

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

OPERA OMAHA, INC.

JUNE 30, 2015

Opera Omaha, Inc.

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Independent Auditor's Report

Board of Directors
Opera Omaha, Inc.

We have audited the accompanying statement of financial position of Opera Omaha, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opera Omaha, Inc. as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited Opera Omaha, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dutton & Associates P.C.

Omaha, Nebraska
January 18, 2016

Opera Omaha, Inc.
Statement of Financial Position
June 30, 2015
(With Comparative Totals as of June 30, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 77,668	\$ 813	\$ -	\$ 78,481	\$ 104,857
Unconditional promises to give (Note C)	92,975	121,126	-	214,101	537,208
Other receivables	225,913	-	-	225,913	8,366
Inventory	1,287	-	-	1,287	2,303
Prepaid expenses	22,507	-	-	22,507	49,525
Total current assets	<u>420,350</u>	<u>121,939</u>	<u>-</u>	<u>542,289</u>	<u>702,259</u>
Noncurrent Assets					
Investments (Note E)	579	2,642,857	483,007	3,126,443	2,849,247
Beneficial interest in trust (Note D)	975,647	-	-	975,647	951,274
Other receivables	220,000	-	-	220,000	-
Property and equipment, net of accumulated depreciation (Notes G and H)	207,451	-	-	207,451	215,457
	<u>1,403,677</u>	<u>2,642,857</u>	<u>483,007</u>	<u>4,529,541</u>	<u>4,015,978</u>
	<u>\$ 1,824,027</u>	<u>\$ 2,764,796</u>	<u>\$ 483,007</u>	<u>\$ 5,071,830</u>	<u>\$ 4,718,237</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Line of credit (Note H)	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ 450,000
Accounts payable	96,954	-	-	96,954	126,339
Deferred revenues (Note I)	421,720	-	-	421,720	191,049
Total current liabilities	<u>968,674</u>	<u>-</u>	<u>-</u>	<u>968,674</u>	<u>767,388</u>
Non-current Liabilities					
Deferred revenues (Note I)	220,000	-	-	220,000	-
Total liabilities	<u>1,188,674</u>	<u>-</u>	<u>-</u>	<u>1,188,674</u>	<u>767,388</u>
Commitments (Note J)					
Net Assets					
Unrestricted	635,353	-	-	635,353	779,877
Temporarily restricted (Note K)	-	2,764,796	-	2,764,796	2,825,764
Permanently restricted (Note L)	-	-	483,007	483,007	345,208
Total net assets	<u>635,353</u>	<u>2,764,796</u>	<u>483,007</u>	<u>3,883,156</u>	<u>3,950,849</u>
	<u>\$ 1,824,027</u>	<u>\$ 2,764,796</u>	<u>\$ 483,007</u>	<u>\$ 5,071,830</u>	<u>\$ 4,718,237</u>

