

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT

OPERA OMAHA, INC.

JUNE 30, 2017

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## Independent Auditor's Report

Board of Directors  
Opera Omaha, Inc.

We have audited the accompanying financial statements of Opera Omaha, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 19, 2018

Opera Omaha, Inc.  
Statement of Financial Position  
June 30, 2017  
(With Comparative Totals as of June 30, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 47,688	\$ 111,068	\$ -	\$ 158,756	\$ 43,449
Unconditional promises to give (Note C)	1,121,719	733,071	-	1,854,790	2,034,876
Other receivables	35,370	-	-	35,370	84,207
Prepaid expenses	86,849	-	-	86,849	29,261
Total current assets	<u>1,291,626</u>	<u>844,139</u>	<u>-</u>	<u>2,135,765</u>	<u>2,191,793</u>
<b>Noncurrent Assets</b>					
Investments (Note E)	1,613,632	2,572,520	483,007	4,669,159	3,001,932
Unconditional promises to give (Note C)	1,102,376	674,236	-	1,776,612	3,052,693
Beneficial interest in trust (Note D)	-	-	-	-	976,639
Property and equipment, net of accumulated depreciation (Notes G and H)	240,639	-	-	240,639	208,325
	<u>2,956,647</u>	<u>3,246,756</u>	<u>483,007</u>	<u>6,686,410</u>	<u>7,239,589</u>
	<u>\$ 4,248,273</u>	<u>\$ 4,090,895</u>	<u>\$ 483,007</u>	<u>\$ 8,822,175</u>	<u>\$ 9,431,382</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Line of credit (Note H)	\$ -	\$ -	\$ -	\$ -	\$ 500,000
Accounts payable	156,410	-	-	156,410	142,389
Deferred revenues (Note I)	581,778	-	-	581,778	472,888
Total current liabilities	<u>738,188</u>	<u>-</u>	<u>-</u>	<u>738,188</u>	<u>1,115,277</u>
<b>Non-current Liabilities</b>					
Deferred revenues (Note I)	144,500	-	-	144,500	-
Total liabilities	<u>882,688</u>	<u>-</u>	<u>-</u>	<u>882,688</u>	<u>1,115,277</u>
<b>Commitments (Note J)</b>					
<b>Net Assets</b>					
Unrestricted	3,365,585	-	-	3,365,585	3,175,557
Temporarily restricted (Note K)	-	4,090,895	-	4,090,895	4,657,541
Permanently restricted (Note L)	-	-	483,007	483,007	483,007
Total net assets	<u>3,365,585</u>	<u>4,090,895</u>	<u>483,007</u>	<u>7,939,487</u>	<u>8,316,105</u>
	<u>\$ 4,248,273</u>	<u>\$ 4,090,895</u>	<u>\$ 483,007</u>	<u>\$ 8,822,175</u>	<u>\$ 9,431,382</u>

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

Opera Omaha, Inc.  
Statement of Activities  
Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Ticket sales	\$ 381,155	\$ -	\$ -	\$ 381,155	\$ 293,621
Outreach fees	33,250	-	-	33,250	2,000
Sets and lighting rental	55,250	-	-	55,250	16,350
Miscellaneous revenue	25	-	-	25	2,075
Boutique sales, net	-	-	-	-	(304)
Change in beneficial interest in trust	-	-	-	-	992
Investment income	36,471	278,659	-	315,130	129,743
Total revenue	<u>506,151</u>	<u>278,659</u>	<u>-</u>	<u>784,810</u>	<u>444,477</u>
Support					
Contributions					
Individuals	1,216,950	68,505	-	1,285,455	5,773,590
Corporations	25,164	147,500	-	172,664	326,521
Foundations	133,150	905,052	-	1,038,202	1,005,710
Guild support	143,741	-	-	143,741	139,733
Grants	-	93,518	-	93,518	148,623
Special event	339,036	-	-	339,036	240,732
Total support	<u>1,858,041</u>	<u>1,214,575</u>	<u>-</u>	<u>3,072,616</u>	<u>7,634,909</u>
Total revenue and support	2,364,192	1,493,234	-	3,857,426	8,079,386
Net assets released from restrictions	2,059,880	(2,059,880)	-	-	-
Total revenue and support after transfers	<u>4,424,072</u>	<u>(566,646)</u>	<u>-</u>	<u>3,857,426</u>	<u>8,079,386</u>
Expenses					
Opera productions	3,106,369	-	-	3,106,369	2,722,271
Management, general and fundraising	1,127,675	-	-	1,127,675	924,166
Total expenses	<u>4,234,044</u>	<u>-</u>	<u>-</u>	<u>4,234,044</u>	<u>3,646,437</u>
Change in net assets	190,028	(566,646)	-	(376,618)	4,432,949
Net assets, beginning of year	<u>3,175,557</u>	<u>4,657,541</u>	<u>483,007</u>	<u>8,316,105</u>	<u>3,883,156</u>
Net assets, end of year	<u>\$ 3,365,585</u>	<u>\$ 4,090,895</u>	<u>\$ 483,007</u>	<u>\$ 7,939,487</u>	<u>\$ 8,316,105</u>

