

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

Consolidated Financial Statements

For the fiscal years ended September 30, 2018 and 2017

**PORTLAND
OPERA**

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

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For the fiscal years ended September 30, 2018 and 2017

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PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

Report of the Treasurer

For the fiscal years ended September 30, 2018 and 2017

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.

William Lockwood
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 statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the years 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 September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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

December 28, 2018

FINANCIAL STATEMENTS

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
As of September 30, 2018 and 2017

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:					
Current:					
Cash and cash equivalents	Note 2	\$ 229,980	\$ -	\$ -	\$ 229,980
Receivables - trade	Note 2	231,277	-	-	231,277
Receivables - contributions	Note 3	443,619	-	-	443,619
Prepaid expenses	Note 2	124,106	-	-	124,106
Deferred charges	Note 2	298,576	-	-	298,576
		<u>1,327,558</u>	<u>-</u>	<u>-</u>	<u>1,327,558</u>
Noncurrent:					
Receivables - contributions	Note 3	100,000	-	-	100,000
Deferred charges	Note 2	271,314	-	-	271,314
Intangible asset	Note 4	172,225	-	-	172,225
Capital assets, net of depreciation	Note 5	229,730	-	-	229,730
Investment in endowment	Note 6	4,143,381	-	5,088,997	9,232,378
Investment in real estate	Note 7	17,725,186	-	-	17,725,186
Beneficial interest in trusts	Note 8	-	-	2,211,415	2,211,415
		<u>22,641,836</u>	<u>-</u>	<u>7,300,412</u>	<u>29,942,248</u>
Total assets		<u>\$ 23,969,394</u>	<u>\$ -</u>	<u>\$ 7,300,412</u>	<u>\$ 31,269,806</u>
Liabilities:					
Current:					
Accounts payable and accrued liabilities		\$ 986,384	\$ -	\$ -	\$ 986,384
Due on line of credit	Note 9	585,000	-	-	585,000
Due to Broadway		-	-	-	-
Deferred ticket revenue	Note 2	1,879,406	-	-	1,879,406
Deferred contribution revenue		132,501	-	-	132,501
Long-term debt due in one year	Note 10	61,637	-	-	61,637
		<u>3,644,928</u>	<u>-</u>	<u>-</u>	<u>3,644,928</u>
Noncurrent:					
Deposits refundable		27,741	-	-	27,741
Notes payable	Note 10	5,171	-	-	5,171
Due on long-term debt	Note 10	2,328,068	-	-	2,328,068
Less long-term debt due in one year	Note 10	(61,637)	-	-	(61,637)
		<u>2,299,343</u>	<u>-</u>	<u>-</u>	<u>2,299,343</u>
Total liabilities		<u>5,944,271</u>	<u>-</u>	<u>-</u>	<u>5,944,271</u>
Net Assets:					
Unrestricted	Note 11	18,025,123	-	-	18,025,123
Temporarily restricted	Note 11	-	-	-	-
Permanently restricted	Note 11	-	-	7,300,412	7,300,412
Total net assets	Note 11	<u>18,025,123</u>	<u>-</u>	<u>7,300,412</u>	<u>25,325,535</u>
Total liabilities and net assets		<u>\$ 23,969,394</u>	<u>\$ -</u>	<u>\$ 7,300,412</u>	<u>\$ 31,269,806</u>

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

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 350,077	\$ 57,688	\$ -	\$ 407,765
283,440	-	-	283,440
600,624	330,000	-	930,624
101,270	-	-	101,270
195,755	-	-	195,755
<u>1,531,166</u>	<u>387,688</u>	<u>-</u>	<u>1,918,854</u>
-	-	-	-
259,414	-	-	259,414
172,225	-	-	172,225
263,420	-	-	263,420
3,871,242	-	5,070,464	8,941,706
16,750,732	-	-	16,750,732
-	-	2,122,288	2,122,288
<u>21,317,033</u>	<u>-</u>	<u>7,192,752</u>	<u>28,509,785</u>
<u>\$ 22,848,199</u>	<u>\$ 387,688</u>	<u>\$ 7,192,752</u>	<u>\$ 30,428,639</u>
\$ 836,149	\$ -	\$ -	\$ 836,149
-	-	-	-
-	-	-	-
1,787,365	-	-	1,787,365
9,490	387,688	-	397,178
62,582	-	-	62,582
<u>2,695,586</u>	<u>387,688</u>	<u>-</u>	<u>3,083,274</u>
27,741	-	-	27,741
13,511	-	-	13,511
2,382,047	-	-	2,382,047
(62,582)	-	-	(62,582)
<u>2,360,717</u>	<u>-</u>	<u>-</u>	<u>2,360,717</u>
<u>5,056,303</u>	<u>387,688</u>	<u>-</u>	<u>5,443,991</u>
17,791,896	-	-	17,791,896
-	-	-	-
-	-	7,192,752	7,192,752
<u>17,791,896</u>	<u>-</u>	<u>7,192,752</u>	<u>24,984,648</u>
<u>\$ 22,848,199</u>	<u>\$ 387,688</u>	<u>\$ 7,192,752</u>	<u>\$ 30,428,639</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 fiscal years ended September 30, 2018 and 2017

