

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

Consolidated Financial Statements
For the nine months ended June 30, 2021

**PORTLAND
OPERA**

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

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For the nine months ended June 30, 2021

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PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

Report of the Treasurer

For the nine months ended June 30, 2021

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 RICHARD WINKEL, CPA 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.

Greg Tibbles
Treasurer
Board of Trustees
Portland Opera Association

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Portland Opera Association, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets and cash flows for the nine months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Richard Winkel, CPA
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Portland Opera Association, Inc. and Subsidiary as of June 30, 2021, and the changes in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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.

Richard Winkel, CPA

October 27, 2021

FINANCIAL STATEMENTS

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
As of June 30, 2021

		Without donor restrictions	With donor restrictions	Total
Assets:				
Current:				
Cash and cash equivalents	Note 2	\$ 1,627,936	\$ -	\$ 1,627,936
Receivables - trade	Note 2	633,647	-	633,647
Prepaid expenses	Note 2	116,152	-	116,152
Deferred charges	Note 2	50,072	-	50,072
		<u>2,427,807</u>	<u>-</u>	<u>2,427,807</u>
Noncurrent:				
Deferred charges	Note 2	83,027	-	83,027
Capital assets, net of depreciation	Note 5	572,065	-	572,065
Investment in endowment	Note 6	3,385,982	4,162,691	7,548,673
Investment in real estate	Note 7	16,861,548	-	16,861,548
Beneficial interest in trusts	Note 8	-	2,783,941	2,783,941
		<u>20,902,622</u>	<u>6,946,632</u>	<u>27,849,254</u>
Total assets		<u>\$ 23,330,429</u>	<u>\$ 6,946,632</u>	<u>\$ 30,277,061</u>
Liabilities:				
Current:				
Accounts payable and accrued liabilities		316,708	\$ -	\$ 316,708
Deferred ticket revenue	Note 2	1,747,260	-	1,747,260
Deferred grant revenue	Note 9	984,797	-	984,797
Long-term debt due in one year	Note 9	63,891	-	63,891
		<u>3,112,656</u>	<u>-</u>	<u>3,112,656</u>
Noncurrent:				
Deposits refundable		27,741	-	27,741
Notes payable	Note 9	1,113,756	-	1,113,756
Due on long-term debt	Note 9	2,166,549	-	2,166,549
Less long-term debt due in one year	Note 9	(63,891)	-	(63,891)
		<u>3,244,155</u>	<u>-</u>	<u>3,244,155</u>
Total liabilities		<u>6,356,811</u>	<u>-</u>	<u>6,356,811</u>
Net Assets:				
Without donor restrictions:				
Available for programs and general operations	Note 10	1,706,554	-	1,706,554
Net investments in capital assets and real estate	Note 10	15,267,064	-	15,267,064
Total net assets without donor restrictions	Note 10	16,973,618	-	16,973,618
With donor restrictions	Note 10	-	6,946,632	6,946,632
Total net assets	Note 10	16,973,618	6,946,632	23,920,250
Total liabilities and net assets		<u>\$ 23,330,429</u>	<u>\$ 6,946,632</u>	<u>\$ 30,277,061</u>

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 nine months ended June 30, 2021

		Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:				
Earned revenue	Note 2	\$ 844,145	\$ -	\$ 844,145
Contributions and outside support	Note 2	3,547,268	-	3,547,268
Investment gains (losses)	Note 5, 6	(312,641)	1,188,403	875,762
Rental and other revenues	Note 11	247,370	-	247,370
Total revenues and gains		4,326,142	1,188,403	5,514,545
Net assets released from restriction, endowments	Note 10	392,128	(392,128)	-
Total revenues, gains and other support		4,718,270	796,275	5,514,545
Expenses:				
Program activities:				
Production costs		1,917,280	-	1,917,280
Sales and customer service costs		704,365	-	704,365
Total program activities		2,621,645	-	2,621,645
Supporting activities:				
Management and general		1,041,561	-	1,041,561
Fundraising and development		321,156	-	321,156
Total supporting activities		1,362,717	-	1,362,717
Total expenses		3,984,362	-	3,984,362
Changes in net assets		733,908	796,275	1,530,183
Net Assets:				
Net assets, beginning	Note 10	16,239,710	6,150,357	22,390,067
Net assets, ending	Note 10	\$ 16,973,618	\$ 6,946,632	\$ 23,920,250

