

Nashville Opera Association and Affiliates

Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Nashville Opera Association and Affiliates

Opinion

We have audited the consolidated financial statements of Nashville Opera Association and Affiliates (the Organization, a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2023, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of July 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization, as of and for the year ended July 31, 2022, were audited by other auditors, whose report, dated February 20, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 2023 supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the 2023 information is fairly stated in all material respects in relation to the financial statements as a whole.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
February 26, 2024

Nashville Opera Association and Affiliates
Consolidated Statements of Financial Position
July 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,397,881	\$ 1,309,919
Contributions and grants receivable, current portion	134,478	1,412,033
Prepaid expenses and other	<u>53,560</u>	<u>81,495</u>
Total current assets	1,585,919	2,803,447
Investments	6,378,153	5,026,586
Land, building, and equipment, net	<u>4,746,229</u>	<u>4,830,696</u>
Total assets	\$ 12,710,301	\$ 12,660,729
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 12,942	\$ 29,796
Unearned revenue	<u>156,262</u>	<u>135,187</u>
Total current liabilities	169,204	164,983
Net assets		
Without donor restrictions		
Undesignated	7,581,690	7,852,377
Board-designated endowments	<u>3,987,843</u>	<u>3,703,756</u>
Total without donor restrictions	11,569,533	11,556,133
With donor restrictions	<u>971,564</u>	<u>939,613</u>
Total net assets	12,541,097	12,495,746
Total liabilities and net assets	\$ 12,710,301	\$ 12,660,729

Nashville Opera Association and Affiliates

Consolidated Statements of Activities

For the Year Ended July 31, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
General contributions	\$ 1,222,050	\$ 107,628	\$ 1,329,678
Grants from governmental agencies	765,653	-	765,653
Fundraising revenue	23,340	-	23,340
Contributions of nonfinancial assets	43,991	-	43,991
Single ticket sales and tour fees	359,405	-	359,405
Guild special events	237,298	-	237,298
Rental income	220,425	-	220,425
Membership dues	10,530	-	10,530
Investment return, net	370,568	-	370,568
Other income	6,767	-	6,767
Net assets released from restrictions	<u>75,677</u>	<u>(75,677)</u>	<u>-</u>
Total support and revenues	3,335,704	31,951	3,367,655
Expenses			
Program services	1,908,815	-	1,908,815
Management and general	988,026	-	988,026
Fundraising	<u>425,463</u>	<u>-</u>	<u>425,463</u>
Total expenses	3,322,304	-	3,322,304
Change in net assets	13,400	31,951	45,351
Net assets, beginning of year	<u>11,556,133</u>	<u>939,613</u>	<u>12,495,746</u>
Net assets, end of year	\$ 11,569,533	\$ 971,564	\$ 12,541,097

Nashville Opera Association and Affiliates

Consolidated Statements of Activities

For the Year Ended July 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
General contributions	\$ 1,385,890	\$ 21,993	\$ 1,407,883
Grants from governmental agencies	2,115,319	-	2,115,319
Fundraising revenue	22,050	-	22,050
Contributions of nonfinancial assets	26,711	-	26,711
Single ticket sales and tour fees	255,254	-	255,254
Guild special events	287,700	-	287,700
Rental income	322,787	-	322,787
Membership dues	9,060	-	9,060
Investment return, net	(484,967)	-	(484,967)
Other income	9,421	-	9,421
Net assets released from restrictions	61,580	(61,580)	-
Total support and revenues	4,010,805	(39,587)	3,971,218
Expenses			
Program services	1,719,964	-	1,719,964
Management and general	852,550	-	852,550
Fundraising	348,766	-	348,766
Total expenses	2,921,280	-	2,921,280
Change in net assets	1,089,525	(39,587)	1,049,938
Net assets, beginning of year	10,466,608	979,200	11,445,808
Net assets, end of year	\$ 11,556,133	\$ 939,613	\$ 12,495,746

Nashville Opera Association and Affiliates
Consolidated Statements of Functional Expenses
For the Year Ended July 31, 2023