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:					
Earned revenue	Note 2	\$ 3,161,437	\$ -	\$ -	\$ 3,161,437
Contributions and outside support	Note 2	3,194,609	-	-	3,194,609
Investment gains (losses)	Note 6, 7	1,254,915	-	456,530	1,711,445
Rental and other revenues	Note 12	834,803	-	-	834,803
Total revenues and gains		<u>8,445,764</u>	<u>-</u>	<u>456,530</u>	<u>8,902,294</u>
Net assets released from restriction, contributions	Note 11	-	-	-	-
Net assets released from restriction, endowments	Note 11	348,870	-	(348,870)	-
Total revenues, gains and other support		<u>8,794,634</u>	<u>-</u>	<u>107,660</u>	<u>8,902,294</u>
Expenses:					
Program activities:					
Production costs		4,842,620	-	-	4,842,620
Sales and customer service costs		1,594,795	-	-	1,594,795
Total program activities		<u>6,437,415</u>	<u>-</u>	<u>-</u>	<u>6,437,415</u>
Supporting activities:					
Management and general		1,446,146	-	-	1,446,146
Fundraising and development		677,846	-	-	677,846
Total supporting activities		<u>2,123,992</u>	<u>-</u>	<u>-</u>	<u>2,123,992</u>
Total expenses		<u>8,561,407</u>	<u>-</u>	<u>-</u>	<u>8,561,407</u>
Changes in net assets		<u>233,227</u>	<u>-</u>	<u>107,660</u>	<u>340,887</u>
Net Assets:					
Net assets, beginning - as originally stated	Note 17	17,791,896	-	7,192,752	24,984,648
Accounting change and prior period adjustments	Note 17	-	-	-	-
Net assets, beginning - restated	Note 17	<u>17,791,896</u>	<u>-</u>	<u>7,192,752</u>	<u>24,984,648</u>
Net assets, ending	Note 11	<u>\$ 18,025,123</u>	<u>\$ -</u>	<u>\$ 7,300,412</u>	<u>\$ 25,325,535</u>

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

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,404,035	\$ -	\$ -	\$ 2,404,035
4,428,503	-	-	4,428,503
584,732	382,896	619,919	1,587,547
604,640	-	-	604,640
8,021,910	382,896	619,919	9,024,725
3,855,082	(3,855,082)	-	-
429,895	(185,671)	(244,224)	-
12,306,887	(3,657,857)	375,695	9,024,725
4,255,613	-	-	4,255,613
1,492,377	-	-	1,492,377
5,747,990	-	-	5,747,990
1,329,811	-	-	1,329,811
599,175	-	-	599,175
1,928,986	-	-	1,928,986
7,676,976	-	-	7,676,976
4,629,911	(3,657,857)	375,695	1,347,749
2,515,035	2,935,783	6,012,747	11,463,565
10,646,950	722,074	804,310	12,173,334
13,161,985	3,657,857	6,817,057	23,636,899
\$ 17,791,896	\$ -	\$ 7,192,752	\$ 24,984,648

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 September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets	\$ 340,887	\$ 1,347,749
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	52,261	29,489
Decrease (increase) in value of investment in endowment	(647,863)	(880,751)
Decrease (increase) in value of investment in real estate	(974,454)	(584,732)
Decrease (increase) in value of beneficial interest in trusts	(89,127)	(116,277)
Change in assets and liabilities:		
Decrease (increase) in trade receivables	(1,215,844)	762,340
Decrease (increase) in contributions receivables	387,004	584,485
Decrease (increase) in endowment receivables	-	-
Decrease (increase) in prepaid expenses and supplies	(22,835)	312,186
Decrease (increase) in deferred charges	(114,621)	(100,809)
Increase (decrease) in accounts payable and accrued liabilities	1,023,064	(1,406,053)
Increase (decrease) in deferred ticket revenue	150,347	(84,823)
Increase (decrease) in other liabilities	72,097	(410,548)
Net cash provided by (used in) operating activities	(1,039,084)	(547,744)
Cash flows from investing activities:		
Purchases of investments in endowment	(257,992)	(580,663)
Proceeds from sales of investments in endowment	615,183	510,420
Acquisitions of capital assets	(18,572)	(258,261)
Net cash provided by (used in) investing activities	338,619	(328,504)
Cash flows from financing activities:		
Proceeds from short-term line of credit	1,200,000	255,000
Repayment of short-term line of credit	(615,000)	(1,525,000)
Proceeds from long-term debt	-	2,400,000
Repayment of long-term debt	(62,320)	(26,132)
Net cash provided by (used in) financing activities	522,680	1,103,868
Changes in cash and cash equivalents	(177,785)	227,620
Cash and cash equivalents, beginning of year	407,765	180,145
Cash and cash equivalents, end of year	\$ 229,980	\$ 407,765

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

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
For the fiscal years ended September 30, 2018 and 2017

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 mission of the Opera is to inspire, challenge and uplift its audiences by creating productions of high artistic quality that celebrate the beauty and breadth of opera.

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. We invite you to join us on our journey.

The Opera’s 53rd performance season is now complete, during which the Opera has transitioned to a spring/summer performance format. The Resident Artist program continues to flourish and provide exciting talent for opera productions. 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. More locally, the Opera a la Cart program is an audience development project which was a successful collaboration with architecture graduate students at PSU, and provides performances throughout the summer taking place in neighborhood festivals, parks, First Thursdays, and Sunday Parkways.

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:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Opera and/or the passage of time. These balances generally represent the unexpended portion of externally restricted contributions and investment returns to be used for specific programs and activities as directed by donors.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Opera. 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 opera through free concerts, previews, lectures, broadcasts and other community programs.

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:

- Contributions receivable
- 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.

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 September 30, 2018 and 2017.

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. No special distributions from the endowment were authorized or distributed for the fiscal years ended September 30, 2018 and 2017.

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 a large number of volunteers who assist in fundraising 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 \$211,955 and \$80,435 for fiscal years ended September 30, 2018 and 2017 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 September 30, 2018 and 2017 respectively, the Opera held cash balances in the amount of \$113,263 and \$324,873 that were 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.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation as explained in more details in Note 17.

Note 3 – Contributions Receivable

Unconditional promises to give included as contributions receivable are as follows:

	As of <u>September 30, 2018</u>	As of <u>September 30, 2017</u>
Annual fund	\$ 1,466	\$ 66,840
Sponsorships	230,900	70,600
Special support	8,075	69,177
Major gifts and bequests	203,178	164,493
Endowment	-	250,000
Building and special projects	<u>100,000</u>	<u>309,514</u>
	543,619	930,624
Less discounts to net present value	-	-
Net contributions receivable	<u><u>\$ 543,619</u></u>	<u><u>\$ 930,624</u></u>
Receivable due in less than 1 year	\$ 443,619	\$ 930,624
Receivable due in 1 to 5 years	100,000	-
Receivable due in more than 5 years	-	-
	<u><u>\$ 543,619</u></u>	<u><u>\$ 930,624</u></u>

Unconditional promises to give that are included in contributions receivable which are due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of three percent.

