| Office expenses            | 76,879                           | 216,063                | 23,202                                  | 316,144             | 53,284                             | -                      | -                                       | 53,284            | 369,428             |
| Occupancy                  | 174,116                          | 86,663                 | -                                       | 260,779             | -                                  | -                      | -                                       | -                 | 260,779             |
| Interest                   | -                                | 173,575                | -                                       | 173,575             | -                                  | -                      | -                                       | -                 | 173,575             |
| Travel                     | 96,039                           | 112,088                | 15,457                                  | 223,584             | -                                  | -                      | -                                       | -                 | 223,584             |
| Depreciation               | -                                | 38,803                 | -                                       | 38,803              | -                                  | -                      | -                                       | -                 | 38,803              |
| Insurance                  | 27,083                           | 81,943                 | -                                       | 109,026             | -                                  | -                      | -                                       | -                 | 109,026             |
| Other                      | 327,900                          | 554,066                | 45,686                                  | 927,652             | 71,196                             | 1,306                  | -                                       | 72,502            | 1,000,154           |
| Sub-total                  | 6,127,703                        | 2,044,378              | 703,472                                 | 8,875,554           | 153,571                            | 6,163                  | -                                       | 159,734           | 9,035,288           |
| Allocation of overhead     | -                                | (53,000)               | (45,000)                                | (98,000)            | -                                  | 53,000                 | 45,000                                  | 98,000            | -                   |
| Total expenses             | <u>\$ 6,127,703</u>              | <u>\$ 1,991,378</u>    | <u>\$ 658,472</u>                       | <u>\$ 8,777,554</u> | <u>\$ 153,571</u>                  | <u>\$ 59,163</u>       | <u>\$ 45,000</u>                        | <u>\$ 257,734</u> | <u>\$ 9,035,288</u> |

Expenses by their natural classification for the fiscal year ended June 30, 2022 is summarized as follows:

|                            | Portland Opera Association, Inc. |                        |   |                     | Portland Theater Productions, Inc. |                        |   |                   | Total               |
|----------------------------|----------------------------------|------------------------|---|---------------------|------------------------------------|------------------------|---|-------------------|---------------------|
|                            | Opera programs                   | Management and general | Fundraising, membership and development | Sub-total           | Broadway programs                  | Management and general | Fundraising, membership and development | Sub-total         |                     |
| Salaries and related costs | \$ 1,391,620                     | \$ 737,212             | \$ 377,646                              | \$ 2,506,478        | \$ 78,527                          | \$ -                   | \$ -                                    | \$ 78,527         | \$ 2,585,005        |
| Performance costs          | 2,596,578                        | -                      | -                                       | 2,596,578           | -                                  | -                      | -                                       | -                 | 2,596,578           |
| Advertising and promotion  | 287,154                          | -                      | 43,416                                  | 330,570             | 24,500                             | -                      | -                                       | 24,500            | 355,070             |
| Office expenses            | 94,094                           | 360,685                | 10,470                                  | 465,249             | 63,114                             | 810                    | 94                                      | 64,018            | 529,267             |
| Occupancy                  | 150,839                          | 77,349                 | -                                       | 228,188             | -                                  | -                      | -                                       | -                 | 228,188             |
| Interest                   | -                                | 97,474                 | -                                       | 97,474              | -                                  | -                      | -                                       | -                 | 97,474              |
| Travel                     | 75,590                           | 24,960                 | 8,534                                   | 109,084             | -                                  | 1,520                  | -                                       | 1,520             | 110,604             |
| Depreciation               | -                                | 110,786                | -                                       | 110,786             | -                                  | -                      | -                                       | -                 | 110,786             |
| Insurance                  | 25,000                           | 26,677                 | -                                       | 51,677              | -                                  | -                      | -                                       | -                 | 51,677              |
| Other                      | 412,802                          | 379,159                | 46,615                                  | 838,576             | 111,749                            | -                      | -                                       | 111,749           | 950,325             |
| Sub-total                  | 5,033,677                        | 1,814,302              | 486,681                                 | 7,334,660           | 277,890                            | 2,330                  | 94                                      | 280,314           | 7,614,974           |
| Allocation of overhead     | (36,420)                         | (91,476)               | (39,996)                                | (167,892)           | 36,420                             | 91,476                 | 39,996                                  | 167,892           | -                   |
| Total expenses             | <u>\$ 4,997,257</u>              | <u>\$ 1,722,826</u>    | <u>\$ 446,685</u>                       | <u>\$ 7,166,768</u> | <u>\$ 314,310</u>                  | <u>\$ 93,806</u>       | <u>\$ 40,090</u>                        | <u>\$ 448,206</u> | <u>\$ 7,614,974</u> |

## Note 15 – Income Taxes

The Opera follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. These standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position would not be sustained if examined by a taxing authority. Management has determined that the Opera has no uncertain tax positions as of June 30, 2023 and 2022. The Opera's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three-year statute of limitations.