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

Opera Omaha, Inc.
Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Ticket sales	\$ 299,865	\$ -	\$ -	\$ 299,865	\$ 379,453
Special project income	2,380	-	-	2,380	6,630
Outreach fees	423	-	-	423	3,720
Program advertising	3,400	-	-	3,400	52,264
Sets and lighting rental	34,900	-	-	34,900	5,910
Miscellaneous revenue	54	-	-	54	8,247
Boutique sales, net	(1,015)	-	-	(1,015)	(697)
Change in beneficial interest in trust	24,373	-	-	24,373	66,643
Investment income	96	86,670	-	86,766	371,561
Total revenue	<u>364,476</u>	<u>86,670</u>	<u>-</u>	<u>451,146</u>	<u>893,731</u>
Support					
Contributions					
Individuals	1,230,006	-	137,799	1,367,805	1,546,834
Corporations	49,472	285,000	-	334,472	304,727
Foundations	275,834	233,400	-	509,234	683,527
Guild support	160,695	-	-	160,695	102,530
Grants	-	154,244	-	154,244	217,728
Special event	262,523	-	-	262,523	189,200
Total support	<u>1,978,530</u>	<u>672,644</u>	<u>137,799</u>	<u>2,788,973</u>	<u>3,044,546</u>
Total revenue and support	2,343,006	759,314	137,799	3,240,119	3,938,277
Net assets released from restrictions	856,059	(856,059)	-	-	-
Total revenue and support after transfers	<u>3,199,065</u>	<u>(96,745)</u>	<u>137,799</u>	<u>3,240,119</u>	<u>3,938,277</u>
Expenses					
Opera productions	2,454,358	-	-	2,454,358	2,416,436
Management, general and fundraising	889,231	-	-	889,231	803,790
Total expenses	<u>3,343,589</u>	<u>-</u>	<u>-</u>	<u>3,343,589</u>	<u>3,220,226</u>
Change in net assets	(144,524)	(96,745)	137,799	(103,470)	718,051
Net assets, beginning of year	779,877	2,825,764	345,208	3,950,849	3,232,798
Prior period adjustment (Note P)	-	35,777	-	35,777	-
Net assets, beginning of year restated	<u>779,877</u>	<u>2,861,541</u>	<u>345,208</u>	<u>3,986,626</u>	<u>3,232,798</u>
Net assets, end of year	<u>\$ 635,353</u>	<u>\$ 2,764,796</u>	<u>\$ 483,007</u>	<u>\$ 3,883,156</u>	<u>\$ 3,950,849</u>

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

Opera Omaha, Inc.
Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (103,470)	\$ 718,051
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities		
Contributions restricted for long-term investment	(137,799)	(245,208)
Depreciation expense	63,035	47,247
Realized and unrealized gain on investments	(24,704)	(311,524)
(Increase) decrease in unconditional promises to give	113,676	(292,000)
(Increase) decrease in other receivables	(437,547)	67,656
Decrease in inventory	1,016	697
(Increase) decrease in prepaid expenses	27,018	(5,364)
Change in beneficial interest trust	(24,373)	(66,643)
Increase (decrease) in accounts payable	(29,385)	107,067
Increase in deferred revenue	450,671	12,705
Net cash provided (used) by operating activities	(101,862)	32,684
Cash flows from investing activities		
Redemption of investments	1,153,306	231,333
Purchase of investments	(1,405,798)	(60,037)
Purchases of property and equipment	(55,029)	(91,974)
Net cash provided (used) by investing activities	(307,521)	79,322
Cash flows from financing activities		
Decrease on line of credit	-	(50,000)
Proceeds from contributions restricted for long-term investment	383,007	-
Net cash provided (used) by financing activities	383,007	(50,000)
Net increase (decrease) in cash and cash equivalents	(26,376)	62,006
Cash and cash equivalents, beginning of year	104,857	42,851
Cash and cash equivalents, end of year	\$ 78,481	\$ 104,857
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 19,514	\$ 25,523

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

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Opera Omaha, Inc. (the Opera) reports in accordance with the audit and accounting guide "Not-For-Profit Organizations" published by the American Institute of Certified Public Accountants. Under the provisions of that guide, the following accounting policies, some of which are unique to non-profit organizations, are followed:

1. Nature of Activities

The Opera is a private, non-profit organization dedicated to enriching the quality of life in our community by creating professional opera and music theatre. The Opera produces a season of original main stage productions, presented at the historic Orpheum Theater, and smaller productions and musical events throughout the community. The Opera is internationally known for its productions of eight world premieres and four American premieres of classical masterpieces, and is highly regarded regionally for an extensive education and outreach program that annually reaches thousands from elementary school through adulthood.

2. Basis of Accounting

The financial statements of the Opera have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

3. Basis of Presentation

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- a. Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- b. Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

- c. Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class.

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

4. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Fair Market Value of Financial Instruments

U.S. generally accepted accounting principles defines fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All financial instruments are carried at amounts that approximate estimated fair value.

6. Cash and Cash Equivalents

The Opera considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents, for purposes of the statement of cash flows, exclude permanently restricted cash and cash equivalents.

7. Unconditional Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Opera. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Opera receives contributions principally from individuals and organizations located in Nebraska and Iowa. The Opera writes off pledges and accounts receivable as they are determined to be uncollectible.

