

# **NASHVILLE OPERA ASSOCIATION**

## **CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

***As of and for the Years Ended July 31, 2020 and 2019***

***And Report of Independent Auditor***

**NASHVILLE OPERA ASSOCIATION**  
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## **Report of Independent Auditor**

To the Board of Directors  
Nashville Opera Association  
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Nashville Opera Association (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2020 and 2019 and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for Consolidated 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 consolidated 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 audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Opera Association, as of July 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 15 to the consolidated financial statements, toward the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which have negatively impacted Nashville Opera Association's operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in support and revenue could have adverse effects to the Organization. Our opinion is not modified with respect to this matter.



Nashville, Tennessee  
January 26, 2021

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*JULY 31, 2020 AND 2019*

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 794,719	\$ 565,210
Contributions receivable	172,643	245,458
Accounts receivable	-	2,677
Prepaid expenses and other	29,271	17,609
Total Current Assets	996,633	830,954
Investments	4,642,539	4,418,084
Noncurrent contributions receivable, net of discount	91,054	91,054
Land, building, and equipment, net	5,098,802	5,265,085
<b>Total Assets</b>	<b>\$ 10,829,028</b>	<b>\$ 10,605,177</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 13,722	\$ -
Unearned revenue	252,182	268,969
Deferred grant revenue	134,800	-
Total Current Liabilities	400,704	268,969
Net Assets:		
Without Donor Restrictions:		
Undesignated	5,836,040	5,795,472
Board-designated endowments	3,319,651	3,095,288
Total Without Donor Restrictions	9,155,691	8,890,760
With Donor Restrictions	1,272,633	1,445,448
Total Net Assets	10,428,324	10,336,208
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,829,028</b>	<b>\$ 10,605,177</b>

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

*YEAR ENDED JULY 31, 2020*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue:			
Contributions from individuals	\$ 450,946	\$ 100,000	\$ 550,946
Contributions from corporations and foundations (including in-kind of \$20,292)	451,118	117,643	568,761
Investment income, net	364,078	-	364,078
Single ticket sales and tour fees	261,061	-	261,061
Guild special events	232,022	-	232,022
Grants from governmental agencies	184,600	-	184,600
Rental income	180,608	-	180,608
Fundraising revenue	21,575	-	21,575
Other income	11,786	-	11,786
Membership dues	4,835	-	4,835
Interest income	94	-	94
Net assets released from restrictions	390,458	(390,458)	-
Total Support and Revenue	<u>2,553,181</u>	<u>(172,815)</u>	<u>2,380,366</u>
Expenses:			
Production	797,370	-	797,370
Administrative	609,164	-	609,164
Subcontract labor	316,939	-	316,939
Building expenses	302,164	-	302,164
Special events	102,654	-	102,654
Marketing	59,480	-	59,480
Development and fundraising	34,171	-	34,171
Public relations	34,089	-	34,089
Other	32,219	-	32,219
Total Expenses	<u>2,288,250</u>	<u>-</u>	<u>2,288,250</u>
Change in Net Assets	<u>\$ 264,931</u>	<u>\$ (172,815)</u>	<u>\$ 92,116</u>

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

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

*YEAR ENDED JULY 31, 2019*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue:			
Contributions from individuals	\$ 2,623,185	\$ -	\$ 2,623,185
Contributions from corporations and foundations (including in-kind of \$48,228)	232,188	420,458	652,646
Rental income	248,337	-	248,337
Grants from governmental agencies	212,500	-	212,500
Guild special events	169,567	-	169,567
Single ticket sales and tour fees	154,374	-	154,374
Investment income, net	142,882	-	142,882
Subscription ticket sales	128,517	-	128,517
Fundraising revenue	91,760	-	91,760
Other income	20,276	-	20,276
Membership dues	10,220	-	10,220
Interest income	1,053	-	1,053
Net assets released from restrictions	83,160	(83,160)	-
Total Support and Revenue	<u>4,118,019</u>	<u>337,298</u>	<u>4,455,317</u>
Expenses:			
Production	834,981	-	834,981
Administrative	651,921	-	651,921
Subcontract labor	452,426	-	452,426
Building expenses	371,723	-	371,723
Marketing	81,650	-	81,650
Special events	95,737	-	95,737
Development and fundraising	51,823	-	51,823
Other	36,838	-	36,838
Public relations	40,130	-	40,130
Total Expenses	<u>2,617,229</u>	<u>-</u>	<u>2,617,229</u>
Change in Net Assets	<u>\$ 1,500,790</u>	<u>\$ 337,298</u>	<u>\$ 1,838,088</u>