As of September 30, 2018 and 2017 respectively, contribution pledges consist of \$21,022 and \$19,270 relating to pledges from members of the Opera's employees and Board of Trustees which are recorded in contribution receivable. Actual contributions pledged and received from the Opera's employees and Board of Trustees consist of \$105,981 and \$106,269 during the fiscal years ending September 30, 2018 and 2017 respectively are included in contribution revenue.

Note 4 – 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. Accordingly, these SDCs are recorded as an intangible asset on the *Consolidated Statement of Financial Position*. There is no related amortization expense due to the nature of the asset as of September 30, 2018 and 2017.

These SDCs received from the City of Portland need to be used by the Opera or be sold to another developer within ten years or they will expire on August 29, 2022. If they are not used or sold within ten years, they should be written off in fiscal year ending September 30, 2022.

Note 5 – Capital Assets

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

	As of September 30, 2018	As of September 30, 2017
Projects in progress	\$ 32,636	\$ 32,701
Office equipment, furniture and fixtures	1,357,908	1,357,908
Computer equipment and software	846,441	837,171
Vehicles	62,264	52,898
	<u>2,299,249</u>	<u>2,280,678</u>
Less accumulated depreciation	<u>(2,069,519)</u>	<u>(2,017,258)</u>
	<u>\$ 229,730</u>	<u>\$ 263,420</u>

Depreciation expense was \$52,261 and \$29,489 for the fiscal years ended September 30, 2018 and 2017 respectively.

Note 6 – 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 September 30, 2018					
	Level I	Level II	Level III	Total	%
Equity funds	\$ 5,583,167	\$ -	\$ -	\$ 5,583,167	60%
Fixed income funds	3,649,211	-	-	3,649,211	40%
Total endowment	<u>\$ 9,232,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,232,378</u>	<u>100%</u>

As of September 30, 2017					
	Level I	Level II	Level III	Total	%
Equity funds	\$ 5,448,816	\$ -	\$ -	\$ 5,448,816	61%
Fixed income funds	3,492,890	-	-	3,492,890	39%
Total endowment	<u>\$ 8,941,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,941,706</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 fiscal years ended September 30, 2018 and 2017 respectively.

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
<u>6,227,449</u>	2008	Distribution from the original OAHE endowment
<u>6,719,449</u>		Original principal corpus of permanently restricted endowment
(185,000)	2014	Extra Board-approved endowment distribution
(250,000)	2015	Extra Board-approved endowment distribution
(685,000)	2016	Extra Board-approved endowment distribution
<u>(1,120,000)</u>		
<u>\$ 5,599,449</u>		Reset principal corpus of permanently restricted endowment

Changes in endowment net assets is as follows:

	For fiscal year ended September 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Endowment net assets at the beginning of the fiscal year, October 1, 2017	\$ 3,871,242 43.29%	\$ - 0.00%	\$ 5,070,464 56.71%	\$ 8,941,706 100.00%
Contributions and bequests	257,992	-	-	257,992
Investment gains (losses)	291,382	-	381,710	673,092
Investment expenses	(10,922)	-	(14,307)	(25,229)
Released from restrictions	-	-	-	-
Amounts appropriated for expenditure:				
5% spending rate to fund operations	(196,903)	-	(257,943)	(454,846)
Utilization to fund debt service	(69,410)	-	(90,927)	(160,337)
Endowment net assets at the end of the fiscal year, September 30, 2018	<u>\$ 4,143,381</u> 44.88%	<u>\$ -</u> 0.00%	<u>\$ 5,088,997</u> 55.12%	<u>\$ 9,232,378</u> 100.00%

	For fiscal year ended September 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Endowment net assets at September 30, 2016, as originally stated	\$ (963,605)	\$ 2,935,783	\$ 6,012,747	\$ 7,984,925
Prior period adjustments - see Note 17	399,102	722,074	(1,201,701)	(80,525)
Endowment net assets at September 30, 2016, as restated	(564,503) 0.00%	3,657,857 43.19%	4,811,046 56.81%	7,904,400 100.00%
Contributions and bequests	580,663	-	-	580,663
Investment gains (losses)	-	392,951	516,868	909,819
Investment expenses	-	(10,055)	(13,226)	(23,281)
Released from restrictions	3,855,082	(3,855,082)	-	-
Amounts appropriated for expenditure:				
5% spending rate to fund operations	-	(152,523)	(200,622)	(353,145)
Utilization to fund debt service	-	(33,148)	(43,602)	(76,750)
Endowment net assets at the end of the fiscal year, September 30, 2017	<u>\$ 3,871,242</u> 43.29%	<u>\$ -</u> 0.00%	<u>\$ 5,070,464</u> 56.71%	<u>\$ 8,941,706</u> 100.00%

See Note 10 regarding the investment in endowment's rainy day reserve.

Note 7 – Investment in Real Estate

Investment in real estate includes two parcels located at 211 SE Caruthers Street, Portland, Oregon which, effective for fiscal year ended September 30, 2017, are now 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 this investments represent reasonable estimates of the fair value as of September 30, 2018 and 2017.

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 back to an estimated fair value of \$16,166,000 at the beginning of the fiscal year, October 1, 2016, using the SIOR COMMERCIAL REAL ESTATE INDEX (CREI) for commercial Pacific Northwest properties.

The fair value as of September 30, 2018 and 2017 was estimated to be \$17,725,186 and \$16,750,000 respectfully. Formal appraisals will be performed every two to three years depending upon market conditions. For the fiscal years ended September 30, 2018 and 2017, the unrealized change in fair value was \$974,454 and \$584,732 respectfully, representing a 5.82% and 3.62% increase in unrealized investment gain recorded in investment income in the *Consolidated Statement of Activities and Changes in Net Assets*.

See also Note 17 for further information.

Note 8 – 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 \$6,869 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.