	Program services	Management and general	Fundraising	Total
Salaries	\$ 438,859	\$ 304,042	\$ 169,601	\$ 912,502
Production subcontract labor	551,858	-	-	551,858
Production expense	377,999	-	-	377,999
Depreciation and amortization	193,371	62,941	-	256,312
Building expense	108,714	57,202	-	165,916
Miscellaneous	115,797	140,066	48,516	304,379
Fundraising events	-	-	147,748	147,748
Employee benefits	29,799	38,185	25,440	93,424
Payroll taxes	27,972	31,468	12,975	72,415
Utilities	41,599	13,726	-	55,325
Marketing	-	97,479	-	97,479
Legal and professional	-	97,700	-	97,700
Printing and publications	-	28,536	17,537	46,073
Telephone	8,641	2,817	-	11,458
Insurance	-	41,828	-	41,828
Equipment maintenance	-	19,006	-	19,006
Public relations	-	4,189	-	4,189
Bank fees	-	13,007	-	13,007
Postage	-	7,900	384	8,284
Dues and subscriptions	6,500	7,042	-	13,542
Pension	7,706	1,724	1,696	11,126
Supplies	-	7,537	1,566	9,103
Conferences	-	11,631	-	11,631
	\$ 1,908,815	\$ 988,026	\$ 425,463	\$ 3,322,304

Nashville Opera Association and Affiliates
Consolidated Statements of Functional Expenses
For the Year Ended July 31, 2022

	Program services	Management and general	Fundraising	Total
Salaries	\$ 361,196	\$ 324,520	\$ 161,660	\$ 847,376
Production subcontract labor	484,437	-	-	484,437
Production expense	416,171	-	-	416,171
Depreciation and amortization	169,483	54,978	-	224,461
Building expense	148,978	89,762	-	238,740
Miscellaneous	30,059	89,446	16,826	136,331
Fundraising events	-	-	133,677	133,677
Employee benefits	16,979	40,969	18,249	76,197
Payroll taxes	23,220	32,139	9,307	64,666
Utilities	40,609	13,472	-	54,081
Marketing	-	40,777	-	40,777
Legal and professional	-	30,140	-	30,140
Printing and publications	-	26,316	2,802	29,118
Telephone	18,274	5,664	-	23,938
Insurance	-	22,418	-	22,418
Equipment maintenance	-	17,930	-	17,930
Public relations	-	17,668	-	17,668
Bank fees	-	16,433	-	16,433
Postage	-	14,096	1,986	16,082
Dues and subscriptions	6,500	3,042	-	9,542
Pension	4,058	2,504	2,433	8,995
Supplies	-	4,575	1,826	6,401
Conferences	-	5,701	-	5,701
	<u>\$ 1,719,964</u>	<u>\$ 852,550</u>	<u>\$ 348,766</u>	<u>\$ 2,921,280</u>

Nashville Opera Association and Affiliates

Consolidated Statements of Cash Flows For the Years Ended July 31, 2023 and 2022

	2023	2022
Cash and cash equivalents, beginning of year	\$ 1,309,919	\$ 1,196,656
Cash flows from operating activities		
Change in net assets	45,351	1,049,938
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	256,312	224,461
Unrealized loss (gain) on investments	(280,941)	844,801
Reinvested interest and dividends, net of fees	(135,961)	(207,141)
Change in:		
Contributions and grants receivable	1,277,555	(1,337,823)
Prepaid expenses and other	27,935	(70,258)
Accounts payable and accrued expenses	(16,854)	(26,880)
Unearned revenue	21,075	(22,408)
Deferred grant revenue	-	(147,900)
Net cash provided (used) by operating activities	1,194,472	306,790
Cash flows from investing activities		
Purchases of building and equipment	(171,844)	(106,435)
Proceeds from sales of investments	5,812,858	3,403,004
Purchases of investments	(6,747,524)	(3,531,150)
Net cash provided (used) by investing activities	(1,106,510)	(234,581)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	-	41,054
Net change in cash and cash equivalents	87,962	113,263
Cash and cash equivalents, end of year	\$ 1,397,881	\$ 1,309,919

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nashville Opera Association was organized in 1981 to make a difference by creating legendary productions and programs and providing exceptional service. Nashville Opera Association is supported primarily through contributions, ticket sales, and tour fees.