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

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

*YEARS ENDED JULY 31, 2020 AND 2019*

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Net assets, July 31, 2018</b>	\$ 7,389,970	\$ 1,108,150	\$ 8,498,120
Change in net assets	<u>1,500,790</u>	<u>337,298</u>	<u>1,838,088</u>
<b>Net assets, July 31, 2019</b>	8,890,760	1,445,448	10,336,208
Change in net assets	<u>264,931</u>	<u>(172,815)</u>	<u>92,116</u>
<b>Net assets, July 31, 2020</b>	<u><u>\$ 9,155,691</u></u>	<u><u>\$ 1,272,633</u></u>	<u><u>\$ 10,428,324</u></u>



**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JULY 31, 2020*

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 318,204	\$ 255,186	\$ 119,274	\$ 692,664
Production subcontract labor	318,439	-	-	318,439
Production expense	274,802	-	-	274,802
Depreciation and amortization	153,375	49,609	-	202,984
Building expense	91,861	71,684	-	163,545
Fundraising events	-	-	108,904	108,904
Miscellaneous (including in-kind of \$20,292)	24,249	48,161	28,003	100,413
Employee benefits	21,446	34,063	17,891	73,400
Payroll taxes	23,147	25,049	9,124	57,320
Marketing	-	57,048	-	57,048
Utilities	37,274	12,308	-	49,582
Legal and professional	-	39,874	-	39,874
Insurance	17,381	18,694	-	36,075
Telephone	16,620	5,947	-	22,567
Public relations	-	18,102	-	18,102
Printing and publications	-	15,753	448	16,201
Pension	7,929	3,168	2,385	13,482
Bank fees	-	13,346	-	13,346
Dues and subscriptions	6,500	6,469	-	12,969
Postage	-	6,277	707	6,984
Supplies	-	2,810	763	3,573
Conferences	-	3,503	-	3,503
Equipment maintenance	-	2,473	-	2,473
Total Expenses	<u>\$ 1,311,227</u>	<u>\$ 689,524</u>	<u>\$ 287,499</u>	<u>\$ 2,288,250</u>

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JULY 31, 2019*

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 313,781	\$ 289,737	\$ 111,800	\$ 715,318
Production subcontract labor	454,926	-	-	454,926
Production expense (including in-kind of \$3,375)	330,959	-	-	330,959
Depreciation and amortization	187,079	60,844	-	247,923
Building expense (including in-kind of \$1,100)	85,617	93,944	-	179,561
Miscellaneous (including in-kind of \$19,358)	25,071	58,413	33,316	116,800
Fundraising events (including in-kind of \$250)	-	-	109,287	109,287
Employee benefits	22,578	45,367	16,770	84,715
Payroll taxes	24,236	28,312	8,553	61,101
Marketing (including in-kind of \$1,400)	-	60,524	-	60,524
Utilities	41,496	13,580	-	55,076
Printing and publications (including in-kind of \$2,865)	-	28,253	2,461	30,714
Insurance	11,908	15,121	-	27,029
Legal and professional	-	26,509	-	26,509
Public relations	-	23,600	-	23,600
Equipment maintenance (including in-kind of \$19,880)	-	23,248	-	23,248
Postage	-	12,516	1,678	14,194
Dues and subscriptions	6,500	5,932	-	12,432
Bank fees	-	14,876	-	14,876
Telephone	9,393	1,197	-	10,590
Pension	6,127	1,481	2,236	9,844
Supplies	-	1,668	4,818	6,486
Conferences	-	1,141	-	1,141
Bad debt	-	376	-	376
Total Expenses	<u>\$ 1,519,671</u>	<u>\$ 806,639</u>	<u>\$ 290,919</u>	<u>\$ 2,617,229</u>

