



Opera Theatre of Saint Louis

Independent Auditor's Report and Financial Statements

September 30, 2024



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Independent Auditor's Report

Board of Directors
Opera Theatre of Saint Louis
St. Louis, Missouri

Opinion

We have audited the financial statements of Opera Theatre of Saint Louis (Opera Theatre), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Opera Theatre as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the September 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Forvis Mazars, LLP

St. Louis, Missouri
February 18, 2025

Opera Theatre of Saint Louis
Statement of Financial Position
September 30, 2024
(With Summarized Financial Information as of September 30, 2023)

	2024	2023
Assets		
Cash and cash equivalents	\$ 1,945,878	\$ 1,964,877
Investments	105,500,077	90,105,812
Contributions receivable, net	2,135,804	2,592,118
Bequests receivable, net	-	270,000
Note and other receivables	402,798	430,386
Beneficial interest in lead trust	261,582	308,257
Prepaid expenses	22,935	296,721
Right of use asset - operating lease	555,377	585,111
Facilities and equipment, net	3,192,341	3,300,402
Total Assets	\$ 114,016,792	\$ 99,853,684
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 145,931	\$ 412,295
Box office liability	23,102	20,852
Deferred revenue	1,008,457	505,347
Annuities liability	17,998	22,843
Operating lease liability	655,101	683,635
Total Liabilities	1,850,589	1,644,972
Net Assets		
Without donor restrictions	5,367,343	8,137,449
With donor restrictions	106,798,860	90,071,263
Total Net Assets	112,166,203	98,208,712
Total Liabilities and Net Assets	\$ 114,016,792	\$ 99,853,684

Opera Theatre of Saint Louis
Statement of Activities
Year Ended September 30, 2024
(With Summarized Financial Information for the Year Ended September 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Support				
Support				
Grants, contributions and bequests	\$ 3,845,386	\$ 924,834	\$ 4,770,220	\$ 6,397,143
Revenues				
Performance admissions	1,360,575	-	1,360,575	1,285,199
Benefits	935,241	43,205	978,446	1,036,031
Program advertising	29,749	-	29,749	46,315
Rentals and other activities	400,307	847	401,154	385,087
Total Revenues and Support	6,571,258	968,886	7,540,144	9,149,775
Net assets released from restrictions	4,018,870	(4,018,870)	-	-
Total Revenues and Support	10,590,128	(3,049,984)	7,540,144	9,149,775
Expenses				
Program services				
Artistic	4,659,881	-	4,659,881	4,745,736
Production	4,013,373	-	4,013,373	3,818,090
Education	446,211	-	446,211	436,238
Marketing	1,357,207	-	1,357,207	1,166,508
Total Program Expenses	10,476,672	-	10,476,672	10,166,572
Support services				
General and administration	1,339,892	7,707	1,347,599	1,814,246
Fundraising	2,015,437	-	2,015,437	1,823,593
Total Support Services	3,355,329	7,707	3,363,036	3,637,839
Total Expenses	13,832,001	7,707	13,839,708	13,804,411
Change in Net Assets from Operating Activities	(3,241,873)	(3,057,691)	(6,299,564)	(4,654,636)
Non-Operating Revenue				
Investment return, net	471,767	19,785,288	20,257,055	10,610,576
Change in Net Assets	(2,770,106)	16,727,597	13,957,491	5,955,940
Net Assets, Beginning of Year	8,137,449	90,071,263	98,208,712	92,252,772
Net Assets, End of Year	\$ 5,367,343	\$ 106,798,860	\$ 112,166,203	\$ 98,208,712

Opera Theatre of Saint Louis
Statement of Functional Expenses
Year Ended September 30, 2024
(With Summarized Financial Information for the Year Ended September 30, 2023)