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

Opera Omaha, Inc.  
Statement of Cash Flows  
Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (376,618)	\$ 4,432,949
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation expense	85,629	65,537
Realized and unrealized gain on investments	(239,333)	(56,728)
(Increase) decrease in unconditional promises to give	1,456,167	(4,873,468)
Decrease in other receivables	48,837	361,706
Decrease in inventory	-	1,287
Increase in prepaid expenses	(57,588)	(6,754)
Change in beneficial interest trust	976,639	(992)
Increase in accounts payable	14,021	45,435
Increase (decrease) in deferred revenue	253,390	(168,832)
Net cash provided (used) by operating activities	2,161,144	(199,860)
Cash flows from investing activities		
Redemption of investments	1,785,070	914,460
Purchase of investments	(3,212,964)	(733,221)
Purchases of property and equipment	(117,943)	(66,411)
Net cash provided (used) by investing activities	(1,545,837)	114,828
Cash flows from financing activities		
Increase (decrease) in line of credit	(500,000)	50,000
Net cash provided (used) by financing activities	(500,000)	50,000
Net decrease in cash and cash equivalents	115,307	(35,032)
Cash and cash equivalents, beginning of year	43,449	78,481
Cash and cash equivalents, end of year	\$ 158,756	\$ 43,449
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 2,729	\$ 16,473

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

Opera Omaha, Inc  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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, 2017

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, 2016, 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, 2017.

Opera Omaha, Inc  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2017

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 16% of total revenue for the year ended June 30, 2017 and 40% of the promises to give at June 30, 2017.

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 \$13,669 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 \$92,450 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Subsequent Events

Management evaluated all activity of the Opera through January 19, 2018 (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 \$349,855 for the year ended June 30, 2017.

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, 2017, 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, 2017 are as follows:

Receivable due in less than one year	\$ 1,854,790
Receivable due in one to five years	1,776,612
	<u>\$ 3,631,402</u>

NOTE D - BENEFICIAL INTEREST IN TRUST

During the 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. The trust was terminated during the year and all remaining funds were distributed.

Opera Omaha, Inc  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2017

NOTE D - BENEFICIAL INTEREST IN TRUST – CONTINUED

Beneficial interest in trust, beginning of year	\$ 976,639
Distribution	(976,639)
Beneficial interest in trust, end of year	<u>\$ -</u>

NOTE E - INVESTMENTS

Investments at June 30, 2017 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 383,896	\$ 383,896
Equity funds	2,073,855	3,002,543
Fixed income funds	1,262,583	1,282,068
Stocks	15,374	652
	<u>\$ 3,735,708</u>	<u>\$ 4,669,159</u>

The investment returns of the Opera for the year ended June 30, 2017 are as follows:

Realized and unrealized gains	\$ 239,333
Interest and dividends	75,797
	<u>\$ 315,130</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, 2017

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, 2017 Using:		
		Level 1	Level 2	Level 3
Investments:				
Money Market funds	\$ 383,896	\$ 383,896	\$ -	\$ -
U.S. corporate stock	652	652	-	-
Equity funds				
Mutual funds - U.S. large cap value	1,293,637	1,293,637	-	-
Mutual funds - U.S. mid cap value	220,345	220,345	-	-
Mutual funds - U.S. small cap value	148,281	148,281	-	-
Mutual funds - U.S. large cap dividend	845,150	845,150	-	-
Mutual funds - Foreign large cap value	495,130	495,130	-	-
Fixed income funds				
Mutual funds - U.S. treasury	329,471	329,471	-	-
Mutual funds - U.S corporate bonds	952,597	952,597	-	-
	<u>\$ 4,669,159</u>	<u>\$ 4,669,159</u>	<u>\$ -</u>	<u>\$ -</u>

Opera Omaha, Inc  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2017

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 consists of the following:

Furniture and equipment	\$ 706,979
Leasehold improvements	75,816
	<u>782,795</u>
Less accumulated depreciation	542,156
Property and equipment, net of accumulated depreciation	<u>\$ 240,639</u>

Depreciation expense for the year ended June 30, 2017 is \$85,629.

NOTE H - LINE OF CREDIT

The Opera has a \$500,000 revolving line of credit with a bank dated January 30, 2017. Interest payments are payable monthly at the bank's national base rate (3.75%) plus 0.25% and the outstanding principal is due on demand. There was no outstanding amount on the line of credit at June 30, 2017. The line of credit is secured by inventory, equipment, and receivables and matures on January 30, 2018.