## Note 16 – Liquidity and Availability of Financial Assets

Looking forward, financial assets available for general expenditure within one year of the statement of financial position date comprise the following at June 30, 2023 and 2022:

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Total financial assets available to fund<br>general operations at June 30   | \$ 2,329,977        | \$ 6,043,181        |
| Plus other funds subject to appropriation for expenditure:                  |                     |                     |
| Endowment appropriations for operations                                     | 350,000             | 390,000             |
| Board-designated funds approved for expenditure<br>in the next fiscal year: |                     |                     |
| Endowment utilization to fund debt service                                  | 161,000             | 161,000             |
| Endowment special distribution for operations                               | <u>2,000,000</u>    | <u>-</u>            |
| Total financial assets available within one year                            | <u>\$ 2,840,977</u> | <u>\$ 6,594,181</u> |

As part of its liquidity management, the Opera has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Opera invests cash in excess of daily requirements in short-term investments and money market funds.

In addition, the Opera holds endowment funds totaling \$5,011,613 and \$6,038,533 as of June 30, 2023 and 2022 respectively. Although typically the Opera does not intend to spend from its endowment other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its endowment could be made available if necessary. For the fiscal year ended June 30, 2023, the Board authorized a special distributions to fund cash flow needs in the amount of \$1,000,000. For the fiscal year ended June 30, 2022, the Board authorized no special distributions.

## Note 17 – Subsequent Events

The Opera did not have any subsequent events through December 12, 2023, which is the date the consolidated financial statements were available to be issued, for events requiring recording or disclosure in the consolidated financial statements for the fiscal year ended June 30, 2023.

## **SUPPLEMENTARY FINANCIAL INFORMATION**

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Consolidating Statements of Financial Position**  
As of June 30, 2023 and 2022

|   | 2023                                |                                       |                    |                      |
|---|-------------------------------------|---------------------------------------|--------------------|----------------------|
|   | Portland Opera<br>Association, Inc. | Portland Theater<br>Productions, Inc. | Eliminations       | Total                |
| <b>Assets:</b>                                    |                                     |                                       |                    |                      |
| Current:  |                                     |                                       |                    |                      |
| Cash and cash equivalents                         | \$ 530,182                          | \$ 1,497,596                          | \$ -               | \$ 2,027,778         |
| Receivables - trade                               | -                                   | 309,277                               | -                  | 309,277              |
| Receivables - contributions                       | 70,743                              | -                                     | -                  | 70,743               |
| Prepaid expenses                                  | 33,052                              | 4,269                                 | -                  | 37,321               |
| Deferred charges                                  | 143,219                             | -                                     | -                  | 143,219              |
|   | <u>777,196</u>                      | <u>1,811,142</u>                      | <u>-</u>           | <u>2,588,338</u>     |
| Noncurrent:                                       |                                     |                                       |                    |                      |
| Deferred charges                                  | -                                   | -                                     | -                  | -                    |
| Capital assets, net of depreciation               | 422,476                             | -                                     | -                  | 422,476              |
| Investment in endowment                           | 5,011,613                           | -                                     | -                  | 5,011,613            |
| Investment in real estate                         | 18,461,548                          | -                                     | -                  | 18,461,548           |
| Beneficial interest in trusts                     | 2,560,625                           | -                                     | -                  | 2,560,625            |
|   | <u>26,456,262</u>                   | <u>-</u>                              | <u>-</u>           | <u>26,456,262</u>    |
| Total assets                                      | <u>\$ 27,233,458</u>                | <u>\$ 1,811,142</u>                   | <u>\$ -</u>        | <u>\$ 29,044,600</u> |
| <b>Liabilities:</b>                               |                                     |                                       |                    |                      |
| Current:  |                                     |                                       |                    |                      |
| Accounts payable and accrued liabilities          | \$ 181,666                          | \$ 5,912                              | \$ -               | \$ 187,578           |
| Due on line of credit                             | 1,000,000                           | -                                     | -                  | 1,000,000            |
| Deferred contribution revenue                     | 14,800                              | -                                     | -                  | 14,800               |
| Deferred ticket revenue                           | 29,082                              | 4,645,587                             | -                  | 4,674,669            |
| Deferred grant revenue                            | 224,850                             | 250,000                               | -                  | 474,850              |
| Long-term debt due in one year                    | 69,664                              | -                                     | -                  | 69,664               |
|   | <u>1,520,062</u>                    | <u>4,901,499</u>                      | <u>-</u>           | <u>6,421,561</u>     |
| Noncurrent:                                       |                                     |                                       |                    |                      |
| Due to subsidiary                                 | 4,479,183                           | -                                     | (4,479,183)        | -                    |
| Deposits refundable                               | 27,741                              | -                                     | -                  | 27,741               |
| Due on long-term debt                             | 2,050,658                           | -                                     | -                  | 2,050,658            |
| Less long-term debt due in one year               | (69,664)                            | -                                     | -                  | (69,664)             |
|   | <u>6,487,918</u>                    | <u>-</u>                              | <u>(4,479,183)</u> | <u>2,008,735</u>     |
| Total liabilities                                 | <u>8,007,980</u>                    | <u>4,901,499</u>                      | <u>(4,479,183)</u> | <u>8,430,296</u>     |
| <b>Net Assets:</b>                                |                                     |                                       |                    |                      |
| Without donor restrictions:                       |                                     |                                       |                    |                      |
| Available for programs and general operations     | (2,033,078)                         | (3,090,357)                           | 4,479,183          | (644,252)            |
| Net investments in capital assets and real estate | 15,833,366                          | -                                     | -                  | 15,833,366           |
| Total net assets without donor restrictions       | 13,800,288                          | (3,090,357)                           | 4,479,183          | 15,189,114           |
| With donor restrictions                           | 5,425,190                           | -                                     | -                  | 5,425,190            |
| Total net assets                                  | 19,225,478                          | (3,090,357)                           | 4,479,183          | 20,614,304           |
| Total liabilities and net assets                  | <u>\$ 27,233,458</u>                | <u>\$ 1,811,142</u>                   | <u>\$ -</u>        | <u>\$ 29,044,600</u> |



