

FINANCIAL REPORT
NEW ORLEANS OPERA ASSOCIATION
JUNE 30, 2020 AND 2019

NEW ORLEANS OPERA ASSOCIATION

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December 17, 2020

To the Board of Directors of the
New Orleans Opera Association
New Orleans, Louisiana

We have audited the accompanying financial statements of the New Orleans Opera Association (the "Association"), (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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 the Association as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Auditor's Updated Opinion on 2019 Financial Statements

In our report dated December 23, 2019, we expressed an opinion that, except for the effects of the matter described below, the financial statements did fairly present, the financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America. At the time of the 2019 audit, we were unable to satisfy ourselves concerning the basis at which certain real estate donated to the Association was recorded in the financial statements. During the 2020 audit, the Association was able to provide documentation on the value of the donated real estate, and we were able to satisfy ourselves that the real estate was properly valued at the time of donation. Accordingly, our present opinion on the 2019 financial statements, as presented herein, is different from that expressed in our previous report.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020 on our consideration of the Association’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association’s internal control over financial reporting and compliance.

Duplantier, Hopmann, Hogan & Roter LLP
New Orleans, Louisiana

NEW ORLEANS OPERA ASSOCIATION
 STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 487,188	\$ 360,887
Accounts receivable:		
Louisiana Economic Development	663,589	1,066,377
Other	23,493	29,773
Prepaid expenses	70,032	37,796
Total Current Assets	<u>1,244,302</u>	<u>1,494,833</u>
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation of \$2,034,073 and \$2,012,510	<u>328,396</u>	<u>347,460</u>
Net Property and Equipment	<u>328,396</u>	<u>347,460</u>
 TOTAL ASSETS	 <u>\$ 1,572,698</u>	 <u>\$ 1,842,293</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 22,103	\$ 22,143
Line of credit	-	200,000
Refundable advance	140,022	-
Deposits	3,025	6,200
Deferred income	211,135	212,229
Total Current Liabilities	<u>376,285</u>	<u>440,572</u>
NET ASSETS:		
Without donor restrictions	941,888	1,140,149
With donor restrictions	254,525	261,572
Total Net Assets	<u>1,196,413</u>	<u>1,401,721</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,572,698</u>	 <u>\$ 1,842,293</u>

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

NEW ORLEANS OPERA ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Earned Revenues:			
Ticket sales	\$ 377,892	\$ -	\$ 377,892
Education	3,375	-	3,375
Scenery rental	190,095	-	190,095
Guild Home - rental and tours income	47,498	-	47,498
Other income	30,790	-	30,790
Total Earned Revenues	<u>649,650</u>	<u>-</u>	<u>649,650</u>
Support:			
Contributions	1,143,718	153,541	1,297,259
Grants	316,995	-	316,995
LED tax credits, net of related expenses	258,185	-	258,185
Special events fundraising	45,658	-	45,658
Net assets released from restrictions - satisfaction of purpose restrictions	<u>160,588</u>	<u>(160,588)</u>	<u>-</u>
Total Support	<u>1,925,144</u>	<u>(7,047)</u>	<u>1,918,097</u>
Total Earned Revenues and Support	<u>2,574,794</u>	<u>(7,047)</u>	<u>2,567,747</u>
Expenses:			
Program services:			
Productions	1,584,125	-	1,584,125
Education	135,892	-	135,892
Scenery rental and scenic studio	253,712	-	253,712
Guild Home	208,821	-	208,821
Supporting services:			
General and administrative	538,676	-	538,676
Fundraising	<u>51,829</u>	<u>-</u>	<u>51,829</u>
Total Expenses	<u>2,773,055</u>	<u>-</u>	<u>2,773,055</u>
Change in net assets	<u>(198,261)</u>	<u>(7,047)</u>	<u>(205,308)</u>
Net Assets at beginning of year	<u>1,140,149</u>	<u>261,572</u>	<u>1,401,721</u>
NET ASSETS AT END OF YEAR	<u>\$ 941,888</u>	<u>\$ 254,525</u>	<u>\$ 1,196,413</u>