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

	As of <u>September 30, 2018</u>	As of <u>September 30, 2017</u>
Fair value at the beginning of the fiscal year, as originally stated	\$ 2,122,288	\$ -
Prior period adjustment - see Note 17		<u>2,006,011</u>
Fair value at the beginning of the fiscal year, as restated		2,006,011
Increase (decrease) in fair value, net of expenses	173,090	202,546
Distribution from trust, contributed revenue	<u>(83,963)</u>	<u>(86,269)</u>
Fair value at the end of the fiscal year	<u>\$ 2,211,415</u>	<u>\$ 2,122,288</u>

Note 9 – Short-term Outstanding Debt

As of September 30, 2016, the Opera had a \$2.5 million short-term revolving line of credit available with an outstanding balance of \$1,270,000 at September 30, 2016. The agreement was 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 was 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 at the time the line of credit was signed was 2.75% per annum and the rate was 4.50% at September 30, 2016. This agreement was set to expire upon extension on June 30, 2017, but was refinanced prior to expiration.

On May 15, 2017, the \$2.5 million line of credit was refinanced and replaced with a new \$2.4 million long-term first mortgage, refer to Note 10, and a \$1 million short-term revolving line of credit. The new \$1 million line of credit 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 5.25% with \$585,000 outstanding balance as of September 30, 2018 and 4.00% with no outstanding balance as of September 30, 2017. The \$1 million line of credit expires on December 31, 2018. Renewal discussions commenced in September 2018 and are anticipated to be completed prior to the expiration date.

Note 10 – Long-Term Outstanding Debt

On May 15, 2017, the \$2.5 million short-term line of credit, see Note 9, was refinanced and replaced with a new \$2.4 million long-term first mortgage and a \$1 million short-term revolving line of credit. The new \$2.4 million first mortgage agreement 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 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 5.00% with the outstanding principal balance at September 30, 2018 and 2017 is equal to \$2,328,068 and \$2,382,047 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 September 30, 2018 and 2017, the actual liquidity covenant calculated at 1.61 and 1.74 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 September 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2018-19	\$ 56,466	\$ 103,871	\$ 160,337
FY 2019-20	58,783	101,554	160,337
FY 2020-21	61,775	98,562	160,337
FY 2021-22	64,620	95,716	160,336
FY 2022-23	67,597	92,740	160,337
FY 2023-24	70,459	89,878	160,337
FY 2024-25	73,956	86,381	160,337
FY 2025-26	77,363	82,974	160,337
FY 2026-27	1,797,049	53,061	1,850,110
	<u>\$ 2,328,068</u>	<u>\$ 804,737</u>	<u>\$ 3,132,805</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 September 30, 2018 and 2017:

	<u>Endowment Earnings</u>		<u>Endowment Distributions</u>		<u>Rainy Day Reserve</u>	
	<u>%</u>	<u>Amount</u>	<u>Operations 5%</u>	<u>Debt Service Up to 2%</u>	<u>Annual Earnings over(under) Distributions</u>	<u>Reserve Cumulative Balance</u>
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	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		
FY 2019-20	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		
FY 2020-21	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		
FY 2022-23	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		
FY 2023-24	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		
FY 2024-25	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		
FY 2025-26	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		
FY 2026-27	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	(160,377)		

In April 2014, the Opera obtained notes payable to the City of Portland in the amount of \$40,604 relating to a local investment district which the City of Portland assessed. The notes have a fixed interest rate is equal to 1.94% per annum with monthly principal and interest payments scheduled to pay the notes off in full by April 2019. The notes payable are secured by a lien on the real estate accounted for under investments in real estate as described in Note 7.

Future payments under the terms of these notes payable as of September 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2018-19	<u>\$ 5,172</u>	<u>\$ 108</u>	<u>\$ 5,280</u>

Note 11 – Net Assets

Board-Designated Net Assets – as of September 30, 2018 and 2017, there were no unrestricted net assets designated by the Board of Trustees as board-designated net assets.

Temporarily Restricted Net Assets – as of September 30, 2018 and 2017, there were no temporarily restricted net assets comprising of contributions, grants, and other unexpended revenues and gains restricted by donors and available only for specific program services and future periods.

Net Assets Released from Restrictions – releases from restrictions in satisfaction of the purposes specified by donors, or by the occurrence of other events, were as follows:

	<u>For fiscal year ended September 30, 2018</u>	<u>For fiscal year ended September 30, 2017</u>
Sponsorship of productions	\$ -	\$ 3,855,082
Other operational support	-	429,895
	<u>\$ -</u>	<u>\$ 4,284,977</u>

Accordingly, a corresponding amount is reported as a reclassification from temporarily restricted net assets and permanently restricted net assets to unrestricted net assets in the accompanying financial statements.

Permanently Restricted Net Assets – as of September 30, 2018 and 2017, 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 which donor’s 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.

Changes in total net assets is summarized as follows:

	For fiscal year ended September 30, 2018			Total Net Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at the beginning of the fiscal year, October 1, 2017	\$ 17,791,896	\$ -	\$ 7,192,752	\$ 24,984,648
Activity from Statement of Activity:				
Total revenues, gains and other support	8,794,634	-	107,660	8,902,294
Total expenses	(8,561,407)	-	-	(8,561,407)
Changes in net assets	233,227	-	107,660	340,887
Net assets at the end of the fiscal year, September 30, 2018	\$ 18,025,123	\$ -	\$ 7,300,412	\$ 25,325,535
	71.17%	0.00%	28.83%	100.00%

	For fiscal year ended September 30, 2017			Total Net Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at September 30, 2016, as originally stated	\$ 2,515,035	\$ 2,935,783	\$ 6,012,747	\$ 11,463,565
Prior period adjustments - see Note 17	10,646,950	722,074	804,310	12,173,334
Net assets at September 30, 2016, as restated	13,161,985	3,657,857	6,817,057	23,636,899
Activity from Statement of Activity:				
Total revenues, gains and other support	12,306,887	(3,657,857)	375,695	9,024,725
Total expenses	(7,676,976)	-	-	(7,676,976)
Changes in net assets	4,629,911	(3,657,857)	375,695	1,347,749
Net assets at the end of the fiscal year, September 30, 2017	\$ 17,791,896	\$ -	\$ 7,192,752	\$ 24,984,648
	71.21%	0.00%	28.79%	100.00%

Note 12 – Commitments

Operating Leases

The Opera leases warehouse space as well as office equipment under various operating leases. Future payments required under these leases at September 30, 2018 are as follows:

	Future <u>Lease Payments</u>
FY 2018-19	\$ 97,730
FY 2019-20	25,260
FY 2020-21	25,260
FY 2021-22	25,260
FY 2022-23	25,260
Thereafter	-
	<u>\$ 198,770</u>

Total lease expense was \$123,481 and \$147,796 for the fiscal years ended September 30, 2018 and 2017 respectfully.