	2024							
	Program Services				General and Administration	Fundraising	Total	2023 Total
	Artistic	Production	Education	Marketing				
Personnel Expense								
Salaries and wages	\$ 2,107,436	\$ 2,141,940	\$ 283,665	\$ 544,604	\$ 489,624	\$ 1,039,097	\$ 6,606,366	\$ 6,064,522
Employee benefits and payroll taxes	242,305	458,175	35,730	81,110	68,262	122,420	1,008,002	945,464
Total Personnel Expense	2,349,741	2,600,115	319,395	625,714	557,886	1,161,517	7,614,368	7,009,986
Operating Expense								
Promotional and development	79,743	128,215	44,493	398,864	122,599	362,276	1,136,190	1,134,865
Orchestra	1,161,212	-	-	-	-	-	1,161,212	1,129,934
Professional services	25,134	44,940	21,613	55,253	236,541	206,202	589,683	1,252,337
Travel and housing	550,532	277,270	20,119	9,610	20,796	16,743	895,070	952,025
Office, theater and other rentals	98,343	267,690	13,609	16,220	245,004	26,526	667,392	546,952
Depreciation	92,108	82,897	9,211	27,632	58,335	36,843	307,026	328,653
Scenery and stage properties	113	240,065	-	64,327	-	24,504	329,009	423,296
Costumes	-	213,534	(10)	-	-	-	213,524	178,894
Royalties, commissions and translations	129,536	6,668	-	-	-	-	136,204	268,166
Postage and supplies	39,684	47,078	6,389	74,837	17,584	25,868	211,440	201,858
Telephone	2,209	1,893	947	19,680	7,503	2,523	34,755	44,748
Insurance	57,255	51,530	5,726	17,177	36,262	22,902	190,852	134,597
Other	74,271	51,478	4,719	47,893	45,089	129,533	352,983	198,100
Total Operating Expense	2,310,140	1,413,258	126,816	731,493	789,713	853,920	6,225,340	6,794,425
Total Expense	\$ 4,659,881	\$ 4,013,373	\$ 446,211	\$ 1,357,207	\$ 1,347,599	\$ 2,015,437	\$ 13,839,708	\$ 13,804,411

Opera Theatre of Saint Louis
Statement of Cash Flows
Year Ended September 30, 2024
(With Summarized Financial Information for the Year Ended September 30, 2023)

	2024	2023
Operating Activities		
Change in net assets	\$ 13,957,491	\$ 5,955,940
Items not requiring (providing) cash		
Depreciation	307,026	328,653
Net realized and unrealized gains on investments	(16,401,908)	(7,937,989)
Noncash operating lease expense	29,734	25,139
Contributions received restricted for long-term investment	-	(1,345,887)
Changes in		
Note and other receivables	27,588	(25,498)
Prepaid expenses	273,786	57,483
Contributions and bequests receivables and beneficial interest in lead trust	585,989	559,184
Accounts payable, accrued expenses and box office liability	(264,114)	(785,505)
Operating lease liabilities	(28,534)	(27,471)
Deferred revenue	503,110	(17,282)
Net Cash Used in Operating Activities	(1,009,832)	(3,213,233)
Investing Activities		
Purchase of facilities and equipment	(198,965)	(95,150)
Purchase of investments	(4,940,085)	(7,434,907)
Proceeds from disposition of investments	5,885,309	7,556,103
Net Cash Provided by Investing Activities	746,259	26,046
Financing Activities		
Proceeds from contributions restricted for permanent endowment	187,000	2,145,887
Payments on annuities payable	(4,845)	(3,634)
Net Cash Provided by Financing Activities	182,155	2,142,253
Decrease in Cash and Cash Equivalents	(81,418)	(1,044,934)
Cash and Cash Equivalents, Beginning of Year	3,364,810	4,409,744
Cash and Cash Equivalents, End of Year	\$ 3,283,392	\$ 3,364,810

The following table provides a reconciliation of cash and cash equivalents reported within the statement of financial position to the statement of cash flows:

	2024	2023
Cash and cash equivalents	\$ 1,945,878	\$ 1,964,877
Cash and cash equivalents held in investments	1,337,514	1,399,933
Total Cash and Cash Equivalents Shown in the Statement of Cash Flows	\$ 3,283,392	\$ 3,364,810

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

Nature of Operations

Opera Theatre of Saint Louis (the "Opera Theatre") is a not-for-profit organization whose mission is to communicate the richness and power of live opera and music theatre to audiences of all ages and backgrounds and build passionate support and appreciation for opera. Opera Theatre's principal activities include conducting a scheduled season of performances at the Loretto-Hilton Center on the campus of Webster University, producing special performances at various locations and presenting touring and education programs. Opera Theatre's revenues and other support are derived principally from contributions and performance admissions.

Prior Year Comparative Totals

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 complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Opera Theatre's 2023 financial statements from which the information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Opera Theatre considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investments accounts for donor designated and board designated endowment accounts are not considered to be cash and cash equivalents on the balance sheet. At September 30, 2024, cash equivalents consisted primarily of sweep accounts.

At September 30, 2024, Opera Theatre's cash accounts exceeded federally insured limits by approximately \$1,790,000.

Investments

Opera Theatre measures securities at fair value. Investments in life insurance policies are carried at net cash surrender value. Changes in cash surrender value (realized and unrealized) are recorded in the statement of activities.

Net Investment Return

Investment return, includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Opera Theatre maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Facilities and Equipment

Facilities and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense on a straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of facilities and equipment are as follows:

Equipment, furniture and fixtures	3 - 35 years
Theatre building improvements and equipment	3 - 10 years
Whitaker Opera Warehouse	35 years
Sally S. Levy Opera Center	5 - 35 years
Performance equipment and other	3 - 10 years

In response to the strategic plan adopted by the Board of Directors in 2022, Opera Theatre has undertaken exploratory work related to facilities, which has not been capitalized. This activity is being expensed as an administrative cost within general and administration expenses on the statement of activities.

Long-Lived Asset Impairment

Opera Theatre evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended September 30, 2024.

Leases

Opera Theatre determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use (ROU) assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Opera Theatre determines lease classification as operating or finance at the lease commencement date. Opera Theatre combines lease and nonlease components, such as maintenance costs, and accounts for them in a single lease component in calculating the ROU assets and lease liabilities.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Opera Theatre has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that Opera Theatre is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Opera Theatre has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated from net assets without donor or certain grantor restrictions net assets for general operations and board-designated endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. Changes in donor restriction represent requests from donors to modify the purpose of a gift received or promise to give subsequent from the time the original gift or promise was made and recorded within the statement of activities.

Contributions and Bequests

Contributions are provided to Opera Theatre either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Opera Theatre overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts including bequests in liquidation, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – facilities, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. Bequests still pending liquidation have a 5% reserve on the estimates provided by third parties.

When a donor 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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Opera Theatre of Saint Louis
Notes to Financial Statements
September 30, 2024

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Working Capital Reserve

Opera Theatre maintains a donor restricted working capital reserve account. According to the terms of the gift agreement, \$1,640,034 is to be used as an internal working capital line of credit. Opera Theatre has the right to transfer the annual earnings derived from the reserve into endowment. Any borrowings from the reserve's corpus must be repaid fully in cash and the reserve must be fully funded for at least 30 consecutive days at some point during every fiscal year. Borrowings from the working capital reserve totaled \$1,591,370 as of September 30, 2024.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

In addition, a number of volunteers have contributed time to Opera Theatre. However, such donated services have not been recorded in the financial statements as they do not meet the requirements for recognition.

Contributed Nonfinancial Assets

In addition to receiving cash contributions, Opera Theatre receives contributions of nonfinancial assets from time to time including rental space and other items from various donors. It is the policy of Opera Theatre to record the estimated fair value of certain nonfinancial asset donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For the year ended September 30, 2024, no contributed nonfinancial assets were received.