8. Other Receivables

Other receivables consist of trade receivables for ticket sales, program advertising, and sponsorships. Management monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible or establishes an allowance for doubtful accounts. The Opera did not have an allowance for doubtful accounts as of June 30, 2015. One receivable for sponsorship consisted of 99% of the other receivables balance at June 30, 2015.

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market.

10. Investments

Investments are composed of common trust funds investing in debt and equity securities and mutual funds and are carried at fair market value.

11. Beneficial Interest in Trust

The Opera is the irrevocable beneficiary of a charitable remainder annuity trust held by a trustee. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value.

12. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using accelerated and straight-line methods. Useful lives range from three to thirty-nine years. The Opera's policy is to capitalize all assets costing more than \$500 with an estimated useful life greater than one year.

13. Revenue Recognition

Ticket sales and sponsorships received prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

14. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. One donor's contribution consisted of 25% of total revenue for the year ended June 30, 2015.

15. Donated Materials, Equipment and Services

Most donated equipment and services have not been reflected in the financial statements since no objective basis is available to measure the value of such equipment and services and they do not meet the requirements for recognition in the financial statements. However, donated services from members of the Craftsmen's Guild in the amount of \$14,663 have been recorded as "Contributions – Opera Omaha Guild" on the accompanying statement of activities since the value of these contributed services meet the requirements for recognition in the financial statements. Also, donated services from various professional organizations in the amount of \$40,102 have been recorded as "Contributions – Individuals" on the accompanying statements of activities since the value of these contributed services meet the requirements for recognition in the financial statements. In addition, a substantial number of volunteers donate significant amounts of their time to the Organization's program and supporting services.

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Subsequent Events

Management evaluated all activity of the Opera through January 18, 2016 (the issuance date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the audited financial statements or disclosure in the related notes to the financial statements.

17. Advertising Expense

The Opera expenses advertising as incurred. Advertising expense was \$245,286 for the year ended June 30, 2015.

18. Sales tax

The Opera collects sales tax from ticket sales and remits the appropriate amount to the State of Nebraska. The Opera's accounting policy is to include the tax collected and remitted to the State of Nebraska in ticket revenue and show the expense in box office sales tax expense.

19. Reclassifications

Certain reclassifications have been made to the prior year's financial statements in order for them to be in conformity with the current year presentation.

NOTE B - ORGANIZATION AND TAX STATUS

Opera Omaha, Inc. is exempt from income taxes as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, accordingly, the financial statements do not reflect a provision for income taxes. As of June 30, 2015, the Organization had no uncertain tax positions. The Opera's Form 990 is subject to examination by the Internal Revenue Service for a period of three years.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Promises to give at June 30, 2015 are as follows:

Receivable in less than one year	\$ 214,101
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NOTE D - BENEFICIAL INTEREST IN TRUST

During fiscal year ended June 30, 1991, the Opera was designated as a beneficiary of a charitable remainder annuity trust in the amount of \$400,000. These resources are neither in the possession of, nor under the control of, the Opera. The terms of the trust provide that the Opera is to receive an irrevocable distribution of 7.27% at the conclusion of the trust. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. The change in the fair value of the beneficial interest in the trust is recognized in the statement of activities.

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE D - BENEFICIAL INTEREST IN TRUST - CONTINUED

Beneficial interest in trust, beginning of year	\$	951,274
Change in beneficial interest		<u>24,373</u>
Beneficial interest in trust, end of year	\$	<u><u>975,647</u></u>

NOTE E - INVESTMENTS

Investments at June 30, 2015 consist of the following:

	Cost	Fair Value
Money market funds	\$ 360,597	\$ 360,597
Equity funds	1,058,665	1,765,805
Fixed income funds	978,043	995,502
Stocks	20,682	4,539
	<u>\$ 2,417,987</u>	<u>\$ 3,126,443</u>

The investment returns of the Opera for the year ended June 30, 2015 are as follows:

Realized and unrealized gains	\$	24,608
Interest and dividends		<u>62,158</u>
	\$	<u><u>86,766</u></u>

NOTE F - FAIR VALUE OF FINANCIAL STATEMENTS

The Opera reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE F - FAIR VALUE OF FINANCIAL STATEMENTS - CONTINUED

When available, the Opera measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Opera is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Opera's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give;
- recurring measurement of investments; and
- recurring measurement of beneficial interests in trusts.