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:

	<u>Office</u>	<u>Parking</u>	<u>Total</u>
FY 2018-19	\$ 284,545	\$ 24,000	\$ 308,545
FY 2019-20	293,634	24,000	317,634
FY 2020-21	302,976	24,000	326,976
FY 2021-22	312,065	24,000	336,065
FY 2022-23	351,042	24,000	375,042
	<u>\$ 1,544,262</u>	<u>\$ 120,000</u>	<u>\$ 1,664,262</u>

The Opera recognizes escalating office rent provisions on a straight-line basis over the lease term. The office rental income was \$275,708 and \$273,124 for the fiscal years ended September 30, 2018 and 2017 respectfully.

Note 13 – 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 14 – 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 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 September 30, 2018 and 2017. 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 – Supplemental Cash Flow Disclosure

Supplemental cash flow information is as follows:

	<u>FY 2017-18</u>	<u>FY 2016-17</u>
Cash paid during the fiscal year for:		
Interest	\$ 115,310	\$ 26,346
Taxes	-	-

Note 17 – Accounting Change and Prior Period Adjustments

A change in accounting principle results from the adoption of a generally accepted accounting principle different from the one used previously for reporting purposes. For the fiscal year ended September 30, 2017, the Opera reported a change in accounting principle regarding how it now reports its investment in real estate. In prior reporting periods, this asset was reported as a capital asset and depreciated using the historical cost accounting methodology. During the fiscal year ended September 30, 2017, the Board of Trustees determined that the intent of holding onto this property is for investment purposes and therefore, the property is now being accounted for using the fair value accounting methodology.

A prior period adjustment is the correction of an accounting error that occurred in the past and reported on a prior year's financial statement. For the fiscal year ended September 30, 2017, the Opera reported five prior period adjustments relating to the allocation of transactions between the three categories of unrestricted, temporary restricted and permanently restricted net assets. In first two of these prior period adjustments, total net assets does not change, only how the total is allocated to the three categories. With the third prior period adjustment, total net assets decreases by \$80,525 to correct for a misstatement in the prior reporting period. With the fourth prior period adjustment, certain adjustments were made to balance the Form 990 for the three month period ended September 30, 2016. With the fifth prior period adjustment, permanently restricted net assets increases by \$2,006,011 to reflect the recording of beneficial interest in trusts received over the years by the Opera.

Prior Period Adjustment No. 1 – It was determined that the endowment distributions over the last three fiscal years were not properly allocated between the unrestricted, temporarily restricted and permanently restricted net asset categories.

Prior Period Adjustment No. 2 – It was determined that three donations previously classified as permanently restricted were in fact only temporarily restricted for educational, outreach and general operational programs. As these temporary restrictions are now satisfied, this prior period adjustment moves these donations to the unrestricted category.

Prior Period Adjustment No. 3 – It was determined that in the prior three month period ended September 30, 2016, a financial reporting error occurred surrounding the accrual of the endowment distribution in the amount of \$80,525 by overstating the investment in endowment and understating the net released from endowment. This prior period adjustment corrects for this misstatement.

Prior Period Adjustment No. 4 – It was determined that in the prior three month period ended September 30, 2016, certain account adjustments were made to balance the Form 990 in the net amount of \$1,098,551. This prior period adjustment corrects for these adjustments.

Prior Period Adjustment No. 5 – It was determined the Opera has beneficial interest in trusts as described in Note 8 in the amount of \$2,006,011 which are permanently restricted in perpetuity with the income dedicated to general operating expenses. This prior period adjustment adjusts for these beneficial interest in trusts.

The cumulative effect of the accounting change and prior period adjustments to net assets as of September 30, 2016 was as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Net Assets as of September 30, 2016, as originally reported	\$ 2,515,035	\$ 2,935,783	\$ 6,012,747	\$ 11,463,565
Change in Accounting Principle				
Removal of capital asset, net book value	(4,819,601)	-	-	(4,819,601)
Addition of investment in real estate	16,166,000	-	-	16,166,000
Net change in accounting principle	11,346,399	-	-	11,346,399
Prior Period Adjustment No. 1				
Reallocation of endowment activity	-	722,074	(722,074)	-
Prior Period Adjustment No. 2				
Determination of no permanent restriction	479,627	-	(479,627)	-
Prior Period Adjustment No. 3				
Prior period correction of error	(80,525)	-	-	(80,525)
Prior Period Adjustment No. 4				
Prior period account adjustments	(1,098,551)	-	-	(1,098,551)
Prior Period Adjustment No. 5				
Beneficial interest in trusts	-	-	2,006,011	2,006,011
	<u>10,646,950</u>	<u>722,074</u>	<u>804,310</u>	<u>12,173,334</u>
Net Assets as of September 30, 2016, as restated	<u>\$ 13,161,985</u>	<u>\$ 3,657,857</u>	<u>\$ 6,817,057</u>	<u>\$ 23,636,899</u>

Note 18 – Subsequent Events

The Opera did not have any subsequent events through December 28, 2018, 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 September 30, 2018.