Deferred Revenue

Revenue from future period performance admissions is deferred and recognized over the periods to which the admissions relate. Deferred revenue is comprised of ticket sales, program ads, benefit events, or production rentals for which services or events have not yet been performed. These unearned revenues are deferred and recognized as events or services are performed or costs are incurred. Additionally, deferred revenue includes contributions for which Opera Theatre has not met donor imposed barriers to be entitled to the funds.

Employee Retention Credit (ERC) Program

On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act*, which amended rules for the ERC originally created under the CARES Act to encourage companies to retain employees during the pandemic. In addition, on March 11, 2021, President Biden signed into law the *American Rescue Plan Act* (ARPA), which extended the ERC through September 30, 2021. During 2021, Opera Theatre evaluated its eligibility for this credit and recognized \$468,316 of employee retention payroll tax credits which were outstanding as of September 30, 2021. In 2022, Opera Theatre received a portion of the refunds. As of September 30, 2024, \$233,783 remained outstanding in other receivables on the statement of financial position.

Income Taxes

Opera Theatre is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Opera Theatre is subject to federal income tax on any unrelated business taxable income. Opera Theatre files returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, general and administrative and fundraising categories based on time and expense studies and other methods.

Change in Accounting Principle

Effective October 1, 2023, the Opera Theatre adopted ASU 2016-13, *Financial Instrument – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*, related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including accounts receivables.

Upon adoption of the guidance on October 1, 2023, the Opera Theatre recognized no impact on net assets.

Subsequent Events

Subsequent events have been evaluated through February 18, 2025, which is the date the financial statements were available to be issued.

Note 2. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Opera Theatre of Saint Louis
Notes to Financial Statements
September 30, 2024

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2024:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Money market	\$ 1,339,159	\$ 1,339,159	\$ -	\$ -
Mutual funds				
Large cap	38,603,989	38,603,989	-	-
Mid/small cap	5,218,887	5,218,887	-	-
International	28,274,362	28,274,362	-	-
Fixed income	779,348	779,348	-	-
Government obligations				
U.S. Treasury securities	14,748,264	14,748,264	-	-
Agency securities	47,460	47,460	-	-
Municipal securities	4,191,666	-	4,191,666	-
Corporate debt securities	9,249,368	-	9,249,368	-
Certificates of deposit	2,777,880	-	2,777,880	-
Total Investments Held at Fair Value	105,230,383	\$ 89,011,469	\$ 16,218,914	\$ -
Investment not held at fair value				
Net cash surrender value of life insurance	269,694			
Total Investments	\$ 105,500,077			
Beneficial interest in lead trust	\$ 261,582	\$ -	\$ 261,582	\$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no significant changes in valuation techniques during the year ended September 30, 2024.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. There were no Level 3 investments as of September 30, 2024.

Beneficial Interest in Trust

Fair value is estimated using a forward-looking interest rate and discounted cash flows that can be corroborated by observable market data and, therefore, is classified within Level 2 of the valuation hierarchy.

Note 3. Contributions Receivable

Contributions receivable at September 30, 2024, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 907,968	\$ 442,250	\$ 1,350,218
Due in one to five years	2,150	700,000	702,150
Due in more than five years	-	213,000	213,000
	<u>\$ 910,118</u>	<u>\$ 1,355,250</u>	<u>2,265,368</u>
Less			
Allowance for uncollectible contributions			(47,710)
Unamortized discount			(81,854)
			<u>\$ 2,135,804</u>

Discount rates ranged from 3.58% to 3.67%.