During fiscal 2002, the Nashville Opera Guild (the Guild), an organization created to support the Nashville Opera Association primarily through volunteer efforts, merged with the Nashville Opera Association. The accompanying consolidated financial statements include the activities of the Guild. During fiscal 2022, the Guild informally changed its name to the Friends of Nashville Opera.

The Organization also owns a 100% membership interest in three single member limited liability companies, Nashville Opera Company, LLC (which comprises the operating activities of the Organization, including the operatic productions); Noah Liff Opera Center, LLC (which comprises the Organization's building); and NOA Foundation, LLC (which comprises the Organization's restricted net assets and other investments). The limited liability companies were formed on January 1, 2008.

Principles of Consolidation

The consolidated financial statements include the accounts of Nashville Opera Association; the Guild; Nashville Opera Company, LLC; Noah Liff Opera Center, LLC; and NOA Foundation, LLC, referred to herein collectively as the "Organization." All significant inter-entity transactions and balances have been eliminated in consolidation.

Accounting Method

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), whereby revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets of the Organization are presented as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organizations' management and the Board of Directors. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to stipulations by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent amounts available for specified projects.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization has the following types of net assets with donor restrictions:

Operating – Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Capital – Represents net assets subject to donor-imposed stipulations that they be used for acquisition, renovation, and maintenance of a long-lived asset.

Held in Perpetuity – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly-liquid investments with an original maturity of three months or less, except for cash held in investment accounts.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. See note 5 for discussion of fair value measurements. Gains or losses on such investments are reported as a change in net assets in the period they occur. The Organization's policy is to allocate investments between fixed income securities and equity securities.

Contributions Receivable

Contributions receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions receivable due in the next year are reflected as current contributions receivable and is recorded at their net realizable value. Contributions receivable due in subsequent years is reflected as noncurrent contributions receivable and is recorded at the present value of their net realizable value, by discounting the contributions receivable at an appropriate rate commensurate with the risk involved.

The Organization uses the allowance method to determine uncollectible, unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management considers contributions receivable to be fully collectible as of year-end and, accordingly, no allowance for uncollectible contributions receivable has been provided at year end.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Land, Building, and Equipment

Land, building, and equipment are recorded at cost as of the date purchased or at fair value as of the date contributed. Expenditures for ordinary maintenance and repair are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the costs of the various classes of assets using straight-line methods over the estimated useful lives of the respective assets, generally ranging from 5 to 40 years.

Leases (New Accounting Standard Adopted in 2023)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among entities related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. The Organization adopted Topic 842 on August 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on August 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on August 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or August 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Leases (New Accounting Standard Adopted in 2023)

The Organization has not reflected in the financial statements the changes for the new accounting standard as its leases are not material.

Revenue Recognition

The Organization follows FASB Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) which stipulates that revenue is recognized when the Organization performs services for a customer in an amount that reflects consideration that is expected to be received for those services. Under Topic 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

The Organization recognized revenue for services in accordance with the following five steps outlined in Topic 606:

- Identification of the contract or contracts with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction prices
- Allocation of the transaction prices to the performance obligations in the contract
- Recognition of revenue when or as the Organization satisfies a performance obligation

Performance Obligations and Revenue Recognition

A performance obligation is a contract to transfer a distinct good or service to a customer and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue, when, or as, the performance obligation is satisfied. The contract obligation for ticket sales and rental income are satisfied at the time these services are provided or when a good is transferred to the customer.

Ticket Sales and Tour Fees

A portion of the Organization's revenue is derived from the sales of tickets to opera performances hosted by the Organization. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized once the requirement has been met. Once the opera performance is held, the performance obligation is considered to have been met. These transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the good or service purchased.