| 2022                                |                                       |              |               |
|-------------------------------------|---------------------------------------|--------------|---------------|
| Portland Opera<br>Association, Inc. | Portland Theater<br>Productions, Inc. | Eliminations | Total         |
| \$ 221,724                          | \$ 5,485,136                          | \$ -         | \$ 5,706,860  |
| 3,650                               | 332,671                               | -            | 336,321       |
| -                                   | -                                     | -            | -             |
| 121,072                             | 4,269                                 | -            | 125,341       |
| 80,746                              | -                                     | -            | 80,746        |
| 427,192                             | 5,822,076                             | -            | 6,249,268     |
| 7,172                               | -                                     | -            | 7,172         |
| 461,279                             | -                                     | -            | 461,279       |
| 6,038,533                           | -                                     | -            | 6,038,533     |
| 18,461,548                          | -                                     | -            | 18,461,548    |
| 2,567,164                           | -                                     | -            | 2,567,164     |
| 27,535,696                          | -                                     | -            | 27,535,696    |
| \$ 27,962,888                       | \$ 5,822,076                          | \$ -         | \$ 33,784,964 |
| \$ 205,049                          | \$ 41,456                             | \$ -         | \$ 246,505    |
| -                                   | -                                     | -            | -             |
| -                                   | 29,063                                | -            | 29,063        |
| 287,068                             | 6,422,775                             | -            | 6,709,843     |
| 1,341,675                           | 250,000                               | -            | 1,591,675     |
| 66,834                              | -                                     | -            | 66,834        |
| 1,900,626                           | 6,743,294                             | -            | 8,643,920     |
| 2,457,867                           | -                                     | (2,457,867)  | -             |
| 27,741                              | -                                     | -            | 27,741        |
| 2,102,659                           | -                                     | -            | 2,102,659     |
| (66,834)                            | -                                     | -            | (66,834)      |
| 4,521,433                           | -                                     | (2,457,867)  | 2,063,566     |
| 6,422,059                           | 6,743,294                             | (2,457,867)  | 10,707,486    |
| (1,176,433)                         | (921,218)                             | 2,457,867    | 360,216       |
| 16,820,168                          | -                                     | -            | 16,820,168    |
| 15,643,735                          | (921,218)                             | 2,457,867    | 17,180,384    |
| 5,897,094                           | -                                     | -            | 5,897,094     |
| 21,540,829                          | (921,218)                             | 2,457,867    | 23,077,478    |
| \$ 27,962,888                       | \$ 5,822,076                          | \$ -         | \$ 33,784,964 |

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Consolidating Statements of Activities and Changes in Net Assets**  
For the fiscal years ended June 30, 2023 and 2022