The Opera used the following method and significant assumption to estimate fair value:

Money market funds: Determined by the published net asset value per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Exchange-traded and closed-ended mutual funds: Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	Total	Fair Value Measurements at June 30, 2015 Using:		
		Level 1	Level 2	Level 3
Assets:				
Investments:				
Money Market funds	\$ 360,597	\$ 360,597	\$ -	\$ -
U.S. corporate stock	4,539	4,539	-	-
Equity funds				
Mutual funds - U.S. large cap value	607,604	607,604	-	-
Mutual funds - U.S. mid cap value	206,604	206,604	-	-
Mutual funds - U.S. small cap value	197,875	197,875	-	-
Mutual funds - U.S. large cap dividend	748,867	748,867	-	-
Mutual funds - International large cap value	4,855	4,855	-	-
Fixed income funds				
Mutual funds - U.S. treasury	331,641	331,641	-	-
Mutual funds - U.S. corporate bonds	663,861	663,861	-	-
	<u>\$ 3,126,443</u>	<u>\$ 3,126,443</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$ 975,647</u>	<u>\$ 975,647</u>	<u>\$ -</u>	<u>\$ -</u>

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 consists of the following:

Furniture and equipment	\$ 900,559
Leasehold improvements	<u>42,580</u>
	943,139
Less accumulated depreciation	<u>735,688</u>
Property and equipment, net of accumulated depreciation	<u>\$ 207,451</u>

Depreciation expense for the year ended June 30, 2015 is \$63,035.

NOTE H - LINE OF CREDIT

The Opera has a \$500,000 revolving line of credit with a bank dated January 30, 2015. Interest payments are payable monthly at the bank's national base rate (2.5%) plus 1% and the outstanding principal is due on demand. The outstanding amount of the line of credit at June 30, 2015 was \$450,000. The line of credit is secured by inventory, equipment, and receivables. The line of credit matures on January 30, 2016.

NOTE I - DEFERRED REVENUE

The Opera had received \$144,625 on advance ticket sales and \$497,095 for sponsorships and grants at June 30, 2015 for the 2015-2016 season. As each production is presented, that portion of the advance ticket collections and sponsorships which pertains to that production will be recognized as revenue. In the event that any of the scheduled productions for the 2015-2016 season are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

NOTE J - COMMITMENTS

The Opera entered into a lease for its office facility during October 2011. Monthly rental payments of \$6,473 are due starting January 1, 2012 through December 31, 2021.

The Opera entered into a lease for storage space during October 2014. Monthly rental payments of \$3,500 are due starting October 1, 2014 through September 30, 2015. Monthly rental payments of \$3,750 are due starting October 1, 2015 through September 30, 2019.

The minimum annual payments under these leases for subsequent fiscal years are as follows:

2016	\$ 121,920
2017	\$ 122,670
2018	\$ 122,670
2019	\$ 122,670
2020	\$ 88,920

Rent expense was \$122,645 for the year ended June 30, 2015.

As of June 30, 2015, the Opera had entered into commitments for productions for the upcoming 2015-2016 season totaling \$240,300.

Opera Omaha, Inc.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2015

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Crescendo Campaign	\$ 2,643,534
Productions	121,126
Other	136
	<u>\$ 2,764,796</u>

The regular endowment amounts are to be used for operations, programs, or reinvestments.

The Crescendo Campaign began in the year ended June 30, 1997. Until December 31, 2003, all of the income of the fund can be disbursed to support the activities of the Opera. After December 31, 2003, all of the income and up to five percent of the value of the fund can be disbursed to support the activities of the Opera. Any income which is not disbursed in one year may be carried forward and disbursed in future years.