SUPPLEMENTARY FINANCIAL INFORMATION

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

Consolidating Statements of Financial Position

As of September 30, 2018 and 2017

	2018			
	Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
Assets:				
Current:				
Cash and cash equivalents	\$ 154,827	\$ 75,153	\$ -	\$ 229,980
Receivables - trade	-	231,277	-	231,277
Receivables - contributions	443,619	-	-	443,619
Prepaid expenses	121,563	2,543	-	124,106
Deferred charges	298,576	-	-	298,576
	<u>1,018,585</u>	<u>308,973</u>	<u>-</u>	<u>1,327,558</u>
Noncurrent:				
Receivables - contributions	100,000	-	-	100,000
Deferred charges	271,314	-	-	271,314
Intangible asset	172,225	-	-	172,225
Capital assets, net of depreciation	229,730	-	-	229,730
Investment in endowment	9,232,378	-	-	9,232,378
Investment in real estate	17,725,186	-	-	17,725,186
Beneficial interest in trusts	2,211,415	-	-	2,211,415
	<u>29,942,248</u>	<u>-</u>	<u>-</u>	<u>29,942,248</u>
Total assets	<u>\$ 30,960,833</u>	<u>\$ 308,973</u>	<u>\$ -</u>	<u>\$ 31,269,806</u>
Liabilities:				
Current:				
Accounts payable and accrued liabilities	\$ 756,024	\$ 230,360	\$ -	\$ 986,384
Due on line of credit	585,000	-	-	585,000
Due to Broadway	-	-	-	-
Deferred ticket revenue	638,778	1,240,628	-	1,879,406
Deferred contribution revenue	132,501	-	-	132,501
Long-term debt due in one year	61,637	-	-	61,637
	<u>2,173,940</u>	<u>1,470,988</u>	<u>-</u>	<u>3,644,928</u>
Noncurrent:				
Due to subsidiary	1,162,015	-	(1,162,015)	-
Deposits refundable	27,741	-	-	27,741
Notes payable	5,171	-	-	5,171
Due on long-term debt	2,328,068	-	-	2,328,068
Less long-term debt due in one year	(61,637)	-	-	(61,637)
	<u>3,461,358</u>	<u>-</u>	<u>(1,162,015)</u>	<u>2,299,343</u>
Total liabilities	<u>5,635,298</u>	<u>1,470,988</u>	<u>(1,162,015)</u>	<u>5,944,271</u>
Net Assets:				
Unrestricted	18,025,123	(1,162,015)	1,162,015	18,025,123
Temporarily restricted	-	-	-	-
Permanently restricted	7,300,412	-	-	7,300,412
Total net assets	<u>25,325,535</u>	<u>(1,162,015)</u>	<u>1,162,015</u>	<u>25,325,535</u>
Total liabilities and net assets	<u>\$ 30,960,833</u>	<u>\$ 308,973</u>	<u>\$ -</u>	<u>\$ 31,269,806</u>

2017

Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
\$ 309,255	\$ 98,510	\$ -	\$ 407,765
-	283,440	-	283,440
930,624	-	-	930,624
91,841	9,429	-	101,270
195,755	-	-	195,755
<u>1,527,475</u>	<u>391,379</u>	<u>-</u>	<u>1,918,854</u>
-	-	-	-
259,414	-	-	259,414
172,225	-	-	172,225
263,420	-	-	263,420
8,941,706	-	-	8,941,706
16,750,732	-	-	16,750,732
2,122,288	-	-	2,122,288
<u>28,509,785</u>	<u>-</u>	<u>-</u>	<u>28,509,785</u>
<u>\$ 30,037,260</u>	<u>\$ 391,379</u>	<u>\$ -</u>	<u>\$ 30,428,639</u>
\$ 642,078	\$ 194,071	\$ -	\$ 836,149
-	-	-	-
-	-	-	-
488,432	1,298,933	-	1,787,365
397,178	-	-	397,178
62,582	-	-	62,582
<u>1,590,270</u>	<u>1,493,004</u>	<u>-</u>	<u>3,083,274</u>
1,101,625	-	(1,101,625)	-
27,741	-	-	27,741
13,511	-	-	13,511
2,382,047	-	-	2,382,047
(62,582)	-	-	(62,582)
<u>3,462,342</u>	<u>-</u>	<u>(1,101,625)</u>	<u>2,360,717</u>
<u>5,052,612</u>	<u>1,493,004</u>	<u>(1,101,625)</u>	<u>5,443,991</u>
17,791,896	(1,101,625)	1,101,625	17,791,896
-	-	-	-
7,192,752	-	-	7,192,752
<u>24,984,648</u>	<u>(1,101,625)</u>	<u>1,101,625</u>	<u>24,984,648</u>
<u>\$ 30,037,260</u>	<u>\$ 391,379</u>	<u>\$ -</u>	<u>\$ 30,428,639</u>

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Activities and Changes in Net Assets
For the fiscal years ended September 30, 2018 and 2017