|   | 2023                                |                                       |                       |                       |
|---|-------------------------------------|---------------------------------------|-----------------------|-----------------------|
|   | Portland Opera<br>Association, Inc. | Portland Theater<br>Productions, Inc. | Eliminations          | Total                 |
| <b>Revenues, gains and other support:</b>               |                                     |                                       |                       |                       |
| Earned revenue  |                                     |                                       |                       |                       |
| Ticket sales  | \$ 1,014,634                        | \$ -                                  | \$ -                  | \$ 1,014,634          |
| Ticket handling revenue                                 | 57,048                              | 34,247                                | -                     | 91,295                |
| Broadway presentations                                  | -                                   | 1,578,695                             | -                     | 1,578,695             |
|   | <u>1,071,682</u>                    | <u>1,612,942</u>                      | <u>-</u>              | <u>2,684,624</u>      |
| Contributions and outside support                       |                                     |                                       |                       |                       |
| Contributions of cash and outside support               | 966,120                             | 33,618                                | -                     | 999,738               |
| Contributions of nonfinancial assets                    | 69,777                              | -                                     | -                     | 69,777                |
| Contributions to endowment fund                         | 3,570                               | -                                     | -                     | 3,570                 |
| Educational, governmental, and project grants           | 1,907,625                           | -                                     | -                     | 1,907,625             |
| Special support   | 75,495                              | -                                     | -                     | 75,495                |
|   | <u>3,022,587</u>                    | <u>33,618</u>                         | <u>-</u>              | <u>3,056,205</u>      |
| Income from subsidiary                                  | 1,388,826                           | -                                     | (1,388,826)           | -                     |
| Investment gains (losses)                               | 199,621                             | -                                     | -                     | 199,621               |
| Rental and other revenues                               | 392,789                             | -                                     | -                     | 392,789               |
| Total revenues and gains                                | 6,075,505                           | 1,646,560                             | (1,388,826)           | 6,333,239             |
| Net assets released from restriction, endowments        | 710,779                             | -                                     | -                     | 710,779               |
| Total revenues, gains and other support                 | <u>6,786,284</u>                    | <u>1,646,560</u>                      | <u>(1,388,826)</u>    | <u>7,044,018</u>      |
| <b>Expenses:</b>  |                                     |                                       |                       |                       |
| Program activities:                                     |                                     |                                       |                       |                       |
| Production costs:                                       |                                     |                                       |                       |                       |
| Performance   | 3,267,494                           | -                                     | -                     | 3,267,494             |
| Production  | 717,568                             | -                                     | -                     | 717,568               |
| Music, education and outreach                           | 881,576                             | -                                     | -                     | 881,576               |
|   | <u>4,866,638</u>                    | <u>-</u>                              | <u>-</u>              | <u>4,866,638</u>      |
| Sales and customer service costs:                       |                                     |                                       |                       |                       |
| Marketing and public relations                          | 935,376                             | 27,700                                | -                     | 963,076               |
| Ticketing and customer service                          | 325,689                             | 126,571                               | -                     | 452,260               |
|   | <u>1,261,065</u>                    | <u>154,271</u>                        | <u>-</u>              | <u>1,415,336</u>      |
| Total program activities                                | <u>6,127,703</u>                    | <u>154,271</u>                        | <u>-</u>              | <u>6,281,974</u>      |
| Supporting activities:                                  |                                     |                                       |                       |                       |
| Management and general:                                 |                                     |                                       |                       |                       |
| Administrative  | 1,376,583                           | 58,463                                | -                     | 1,435,046             |
| Interest  | 173,575                             | -                                     | -                     | 173,575               |
| Facilities  | 402,417                             | -                                     | -                     | 402,417               |
| Depreciation and amortization                           | 38,803                              | -                                     | -                     | 38,803                |
|   | <u>1,991,378</u>                    | <u>58,463</u>                         | <u>-</u>              | <u>2,049,841</u>      |
| Fundraising and development                             | 658,473                             | 45,000                                | -                     | 703,473               |
| Total supporting activities                             | <u>2,649,851</u>                    | <u>103,463</u>                        | <u>-</u>              | <u>2,753,314</u>      |
| Total expenses  | <u>8,777,554</u>                    | <u>257,734</u>                        | <u>-</u>              | <u>9,035,288</u>      |
| <b>Changes in net assets without donor restrictions</b> | <u>(1,991,270)</u>                  | <u>1,388,826</u>                      | <u>(1,388,826)</u>    | <u>(1,991,270)</u>    |
| Changes in net assets with donor restrictions           |                                     |                                       |                       |                       |
| Investment gains (losses)                               | 238,875                             | -                                     | -                     | 238,875               |
| Net assets released from restriction, endowments        | (710,779)                           | -                                     | -                     | (710,779)             |
|   | <u>(471,904)</u>                    | <u>-</u>                              | <u>-</u>              | <u>(471,904)</u>      |
| Changes in net assets                                   | <u>\$ (2,463,174)</u>               | <u>\$ 1,388,826</u>                   | <u>\$ (1,388,826)</u> | <u>\$ (2,463,174)</u> |