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 nine months ended June 30, 2021

Cash flows from operating activities:

Changes in net assets	\$ 1,530,183
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	78,801
Forgiveness of SBA loan	(1,060,400)
Decrease (increase) in value of investment in endowment	(1,103,944)
Decrease (increase) in value of investment in real estate	638,452
Decrease (increase) in value of beneficial interest in trusts	(594,495)
Decrease in value of intangible asset	172,225
Change in assets and liabilities:	
Decrease (increase) in trade receivables	99,704
Decrease (increase) in contributions receivables	100,000
Decrease (increase) in prepaid expenses and supplies	8,103
Decrease (increase) in deferred charges	136,579
Increase (decrease) in accounts payable and accrued liabilities	55,678
Increase (decrease) in deferred ticket revenue	(754,502)
Increase (decrease) in deferred grant revenue	984,797
Increase (decrease) in deferred contributions revenue	(537,500)
Net cash provided by (used in) operating activities	<u>(246,319)</u>

Cash flows from investing activities:

Proceeds from sales of investments in endowment	750,051
Proceeds from distributions from beneficial interest in trusts	12,000
Acquisitions of capital assets	(229,987)
Net cash provided by (used in) investing activities	<u>532,064</u>

Cash flows from financing activities:

Proceeds from short-term line of credit	400,000
Repayment of short-term line of credit	(1,400,000)
Proceeds from long-term debt	1,113,756
Repayment of long-term debt	(196,169)
Net cash provided by (used in) financing activities	<u>(82,413)</u>

Changes in cash and cash equivalents	203,332
Cash and cash equivalents, beginning of year	<u>1,424,604</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,627,936</u></u>

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

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2021

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. This mission of the Opera is to gather and inspire audiences, artists, and collaborators to share 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 57th 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 version 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.

Reporting Period – In June 2021, the Opera filed Form 1128, *Application to Adopt, Change, or Retain a Tax Year* with the Internal Revenue Service changing its fiscal year end from September 30th to June 30th. Accordingly, for the nine months ended June 30, 2021, the Opera will file Form 990, *Return of Organization Exempt from Income Tax* for this short fiscal year. These consolidated financial statements are not being reported as comparative. Commencing with subsequent fiscal years, the Opera will once again report comparative audited financial statements.

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

These Opera productions exist to inspire, challenge and uplift audiences by creating productions of highly artistic quality that celebrate the beauty and breadth of opera.

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 22, 2022, 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, 2021.

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, 2021.

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.

Intangible Assets – Intangible assets acquired which have indefinite lives are not subject to amortization. The Opera tests these assets for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, based on cash flows and other market valuation methods.

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 6 and 7. 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 amounts of \$200,000 was authorized and distributed in the nine months ended June 30, 2021.

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 11 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, of which there were none for the nine months ended June 30, 2021. 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, 2021, the Opera held cash balances in the amount of \$1,384,465 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 – Intangible Asset

On August 29, 2012, the Opera received \$172,225 of System Development Credits (SDCs) from the City of Portland in exchange for easements and acquisitions related to the permanent relocation of Water Avenue. These SDCs were recorded as an intangible asset on the *Consolidated Statement of Financial Position*. As of June 30, 2021, these SDCs were deemed of no value and written off in the nine months ended June 30, 2021.

Note 4 – Capital Assets

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

	As of June 30, 2021
Theatre equipment	\$ 1,334,709
Computer equipment and software	1,422,190
Vehicles	98,477
	2,855,376
Less accumulated depreciation	(2,283,311)
	<u>\$ 572,065</u>

Depreciation expense was \$78,801 for the nine months ended June 30, 2021.

Note 5 – 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, 2021				
	Level I	Level II	Level III	Total	%
Equity funds	\$ 4,575,468	\$ -	\$ -	\$ 4,575,468	61%
Fixed income funds	2,973,205	-	-	2,973,205	39%
Total endowment	<u>\$ 7,548,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,548,673</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 nine months ended June 30, 2021.