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

# NASHVILLE OPERA ASSOCIATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2020 AND 2019

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 92,116	\$ 1,838,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	202,984	247,923
Net realized and unrealized gain on investments	(248,818)	(57,120)
Contributions restricted for long-term purposes	-	(30,000)
Changes in operating assets and liabilities:		
Contributions receivable	72,815	(112,674)
Accounts receivable	2,677	4,453
Prepaid expenses and other	(11,662)	11,811
Accounts payable and accrued expenses	13,722	-
Unearned revenue	(16,787)	80,315
Deferred grant revenue	134,800	-
Net cash provided by operating activities	241,847	1,982,796
<b>Cash flows from investing activities:</b>		
Purchases of building and equipment	(36,701)	(18,874)
Purchases of investments, net	(252,721)	(2,105,919)
Proceeds from sales of investments, net	277,084	89,700
Net cash used in investing activities	(12,338)	(2,035,093)
<b>Cash flows from financing activities:</b>		
Collections of contributions restricted for long-term purposes	-	80,376
Net cash provided by financing activities	-	80,376
Net increase in cash and cash equivalents	229,509	28,079
Cash and cash equivalents, beginning of year	565,210	537,131
Cash and cash equivalents, end of year	\$ 794,719	\$ 565,210
<b>Supplemental information:</b>		
Taxes paid	\$ 2,500	\$ 1,085

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

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### **Note 1—Nature of operations and summary of significant accounting policies**

Nashville Opera Association (the “Organization”) was organized in 1981 to make a difference by creating legendary productions and programs and providing exceptional service. The Nashville Opera Association is supported primarily through donor contributions.

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.

The Nashville Opera Association also owns a 100% membership interest in three single member limited liability companies, Nashville Opera Company, LLC (which comprise the operating activities of the Organization, including the operatic productions); Noah Liff Opera Center, LLC (which comprise the Organization’s building); and NOA Foundation, LLC (which comprise 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 the 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 (“U.S. 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. 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.

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

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### **Note 1—Nature of operations and summary of significant accounting policies (continued)**

*Restricted Endowment Funds* – The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The guidance requires that the amount of net assets with donor restrictions cannot be reduced by losses on investments of the funds or by an organization’s expenditures from the fund unless the donor required the gift to be held in specific investments. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures, which are disclosed in Note 11.

*Estimates* – The preparation of consolidated financial statements in conformity with U.S. 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 6 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 (Promises to Give)* – Contributions 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 are recorded at their net realizable value. Contributions receivable due in subsequent years are reflected as noncurrent contributions receivable and are 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 July 31, 2020 and 2019 and, accordingly, no allowance for uncollectible contributions receivable has been provided at July 31, 2020 and 2019.

*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.

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

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### **Note 1—Nature of operations and summary of significant accounting policies (continued)**

*Contributions* – Contributions received are recorded as with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions. 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.

*Support and Revenue* – The Organization receives grants and support from the National Endowment for the Arts, Tennessee Arts Commission, and Metropolitan Nashville Arts Commission. The Organization also receives foundation, individual, board, and corporate contributions, as well as ticket sale proceeds, for its performances.

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.

*Donated 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.

*Contributed Services and Facilities* – 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 \$20,292 and \$48,228 in fiscal 2020 and 2019, respectively.

*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 whenever practical. 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 \$12,112 and \$9,125 for fiscal 2020 and 2019, 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.

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

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### **Note 1—Nature of operations and summary of significant accounting policies (continued)**

*New Accounting Pronouncements* – In January 2016, FASB issued Accounting Standards Update (“ASU”) 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity and securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The Organization implemented this standard during the year ended July 31, 2020.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The Organization implemented this standard during the year ended July 31, 2020.