| 2022                                |                                       |                |              |
|-------------------------------------|---------------------------------------|----------------|--------------|
| Portland Opera<br>Association, Inc. | Portland Theater<br>Productions, Inc. | Eliminations   | Total        |
| \$ 518,258                          | \$ -                                  | \$ -           | \$ 518,258   |
| 34,734                              | 280,327                               | -              | 315,061      |
| -                                   | 1,704,529                             | -              | 1,704,529    |
| 552,992                             | 1,984,856                             | -              | 2,537,848    |
| 904,834                             | -                                     | -              | 904,834      |
| 67,959                              | -                                     | -              | 67,959       |
| -                                   | -                                     | -              | -            |
| 2,060,647                           | -                                     | -              | 2,060,647    |
| 464,087                             | -                                     | -              | 464,087      |
| 3,497,527                           | -                                     | -              | 3,497,527    |
| 1,536,650                           | -                                     | (1,536,650)    | -            |
| 1,161,811                           | -                                     | -              | 1,161,811    |
| 330,498                             | -                                     | -              | 330,498      |
| 7,079,478                           | 1,984,856                             | (1,536,650)    | 7,527,684    |
| 294,056                             | -                                     | -              | 294,056      |
| 7,373,534                           | 1,984,856                             | (1,536,650)    | 7,821,740    |
| 2,596,578                           | -                                     | -              | 2,596,578    |
| 634,949                             | 42,686                                | -              | 677,635      |
| 559,983                             | -                                     | -              | 559,983      |
| 3,791,510                           | 42,686                                | -              | 3,834,196    |
| 844,997                             | 48,008                                | -              | 893,005      |
| 360,750                             | 223,616                               | -              | 584,366      |
| 1,205,747                           | 271,624                               | -              | 1,477,371    |
| 4,997,257                           | 314,310                               | -              | 5,311,567    |
| 1,111,417                           | 93,806                                | -              | 1,205,223    |
| 96,446                              | -                                     | -              | 96,446       |
| 404,177                             | -                                     | -              | 404,177      |
| 110,786                             | -                                     | -              | 110,786      |
| 1,722,826                           | 93,806                                | -              | 1,816,632    |
| 446,685                             | 40,090                                | -              | 486,775      |
| 2,169,511                           | 133,896                               | -              | 2,303,407    |
| 7,166,768                           | 448,206                               | -              | 7,614,974    |
| 206,766                             | 1,536,650                             | (1,536,650)    | 206,766      |
| (755,482)                           | -                                     | -              | (755,482)    |
| (294,056)                           | -                                     | -              | (294,056)    |
| (1,049,538)                         | -                                     | -              | (1,049,538)  |
| \$ (842,772)                        | \$ 1,536,650                          | \$ (1,536,650) | \$ (842,772) |

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PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Consolidating Statements of Activities and Changes in Net Assets (Detail)**  
For the fiscal years ended June 30, 2023 and 2022

|   | 2023                  | 2022                |
|---|-----------------------|---------------------|
| <b>Revenues, gains and other support:</b>               |                       |                     |
| Earned revenue  |                       |                     |
| Ticket sales  | \$ 1,014,634          | \$ 518,258          |
| Ticket handling revenue                                 | 91,295                | 315,061             |
| Broadway presentations                                  | 1,578,695             | 1,704,529           |
|   | <u>2,684,624</u>      | <u>2,537,848</u>    |
| Contributions and outside support                       |                       |                     |
| Contributions of cash and outside support               | 999,738               | 904,834             |
| Contributions of nonfinancial assets                    | 69,777                | 67,959              |
| Contributions to endowment fund                         | 3,570                 | -                   |
| Educational, governmental, and project grants           | 1,907,625             | 2,060,647           |
| Special support   | 75,495                | 464,087             |
|   | <u>3,056,205</u>      | <u>3,497,527</u>    |
| Investment gains (losses)                               | 199,621               | 1,161,811           |
| Rental and other income                                 | 392,789               | 330,498             |
| Total revenues and gains                                | <u>6,333,239</u>      | <u>7,527,684</u>    |
| Net assets released from restriction, endowments        | 710,779               | 294,056             |
| Total revenues, gains and other support                 | <u>7,044,018</u>      | <u>7,821,740</u>    |
| <b>Expenses:</b>  |                       |                     |
| Program activities:                                     |                       |                     |
| Production costs:                                       |                       |                     |
| Performance   | 3,267,494             | 2,596,578           |
| Production  | 717,568               | 677,635             |
| Music, education and outreach                           | 881,576               | 559,983             |
|   | <u>4,866,638</u>      | <u>3,834,196</u>    |
| Sales and customer service costs:                       |                       |                     |
| Marketing and public relations                          | 963,076               | 893,005             |
| Ticketing and customer service                          | 452,260               | 584,366             |
|   | <u>1,415,336</u>      | <u>1,477,371</u>    |
| Total program activities                                | <u>6,281,974</u>      | <u>5,311,567</u>    |
| Supporting activities:                                  |                       |                     |
| Management and general:                                 |                       |                     |
| Administrative  | 1,435,046             | 1,205,223           |
| Interest  | 173,575               | 96,446              |
| Facilities  | 402,417               | 404,177             |
| Depreciation and amortization                           | 38,803                | 110,786             |
|   | <u>2,049,841</u>      | <u>1,816,632</u>    |
| Fundraising and development                             | 703,473               | 486,775             |
| Total supporting activities                             | <u>2,753,314</u>      | <u>2,303,407</u>    |
| Total expenses  | <u>9,035,288</u>      | <u>7,614,974</u>    |
| <b>Changes in net assets without donor restrictions</b> | <u>(1,991,270)</u>    | <u>206,766</u>      |
| Changes in net assets with donor restrictions           |                       |                     |
| Investment gains (losses)                               | 238,875               | (755,482)           |
| Net assets released from restriction, endowments        | (710,779)             | (294,056)           |
|   | <u>(471,904)</u>      | <u>(1,049,538)</u>  |
| Changes in net assets                                   | <u>\$ (2,463,174)</u> | <u>\$ (842,772)</u> |