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
<u>(3,470,000)</u>		
<u>\$ 3,249,449</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, 2021, the Opera held endowment funds with original gift values of \$3,249,449, fair value of \$4,162,691 with no deficiency.

For the nine months ended June 30, 2021						
	Without donor restrictions	With donor restrictions				Total endowment
		Underwater endowment	Accumulated endowment returns	Endowment principal	Subtotal	
Endowment net assets, beginning	\$ 3,245,869	\$ -	\$ 499,462	\$ 3,449,449	\$ 3,948,911	\$ 7,194,780
Contributions and bequests	-	-	-	-	-	-
Investment gains (losses)	505,341	-	614,796	-	614,796	1,120,137
Investment expenses	(7,305)	-	(8,888)	-	(8,888)	(16,193)
Net change in cumulative endowment losses	-	-	-	-	-	-
Amounts appropriated for expenditure:						
5% spending rate to fund operations	(175,816)	-	(213,898)	-	(213,898)	(389,714)
Utilization to fund debt service	(72,335)	-	(88,002)	-	(88,002)	(160,337)
Utilization to master plan process	(109,772)	-	109,772	(200,000)	(90,228)	(200,000)
Endowment net assets, ending	<u>\$ 3,385,982</u>	<u>\$ -</u>	<u>\$ 913,242</u>	<u>\$ 3,249,449</u>	<u>\$ 4,162,691</u>	<u>\$ 7,548,673</u>

Note 6 – 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, 2021.

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 April 2017, the appraisal firm of CBRE VALUATION & ADVISORY SERVICES appraised these two parcels in the amount of \$16,750,000. This April 2017 appraised value was then indexed to an estimated fair value of \$17,725,186 at the fiscal year ended September 30, 2018, using the SIOR COMMERCIAL REAL ESTATE INDEX (CREI) for commercial Pacific Northwest properties. 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, 2021 was estimated to be \$16,861,548 respectfully. Formal appraisals are performed every two to three years depending upon market conditions. For the nine months ended June 30, 2021, the unrealized loss in fair value was \$638,452, representing a 3.65% decrease in unrealized investment loss recorded in investment income in the *Consolidated Statement of Activities and Changes in Net Assets*.

Note 7 – 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 the 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 June 30, 2021
Fair value at the beginning of the fiscal year	\$ 2,201,446
Increase (decrease) in fair value, net of expenses	594,495
Distribution from trust, contributed revenue	(12,000)
Fair value at the end of the fiscal year	<u>\$ 2,783,941</u>

Note 8 – 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 7. 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 4.00% with no outstanding balance as of June 30, 2021. The \$1 million line of credit is in negotiations to be renewed for another year.

Note 9 – 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

6. 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 current rate is 4.45% with the outstanding principal balance at June 30, 2021 is equal to \$2,166,549. 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, 2021, the actual liquidity covenant calculated at 2.03 times the \$3.4 million committed amount respectfully and all bank covenants were met.

Future payments under the terms of the \$2.4 million first mortgage as of June 30, 2021 is as follows:

	Principal	Interest	Total
FY 2021-22	\$ 63,891	\$ 96,445	\$ 160,336
FY 2022-23	66,834	93,503	160,337
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	1,816,550	49,065	1,865,615
	<u>\$ 2,166,549</u>	<u>\$ 500,750</u>	<u>\$ 2,667,299</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 and in June 2021 the Opera was awarded a Shuttered Venue Operating Grant (the “SVOG”) for \$984,797 which is recorded as deferred grant revenue being recognized as grant revenue when the funds are spent.