NOTE I - DEFERRED REVENUE

The Opera had received \$205,028 on advance ticket sales and \$521,250 for sponsorships and grants at June 30, 2017 for the 2017-2018 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 2017-2018 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 were 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:

2018	\$ 122,670
2019	\$ 122,670
2020	\$ 88,920
2021	\$ 77,670
2022	\$ 38,835

Rent expense was \$122,670 for the year ended June 30, 2017.

As of June 30, 2017, the Opera had entered into commitments for productions for the upcoming 2017-2018 season totaling \$553,095.

Opera Omaha, Inc  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2017

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Crescendo Campaign	\$ 2,556,814
Strategic planning	1,486,632
Productions	32,222
Other	15,227
	<u>\$ 4,090,895</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 restriction accomplished	
Production sponsorships	\$ 1,071,829
Productions	175,544
Strategic Planning	587,604
Rice - general support	1,949
Crescendo Campaign	212,589
Hearst - programs	10,365
Total restrictions released	<u>\$ 2,059,880</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 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 to be used for general purposes.

Donor-imposed restrictions on net assets at June 30, 2017 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, 2017

NOTE M - SPECIAL EVENTS

The Opera recognized the following revenues and direct costs from special fundraising events during 2017:

	Opera Omaha Guild	Opera Omaha Gala
Gross revenue	\$ 143,741	\$ 339,036
Direct cost	(75,217)	(199,916)
Net income	\$ 68,524	\$ 139,120

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 \$22,792 for the year ended June 30, 2017.

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, 2017

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, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>Changes in Endowment Net Assets for the Year Ended June 30, 2017</b>			
Endowment net assets, beginning of year	\$ -	\$ 2,518,282	\$ 483,007
Investment return:			
Investment income		66,770	-
Investment fees		(14,538)	-
Net appreciation (realized and unrealized)		211,891	-
Total investment return	-	264,123	-
Contributions		-	
Appropriations of endowment assets for expenditures	-	(210,364)	-
Endowment net assets, end of year	\$ -	\$ 2,572,041	\$ 483,007

**Endowment Net Asset Composition by Type of Fund  
as of June 30, 2017**

Donor-restricted endowment funds	\$ -	\$ 2,572,041	\$ 483,007
Unrestricted endowment funds	-	-	-
Total	\$ -	\$ 2,572,041	\$ 483,007

Opera Omaha, Inc  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2017

NOTE O - ENDOWMENTS - CONTINUED

**Description of Amounts Classified as Permanently Restricted Net Assets and  
Temporarily Restricted 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

\$ 2,572,041

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 were no fund deficiencies as of June 30, 2017.

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.

Supplemental Information

Opera Omaha, Inc.  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	2017				2016	
Program	Supporting Services					
Services -						
Opera	Management					
Productions	and General	Fundraising	Total	Total	Total	
Salaries	\$ 446,706	\$ 104,092	\$ 180,230	\$ 284,322	\$ 731,028	\$ 659,200
Employee benefits/taxes	99,159	22,758	40,639	63,397	162,556	126,581
Performance fees	958,347	-	-	-	958,347	885,761
Orchestra	214,728	-	-	-	214,728	177,221
Sets and props	298,455	-	-	-	298,455	227,490
Marketing	349,855	-	-	-	349,855	275,520
Travel and per diem	282,208	1,948	-	1,948	284,156	306,166
Costuming	79,661	-	-	-	79,661	28,495
Box office - program and ticket printing and supplies	116,880	-	-	-	-	-
Occupancy	99,038	122,670	-	122,670	221,708	231,191
Office/administrative expenses	24,344	33,066	1,898	34,964	59,308	26,610
Telephone	-	14,035	-	14,035	14,035	5,337
Development/fund-raising	-	-	320,538	320,538	320,538	260,900
Interest expense	-	2,729	-	2,729	2,729	16,473
Instrument and music rental	16,945	-	-	-	16,945	11,685
Professional fees	-	47,712	83,369	131,081	131,081	88,976
Conferences and seminars	18,179	6,651	1,946	8,597	26,776	13,415
Depreciation	59,546	26,083	-	26,083	85,629	65,536
Dues and subscriptions	-	10,200	442	10,642	10,642	10,312
Insurance	7,322	6,375	3,737	10,112	17,434	20,759
Guild expenses	-	-	75,217	75,217	75,217	68,888
Audio and video	34,862	-	-	-	34,862	23,312
Production rental	134	-	-	-	134	4,795
Management fees	-	21,340	-	21,340	21,340	14,253
	<u>\$ 3,106,369</u>	<u>\$ 419,659</u>	<u>\$ 708,016</u>	<u>\$ 1,127,675</u>	<u>\$ 4,234,044</u>	<u>\$ 3,646,437</u>

See independent auditor's report.