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Consolidating Statements of Cash Flows**  
For the fiscal years ended June 30, 2023 and 2022

|   | 2023                                |                                       |                |                     |
|---|-------------------------------------|---------------------------------------|----------------|---------------------|
|   | Portland Opera<br>Association, Inc. | Portland Theater<br>Productions, Inc. | Eliminations   | Total               |
| <b>Cash flows from operating activities:</b>  |                                     |                                       |                |                     |
| Changes in net assets   | \$ (2,463,174)                      | \$ 1,388,826                          | \$ (1,388,826) | \$ (2,463,174)      |
| Adjustments to reconcile changes in net assets<br>to net cash used in operating activities: |                                     |                                       |                |                     |
| Depreciation and amortization   | 38,803                              | -                                     | -              | 38,803              |
| Forgiveness of SBA loan   | -                                   | -                                     | -              | -                   |
| Decrease (increase) in value of endowment and investments                                   | (297,211)                           | -                                     | 1,388,826      | 1,091,615           |
| Decrease (increase) in value of investment in real estate                                   | -                                   | -                                     | -              | -                   |
| Decrease (increase) in value of beneficial interest in trusts                               | (93,960)                            | -                                     | -              | (93,960)            |
| Change in assets and liabilities:   |                                     |                                       |                |                     |
| Decrease (increase) in trade receivables  | -                                   | (3,534,571)                           | 3,557,965      | 23,394              |
| Decrease (increase) in contributions receivables  | (67,093)                            | -                                     | -              | (67,093)            |
| Decrease (increase) in prepaid expenses and supplies  | 88,020                              | -                                     | -              | 88,020              |
| Decrease (increase) in deferred charges   | (55,301)                            | -                                     | -              | (55,301)            |
| Increase (decrease) in accounts payable and accrued liabilities                             | 1,997,932                           | (35,544)                              | (3,557,965)    | (1,595,577)         |
| Increase (decrease) in deferred ticket revenue  | (257,986)                           | (1,777,188)                           | -              | (2,035,174)         |
| Increase (decrease) in deferred grant revenue   | (1,116,825)                         | 220,937                               | -              | (895,888)           |
| Increase (decrease) in deferred contribution revenue  | 14,800                              | (250,000)                             | -              | (235,200)           |
| Net cash provided by (used in) operating activities   | <u>(2,211,995)</u>                  | <u>(3,987,540)</u>                    | <u>-</u>       | <u>(6,199,535)</u>  |
| <b>Cash flows from investing activities:</b>  |                                     |                                       |                |                     |
| Purchases of investments in endowment   | (3,570)                             | -                                     | -              | (3,570)             |
| Proceeds from sales of investments in endowment   | 1,475,525                           | -                                     | -              | 1,475,525           |
| Proceeds from distributions from beneficial interest in trusts                              | 100,499                             | -                                     | -              | 100,499             |
| Net cash provided by (used in) investing activities   | <u>1,572,454</u>                    | <u>-</u>                              | <u>-</u>       | <u>1,572,454</u>    |
| <b>Cash flows from financing activities:</b>  |                                     |                                       |                |                     |
| Proceeds from short-term line of credit   | 1,000,000                           | -                                     | -              | 1,000,000           |
| Repayment of long-term debt   | (52,001)                            | -                                     | -              | (52,001)            |
| Net cash provided by (used in) financing activities   | <u>947,999</u>                      | <u>-</u>                              | <u>-</u>       | <u>947,999</u>      |
| Changes in cash and cash equivalents  | 308,458                             | (3,987,540)                           | -              | (3,679,082)         |
| Cash and cash equivalents, beginning of year  | <u>221,724</u>                      | <u>5,485,136</u>                      | <u>-</u>       | <u>5,706,860</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 530,182</u>                   | <u>\$ 1,497,596</u>                   | <u>\$ -</u>    | <u>\$ 2,027,778</u> |
| Cash paid during the fiscal year for interest   | <u>\$ 173,575</u>                   | <u>\$ -</u>                           | <u>\$ -</u>    | <u>\$ 173,575</u>   |