The proceeds of the PPP Loan 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, each borrower can apply for forgiveness for all or a portion of the PPP Loan and, as described below, the Opera intends to apply for forgiveness. Such forgiveness will be 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. While the Opera believes that the proceeds of the PPP Loans have been or will be used only for qualifying expenses in accordance with the terms of the CARES Act, any forgiveness of a PPP Loan will be subject to approval by First Republic Bank and the U.S. Small Business Administration, which is administering the PPP under the CARES Act, and there can be no assurance that any or all of the PPP Loans will be forgiven in whole or in part. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

	Liability as of June 30, 2021
Small Business Association	
Payroll Protection Program Loan	\$ 1,113,756
Shuttered Venue Operating grant	984,797
	<u>\$ 2,098,553</u>

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 6. 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 10. 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, 2021:

	Endowment Earnings		Endowment Distributions		Rainy-day Reserve	
	%	Amount	Operations 5%	Debt Service Up to 2%	Annual Earnings over(under) Distributions	Reserve Cumulative 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

Note 10 – Net Assets

Net Assets without Donor Restrictions – as of June 30, 2021, 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, 2021, 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 6 for further information on the original and reset principal corpus of the permanently restricted endowment.

Note 11 – Commitments

Rental Income

The Opera entered into a ten-year agreement to lease the second floor of its investment in real estate, see Note 7, with the term beginning on July 1, 2013, through July 31, 2023. Future minimum rental income under the lease is as follows:

	Office	Parking	Total
FY 2021-22	\$ 312,065	\$ 24,000	\$ 336,065
FY 2022-23	351,042	24,000	375,042
	<u>\$ 663,107</u>	<u>\$ 48,000</u>	<u>\$ 711,107</u>

The Opera recognizes escalating office rent provisions on a straight-line basis over the lease term. The office rental income was \$210,994 for the nine months ended June 30, 2021.

Note 12 – 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 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 basis up to the maximum amount allowed by law. This Plan is self-directed by the employees who choose to participate. The Opera does not contribute or match any employee contributions into the Plan.

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 nine months ended June 30, 2021, is summarized as follows:

	Portland Opera Association, Inc.				Portland Theater Productions, Inc.				
	Opera programs	Management and general	Fundraising, membership and development	Sub-total	Broadway programs	Management and general	Fundraising, membership and development	Sub-total	Total
Salaries and related costs	\$ 608,656	\$ 225,805	\$ 244,106	\$ 1,078,567	\$ 228,039	\$ -	\$ -	\$ 228,039	\$ 1,306,606
Performance costs	1,145,621	-	-	1,145,621	-	-	-	-	1,145,621
Advertising and promotion	14,897	-	16,162	31,059	-	-	-	-	31,059
Office expenses	62,359	189,217	2,944	254,520	70,997	-	21,137	92,134	346,654
Occupancy	104,303	61,428	-	165,731	-	-	-	-	165,731
Interest	-	101,873	-	101,873	-	-	-	-	101,873
Travel	121,153	20,047	56	141,256	50	-	-	50	141,306
Depreciation	-	78,801	-	78,801	-	-	-	-	78,801
Insurance	8,578	36,632	-	45,210	-	-	-	-	45,210
Other	119,081	355,073	36,751	510,905	110,596	-	-	110,596	621,501
Sub-total	2,184,648	1,068,876	300,019	3,553,543	409,682	-	21,137	430,819	3,984,362
Allocation of overhead	-	(48,215)	(29,997)	(78,212)	27,315	20,900	29,997	78,212	-
Total expenses	<u>\$ 2,184,648</u>	<u>\$ 1,020,661</u>	<u>\$ 270,022</u>	<u>\$ 3,475,331</u>	<u>\$ 436,997</u>	<u>\$ 20,900</u>	<u>\$ 51,134</u>	<u>\$ 509,031</u>	<u>\$ 3,984,362</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, 2021. 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, 2021:

Total financial assets available to fund	
general operations at June 30	\$ 2,261,583
Plus other funds subject to appropriation for expenditure:	
Endowment appropriations for operations	390,000
Estimated endowment distributions in the next fiscal year:	
Endowment utilization to fund debt service	161,000
Total financial assets available within one year	<u>\$ 551,000</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 \$7,548,673 as of June 30, 2021. 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 nine months ended June 30, 2021, the Board has authorized a special distribution of \$200,000 million to fund cash flow needs relating to the master planning process of the OMSI, Opera and PCC master plan, with another \$1 million authorized.