Note 4. Facilities and Equipment

Facilities and equipment at September 30, 2024, consists of:

Equipment, furniture and fixtures	\$ 815,182
Theatre building improvements and equipment	1,248,735
Whitaker Opera Warehouse	796,687
Sally S. Levy Opera Center	5,017,320
Performance equipment and other	<u>340,059</u>
	8,217,983
Less accumulated depreciation	<u>5,025,642</u>
	<u>\$ 3,192,341</u>

Note 5. Beneficial Interest in Lead Trust

Opera Theatre is an annuitant under a charitable lead trust administered by an outside party. Under the terms of the trust, Opera Theatre has the irrevocable right to receive a fixed amount quarterly through March 2029. The estimated value of the expected future cash flows is \$261,582 as of September 30, 2024, of which \$62,020 is expected within the next year.

Note 6. Annuities Payable

Opera Theatre has been the recipient of two gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value and are included in investments on the statement of financial position. Opera Theatre has recorded a liability at September 30, 2024, of \$17,998 which represents the present value of the future annuity obligations.

Opera Theatre of Saint Louis
Notes to Financial Statements
September 30, 2024

Note 7. Line of Credit

Opera Theatre has a \$2,000,000 revolving bank line of credit that expires in May 2025. At September 30, 2024, there were no borrowings against this line. The line is collateralized by the Opera Theatre's investments. Interest varies with the Prime Rate and is payable monthly.

As of September 30, 2024, \$1,460,433 of total cash and investments was pledged as collateral against Opera Theatre's line of credit agreement.

Note 8. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2024, are restricted for the following purposes or periods:

Purpose restricted	
Professional development	\$ 3,729,875
Education/Outreach	480,404
Master Artists/Artisans	1,523,926
Purchases of equipment and operations of the	
Sally S. Levy Opera Center	2,926,613
Subsequent Productions	970,923
Main Season Performance/Production	3,074,543
General Operations (Endowment)	14,293,420
For periods after September 30, 2024	25,000
Investment in perpetuity, the income of which is	
expendable to support the following programs:	
Professional Development	10,170,543
Education/Outreach	1,567,083
Master Artists/Artisans	809,281
Commissions/Second Productions	4,074,726
Working Capital Reserve	1,640,034
Any activity of the Opera Theatre	61,512,489
	<u>\$ 106,798,860</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at September 30, 2024, have been designated for the following purposes:

Undesignated	\$ 1,425,698
Designated by Board for general operations, capital	
and other	328,996
Designated by Board for endowment	3,612,649
	<u>\$ 5,367,343</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished	
Education/Outreach	\$ 72,816
Professional development	485,064
Purchases of equipment/operations of	
Sally S. Levy Center	117,949
Main season performance/production	250,000
Master Artist/Artisans	82,972
Commissions/Second productions	141,910
Other activity of the Opera Theatre	2,675,659
	<u>3,826,370</u>
Time restrictions expired	192,500
	<u>\$ 4,018,870</u>

Note 9. Endowment

Opera Theatre's governing body is subject to the State of Missouri Prudent Management of Institutional Funds Act (UPMIFA). As a result, Opera Theatre classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, Opera Theatre considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Opera Theatre and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Opera Theatre
7. Investment policies of Opera Theatre

Opera Theatre's endowment consists of approximately 15 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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The composition of net assets by type of endowment fund at September 30, 2024, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,612,649	\$ -	\$ 3,612,649
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	75,359,550	75,359,550
Accumulated investment gains	-	25,120,994	25,120,994
Total endowment funds	\$ 3,612,649	\$ 100,480,544	\$ 104,093,193

Change in endowment net assets for the year ended September 30, 2024, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,220,077	\$ 84,269,125	\$ 88,489,202
Investment return, net	471,767	19,787,786	20,259,553
Appropriation of endowment assets for expenditure	(1,079,195)	(3,576,367)	(4,655,562)
Endowment net assets, end of year	\$ 3,612,649	\$ 100,480,544	\$ 104,093,193