In June 2018, FASB issued ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization implemented this standard during the year ended July 31, 2020. The Organization determined that the accounting standard did not require a change to its practices for recording contributions.

*Future Pronouncements* – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2014-09 will be effective for the Organization for the year ending July 31, 2021. The Organization is currently evaluating the impact this guidance may have on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the lease guidance in ASC 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified either as finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization year ending July 31, 2023. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

*Subsequent Events* – The Organization evaluated subsequent events through January 26, 2021, when these consolidated financial statements were available to be issued. Except for the items included in Notes 9 and 16, management is not aware of any significant events that occurred subsequent to the consolidated statements of financial position date but prior to the issuance of this report that would have a material impact on the accompanying consolidated financial statements.

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

### Note 2—Liquidity and availability of resources

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. Financial assets available for general expenditures, that is, without donor restriction or other restrictions limiting their use within one year of the statement of financial position comprise the following at July 31:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 794,719	\$ 565,210
Contributions receivable	172,643	245,458
Accounts receivable	-	2,677
Investments	4,642,539	4,418,084
Total financial assets	5,609,901	5,231,429
Less amounts not available to be used for general expenditures within one year:		
Assets subject to board designation for endowment	3,319,651	3,095,288
Assets subject to restrictions	1,272,633	1,445,448
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,017,617	\$ 690,693

As described in Note 8, the Organization also has a line of credit that is available for general operating needs. Board-designated endowment of \$3,319,651 and \$3,095,288 at July 31, 2020 and 2019, respectively, is subject to the Organization's spending policy as described in Note 11. 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 year, 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.

At July 31, 2020 and 2019, investments were managed by two investment companies with account balances totaling \$4,642,539 and \$4,418,084, respectively. Investment in the accounts are invested in various stock, bonds and mutual funds. Investments are not insured by the Federal Deposit Insurance Corporation or any other government agency and are subject to investment risk, including loss of principal. Investments are insured by the Securities and Investor Protection Corporation, which covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.



# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

### Note 4—Contributions receivable

The Organization's contributions receivable consists of the following at July 31:

	2020	2019
Receivable in less than one year	\$ 172,643	\$ 245,458
Receivable in one to five years	100,000	100,000
Total contributions receivable	272,643	345,458
Less discounts to net present value (2% to 5%)	(8,946)	(8,946)
Net contributions receivable	\$ 263,697	\$ 336,512

At July 31, 2020, approximately 84% of contributions receivable consists of amounts due from two donors, while at July 31, 2019, approximately 67% of contributions receivable consists of amounts due from two donors.

Included in contributions receivable is \$181,154 and \$191,054 net receivable at July 31, 2020 and 2019, respectively, to be used for the Fund for Artistic Excellence. This fund will be used to expand the Organization's educational programs outside of Nashville and enhance the quality of the productions.

For the year ended July 31, 2020, approximately 20% of contributions revenue came from one donor. For the year ended July 31, 2019, approximately 67% of contributions revenue came from one donor.

### Note 5—Investments

Investments, at fair value consist of the following at July 31:

	2020	2019
Mutual funds	\$ 3,924,705	\$ 3,551,955
Exchange-traded funds and other	65,200	202,502
Money market	652,634	663,627
	\$ 4,642,539	\$ 4,418,084

### Note 6—Fair value measurements

U.S. GAAP establishes a fair value measurement hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority.

The Organization uses the higher priority valuation techniques based on available inputs to measure fair values. A description of the valuation methodologies used for assets measured at fair value is as follows:

*Money Market Funds and Mutual Funds* – Valued at the quoted market prices of shares held by the fund at year end.