Net assets were released from donor restrictions by incurring expenses satisfying the purposes or time restrictions specified by the donors as follows:

Purpose restricted accomplished	
Production sponsorships	\$ 518,400
Productions	145,895
Rice - general support	1,250
Crescendo Campaign	188,518
Hearst - programs	1,996
Total restrictions released	<u>\$ 856,059</u>

NOTE L - PERMANENTLY RESTRICTED NET ASSETS

The Opera was awarded a \$100,000 grant from the William Randolph Hearst Endowed Fund in December 2001. The grant funds are to be used for the establishing an endowment with the principal remaining intact and the income to be used for scholarships and programs.

The Opera received a gift of \$383,007 from an estate in 2014. The gift required the principal to be retained and invested, and the income only being used for general purposes.

Donor-imposed restrictions on net assets at June 30, 2015, consisted of the following:

Endowment - Hearst	\$ 100,000
Endowment - Rice	383,007
	<u>\$ 483,007</u>

Opera Omaha, Inc.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2015

NOTE M - SPECIAL EVENTS

The Opera recognized the following revenues and direct costs from special fundraising events during 2015:

	Opera Omaha Guild	Opera Omaha Gala
Gross revenue	\$ 160,695	\$ 262,523
Direct cost	(81,443)	(138,485)
Net income	\$ 79,252	\$ 124,038

NOTE N - RETIREMENT PLAN

Opera Omaha, Inc. established a 403(b) plan during the year ended July 1, 1999. All full time salaried employees are eligible to participate after one month of service. The Opera made a discretionary contribution of 3% of employee wages. Total pension expense was \$18,435 for the year ended June 30, 2015.

NOTE O - ENDOWMENTS

The Opera's endowments include donor-restricted endowment funds and funds designated by the Opera to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Opera to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Opera has the following endowments:

Crescendo Endowment - The Crescendo endowment is to fund the Opera's need for equipment and other resources which will directly enhance Opera Omaha's ability to earn or raise revenue, provide resources for outreach programs, special projects or productions of unusual merit, and supplement any required operating expenses.

William Randolph Hearst Endowed Funds - The Hearst endowment is to provide funding for education and outreach activities.

David M. Rice Endowed Funds - The Rice endowment is to provide funding for general operations.

Interpretation of Relevant Law

This Policy Regarding Donor Restricted Funds was adopted by the Executive Committee of the Board of Directors of Opera Omaha on July 21, 2009. The Nebraska Legislature adopted LB 136, the Uniform Prudent Management of Institutional Funds Act ("NUPMIFA"), in 2007. In order to comply with the portions of the NUPMIFA pertaining to donor restricted funds, the Board adopted the following policy:

Subject to the intent of a donor expressed in the gift instrument, Opera Omaha may appropriate for expenditure or accumulate so much of an endowment fund as Opera Omaha determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by Opera Omaha.

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE O - ENDOWMENTS - CONTINUED

In accordance with NUPMIFA, Opera Omaha, in addition to acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, shall consider, if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. the duration and preservation of the endowment fund;
2. the purposes of the institution and the endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments; and
6. other resources of Opera Omaha;

Terms in a gift instrument designating a gift as an "endowment", or a direction or authorization in the gift instrument to use only income, interest, dividends, rents, issues, or profits, or to preserve the principal intact, or words of similar import:

1. create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purpose of the fund; and
2. do not otherwise limit the authority to appropriate for expenditure or accumulate as described below.

Endowment Activity

The Opera's endowment had the following activity as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Changes in Endowment Net Assets for the Year Ended June 30, 2015			
Endowments net assets, beginning of year	\$ -	\$ 2,748,764	\$ 345,208
Investment return:			
Investment income	-	62,062	-
Investment fees	-	(14,768)	-
Net appreciation (realized and unrealized)	(813)	25,421	-
Total investment return	(813)	72,715	-
Contributions	-	-	137,799
Appropriations of endowment assets for expenditures	-	(177,809)	-
Endowments net assets, end of year	\$ (813)	\$ 2,643,670	\$ 483,007