Investment and Spending Policies

Opera Theatre has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds Opera Theatre must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. The primary investment objective for these funds is to maximize total return through a diversified investment strategy to achieve a long-term, annualized rate of return that meets or exceeds the Endowment Spending Rate, net of the rate of inflation and net of all fees. Fees include investment management, legal, accounting, administrative, and other expenditures that Opera Theatre deems necessary for good stewardship of the endowment. The endowment is to be invested using a long-term, perpetual time horizon. Under Opera Theatre's policies, endowment assets are invested in a manner that is intended to produce results that exceed a target portfolio composed of 30% of the Russell 3000 Index for U.S. Market Equity, 4% of the Russell 1000 Value Index for U.S. Large-Cap Value, 5% of the Russell 2000 Value Index for U.S. Small-Cap Value. For international equities, 14.5% of the MSCI World ex USA Index (net div) for International Market Equity, 5% of the MSCI World ex Small Cap Value Index (net div) for International Small Value and 6.5% of the MSCI Emerging Markets Index (net div) for Emerging Market Equity. For Fixed Income, 24.5% of Barclay's U.S. Agency Bond Index for Nominal Bonds, 10% of Barclay's U.S. TIPS Index 1-10 Years for Inflation Protected Bonds and 0.5% of ICE BofA U.S. 3-month Treasury Bill Index for cash.

To satisfy its long-term rate of return objectives, Opera Theatre relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). Opera Theatre targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

During 2023, Opera Theatre's governance approved a one year spending rate of 4.15% of the past 12 quarter market value average of the endowment investment accounts for fiscal year 2024. In addition, spending from endowed, quasi-endowed and accounts being treated like endowed funds is subject to Opera Theatre's endowment spending rate which will be determined annually by the Board of Directors on the recommendation of

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the Investment Committee in consultation with the Finance Committee having considered Opera Theatre's budget needs and current capital market conditions. This rate seeks to balance current spending needs with the intent to grow these funds to account for inflation, after all fees to support future, inflation-adjusted spending. Spending may range from 0% to 5% of the 12-quarter moving average of each investment account subject to the Endowment Spending Rate.

Underwater Endowments

The governing body of Opera Theatre has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Opera Theatre considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument

Opera Theatre has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At September 30, 2024, no funds were underwater.

Note 10. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2024, comprise the following:

Total financial assets	\$ 110,246,139
Donor imposed restrictions	
Restricted funds not available for operations in the next year	6,318,316
Endowment	100,480,544
Total donor imposed restrictions	<u>106,798,860</u>
Net financial assets after donor imposed restrictions	3,447,279
Amounts borrowed from the working capital reserve	1,591,370
Less internal designations	
Board designated for general operations	(328,996)
Quasi-endowment	<u>(3,612,649)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,097,004</u></u>

Opera Theatre receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended September 30, 2024, contributions with donor restrictions of \$175,250 were included in the donor imposed restricted financial assets above, but expected to be collected and available to meet cash needs for general expenditures within one year.

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Opera Theatre's endowment funds consist of donor-restricted endowment and funds designated by the Board as endowment (quasi-endowment). Income from donor-restricted endowment is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Board designated endowment is subject to a spending rate approved by governance annually as described in Note 9. Although Opera Theatre does not intend to spend from this Board designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

To help manage unanticipated liquidity needs, Opera Theatre has a line of credit as described in Note 7 in the amount of \$2,000,000, which it could draw upon. In addition, Opera Theatre has a working capital reserve of \$1,640,034 as described in Note 1 that is available to be used as an internal working capital line of credit. Borrowings from the working capital reserve totaled \$1,591,370 as of September 30, 2024.

Opera Theatre manages its liquid resources by focusing on revenues from performance admissions and fundraising efforts to ensure the entity has adequate revenues and contributions to cover the programs.

Note 11. Revenue from Contracts with Customers

Revenue

Performance obligations are determined based on the nature of the goods or services provided by Opera Theatre in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the opera season based on time elapsed. Opera Theatre believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to customers at a single point in time and Opera Theatre does not believe it is required to provide additional goods or services related to those services.

Opera Theatre has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by customer demand.