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

NEW ORLEANS OPERA ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Earned Revenues:			
Ticket sales	\$ 637,942	\$ -	\$ 637,942
Education	2,405	-	2,405
Scenery rental	194,555	-	194,555
Guild Home - rental and tours income	114,466	-	114,466
Other income	123,175	-	123,175
Total Earned Revenues	<u>1,072,543</u>	<u>-</u>	<u>1,072,543</u>
Support:			
Contributions	1,211,694	204,508	1,416,202
Grants	105,583	-	105,583
LED tax credits, net of related expenses	451,259	-	451,259
Special events fundraising	160,307	-	160,307
Net assets released from restrictions - satisfaction of purpose restrictions	124,504	(124,504)	-
Total Support	<u>2,053,347</u>	<u>80,004</u>	<u>2,133,351</u>
Total Earned Revenues and Support	<u>3,125,890</u>	<u>80,004</u>	<u>3,205,894</u>
Expenses:			
Program services:			
Productions	2,162,998	-	2,162,998
Education	127,398	-	127,398
Scenery rental and scenic studio	270,572	-	270,572
Guild Home	137,022	-	137,022
Supporting services:			
General and administrative	451,114	-	451,114
Fundraising	96,799	-	96,799
Total Expenses	<u>3,245,903</u>	<u>-</u>	<u>3,245,903</u>
Change in net assets	<u>(120,013)</u>	<u>80,004</u>	<u>(40,009)</u>
Net assets at beginning of year	<u>1,260,162</u>	<u>181,568</u>	<u>1,441,730</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,140,149</u>	<u>\$ 261,572</u>	<u>\$ 1,401,721</u>

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

NEW ORLEANS OPERA ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES				SUPPORTING SERVICES		Total
	Productions	Education	Scenery Rental and Scenic Studio	Guild Home	General & Administrative	Fundraising	
Artists	\$ 155,723	\$ 13,005	\$ -	\$ -	\$ -	\$ -	\$ 168,728
Bad debt	-	-	-	-	58,682	-	58,682
Ballet	2,080	-	-	-	-	-	2,080
Bank and credit card charges	-	-	-	-	26,550	-	26,550
Choreographer, chorus, conductor	110,164	-	-	-	-	-	110,164
Computer	-	-	199	-	10,546	-	10,745
Contract labor	-	-	-	14,421	-	-	14,421
Costumers	11,000	-	-	-	-	-	11,000
Costumes, wigs and makeup	111,484	1,018	7,395	-	-	-	119,897
Depreciation	-	-	5,355	16,210	-	-	21,565
Development	27,802	-	-	-	9,510	-	37,312
Director - housing and travel	7,029	-	-	-	-	-	7,029
Drayage	3,237	-	-	-	-	-	3,237
Dues and subscriptions	-	1,000	-	-	11,687	-	12,687
Equipment	-	-	4,857	-	-	-	4,857
Insurance	54,212	14,490	5,918	-	71,304	-	145,924
Lighting and music	28,370	-	-	-	-	-	28,370
Marketing and advertising	86,790	450	-	9,659	59,424	-	156,323
Miscellaneous	34,233	7,801	9,536	4,059	32,163	-	87,792
Office	-	-	-	-	111,203	-	111,203
Orchestra	165,771	-	-	-	-	-	165,771
Parking	13,209	2,010	184	-	1,286	-	16,689
Pension	12,690	1,767	125	-	625	-	15,207
Postage	-	-	13	-	6,748	55	6,816
Printing and stationery	-	-	63	-	1,461	-	1,524
Production costs	7,010	-	-	-	-	-	7,010
Professional fees	-	-	-	-	29,538	-	29,538
Propmaster and props	3,688	-	-	-	-	-	3,688
Rent and rehearsal space	66,698	-	-	-	50,250	-	116,948
Repairs and maintenance	-	-	13,100	137,571	-	-	150,671
Salaries	444,068	73,865	87,066	-	43,750	-	648,749
Scenic designer and scenery	33,720	-	36,024	-	-	-	69,744
Security	13,895	-	1,827	2,147	-	-	17,869
Special events	-	-	-	-	-	51,774	51,774
Stage directors, stagehands, supers	115,041	-	-	-	-	-	115,041
Supplies	-	-	30,377	10,902	-	-	41,279
Taxes – payroll	56,042	5,736	10,979	-	3,542	-	76,299
Telephone	-	-	3,096	1,726	10,407	-	15,229
Tours	-	-	-	1,230	-	-	1,230
Travel and transportation	-	-	-	-	-	-	-
Union benefits	20,169	-	25,037	-	-	-	45,206
Utilities	-	-	12,561	10,896	-	-	23,457
Vocal competition	-	14,750	-	-	-	-	14,750
	<u>\$ 1,584,125</u>	<u>\$ 135,892</u>	<u>\$ 253,712</u>	<u>\$ 208,821</u>	<u>\$ 538,676</u>	<u>\$ 51,829</u>	<u>\$ 2,773,055</u>