	2018			Total
	Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	
Revenues, gains and other support:				
Earned revenue				
Ticket sales	\$ 1,238,774	\$ -	\$ -	\$ 1,238,774
Ticket handling revenue	24,354	397,157	-	421,511
Broadway presentations	-	1,501,152	-	1,501,152
	<u>1,263,128</u>	<u>1,898,309</u>	<u>-</u>	<u>3,161,437</u>
Contributions and outside support				
Contributions and sponsorships	2,065,496	113,089	-	2,178,585
Contributions to endowment fund	257,992	-	-	257,992
Educational, governmental, and project grants	546,077	-	-	546,077
Special support	207,155	4,800	-	211,955
	<u>3,076,720</u>	<u>117,889</u>	<u>-</u>	<u>3,194,609</u>
Income from subsidiary	1,684,658	-	(1,684,658)	-
Investment gains (losses)	1,254,915	-	-	1,254,915
Rental and other revenues	479,300	355,503	-	834,803
Total revenues and gains	<u>7,758,721</u>	<u>2,371,701</u>	<u>(1,684,658)</u>	<u>8,445,764</u>
Net assets released from restriction, contributions	-	-	-	-
Net assets released from restriction, endowments	348,870	-	-	348,870
Total revenues, gains and other support	<u>8,107,591</u>	<u>2,371,701</u>	<u>(1,684,658)</u>	<u>8,794,634</u>
Expenses:				
Program activities:				
Production costs:				
Performance	3,809,688	-	-	3,809,688
Production	436,293	47,211	-	483,504
Music, education and outreach	549,428	-	-	549,428
	<u>4,795,409</u>	<u>47,211</u>	<u>-</u>	<u>4,842,620</u>
Sales and customer service costs:				
Marketing and public relations	752,619	103,918	-	856,537
Ticketing and customer service	344,473	393,785	-	738,258
	<u>1,097,092</u>	<u>497,703</u>	<u>-</u>	<u>1,594,795</u>
Total program activities	<u>5,892,501</u>	<u>544,914</u>	<u>-</u>	<u>6,437,415</u>
Supporting activities:				
Management and general:				
Administrative	883,922	89,994	-	973,916
Interest	115,310	-	-	115,310
Facilities	304,659	-	-	304,659
Depreciation and amortization	52,261	-	-	52,261
	<u>1,356,152</u>	<u>89,994</u>	<u>-</u>	<u>1,446,146</u>
Fundraising and development	625,711	52,135	-	677,846
Total supporting activities	<u>1,981,863</u>	<u>142,129</u>	<u>-</u>	<u>2,123,992</u>
Total expenses	<u>7,874,364</u>	<u>687,043</u>	<u>-</u>	<u>8,561,407</u>
Changes in unrestricted net assets	<u>233,227</u>	<u>1,684,658</u>	<u>(1,684,658)</u>	<u>233,227</u>
Changes in temporarily restricted net assets:				
Investment gains (losses)	-	-	-	-
Net assets released from restriction, contributions	-	-	-	-
Net assets released from restriction, endowments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in permanently restricted net assets:				
Investment gains (losses)	456,530	-	-	456,530
Net assets released from restriction, endowments	(348,870)	-	-	(348,870)
	<u>107,660</u>	<u>-</u>	<u>-</u>	<u>107,660</u>
Changes in net assets	<u>\$ 340,887</u>	<u>\$ 1,684,658</u>	<u>\$ (1,684,658)</u>	<u>\$ 340,887</u>

2017

Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
\$ 1,669,154	\$ -	\$ -	\$ 1,669,154
51,674	68,340	-	120,014
-	614,867	-	614,867
<u>1,720,828</u>	<u>683,207</u>	<u>-</u>	<u>2,404,035</u>
2,443,008	87,260	-	2,530,268
580,663	-	-	580,663
1,237,137	-	-	1,237,137
77,435	3,000	-	80,435
<u>4,338,243</u>	<u>90,260</u>	<u>-</u>	<u>4,428,503</u>
456,555	-	(456,555)	-
584,732	-	-	584,732
378,451	226,189	-	604,640
<u>7,478,809</u>	<u>999,656</u>	<u>(456,555)</u>	<u>8,021,910</u>
3,855,082	-	-	3,855,082
429,895	-	-	429,895
<u>11,763,786</u>	<u>999,656</u>	<u>(456,555)</u>	<u>12,306,887</u>
3,247,112	-	-	3,247,112
546,105	34,542	-	580,647
427,854	-	-	427,854
<u>4,221,071</u>	<u>34,542</u>	<u>-</u>	<u>4,255,613</u>
646,869	131,794	-	778,663
429,929	283,785	-	713,714
<u>1,076,798</u>	<u>415,579</u>	<u>-</u>	<u>1,492,377</u>
<u>5,297,869</u>	<u>450,121</u>	<u>-</u>	<u>5,747,990</u>
853,660	73,067	-	926,727
51,705	-	-	51,705
321,890	-	-	321,890
29,489	-	-	29,489
<u>1,256,744</u>	<u>73,067</u>	<u>-</u>	<u>1,329,811</u>
579,262	19,913	-	599,175
<u>1,836,006</u>	<u>92,980</u>	<u>-</u>	<u>1,928,986</u>
<u>7,133,875</u>	<u>543,101</u>	<u>-</u>	<u>7,676,976</u>
<u>4,629,911</u>	<u>456,555</u>	<u>(456,555)</u>	<u>4,629,911</u>
382,896	-	-	382,896
(3,855,082)	-	-	(3,855,082)
(185,671)	-	-	(185,671)
<u>(3,657,857)</u>	<u>-</u>	<u>-</u>	<u>(3,657,857)</u>
619,919	-	-	619,919
(244,224)	-	-	(244,224)
375,695	-	-	375,695
<u>\$ 1,347,749</u>	<u>\$ 456,555</u>	<u>\$ (456,555)</u>	<u>\$ 1,347,749</u>

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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 September 30, 2018 and 2017

	2018	2017
Revenues, gains and other support:		
Earned revenue		
Ticket sales	\$ 1,238,774	\$ 1,669,154
Ticket handling revenue	421,511	120,014
Broadway presentations	1,501,152	614,867
	3,161,437	2,404,035
Contributions and outside support		
Contributions and sponsorships	2,178,585	2,530,268
Contributions to endowment fund	257,992	580,663
Educational, governmental, and project grants	546,077	1,237,137
Special support	211,955	80,435
	3,194,609	4,428,503
Investment gains (losses)	1,254,915	584,732
Rental and other income	834,803	604,640
Total revenues and gains	8,445,764	8,021,910
Net assets released from restriction, contributions	-	3,855,082
Net assets released from restriction, endowments	348,870	429,895
Total revenues, gains and other support	8,794,634	12,306,887
Expenses:		
Program activities:		
Production costs:		
Performance	3,809,688	3,247,112
Production	483,504	580,647
Music, education and outreach	549,428	427,854
	4,842,620	4,255,613
Sales and customer service costs:		
Marketing and public relations	856,537	778,663
Ticketing and customer service	738,258	713,714
	1,594,795	1,492,377
Total program activities	6,437,415	5,747,990
Supporting activities:		
Management and general:		
Administrative	973,916	926,727
Interest	115,310	51,705
Facilities	304,659	321,890
Depreciation and amortization	52,261	29,489
	1,446,146	1,329,811
Fundraising and development	677,846	599,175
Total supporting activities	2,123,992	1,928,986
Total expenses	8,561,407	7,676,976
Changes in unrestricted net assets	233,227	4,629,911
Changes in temporarily restricted net assets:		
Investment gains (losses)	-	382,896
Net assets released from restriction, contributions	-	(3,855,082)
Net assets released from restriction, endowments	-	(185,671)
	-	(3,657,857)
Changes in permanently restricted net assets:		
Investment gains (losses)	456,530	619,919
Net assets released from restriction, endowments	(348,870)	(244,224)
	107,660	375,695
Changes in net assets	\$ 340,887	\$ 1,347,749