Note 17 – Subsequent Events

The Opera has evaluated for subsequent events through October 27, 2021, which is the date the consolidated financial statements were available to be issued. Subsequent to year-end, the Opera has continued to be negatively impacted by the effects of the world-wide coronavirus pandemic. The Opera is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Opera's financial position is not known.

SUPPLEMENTARY FINANCIAL INFORMATION

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
As of June 30, 2021

	Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
Assets:				
Current:				
Cash and cash equivalents	\$ 1,462,274	\$ 165,662	\$ -	\$ 1,627,936
Receivables - trade	187,563	446,084	-	633,647
Receivables - contributions	-	-	-	-
Prepaid expenses	111,883	4,269	-	116,152
Deferred charges	50,072	-	-	50,072
	<u>1,811,792</u>	<u>616,015</u>	<u>-</u>	<u>2,427,807</u>
Noncurrent:				
Receivables - contributions	-	-	-	-
Deferred charges	83,027	-	-	83,027
Intangible asset	-	-	-	-
Capital assets, net of depreciation	572,065	-	-	572,065
Investment in endowment	7,548,673	-	-	7,548,673
Investment in real estate	16,861,548	-	-	16,861,548
Beneficial interest in trusts	2,783,941	-	-	2,783,941
Intercompany receivable	-	-	-	-
	<u>27,849,254</u>	<u>-</u>	<u>-</u>	<u>27,849,254</u>
Total assets	<u>\$ 29,661,046</u>	<u>\$ 616,015</u>	<u>\$ -</u>	<u>\$ 30,277,061</u>
Liabilities:				
Current:				
Accounts payable and accrued liabilities	\$ 294,045	\$ 22,663	\$ -	\$ 316,708
Deferred ticket revenue	70,609	1,676,651	-	1,747,260
Deferred grant revenue	984,797	-	-	984,797
Long-term debt due in one year	63,891	-	-	63,891
	<u>1,413,342</u>	<u>1,699,314</u>	<u>-</u>	<u>3,112,656</u>
Noncurrent:				
Due to subsidiary	1,360,592	-	(1,360,592)	-
Deferred contribution revenue	-	-	-	-
Deposits refundable	27,741	-	-	27,741
Notes payable	1,113,756	-	-	1,113,756
Due on long-term debt	2,166,549	-	-	2,166,549
Less long-term debt due in one year	(63,891)	-	-	(63,891)
	<u>4,604,747</u>	<u>-</u>	<u>(1,360,592)</u>	<u>3,244,155</u>
Total liabilities	<u>6,018,089</u>	<u>1,699,314</u>	<u>(1,360,592)</u>	<u>6,356,811</u>
Net Assets:				
Without donor restrictions:				
Available for programs and general operations	1,429,261	(1,083,299)	1,360,592	1,706,554
Net investments in capital assets and real estate	15,267,064	-	-	15,267,064
Total net assets without donor restrictions	<u>16,696,325</u>	<u>(1,083,299)</u>	<u>1,360,592</u>	<u>16,973,618</u>
With donor restrictions	6,946,632	-	-	6,946,632
Total net assets	<u>23,642,957</u>	<u>(1,083,299)</u>	<u>1,360,592</u>	<u>23,920,250</u>
Total liabilities and net assets	<u>\$ 29,661,046</u>	<u>\$ 616,015</u>	<u>\$ -</u>	<u>\$ 30,277,061</u>

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Activities and Changes in Net Assets
For the nine months ended June 30, 2021

	Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
Revenues, gains and other support:				
Earned revenue				
Ticket sales	\$ 52,271	\$ -	\$ -	\$ 52,271
Ticket handling revenue	6,218	-	-	6,218
Broadway presentations	-	785,656	-	785,656
	<u>58,489</u>	<u>785,656</u>	<u>-</u>	<u>844,145</u>
Contributions and outside support				
Contributions and sponsorships	1,248,032	668	-	1,248,700
Educational, governmental, and project grants	1,723,388	-	-	1,723,388
Special support	575,180	-	-	575,180
	<u>3,546,600</u>	<u>668</u>	<u>-</u>	<u>3,547,268</u>
Income from subsidiary	277,293	-	(277,293)	-
Investment gains (losses)	(312,641)	-	-	(312,641)
Rental and other revenues	247,370	-	-	247,370
Total revenues and gains	<u>3,817,111</u>	<u>786,324</u>	<u>(277,293)</u>	<u>4,326,142</u>
Net assets released from restriction, endowments	392,128	-	-	392,128
Total revenues, gains and other support	<u>4,209,239</u>	<u>786,324</u>	<u>(277,293)</u>	<u>4,718,270</u>
Expenses:				
Program activities:				
Production costs:				
Performance	1,145,621	-	-	1,145,621
Production	375,113	39,483	-	414,596
Music, education and outreach	357,063	-	-	357,063
	<u>1,877,797</u>	<u>39,483</u>	<u>-</u>	<u>1,917,280</u>
Sales and customer service costs:				
Marketing and public relations	229,029	152,830	-	381,859
Ticketing and customer service	77,822	244,684	-	322,506
	<u>306,851</u>	<u>397,514</u>	<u>-</u>	<u>704,365</u>
Total program activities	<u>2,184,648</u>	<u>436,997</u>	<u>-</u>	<u>2,621,645</u>
Supporting activities:				
Management and general:				
Administrative	558,606	20,900	-	579,506
Interest	101,873	-	-	101,873
Facilities	281,381	-	-	281,381
Depreciation and amortization	78,801	-	-	78,801
	<u>1,020,661</u>	<u>20,900</u>	<u>-</u>	<u>1,041,561</u>
Fundraising and development	270,022	51,134	-	321,156
Total supporting activities	<u>1,290,683</u>	<u>72,034</u>	<u>-</u>	<u>1,362,717</u>
Total expenses	<u>3,475,331</u>	<u>509,031</u>	<u>-</u>	<u>3,984,362</u>
Changes in net assets without donor restrictions	<u>733,908</u>	<u>277,293</u>	<u>(277,293)</u>	<u>733,908</u>
Changes in net assets with donor restrictions				
Investment gains (losses)	1,188,403	-	-	1,188,403
Net assets released from restriction, endowments	(392,128)	-	-	(392,128)
	<u>796,275</u>	<u>-</u>	<u>-</u>	<u>796,275</u>
Changes in net assets	<u>\$ 1,530,183</u>	<u>\$ 277,293</u>	<u>\$ (277,293)</u>	<u>\$ 1,530,183</u>

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Activities and Changes in Net Assets (Detail)
For the nine months ended June 30, 2021

Revenues, gains and other support:

Earned revenue	
Ticket sales	\$ 52,271
Ticket handling revenue	6,218
Broadway presentations	785,656
	<u>844,145</u>
Contributions and outside support	
Contributions and sponsorships	1,248,700
Educational, governmental, and project grants	1,723,388
Special support	575,180
	<u>3,547,268</u>
Investment gains (losses)	(312,641)
Rental and other income	247,370
Total revenues and gains	<u>4,326,142</u>
Net assets released from restriction, endowments	392,128
Total revenues, gains and other support	<u>4,718,270</u>

Expenses:

Program activities:	
Production costs:	
Performance	1,145,621
Production	414,596
Music, education and outreach	357,063
	<u>1,917,280</u>
Sales and customer service costs:	
Marketing and public relations	381,859
Ticketing and customer service	322,506
	<u>704,365</u>
Total program activities	<u>2,621,645</u>
Supporting activities:	
Management and general:	
Administrative	579,506
Interest	101,873
Facilities	281,381
Depreciation and amortization	78,801
	<u>1,041,561</u>
Fundraising and development	321,156
Total supporting activities	<u>1,362,717</u>
Total expenses	<u>3,984,362</u>

Changes in net assets without donor restrictions	<u>733,908</u>
Changes in net assets with donor restrictions	
Investment gains (losses)	1,188,403
Net assets released from restriction, endowments	(392,128)
	<u>796,275</u>
Changes in net assets	<u>\$ 1,530,183</u>

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Cash Flows
For the nine months ended June 30, 2021

	Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
Cash flows from operating activities:				
Changes in net assets	\$ 1,530,183	\$ 277,293	\$ (277,293)	\$ 1,530,183
Adjustments to reconcile changes in net assets to net cash used in operating activities:				
Depreciation and amortization	78,801	-	-	78,801
Forgiveness of SBA loan	(1,060,400)	-	-	(1,060,400)
Decrease (increase) in value of endowment and investments	(1,381,237)	-	277,293	(1,103,944)
Decrease (increase) in value of investment in real estate	638,452	-	-	638,452
Decrease (increase) in value of beneficial interest in trusts	(594,495)	-	-	(594,495)
Decrease in value of intangible asset	172,225	-	-	172,225
Change in assets and liabilities:				
Decrease (increase) in trade receivables	(11,890)	42,762	68,832	99,704
Decrease (increase) in contributions receivables	100,000	-	-	100,000
Decrease (increase) in prepaid expenses and supplies	7,389	714	-	8,103
Decrease (increase) in deferred charges	136,579	-	-	136,579
Increase (decrease) in accounts payable and accrued liabilities	162,769	(38,259)	(68,832)	55,678
Increase (decrease) in deferred ticket revenue	(227,944)	(526,558)	-	(754,502)
Increase (decrease) in deferred grant revenue	984,797	-	-	984,797
Increase (decrease) in deferred contributions revenue	(537,500)	-	-	(537,500)
Net cash provided by (used in) operating activities	(2,271)	(244,048)	-	(246,319)
Cash flows from investing activities:				
Proceeds from sales of investments in endowment	750,051	-	-	750,051
Proceeds from distributions from beneficial interest in trusts	12,000	-	-	12,000
Acquisitions of capital assets	(229,987)	-	-	(229,987)
Net cash provided by (used in) investing activities	532,064	-	-	532,064
Cash flows from financing activities:				
Proceeds from short-term line of credit	400,000	-	-	400,000
Repayment of short-term line of credit	(1,400,000)	-	-	(1,400,000)
Proceeds from long-term debt	1,113,756	-	-	1,113,756
Repayment of long-term debt	(196,169)	-	-	(196,169)
Net cash provided by (used in) financing activities	(82,413)	-	-	(82,413)
Changes in cash and cash equivalents	447,380	(244,048)	-	203,332
Cash and cash equivalents, beginning of year	1,014,894	409,710	-	1,424,604
Cash and cash equivalents, end of year	\$ 1,462,274	\$ 165,662	\$ -	\$ 1,627,936
Cash paid during the fiscal year for interest	\$ 101,873	\$ -	\$ -	\$ 101,873

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

Governing Board and Management

BOARD OF TRUSTEES – OFFICERS

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Co-founder and Artistic Director,

BodyVox

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PGE Foundation

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Professor and Provost Emerita, Portland State University

L. David Ericksen ⁵

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Banking, Umpqua Bank

Matthew Essieh ³

CEO, EAI Information Systems

Michelle Glass

General Manager, The Racquet Club

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Architect, Illustrator, Nicolai Kruger Studio

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Metro Councilor, District 2

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Oregon State University

David Salerno Owens

Diversity, Equity & Inclusion Consultant,

Portland Metropolitan

Kathryn Wheeler

Senior Sales Consultant, Atlas by Faria Education Group

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¹ At Large Board Members

² Executive Committee

³ Finance Committee

⁴ Governance Committee

⁵ Leadership Development Committee

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

MANAGEMENT

Sue Dixon

General Director

Priti Gandhi

Artistic Director

Laura Hassell

Producing Director

Lacey Rowberg

Director of Development

Richard Seals, CPA CMA CFM CFE CGMA

Chief Financial Officer

Andrea Tichy

Director of Marketing & Communications

Tracy Wenckus

General Manager of Broadway

Inquiries and Other Information

FOR GENERAL INQUIRIES:

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ADMINISTRATION: 503-241-1407

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

FOR ADDITIONAL FINANCIAL INFORMATION:

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Retired Executive
EMAIL: GRTI@YAHOO.COM
DIRECT: 925-548-5219

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
share opera experiences that enliven and connect us all, enhancing
the cultural landscape of the beautiful Pacific Northwest.*

PORTLAND OPERA

THE HAMPTON OPERA CENTER
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