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

NEW ORLEANS OPERA ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES				SUPPORTING SERVICES		Total
	<u>Productions</u>	<u>Education</u>	<u>Scenery Rental and Studio</u>	<u>Guild Home</u>	<u>General & Administrative</u>	<u>Fundraising</u>	
Artists	\$ 230,261	\$ 19,594	\$ -	\$ -	\$ -	\$ -	\$ 249,855
Ballet	12,700	-	-	-	-	-	12,700
Bank and credit card charges	-	-	-	-	21,142	-	21,142
Choreographer, chorus, conductor	166,242	-	-	-	-	-	166,242
Computer	-	-	100	-	3,413	-	3,513
Contract labor	-	-	-	23,529	-	-	23,529
Costumers	18,300	-	-	-	-	-	18,300
Costumes, wigs and makeup	129,594	49	-	-	-	-	129,643
Depreciation	-	-	9,777	16,078	1,310	-	27,165
Development	17,552	-	-	-	10,451	-	28,003
Director - housing and travel	16,836	-	-	-	-	-	16,836
Drayage	5,054	-	-	-	-	-	5,054
Dues and subscriptions	-	2,000	-	-	8,060	-	10,060
Equipment	-	-	7,858	-	-	-	7,858
Insurance	35,845	16,092	15,966	-	93,200	-	161,103
Lighting and music	45,118	-	-	-	-	-	45,118
Marketing and advertising	77,726	1,823	-	-	1,222	-	80,771
Miscellaneous	38,046	5,561	16,122	4,846	32,687	-	97,262
Office	-	-	-	-	71,035	-	71,035
Orchestra	276,409	-	-	-	-	-	276,409
Parking	12,754	2,955	1,260	-	7,698	-	24,667
Pension	7,794	2,123	1,130	-	4,558	-	15,605
Postage	-	-	80	-	5,425	383	5,888
Printing and stationery	-	-	480	-	3,361	1,148	4,989
Production costs	13,088	297	-	-	-	-	13,385
Professional fees	-	-	-	-	42,717	-	42,717
Propmaster and props	14,269	-	-	-	-	-	14,269
Rent and rehearsal space	129,100	-	-	-	50,092	-	179,192
Repairs and maintenance	-	-	23,459	43,834	-	-	67,293
Salaries	486,765	63,745	87,693	-	66,973	-	705,176
Scenic designer and scenery	103,087	-	34,438	-	-	-	137,525
Security	15,936	-	1,458	12,060	-	-	29,454
Special events	-	-	-	-	-	95,268	95,268
Stage directors, stagehands, super	212,025	35	-	-	-	-	212,060
Supplies	-	21	22,900	24,686	-	-	47,607
Taxes – payroll	58,830	7,212	14,402	-	16,725	-	97,169
Telephone	-	-	3,268	1,693	11,045	-	16,006
Tours	-	-	-	459	-	-	459
Travel and transportation	-	91	-	-	-	-	91
Union benefits	39,667	-	17,010	-	-	-	56,677
Utilities	-	-	13,171	9,837	-	-	23,008
Vocal competition	-	5,800	-	-	-	-	5,800
	<u>\$ 2,162,998</u>	<u>\$ 127,398</u>	<u>\$ 270,572</u>	<u>\$ 137,022</u>	<u>\$ 451,114</u>	<u>\$ 96,799</u>	<u>\$ 3,245,903</u>