*Exchange-Traded Funds* – Valued at the closing price reported on the active market on which the securities are traded.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JULY 31, 2020 AND 2019*

**Note 6—Fair value measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of July 31, 2020:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 652,634	\$ -	\$ -	\$ 652,634
Mutual funds:				
Bond funds - fixed income	292,397	-	-	292,397
Bond funds - intermediate term	1,301,686	-	-	1,301,686
Common stock funds - growth funds	2,104,364	-	-	2,104,364
Common stock funds - blend funds	226,258	-	-	226,258
Total mutual funds	3,924,705	-	-	3,924,705
Exchange-traded funds:				
Common stock funds - blend funds	65,200	-	-	65,200
Total exchange-traded funds	65,200	-	-	65,200
Total investments	\$ 4,642,539	\$ -	\$ -	\$ 4,642,539

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of July 31, 2019:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 663,627	\$ -	\$ -	\$ 663,627
Mutual funds:				
Bond funds - fixed income	358,359	-	-	358,359
Bond funds - short term	77,203	-	-	77,203
Bond funds - intermediate term	649,463	-	-	649,463
Common stock funds - growth funds	1,540,331	-	-	1,540,331
Common stock funds - value funds	524,659	-	-	524,659
Common stock funds - blend funds	401,940	-	-	401,940
Total mutual funds	3,551,955	-	-	3,551,955
Exchange-traded funds:				
Common stock funds - blend funds	202,502	-	-	202,502
Total exchange-traded funds	202,502	-	-	202,502
Total investments	\$ 4,418,084	\$ -	\$ -	\$ 4,418,084

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

### Note 7—Land, building, and equipment

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

	2020	2019
Building, land, and land improvements	\$ 623,400	\$ 623,400
Building improvements	6,537,211	6,537,210
Furniture and equipment	773,763	737,063
Production scenery	113,717	113,717
	8,048,091	8,011,390
Accumulated depreciation and amortization	(2,949,289)	(2,746,305)
	<u>\$ 5,098,802</u>	<u>\$ 5,265,085</u>

### Note 8—Line of credit

Historically, the Organization has maintained a line of credit for operational needs. In February 2019, the Organization's amended line of credit matured and the Organization obtained a new line of credit with a local financial institution allowing for maximum borrowings of \$500,000. The line of credit requires monthly interest payments computed at the bank's prime rate. The line of credit is secured by first priority blanket lien on the Organization's assets. As of July 31, 2020 and 2019, there were no borrowings outstanding under this arrangement.

### Note 9—Deferred grant revenue

During the year ended July 31, 2020, the Organization received a Paycheck Protection Program loan ("PPP loan") in the amount of \$134,800. The PPP loan is granted by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization has deferred recognition of grant revenue for the year ended July 31, 2020, because the conditions for forgiveness have not yet been substantially met, however, the Organization believes it will substantially meet the conditions required for forgiveness in the following year. Subsequent to July 31, 2020, the Organization's lender provided notification that the SBA has approved the loan forgiveness application.

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

### Note 10—Restrictions on net assets

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

	2020	2019
<b>Net assets with donor restrictions - operations:</b>		
Opera Pass FY20	\$ 15,000	\$ 15,000
Coming Season Sponsorship	130,000	230,000
Promises to give for future periods	72,643	145,458
	<u>217,643</u>	<u>390,458</u>
<b>Net assets with donor restrictions - capital:</b>		
Promises to give for building acquisition, renovation, and maintenance	191,054	191,054
Endowment fund for building renovation and maintenance	95,655	95,655
	<u>286,709</u>	<u>286,709</u>
<b>Net assets with donor restrictions to be held in perpetuity:</b>		
Endowment fund for operating expenses	668,281	668,281
Young Artist Scholarship Program	100,000	100,000
	<u>768,281</u>	<u>768,281</u>
Total net assets with donor restrictions	<u>\$ 1,272,633</u>	<u>\$ 1,445,448</u>

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 11—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 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 restriction for the Fund for Artistic Excellence, Anniversary Campaign from contributions receivable, general endowment fund, and certain building maintenance funds.