Rental Income

A portion of the Organization's revenue is derived by renting facility space to customers to hold special events. These agreements are not for longer than 12 months and, therefore, are considered contracts with customers that have commercial substance through the transaction of cash payment in return for the services purchased, rather than an operating or financing lease. Due to the nature of these transactions, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized once the requirement has been met. Once the service is performed, the performance obligation is considered to have been met.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Revenue Recognition

Contract Balance

Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying consolidated statements of financial position totaled \$156,262 and \$135,187 as of July 31, 2023 and 2022, respectively. Unearned revenue represents income from ticket sales and rental income. These items are recorded as unearned revenue when received and recognized when the opera performance is held, and the rental event is hosted.

Contributions

Unconditional contributions, including unconditional promises to give, are recognized when received as with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are shown as increases in net assets without donor restrictions. The Organization recognizes revenue received related to the Impresario Council, membership levels of the Organization, as an annual unrestricted contribution.

Grants

A portion of the Organization's revenue is derived from cost-reimbursable governmental contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position.

Support and Revenue

The Organization receives revenue as ticket sale proceeds for its performances and rental income from the use of its facilities. Unearned revenue represents amounts received from advance ticket sales and deposits for future rental agreements. These advance ticket sales and related expenses are reflected in operations in the year the production is performed. The facility and production set rental income is reflected in the year the rental occurs.

Contributions of Nonfinancial Assets

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Contributions of Nonfinancial Assets

Contributed services are reflected in the consolidated financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services include the value of production services, advertising, and professional services donated by individuals in the estimated amounts of \$43,991 and \$26,711 in fiscal year 2023 and 2022, respectively. Generally, the Organization has recognized the contribution of professional services and supplies at market value. Such items have been maintained for use of the Organization. There have been no donor restrictions placed on such contributions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs

Advertising costs are expensed as incurred and are reflected in marketing in the accompanying consolidated statements of activities. Advertising expense totaled \$13,048 and \$12,171 for fiscal years 2023 and 2022, respectively.

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC). It has been classified as an organization that is not a private foundation. Accordingly, no provision for income taxes has been made in the consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 2. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other restrictions limiting their use within one year of the statement of financial position comprise the following:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 1,397,881	\$ 1,309,919
Contributions and grants receivable, current portion	134,478	1,412,033
Investments	6,378,153	5,026,586
Total financial assets at year-end	7,910,512	7,748,538
Less amounts not available to be used within one year		
Board-designated endowments	(3,987,843)	(3,703,756)
Net assets with donor restrictions	(971,564)	(939,613)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,951,105	\$ 3,105,169

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As described in note 7, the Organization also has a line of credit that is available for general operating needs. Board-designated endowment of \$3,987,843 and \$3,703,756 at July 31, 2023 and 2022, respectively, is subject to the Organization's spending policy as described in note 9. The Organization does not intend to spend from the board-designated endowment other than amounts appropriated for general expenditure in accordance with its spending policy. However, these amounts could be made available if necessary.

Note 3. Concentrations of Credit Risk

At various times during the years, the Organization's cash and cash equivalent balances exceeded federally insured limits. In management's opinion, the risks relating to these deposits is minimal based on the credit ratings of its financial institutions.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 4. Investments

Investments, at fair value consist of the following:

	2023	2022
Mutual funds	\$ 5,418,773	\$ 4,011,022
Money market	<u>959,380</u>	<u>1,015,564</u>
	\$ 6,378,153	\$ 5,026,586

Note 5. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Plan has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of certificates of deposit are estimated to approximate deposit account balances, at market rates for similar deposits having similar maturity dates and no discounts for credit quality or liquidity were determined to be applicable which are classified within Level 2.

The following table sets forth by level, the investments at fair value as of July 31, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 959,380	\$ -	\$ -	\$ 959,380
US Treasury bills	-	96,618	-	96,618
Mutual funds				
Bond funds				
Fixed income	2,494,730	-	-	2,494,730
Common stock funds				
Growth	242,656	-	-	242,656
Value	534,038	-	-	534,038
Blend	<u>2,050,731</u>	<u>-</u>	<u>-</u>	<u>2,050,731</u>
Total mutual funds	<u>5,322,155</u>	<u>-</u>	<u>-</u>	<u>5,322,155</u>
Total investments	\$ 6,281,535	\$ 96,618	\$ -	\$ 6,378,153