Contract Balances

The following table provides information about Opera Theatre's deferred revenue from contracts with customers:

Deferred revenue, beginning of year	\$	505,347
Deferred revenue, end of year	\$	1,008,457

Performance Admissions

Revenue from contracts with customers for performance admissions is reported at the amount that reflects the consideration to which Opera Theatre expects to be entitled in exchange for admission into opera performances. These amounts are due from customers and do not include variable consideration.

Revenue is recognized as performance obligations are satisfied. For single ticket holders, this is at a point in time when the opera performance occurs. For a ticket package including multiple performances, this is recognized over time as respective performances occur. For the year ended September 30, 2024, Opera Theatre recognized revenue of \$799,720 from ticket packages with multiple performances and \$560,855 from single ticket sales.

Benefits

The portion of the benefits revenues that relates to the commensurate value the donor received in return is recognized when the related events are held and performance obligations are met. The transaction price is determined based on the value of direct benefits provided to donors, which was \$60,624 for the year ended September 30, 2024. All benefits revenue is recognized as of the point in time the event is held and benefits are provided to the donor, which is when the performance obligations are met. The portion of benefits revenue considered to be a contribution is recognized in accordance with Opera Theatre's contribution revenue policies.

Program Advertising

Revenue from contracts with customers for program advertising is reported at the amount that reflects the consideration to which Opera Theatre expects to be entitled in exchange for providing advertisements. These amounts are due from customers and do not include variable consideration.

Revenue is recognized as performance obligations are satisfied, which is at a point in time and typically at the time the related media is published.

Rentals and Other Activities

Revenue from contracts with customers for rentals and other activities is reported at the amount that reflects the consideration to which Opera Theatre expects to be entitled in exchange for providing these various services. These amounts are due from customers and do not include variable consideration.

Revenue is recognized as performance obligations are satisfied, which is at a point in time upon completion of services.

Note 12. Defined Contribution Plan

Opera Theatre has a defined contribution 401(k) plan covering substantially all full-time employees who can contribute a percentage of their salaries subject to prescribed limitations. Opera Theatre may make discretionary matching and additional contributions to the Plan. During 2024, Opera Theatre contributed a total of \$99,471 to the plan.

Note 13. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the valuation of contribution receivable are reflected in the footnote regarding contributions receivable and in the summary of significant accounting policies. The estimated useful life of facilities and equipment is also discussed in the summary of significant accounting policies. Those matters not discussed in other footnotes include the following:

Investments

Opera Theatre invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statement of financial position.

Contributions Receivable

Approximately 21% of gross contributions receivable as of September 30, 2024, are due from board members and their related entities.

Note 14. Commitments

Opera Theatre routinely enters into employment contracts with certain key employees.

A significant portion of the seasonal labor costs are subject to union collective bargaining agreements.

During 2023, Opera Theatre entered into a multi-year contract to receive services of contracted musicians through a third party. The agreement goes through the 2027 Opera Season and includes a flat fee to be paid on an annual basis. The agreement allows for cancellation with cause by either party by May 15 for the following year's season. Amounts paid under the agreement for the year ended September 30, 2024, were \$1,158,843.

Note 15. Leases

Nature of Leases

Opera Theatre has entered into the following lease arrangement:

Operating Lease - Land Lease

Noncancellable operating lease for land expires during 2041. Opera Theatre has no material related-party leases. Opera Theatre's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended September 30, 2024, is as follows:

Lease cost	
Operating lease cost	<u>\$ 38,144</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 36,943
Weighted-average remaining lease term	
Operating leases	16.58 years
Weighted-average discount rate on operating lease	1.23%

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Future minimum lease payments and reconciliation to the statement of financial position at September 30, 2024, are as follows:

2025	\$	37,681
2026		38,435
2027		39,204
2028		39,988
2029		40,788
Later years		<u>563,185</u>
Total future undiscounted lease payments		759,281
Less interest		<u>(104,180)</u>
	\$	<u><u>655,101</u></u>