| 2022                             |                                    |                |              |
|----------------------------------|------------------------------------|----------------|--------------|
| Portland Opera Association, Inc. | Portland Theater Productions, Inc. | Eliminations   | Total        |
| \$ (842,772)                     | \$ 1,536,650                       | \$ (1,536,650) | \$ (842,772) |
| 110,786                          | -                                  | -              | 110,786      |
| (1,085,091)                      | -                                  | -              | (1,085,091)  |
| (282,463)                        | -                                  | 1,536,650      | 1,254,187    |
| (1,600,000)                      | -                                  | -              | (1,600,000)  |
| 130,757                          | -                                  | -              | 130,757      |
| 187,563                          | (1,261,156)                        | 1,374,569      | 300,976      |
| (3,650)                          | -                                  | -              | (3,650)      |
| (9,189)                          | -                                  | -              | (9,189)      |
| 45,181                           | -                                  | -              | 45,181       |
| 1,008,280                        | 18,793                             | (1,374,569)    | (347,496)    |
| 216,459                          | 4,746,124                          | -              | 4,962,583    |
| 356,878                          | 250,000                            | -              | 606,878      |
| -                                | 29,063                             | -              | 29,063       |
| (1,767,261)                      | 5,319,474                          | -              | 3,552,213    |
| -                                | -                                  | -              | -            |
| 533,246                          | -                                  | -              | 533,246      |
| 86,020                           | -                                  | -              | 86,020       |
| 619,266                          | -                                  | -              | 619,266      |
| -                                | -                                  | -              | -            |
| (92,555)                         | -                                  | -              | (92,555)     |
| (92,555)                         | -                                  | -              | (92,555)     |
| (1,240,550)                      | 5,319,474                          | -              | 4,078,924    |
| 1,462,274                        | 165,662                            | -              | 1,627,936    |
| \$ 221,724                       | \$ 5,485,136                       | \$ -           | \$ 5,706,860 |
| \$ 96,446                        | \$ -                               | \$ -           | \$ 96,446    |



Geoffrey Dougall, CPA  
Heather Jackson, CPA  
Lee Owen, CPA  
Richard Winkel, CPA  
Members of AICPA & OSCPA

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Consolidated financial statements Performed  
in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors  
Portland Opera Association, Inc. and Subsidiary  
Hillsboro, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Portland Opera Association, Inc. and Subsidiary (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Portland Opera Association, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portland Opera Association, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Portland Opera Association, Inc. and Subsidiary's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Portland Opera Association, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dougall Conradie LLC*

Portland, Oregon  
December 12, 2023

Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors  
Portland Opera Association, Inc. and Subsidiary  
Hillsboro, Oregon

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Portland Opera Association, Inc. and Subsidiary's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Portland Opera Association, Inc. and Subsidiary's major federal programs for the year ended June 30, 2023. Portland Opera Association, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Portland Opera Association, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Portland Opera Association, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Portland Opera Association, Inc. and Subsidiary's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Portland Opera Association, Inc. and Subsidiary's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Portland Opera Association, Inc. and Subsidiary's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Portland Opera Association, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Portland Opera Association, Inc. and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Portland Opera Association, Inc. and Subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Portland Opera Association, Inc. and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dougall Conradi LLC*

Portland, Oregon  
December 12, 2023

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Schedule of Federal Expenditures**  
For the fiscal year ended June 30, 2023

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Schedule of Federal Expenditures

| <b>Federal Grantor/Pass-Through Grantor/<br/>Program Title</b> | <b>Federal CFDA<br/>Number</b> | <b>Pass-Through<br/>Entity Identifying<br/>Number</b> | <b>Passed<br/>through to<br/>Subrecipients</b> | <b>Federal<br/>Expenditures</b> |
|--|--------------------------------|---|--|---------------------------------|
| <b>Small Business Administration</b>                           |                                |   |  |                                 |
| Shuttered Venue Operators                                      | 59.075                         | N/A   | \$ -   | \$ 1,341,675                    |
| <b>Total Expenditures of Federal Awards</b>                    |                                |   | <u>\$ -</u>                                    | <u>\$ 1,341,675</u>             |

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the fiscal year ended June 30, 2023

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**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activity of the Portland Opera Association, Inc. and Subsidiary under programs of the federal government for the fiscal year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Portland Opera Association, Inc. and Subsidiary, it is not intended to and does not present the financial position, changes in net assets or cash flows of Portland Opera Association, Inc. and Subsidiary. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available. There were no pass-through grants to subrecipients during the year.

The Organization did not elect to use the 10% de minimis indirect cost rate.