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 5. Fair Value Measurements

The following table sets forth by level, the investments at fair value as of July 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,015,564	\$ -	\$ -	\$ 1,015,564
Mutual funds				
Bond funds				
Fixed income	777,232	-	-	777,232
Intermediate term	705,194	-	-	705,194
Common stock funds				
Growth	559,391	-	-	559,391
Value	1,007,693	-	-	1,007,693
Blend	<u>961,512</u>	<u>-</u>	<u>-</u>	<u>961,512</u>
Total mutual funds	<u>4,011,022</u>	<u>-</u>	<u>-</u>	<u>4,011,022</u>
Total investments	\$ 5,026,586	\$ -	\$ -	\$ 5,026,586

Note 6. Land, Building, and Equipment

Land, building, and equipment consist of the following at July 31:

	2023	2022
Building, land, and land improvements	\$ 623,400	\$ 623,400
Building improvements	6,566,846	6,537,211
Furniture and equipment	883,735	844,313
Production scenery	143,791	113,717
Vehicles	<u>164,388</u>	<u>97,137</u>
	8,382,160	8,210,316
Less: accumulated depreciation	<u>(3,635,931)</u>	<u>(3,379,620)</u>
Land, building, and equipment	\$ 4,746,229	\$ 4,830,696

Note 7. Line of Credit

Historically, the Organization has maintained a line of credit for operational needs. In February 2019, the Organization obtained a line of credit with a local financial institution allowing for maximum borrowings of \$500,000. Borrowings are due on demand. The line of credit requires monthly interest payments computed at the bank's prime rate (8.5% at year-end). The line of credit is secured by first priority blanket lien on the Organization's assets. As of year-end, there were no borrowings outstanding under this arrangement.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 8. Restrictions on Net Assets

Net assets with donor restrictions consist of the following at July 31:

	2023	2022
Net assets with donor restrictions, operations		
Promises to give outstanding	\$ 107,628	\$ 25,677
Net assets with donor restrictions, capital		
Promises to give for building acquisition, renovation and maintenance	-	50,000
Endowment fund for building renovation and maintenance	95,655	95,655
Net assets with donor restrictions to be held in perpetuity		
Endowment fund for operating expenses	668,281	668,281
Young Artist Scholarship Program	<u>100,000</u>	<u>100,000</u>
	<u>768,281</u>	<u>768,281</u>
Total net assets with donor restrictions	\$ 971,564	\$ 939,613

The dividend and interest income earned on net assets with donor restrictions that they be held in perpetuity is generally available to the Organization on an unrestricted basis.

Note 9. Endowment Fund

The Organization's endowment consists of unrestricted (board-designated) and donor-restricted gifts held in investment accounts. As required, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of Directors of the Organization has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The endowment also includes net assets without donor restrictions for the Fund for Artistic Excellence, Anniversary Campaign from contributions receivable, general endowment fund, and certain building maintenance funds.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 9. Endowment Fund

Endowment net asset composition by type of fund as of July 31, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
General endowment fund	\$ 541,260	\$ 768,281	\$ 1,309,541
Unrestricted Fund for Artistic Excellence	704,015	-	704,015
Anniversary Campaign	2,639,171	-	2,639,171
Building maintenance funds	<u>103,397</u>	<u>95,655</u>	<u>199,052</u>
	\$ 3,987,843	\$ 863,936	\$ 4,851,779

Changes in endowment net assets for the fiscal year ended July 31, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,703,756	\$ 863,936	\$ 4,567,692
Investment income, net	109,565	-	109,565
Net appreciation	164,522	-	164,522
Contributions	10,000	-	10,000
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ 3,987,843	\$ 863,936	\$ 4,851,779

Endowment net asset composition by type of fund as of July 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
General endowment fund	\$ 467,351	\$ 768,281	\$ 1,235,632
Unrestricted Fund for Artistic Excellence	654,045	-	654,045
Anniversary Campaign	2,490,188	-	2,490,188
Building maintenance funds	<u>92,172</u>	<u>95,655</u>	<u>187,827</u>
	\$ 3,703,756	\$ 863,936	\$ 4,567,692

Changes in endowment net assets for the fiscal year ended July 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,213,166	\$ 863,936	\$ 5,077,102
Investment income, net	207,245	-	207,245
Net appreciation	(716,655)	-	(716,655)
Contributions	-	-	-
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ 3,703,756	\$ 863,936	\$ 4,567,692

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 9. Endowment Fund

Endowment Investment Policy and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a secure source of income to enable the Organization to underwrite a portion of its operating cost.

Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity and funds that are without donor restrictions. Those funds without donor restrictions include the Fund for Artistic Excellence and the Anniversary Campaign, which are created to support the mission of the Nashville Opera Association.

Under this policy, as approved by the Board of Directors, the general policy is to diversify investments through a portfolio of stocks, bonds, and other investments so as to enhance total return while avoiding undue risk concentration in any investment class. It is expected that the allocations will fall within the ranges as follows:

Equities	50% – 75%
Fixed income	20% – 40%
Non-traditional	0% – 25%
Cash or equivalent	5% – 15%

Investments of a single issuer may not exceed 5% of the total market value of the endowment.

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term objectives, the Organization's investment strategy for the donor-restricted funds, Fund for Artistic Excellence, and Anniversary Campaign is to invest in moderately aggressive funds with an emphasis on long-term growth. The objective is for the funds to realize a reasonable level of income. The goal for growth of the endowment funds is to grow in excess of the inflation rate over a full market cycle, after distributions for spending and management fees.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's policy for the donor-restricted fund is to appropriate dividend and interest income from the endowment fund annually. Appropriations will be equal to 5% of the market value, defined as the three-year rolling average of the December 31 balance. The Organization did not appropriate any amounts from the endowment fund during the year.

The Organization's policy for endowment funds is generally to appropriate 5% of the market value, defined as the three-year rolling average of the December 31 balance. Additional withdrawals may be requested for approval by the NOA Foundation, LLC Board of Directors.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 10. Government Grant Revenue

During the year ended July 31, 2021, the Organization received a PPP loan in the amount of \$147,900. The Organization has deferred recognition of grant revenue for the year ended July 31, 2021, because the conditions for forgiveness had not yet been substantially met; however, during the year ended July 31, 2022, the Organization's lender provided notification that the Small Business Administration (SBA) has approved the loan forgiveness application. The Organization recognized grant revenue in the amount of \$147,900 for the year ended July 31, 2022 upon notification of forgiveness.

During fiscal year 2022, the Organization was awarded a federal grant of \$2,059,615 to assist in executing its programs during the period from July 1, 2021 through December 31, 2024. This cost reimbursement grant is administered by the state of Tennessee. During the fiscal year 2023, the Organization recognized \$507,173 under this arrangement, which is included along with grants from governmental agencies revenue reflected on the consolidated statement of activities.

In addition, the Organization applied for and received a Shuttered Venue Operators Grant (SVOG) from the SBA in the amount of \$345,532. The SVOG funding is considered to be a conditional contribution under ASC 958-605, Not-for Profit Entities – Revenue Recognition. The grant must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to use the proceeds on certain allowable payroll and employee benefits, and other qualifying expenses such as utilities. The Organization recognized grant revenue for the full amount of \$345,532 for the year ended July 31, 2022, because the conditions for forgiveness had been substantially met at July 31, 2022. The SVOG funding is included with grants from governmental agencies revenue on the consolidated statement of activities.

The CARES Act contains the Employee Retention Credit (ERC), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the coronavirus (COVID-19) outbreak. The Organization qualified for \$248,945 of ERC for various periods during calendar 2020 and 2021. The Organization selected ASC 958-605 as the applicable standard for accounting for ERC. Such amounts are included in grants revenue in the accompanying 2022 consolidated statement of activities. Of that amount, \$165,206 was included in contributions and grants receivable on the statement of financial position at July 31, 2022.

Note 11. Staffing Arrangement

The Organization has entered into an agreement with an employee leasing company whereby substantially all of the Organization's staff are leased. Under this arrangement, the Organization reimburses payroll, related taxes, and insurance costs plus a fee to the leasing company. The agreement can be canceled by either party with 30-days' notice.