**NASHVILLE OPERA ASSOCIATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JULY 31, 2020 AND 2019*

**Note 11—Endowment fund (continued)**

Endowment net asset composition by type of fund as of July 31, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
General endowment fund	\$ 363,450	\$ 768,281	\$ 1,131,731
Unrestricted Fund for Artistic Excellence	599,041	-	599,041
Anniversary Campaign	2,280,774	-	2,280,774
Building maintenance funds	76,386	95,655	172,041
	<u>\$ 3,319,651</u>	<u>\$ 863,936</u>	<u>\$ 4,183,587</u>

Changes in endowment net assets for the fiscal year ended July 31, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 3,095,288	\$ 863,936	\$ 3,959,224
Investment income, net	94,442	-	94,442
Net appreciation	249,521	-	249,521
Contributions	50,000	-	50,000
Amounts appropriated for expenditure	(169,600)	-	(169,600)
Endowment net assets, end of year	<u>\$ 3,319,651</u>	<u>\$ 863,936</u>	<u>\$ 4,183,587</u>

Endowment net asset composition by type of fund as of July 31, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
General endowment fund	\$ 270,689	\$ 768,281	\$ 1,038,970
Unrestricted Fund for Artistic Excellence	718,488	-	718,488
Anniversary Campaign	2,093,816	-	2,093,816
Building maintenance funds	12,295	95,655	107,950
	<u>\$ 3,095,288</u>	<u>\$ 863,936</u>	<u>\$ 3,959,224</u>

Changes in endowment net assets for the fiscal year ended July 31, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,052,919	\$ 833,936	\$ 1,886,855
Investment income, net	74,949	-	74,949
Net appreciation	57,120	-	57,120
Contributions	2,000,000	30,000	2,030,000
Amounts appropriated for expenditure	(89,700)	-	(89,700)
Endowment net assets, end of year	<u>\$ 3,095,288</u>	<u>\$ 863,936</u>	<u>\$ 3,959,224</u>

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

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### Note 11—Endowment fund (continued)

*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 that the Organization must hold in perpetuity and funds that are without donor restriction. Those funds without donor restrictions include the Fund for Artistic Excellence and the Anniversary Campaign, which is 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's policy for the Fund for Artistic Excellence 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.

### Note 12—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 cancelled by either party with 30 days' notice.

# NASHVILLE OPERA ASSOCIATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

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### Note 13—Employee benefit 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 \$13,482 and \$9,844 for the years ended July 31, 2020 and 2019, respectively.

### Note 14—Operating lease commitment

During fiscal years 2020 and 2019, the Organization maintained a lease agreement for certain warehouse space accounted for as an operating lease. Rent expense for the years ended July 31, 2020 and 2019 was \$43,236 and \$41,100, respectively, and is included in production expenses on the consolidated statements of activities. Future minimum lease payments are as follows as of July 31, 2020:

#### Years Ending July 31,

2021	\$	47,304
2022		48,744
2023		50,208
2024		51,720
2025		39,600
	\$	<u>237,576</u>

### Note 15—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity. The coronavirus outbreak and government responses are creating disruptions and adversely impacting many industries. The outbreak is having a material, adverse impact on economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

### Note 16—Subsequent events

Subsequent to July 31, 2020, the Organization received a contribution of \$100,000 from a foundation restricted for use in three new initiatives. Such initiatives include a masterclass series which addresses relevant social and civic issues, a mobile stage to bring opera into various communities, and strategic planning to include goals for diversity, equity, and inclusion.

## **SUPPLEMENTAL INFORMATION**



## **Report of Independent Auditor on Supplemental Information**

To the Board of Directors  
Nashville Opera Association  
Nashville, Tennessee

We have audited the consolidated financial statements of Nashville Opera Association as of and for the years ended July 31, 2020 and 2019, and our report thereon dated January 26, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements of activities that follow on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated 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 taken as a whole.