The Organization did not have any pass through subrecipients of grant awards.

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Schedule of Findings and Questioned Costs**  
For the fiscal year ended June 30, 2023

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**Summary of Audit Results**

*Consolidated financial statements*

- Type of auditor's report issued – **Unmodified opinion**

- Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes   X   no

Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported

- Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   X   no

*Federal Awards*

- Internal control over program awards:

Material weaknesses identified? \_\_\_\_\_ yes   X   no

Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported

- Type of auditor's report issued on compliance for the major federal award programs – **Unmodified opinion**

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

- The program tested as a major program was Small Business Administration Shuttered Venue Operators (CFDA #59.075).

- The threshold for distinguishing Types A and B programs was \$750,000.

- Portland Opera Association, Inc. and Subsidiary did not qualify as a low-risk auditee.

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

**Governing Board and Management**

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**BOARD OF TRUSTEES – OFFICERS**

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*Past President, PGE Foundation*

**Curtis Thompson, MD, Past President** <sup>4</sup>  
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Portland General Electric and PGE Foundation*

**Jamey Hampton, Vice President** <sup>1</sup>  
*Co-founder & Artistic Director, BodyVox*

**Matthew Essieh, Treasurer** <sup>2</sup>  
*CEO, EAI Information Systems*

**Linda Brown, Secretary** <sup>1, 4</sup>  
*Owner, Brown's Blueberries*

**BOARD OF TRUSTEES – MEMBERS**

**Katherine de la Forest** <sup>2</sup>  
*Sr. Relationship Manager & Sr. VP, Key Private Bank*

**Michelle Glass** <sup>4</sup>  
*General Manager, The Racquet Club*

**Hugh Harris** <sup>4</sup>  
*Co-Founder, East County Rising*

**JR Kamra** <sup>2</sup>  
*Supply Chain Manager, Nike*

**Christine Lewis** <sup>3</sup>  
*Metro Councilor, District 2*

**Larry D. Roper** <sup>3, 4</sup>  
*Emeritus Professor of Language, Culture + Society,  
Oregon State University*

**David Salerno Owens** <sup>4</sup>  
*Diversity, Equity & Inclusion Consultant,  
Portland Metropolitan*

**Paul Synder**  
*Executive Vice President  
Stewardship at Tillamook County Creamery Association*

**Kathryn Wheeler** <sup>4</sup>  
*Senior Sales Consultant, Atlas by Faria Education Group*

**BOARD OF TRUSTEES – EMERITUS**

**Diana Harris**  
*Retired Intel Executive & Community Volunteer*

**Nicolai Kruger, AIA**  
*Owner, Nicolai Kruger Studio*

**Greg Tibbles, Past Treasurer**  
*Retired Executive*

<sup>1</sup> Executive Committee

<sup>2</sup> Finance Committee

<sup>3</sup> Governance Committee

<sup>4</sup> Leadership Development Committee



PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY  
**Governing Board and Management**

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## **MANAGEMENT**

**Sue Dixon**

*General Director*

**April Bridge, CFRE**

*Director of Development*

**Damien Geter**

*Interim Music Director*

**Anna Labykina**

*Producing Director*

**Alfrelynn Roberts**

*Director of Artistic Planning & Operations*

**Richard Seals, CPA CMA CFM CFE CGMA**

*Chief Financial Officer*

**Karen Slack**

*Artistic Advisor*

**Andrea Tichy**

*Director of Marketing & Communications*

**Tracy Wenckus**

*General Manager of Broadway*

**Inquiries and Other Information**

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**FOR GENERAL INQUIRIES:**

PORTLAND OPERA  
THE HAMPTON OPERA CENTER  
211 SE CARUTHERS ST.  
PORTLAND, OR 97214  
BOX OFFICE: 503-241-1802  
ADMINISTRATION: 503-241-1407

OUR OFFICE HOURS  
MONDAY–FRIDAY  
9:00AM–5:00PM

**FOR ADDITIONAL FINANCIAL INFORMATION:**

**Matthew Essieh, Treasurer**  
*CEO, EAI Information Systems*  
EMAIL: MATT.ESSIEH@EAIINFOSYS.COM  
DIRECT: 503-936-4745

**Richard Seals, CPA CMA CFM CFE CGMA**  
*Chief Financial Officer*  
EMAIL: RSEALS@PORTLANDOPERA.ORG  
DIRECT: 503-321-5269

**VISION**

*We celebrate the power of performance, storytelling, and song as  
an inclusive artistic leader.*

**MISSION**

*We gather and inspire audiences, artists, and collaborators to  
create shared opera experiences that enliven and connect us all,  
enhancing the cultural landscape of the beautiful  
Pacific Northwest.*



# PORTLAND **OPERA**

THE HAMPTON OPERA CENTER  
211 SE CARUTHERS STREET | PORTLAND, OR 97214

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