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

NEW ORLEANS OPERA ASSOCIATION
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (205,308)	\$ (40,009)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,564	27,165
Changes in operating assets and liabilities:		
Accounts receivable	409,068	65,334
Prepaid expenses	(32,236)	7,564
Accounts payables and accrued expenses	(40)	(34,123)
Deposits	(3,175)	2,900
Refundable advance	140,022	-
Deferred income	(1,094)	(134,635)
Net cash provided (used) by operating activities	<u>328,801</u>	<u>(105,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(2,500)</u>	-
Net cash used by investing activities	<u>(2,500)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	(200,000)	(150,000)
Proceeds from line of credit	<u>-</u>	<u>250,000</u>
Net cash provided (used) by financing activities	<u>(200,000)</u>	<u>100,000</u>
Net increase (decrease) in cash and cash equivalents	126,301	(5,804)
Cash and cash equivalents, beginning of year	<u>360,887</u>	<u>366,691</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 487,188</u></u>	<u><u>\$ 360,887</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 9,173</u>	<u>\$ 9,384</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

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

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NATURE OF ACTIVITIES:

The mission of the New Orleans Opera Association (the Association) is to enrich the lives of all people by producing opera of the highest artistic quality and providing education opportunities through traditional and innovative approaches. The activities of the organization are to plan, produce, and present opera of the highest musical and artistic caliber; to educate the public on the value and joy of opera; to encourage and facilitate the participation in the art form by young people; to maintain the H. Lloyd Hawkins Scenic Studio as a resource for local, national, and international opera companies and performing arts groups; to maintain the Opera Guild Home to educate about the role opera played and continues to play in the community's cultural heritage; and to have a positive impact on civic life.

The Association presents fully staged opera performances in the Mahalia Jackson Theater for the Performing Arts throughout the year and presents smaller scale operas in alternative venues. The Association's performances are conceived and produced locally, with artists engaged individually by the General Director, production design executed by the Association's H. Lloyd Hawkins Scenic Studio, the chorus of local singers led by the Association's Chorus Director, and music provided by the Louisiana Philharmonic Orchestra.

As part of its mission to introduce opera to younger audiences, students throughout the metropolitan area are invited to dress rehearsal performances and the Association's education staff, along with board members and volunteers, visit schools and welcome students to introduce them to the opera through various educational offerings such as small-scale performances and lectures. In 2015, the Association inaugurated the Donald Wood Youth Vocal Competition, an annual competition for trained high school singers providing the winners both performance opportunities and cash prizes.

Other educational and outreach activities are conducted throughout the year, including a lecture series, social events, and "Opera On Tap" performances – casual events in small scale venues generally aimed at non-traditional audiences. The Association continuously assesses how it can best engage the community and positively impact civic life through the art form of opera.

Support Committees:

In order to facilitate the Association's objectives, support committees were formed which operate under the Association's Charter to promote and provide additional resources for the Association. These committees are legally a part of the Association, operate under the Association's Charter, and are subject to control by the Association's management. Accordingly, the accompanying financial statements include the accounts of the Women's Guild, the Sylvain Society, the Opera Club, and the Opera Ball.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The Association prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation:

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) 958-205, Presentation of Financial Statements, as amended by Accounting Standards Update No. 2016-14. The Association is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Receivables:

Receivables are stated at unpaid balances. Receivables at June 30, 2020 and 2019 were considered collectible by management; accordingly, an allowance for doubtful accounts is not presented. Uncollectible receivables are charged off and recorded as administrative expense when the Association deems them to be uncollectible. Bad debt expense was \$58,862 and \$0- during the years ended June 30, 2020 and 2019, respectively.