Nashville, Tennessee  
January 26, 2021

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**

YEAR ENDED JULY 31, 2020

	<b>Nashville Opera Company, LLC</b>	<b>Noah Liff Opera Center, LLC</b>	<b>NOA Foundation, LLC</b>	<b>Nashville Opera Guild (a division of Nashville Opera Company, LLC)</b>	<b>Eliminations</b>	<b>Consolidated</b>
Support and Revenue:						
Contributions from individuals	\$ 550,946	\$ -	\$ -	\$ -	\$ -	\$ 550,946
Contributions from corporations and foundations	568,761	-	-	-	-	568,761
Investment income, net	-	-	364,078	-	-	364,078
Single ticket sales and tour fees	261,061	-	-	-	-	261,061
Guild special events	-	-	-	232,022	-	232,022
Grants from governmental agencies	184,600	-	-	-	-	184,600
Rental income	180,608	-	-	-	-	180,608
Fundraising revenue	21,575	-	-	-	-	21,575
Other income	10,737	-	-	1,049	-	11,786
Membership dues	-	-	-	4,835	-	4,835
Interest income	94	-	-	-	-	94
Other contributions	286,625	-	-	-	(286,625)	-
Total Support and Revenue	2,065,007	-	364,078	237,906	(286,625)	2,380,366
Expenses:						
Production	797,370	-	-	-	-	797,370
Administrative	609,164	-	-	-	-	609,164
Subcontract labor	316,939	-	-	-	-	316,939
Building expenses	95,767	206,397	-	-	-	302,164
Special events	-	-	-	102,654	-	102,654
Marketing	59,480	-	-	-	-	59,480
Development and fundraising	34,171	-	-	-	-	34,171
Public relations	34,089	-	-	-	-	34,089
Other	-	-	20,115	12,104	-	32,219
Contributions	-	-	169,600	117,025	(286,625)	-
Total Expenses	1,946,980	206,397	189,715	231,783	(286,625)	2,288,250
Change in Net Assets	\$ 118,027	\$ (206,397)	\$ 174,363	\$ 6,123	\$ -	\$ 92,116

**NASHVILLE OPERA ASSOCIATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**

YEAR ENDED JULY 31, 2019

	Nashville Opera Company, LLC	Noah Liff Opera Center, LLC	NOA Foundation, LLC	Nashville Opera Guild (a division of Nashville Opera Company, LLC)	Eliminations	Consolidated
Support and Revenue:						
Contributions from individuals	\$ 2,623,185	\$ -	\$ -	\$ -	\$ -	\$ 2,623,185
Contributions from corporations and foundations	652,646	-	-	-	-	652,646
Rental income	248,337	-	-	-	-	248,337
Grants from governmental agencies	212,500	-	-	-	-	212,500
Guild special events	-	-	-	169,567	-	169,567
Single ticket sales and tour fees	154,374	-	-	-	-	154,374
Investment income, net	-	-	142,882	-	-	142,882
Subscription ticket sales	128,517	-	-	-	-	128,517
Fundraising revenue	91,760	-	-	-	-	91,760
Other income	12,976	-	-	7,300	-	20,276
Membership dues	-	-	-	10,220	-	10,220
Interest income	970	-	-	83	-	1,053
Other contributions	150,200	-	-	-	(150,200)	-
Total Support and Revenue	4,275,465	-	142,882	187,170	(150,200)	4,455,317
Expenses:						
Production	834,981	-	-	-	-	834,981
Administrative	651,921	-	-	-	-	651,921
Subcontract labor	452,426	-	-	-	-	452,426
Building expenses	122,329	249,394	-	-	-	371,723
Marketing	81,650	-	-	-	-	81,650
Special events	-	-	-	95,737	-	95,737
Development and fundraising	51,823	-	-	-	-	51,823
Other	(349)	724	10,813	25,650	-	36,838
Public relations	40,130	-	-	-	-	40,130
Contributions	-	-	89,700	60,500	(150,200)	-
Total Expenses	2,234,911	250,118	100,513	181,887	(150,200)	2,617,229
Change in Net Assets	\$ 2,040,554	\$ (250,118)	\$ 42,369	\$ 5,283	\$ -	\$ 1,838,088