**Endowment Net Asset Composition by Type of Fund
as of June 30, 2015**

Donor-restricted endowment funds	\$ -	\$ 2,643,670	\$ 483,007
Unrestricted endowment funds	(813)	-	-
Total	\$ (813)	\$ 2,643,670	\$ 483,007

Opera Omaha, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE O - ENDOWMENTS - CONTINUED

**Description of Amounts Classified as Permanently Restricted Net Assets and
Temporarily Net Assets (Endowment Only)**

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or NUPMIFA

\$ 483,007

Total endowment funds classified as permanently restricted net assets

\$ 483,007

Temporarily Restricted Net Assets

Term endowment funds

\$2,643,670

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Organization to retain as a fund of perpetual duration. There was a fund deficiency of \$813 as of June 30, 2015.

Investment Policy

At the beginning of each fiscal year, the Board of Trustees, based on recommendation of the Finance Committee, shall determine the investment policy to be followed by the Endowments for that year. Asset allocation policy – the general range for fixed income investments is 20% to 60%, equity investments 40% to 70%, cash and short-term investments up to 30%. The investment policy of the Endowment shall be to maximize the return on the Endowment's assets commensurate with preservation of those assets.

Distribution Policy

The Opera may disburse any or all of the income of the Crescendo Endowment to support the activities of Opera Omaha. The Opera may annually disburse any or all of the income and up to five percent of the value of the Crescendo Endowment on the first day of the year. Any income which is not disbursed in one year may be carried forward and disbursed in future years. The Opera may disburse only the Hearst Endowment's income for the Opera's education and outreach activities.

NOTE P - PRIOR PERIOD ADJUSTMENT

An error in the Opera's prior year's unconditional promises to give was identified during the current year. This error consisted of a grant, in the amount of \$35,777, that was not recognized and recorded in the prior year. Correction of this error increases the prior year's unconditional promise to give and temporarily restricted contributions by \$35,777. The temporary restricted net assets beginning balance was restated by \$35,777 for the June 30, 2015 financial statements for this correction.

Supplemental Information

Opera Omaha, Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015				2014	
	Program Services - Opera Productions	Supporting Services			Total	Total
		Management and General	Fundraising	Total		
Salaries	\$ 341,252	\$ 99,509	\$ 154,883	\$ 254,392	\$ 595,644	\$ 585,807
Employee benefits/taxes	58,010	14,673	29,687	44,360	102,370	104,589
Performance fees	838,324	-	-	-	838,324	892,522
Orchestra	222,750	-	-	-	222,750	182,190
Sets and props	167,918	-	-	-	167,918	126,910
Marketing	245,286	-	-	-	245,286	263,807
Travel and per diem	244,531	1,183	-	1,183	245,714	226,693
Costuming	18,443	-	-	-	18,443	32,728
Box office - program and ticket printing and supplies	79,154	-	-	-	79,154	131,009
Occupancy	107,402	137,343	-	137,343	244,745	213,071
Office/administrative expenses	3,623	29,187	-	29,187	32,810	23,203
Telephone	-	5,443	-	5,443	5,443	5,830
Development/fund-raising	-	-	209,930	209,930	209,930	160,178
Interest expense	-	19,514	-	19,514	19,514	25,523
Instrument and music rental	22,435	-	-	-	22,435	12,888
Professional fees	-	29,151	22,068	51,219	51,219	45,528
Conferences and seminars	1,474	4,616	30	4,646	6,120	9,039
Depreciation	49,428	13,607	-	13,607	63,035	47,247
Dues and subscriptions	60	9,279	358	9,637	9,697	7,241
Insurance	9,095	8,661	3,898	12,559	21,654	22,562
Guild expenses	-	-	81,443	81,443	81,443	67,865
Audio and video	33,913	-	-	-	33,913	16,979
Production rental	11,260	-	-	-	11,260	3,424
Management fees	-	14,768	-	14,768	14,768	13,393
	<u>\$ 2,454,358</u>	<u>\$ 386,934</u>	<u>\$ 502,297</u>	<u>\$ 889,231</u>	<u>\$ 3,343,589</u>	<u>\$ 3,220,226</u>

See independent auditor's report.