Income Tax Status:

The Association is a non-profit Association organized under the laws of the State of Louisiana. It is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

FASB Accounting Standards Codification 740 (ASC 740) requires that a tax position be recognized or derecognized based on a “more than not” threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Association has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the criteria under ASC 740.

The Association’s tax return Form 990 for 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Revenue Recognition:

The Association's significant revenues consist of donor contributions, LED tax credits, ticket sales, special events, scenery rental, revenues from the Guild Home from rental and tours, and member dues. The Association records pre-season ticket sales at year end as deferred revenue in the statements of financial position. The income is recorded as revenue when earned in the following fiscal year.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Donated Services:

Donated services have not been reflected in the financial statements since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donate significant amount of time to the Association's program and supporting services.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment:

Property and equipment are stated at cost, less accumulated depreciation. Donations of property and equipment are recorded at fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose or for a future date. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Association capitalizes property and equipment with a cost greater than \$1,000. Expenditures for maintenance, repairs and minor renewals are charged against earnings as incurred. Major expenditures for renewals and betterments are capitalized.

Estimated useful lives of property and equipment are as follows:

Automobiles	3 - 5 years
Furniture and fixtures	5 - 10 years
Studio and scenery	3 - 15 years
Buildings and improvements	7 - 39 years
Leasehold improvements	39 years

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Non-Depreciable Assets:

Donations of non-depreciable assets are recorded at their estimated fair value at the time of donation. The Women's Guild of the New Orleans Opera Association has received non-cash contributions in the forms of antique furniture, antique rugs, and other works of art. These items have been capitalized in accordance with FASB ASC 958-360-25-3. The fair value of the assets was determined by a certified antique appraiser. These items are reported as part of net assets without donor restrictions in the statements of financial position. These assets are not depreciated because economic benefits are used up so slowly, their estimated useful lives are extremely long.

Cash and Cash Equivalents:

The Association considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted of a money market account.

Advertising:

The Association follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$146,214 and \$78,948 for the years ended June 30, 2020 and 2019, respectively.

Deferred Income:

Deferred income consists of the ticket sales for the upcoming opera season, prepaid rent for events occurring in the next fiscal year, as well as the portion of member dues received attributable to the next fiscal year. These items are recorded as deferred income and recognized as revenue when earned.

Refundable Advance:

Refundable advance consists of the Paycheck Protection Program proceeds for payroll expenses occurring in the next fiscal year. These items are recorded as refundable advance and recognized as contribution revenue when earned.

Functional Allocation of Expenses:

The Association allocates the costs of providing the various programs and activities on a functional basis in the statement of activities. Salaries and related expenses have been allocated based on estimates of time devoted to program and supporting services. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of time spent and usage performing those functions.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Association adopted the standard on July 1, 2019, the first day of the Association's fiscal year. The Association analyzed the provisions of FASB's ASC Topic 606, Revenue from Contracts with Customers, and have concluded that no changes to their revenue recognition are needed and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Beginning July 1, 2019, the Association adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Update clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. A footnote on the change in accounting principle has also been added to the financial statements.

As of July 1, 2018, the Association adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added.

2. REVENUE RECOGNITION:

Ticket Sales, Rental and Tour Income:

The Association's exchange transactions are revenues from ticket sales and Guild home rental and tours income. Ticket sales are recorded as program revenues on a specific performance basis. Advance ticket sales, representing the receipt of ticket sale payments for future opera performances, and prepaid rent are initially deferred in the statements of financial position and are subsequently recognized as revenue when the related productions takes place or when revenue is earned.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. REVENUE RECOGNITION: (Continued)

Ticket Sales, Rental and Tour Income: (Continued)

Revenues from the ticket sales and rental and tours income are recorded as increases in net assets without donor restrictions. These revenues are recognized when the service is provided, or when the production or related event takes place. Ticket sales are recognized when the tickets are used, which is generally within a short time period as the tickets are normally sold on the day of attendance or in advance with a specific time and date of eligible use. Rental income is recognized when the event has taken place.