Note 12. Employee Benefits Plan

Effective January 1, 2005, the Organization established a defined contribution benefit plan (the Plan) in which all qualified employees 21 years of age and over may participate. The Plan provides for participants' pretax contributions to the Plan pursuant to Section 401(k) of the IRC. The Organization can make a discretionary-matching contribution. Both employee and employer contributions are 100% vested. The Organization's contribution to the Plan was \$11,126 and \$8,995 for the years ended July 31, 2023 and 2022, respectively.

Nashville Opera Association and Affiliates
Notes to Consolidated Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 13. **Subsequent Events**

Management has evaluated subsequent events through February 26, 2024, the date on which the financial statements were available for issuance.

Supplementary Information

Nashville Opera Association and Affiliates
Consolidating Statement of Activities
For the Year Ended July 31, 2023

	Nashville Opera Company, LLC	Noah Liff Opera Center, LLC	NOA Foundation, LLC	Nashville Opera Guild	Eliminations	Total
Support and Revenues						
Contributions of cash and other financial assets						
General contributions	\$ 1,329,678	\$ -	\$ -	\$ -	\$ -	\$ 1,329,678
Grants from governmental agencies	765,653	-	-	-	-	765,653
Fundraising revenue	23,340	-	-	-	-	23,340
Other	110,000	-	-	-	(110,000)	-
Contributions of nonfinancial assets	43,991	-	-	-	-	43,991
Single ticket sales and tour fees	359,405	-	-	-	-	359,405
Guild special events	-	-	-	237,298	-	237,298
Rental income	220,425	-	-	-	-	220,425
Membership dues	-	-	-	10,530	-	10,530
Investment return, net	27	142	370,399	-	-	370,568
Other income	5,677	-	-	1,090	-	6,767
Total support and revenues	<u>2,858,196</u>	<u>142</u>	<u>370,399</u>	<u>248,918</u>	<u>(110,000)</u>	<u>3,367,655</u>
Expenses						
Program services	1,747,812	155,503	-	115,500	(110,000)	1,908,815
Management and general	899,248	51,834	28,702	8,242	-	988,026
Fundraising	286,725	-	-	138,738	-	425,463
Total expenses	<u>2,933,785</u>	<u>207,337</u>	<u>28,702</u>	<u>262,480</u>	<u>(110,000)</u>	<u>3,322,304</u>
Change in net assets	\$ (75,589)	\$ (207,195)	\$ 341,697	\$ (13,562)	\$ -	\$ 45,351

Nashville Opera Association and Affiliates
Consolidating Statement of Activities
For the Year Ended July 31, 2022

	Nashville Opera Company, LLC	Noah Liff Opera Center, LLC	NOA Foundation, LLC	Nashville Opera Guild	Eliminations	Total
Support and Revenues						
Contributions of cash and other financial assets						
General contributions	\$ 1,407,883	\$ -	\$ -	\$ -	\$ -	\$ 1,407,883
Grants from governmental agencies	2,115,319	-	-	-	-	2,115,319
Fundraising revenue	22,050	-	-	-	-	22,050
Other	129,000	-	-	-	(129,000)	-
Contributions of nonfinancial assets	26,711	-	-	-	-	26,711
Single ticket sales and tour fees	255,254	-	-	-	-	255,254
Guild special events	-	-	-	287,700	-	287,700
Rental income	322,787	-	-	-	-	322,787
Membership dues	-	-	-	9,060	-	9,060
Investment return, net	53	-	(485,020)	-	-	(484,967)
Other income	9,421	-	-	-	-	9,421
Total support and revenues	4,288,478	-	(485,020)	296,760	(129,000)	3,971,218
Expenses						
Program services	1,550,041	166,288	-	132,635	(129,000)	1,719,964
Management and general	766,038	55,429	24,390	6,693	-	852,550
Fundraising	225,804	-	-	122,962	-	348,766
Total expenses	2,541,883	221,717	24,390	262,290	(129,000)	2,921,280
Change in net assets	\$ 1,746,595	\$ (221,717)	\$ (509,410)	\$ 34,470	\$ -	\$ 1,049,938