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY
Consolidating Statements of Cash Flows
For the fiscal years ended September 30, 2018 and 2017

	2018			
	Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
Cash flows from operating activities:				
Changes in net assets	\$ 340,887	\$ 1,684,658	\$ (1,684,658)	\$ 340,887
Adjustments to reconcile changes in net assets to net cash used in operating activities:				
Depreciation and amortization	52,261	-	-	52,261
Decrease (increase) in value of endowment and investments	(2,332,521)	-	1,684,658	(647,863)
Decrease (increase) in value of investment in real estate	(974,454)	-	-	(974,454)
Decrease (increase) in value of beneficial interest in trusts	(89,127)	-	-	(89,127)
Change in assets and liabilities:				
Decrease (increase) in trade receivables	-	(1,692,884)	477,040	(1,215,844)
Decrease (increase) in contributions receivables	387,004	-	-	387,004
Decrease (increase) in endowment receivables	-	-	-	-
Decrease (increase) in prepaid expenses and supplies	(29,721)	6,886	-	(22,835)
Decrease (increase) in deferred charges	(114,721)	100	-	(114,621)
Increase (decrease) in accounts payable and accrued liabilities	1,463,815	36,289	(477,040)	1,023,064
Increase (decrease) in deferred ticket revenue	150,347	-	-	150,347
Increase (decrease) in other liabilities	130,503	(58,406)	-	72,097
Net cash provided by (used in) operating activities	<u>(1,015,727)</u>	<u>(23,357)</u>	<u>-</u>	<u>(1,039,084)</u>
Cash flows from investing activities:				
Purchases of investments in endowment	(257,992)	-	-	(257,992)
Proceeds from sales of investments in endowment	615,183	-	-	615,183
Acquisitions of capital assets	(18,572)	-	-	(18,572)
Net cash provided by (used in) investing activities	<u>338,619</u>	<u>-</u>	<u>-</u>	<u>338,619</u>
Cash flows from financing activities:				
Proceeds from short-term line of credit	1,200,000	-	-	1,200,000
Repayment of short-term line of credit	(615,000)	-	-	(615,000)
Proceeds from long-term debt	-	-	-	-
Repayment of long-term debt	(62,320)	-	-	(62,320)
Net cash provided by (used in) financing activities	<u>522,680</u>	<u>-</u>	<u>-</u>	<u>522,680</u>
Changes in cash and cash equivalents	(154,428)	(23,357)	-	(177,785)
Cash and cash equivalents, beginning of year	<u>309,255</u>	<u>98,510</u>	<u>-</u>	<u>407,765</u>
Cash and cash equivalents, end of year	<u>\$ 154,827</u>	<u>\$ 75,153</u>	<u>\$ -</u>	<u>\$ 229,980</u>
Cash paid during the fiscal year for interest	<u>\$ 115,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,310</u>

2017

Portland Opera Association, Inc.	Portland Theater Productions, Inc.	Eliminations	Total
\$ 1,347,749	\$ 456,555	\$ (456,555)	\$ 1,347,749
29,489	-	-	29,489
(1,337,306)	-	456,555	(880,751)
(584,732)	-	-	(584,732)
(116,277)	-	-	(116,277)
(12,177)	(939,040)	1,713,557	762,340
584,485	-	-	584,485
-	-	-	-
309,697	2,489	-	312,186
(100,809)	-	-	(100,809)
274,190	33,314	(1,713,557)	(1,406,053)
(84,823)	-	-	(84,823)
(906,222)	495,674	-	(410,548)
(596,736)	48,992	-	(547,744)
(580,663)	-	-	(580,663)
510,420	-	-	510,420
(258,261)	-	-	(258,261)
(328,504)	-	-	(328,504)
255,000	-	-	255,000
(1,525,000)	-	-	(1,525,000)
2,400,000	-	-	2,400,000
(26,132)	-	-	(26,132)
1,103,868	-	-	1,103,868
178,628	48,992	-	227,620
130,627	49,518	-	180,145
\$ 309,255	\$ 98,510	\$ -	\$ 407,765
\$ 51,705	\$ -	\$ -	\$ 51,705

PORTLAND OPERA ASSOCIATION, INC. AND SUBSIDIARY

Governing Board and Management

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Owner & Founder Winderlea Vineyard & Winery

Kregg Arntson, At Large ^{4,7}
Executive Director, PGE Foundation

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*Retired General Council,
Portland Development Commission*

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Marilyn Crilley
Community Volunteer

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Founder and President, Advanced Wealth Management

Jamey Hampton
Co-founder and Artistic Director, BodyVox

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Greg Tibbles
Retired Executive

Kathryn Wheeler ^{5,7}
Territory Manager, Rubicon

¹ At Large Board Members

² Executive Committee

³ Finance Committee

⁴ Governance Committee

⁵ Leadership Committee

⁶ Strategic Planning Committee

⁷ Gala Committee

Governing Board and Management

MANAGEMENT

Christopher Mattaliano

General Director

Sue Dixon

Director of External Affairs

Clare Burovac

Director of Artistic Operations

Laura Hassell

Director of Production

Richard Seals, CPA CMA CFM CFE CGMA

Director of Finance & Administration

Inquiries and Other Information

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BOX OFFICE: 503-241-1802
ADMINISTRATION: 503-241-1407

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

FOR ADDITIONAL FINANCIAL INFORMATION:

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MISSION STATEMENT

The mission of Portland Opera is to inspire, challenge and uplift our audiences by creating productions of high artistic quality that celebrate the beauty and breadth of opera.

PORTLAND **OPERA**

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

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