Revenue from ticket sales are recognized at a single point in time as the performance obligation of opera productions are satisfied as each production takes place and there are no other performance obligations which exist and collectability is reasonably assured. Revenue from scenery rentals and Guild Home tours and rentals are also recognized at a point in time as all performance obligations are satisfied as each event occurs.

The Organization has adopted Accounting Standards Update No. 2014-09—*Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Association’s financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Association recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Contributions:

The Association receives donor contributions, grants, and member dues which management has determined are contributions. The Association recognizes contributions when cash, securities or other assets; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier or right of return – are not recognized until the conditions on which they depend have been met. Once the condition is met, contributions are recorded as increases in net assets without donor restrictions or increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions, and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Member dues are recognized systemically over a twelve-month period as revenue is earned.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. REVENUE RECOGNITION: (Continued)

Contributions: (Continued)

Beginning July 1, 2019, the Association implemented FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. As a result, the Association's revenue that is derived from LED tax credits, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when the Association has incurred expenditures in compliance with specific LED provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred income in the statement of financial position.

3. PROPERTY AND EQUIPMENT:

A summary of property and equipment at June 30, 2020 was as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 166,690	\$ -	\$ 166,690
Non-depreciable works of art	42,183	-	42,183
Building and improvements	641,950	641,950	-
Furniture and fixtures	502,321	395,017	107,304
Scenery and studio equipment	954,970	945,004	9,966
Trucks	48,850	48,850	-
Leasehold improvements	5,505	3,252	2,253
Total	<u>\$ 2,362,469</u>	<u>\$ 2,034,073</u>	<u>\$ 328,396</u>

A summary of property and equipment at June 30, 2019 was as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 166,690	\$ -	\$ 166,690
Non-depreciable works of art	42,183	-	42,183
Building and improvements	641,950	641,950	-
Furniture and fixtures	499,822	378,808	121,014
Scenery and studio equipment	954,970	939,791	15,179
Trucks	48,850	48,850	-
Leasehold improvements	5,505	3,111	2,394
Total	<u>\$ 2,359,970</u>	<u>\$ 2,012,510</u>	<u>\$ 347,460</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$21,564 and \$27,165, respectively.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. CASH AND CASH EQUIVALENTS:

At June 30, 2020 and 2019, the Association's cash and cash equivalents consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 387,130	\$ 359,618
Money market fund	100,058	1,269
Total cash and cash equivalents	<u>\$ 487,188</u>	<u>\$ 360,887</u>

5. OPERATING LEASE:

On June 1, 2016, the Association entered into a non-cancellable operating lease for office space at the building located at 935 Gravier Street effective from July 1, 2016 through December 31, 2018, with a monthly rent of \$4,583. The agreement was subsequently extended through December 31, 2020, with a monthly rent of \$4,166. Rental expense is included in general and administrative expenses and amounted to \$48,089 for the years ended June 30, 2020 and 2019.

On March 16, 2017, the Association entered into an operating agreement for the use of box office ticketing software. The software is used for fundraising, data management and box office ticket sales for single tickets, subscriptions and memberships. The agreement is effective for 60 months from April 1, 2017 to March 31, 2022, with quarterly payments of \$8,000 in the first year, escalating annually.

Box office rental expense is included in general and administrative expenses and amounted to \$37,182 and \$35,420 for the years ended June 30, 2020 and 2019, respectively. The Association ended the box office operating agreement in September 2020.

Minimum lease commitments under leasing agreements for the year ended June 30, 2020 were as follows:

2021	<u>\$ 34,257</u>
Total	<u>\$ 34,257</u>

6. LOUISIANA ECONOMIC DEVELOPMENT TAX CREDITS (LED):

The Association receives precertification from the LED based on the budget for each production. Estimated refundable tax credits are calculated and accrued based on the criteria established by the LED in the precertification letter and applied to the actual costs for the productions. The credits are recorded net of the direct expenses incurred by the Association to obtain the final certification. Adjustments to the estimated credits will be made in the following year when the final certification is issued and recorded as an addition or deduction to the current year credits. LED credits applied to productions, net of expenses, were \$258,185 and \$451,259 for the years ended June 30, 2020 and 2019, respectively.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. CONCENTRATIONS:

Cash Deposits:

The Association maintains its cash in secured deposit accounts at various banks located in New Orleans, Louisiana. Accounts at the institutions are insured by the Federal Deposit Insurance Association up to \$250,000. There were \$52,780 and \$99,360 in uninsured cash balances at June 30, 2020 and 2019, respectively.

Louisiana Department of Economic Development Tax Credits:

Approximately 98% and 97% of the Association's accounts receivable at June 30, 2020 and 2019, respectively, are refundable tax credits due from the Louisiana Department of Revenue (LED).

Geographic Concentration of Customers:

The Association depends on the general public, businesses, and other public and private organizations principally within the New Orleans area to purchase tickets to the productions and for other contributions to enable the Association to continue its activities. Changes in the level of such support could adversely affect the ability of the Association to continue providing services.

8. LINE OF CREDIT:

The Association has a line of credit with a borrowing limit of \$500,000. For the years ended June 30, 2020 and 2019, the interest rate was 6.0% and 5.6%, respectively. The line of credit is collateralized by a security interest in all business assets of the Association. As of June 30, 2020 and 2019, the outstanding balance was \$-0- and \$200,000, respectively.

9. PAYCHECK PROTECTION PROGRAM:

On April 22, 2020, the Association received loan proceeds in the amount of \$235,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The proceeds from the PPP loan are initially recognized as a refundable advance liability until the conditions for forgiveness is substantially met. Revenue is recognized as it incurs qualifying PPP expenses. PPP grant revenue for the year ended June 30, 2020 was \$95,478. Refundable advance for the year ended June 30, 2020 was \$140,022.

On November 23, 2020 the loan was forgiven by the Small Business Administration; therefore, the full amount of the loan will be recognized as contribution revenue when earned.

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Contributions with purpose restrictions	\$ 254,525	\$ 261,572

Net assets totaling \$160,588 were released from donor restrictions due to the satisfaction of purpose restrictions during the year ended June 30, 2020.

11. SIMPLE IRA PLAN:

The Association maintains a SIMPLE IRA Plan which covers all eligible employees. Participation in the plan is voluntary. Participants may contribute the maximum pre-tax amount allowed under federal tax law. The Association matches up to a maximum of 3% of the participating employee's contributions. Employer contributions to the plan were \$15,207 and \$15,605 for the years ended June 30, 2020 and 2019, respectively.

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Association manages its liquidity by operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Association's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for expenditures within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 487,188	\$ 360,887
Total financial assets	<u>487,188</u>	<u>360,887</u>
Less those unavailable for general expenditures within year, due to:		
Restricted by donor with purpose restrictions	<u>254,525</u>	<u>261,572</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 232,663</u>	<u>\$ 99,315</u>

NEW ORLEANS OPERA ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. RECLASSIFICATIONS:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

14. UNCERTAINTY:

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease (“COVID-19”) as a pandemic. We expect this matter may continue to negatively impact the results of our operations and financial position but the related financial impact cannot be reasonably estimated at this time.

15. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through December 17, 2020, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NEW ORLEANS OPERA ASSOCIATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
 TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
JUNE 30, 2020
 (UNAUDITED)

Agency Head Name: Robert Lyall, General and Artistic Director

Purpose	Amount *
Salary	
Benefits - insurance	
Benefits - retirement	
Car allowance	
Vehicle provided by government	
Per diem	
Reimbursements	
Travel	
Registration fees	
Conference travel	
Continuing professional education fees	
Housing	
Unvouchered expenses	
Special meals	

- No salaries or benefits were provided with public funds.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 17, 2020

To the Board of Directors of the
New Orleans Opera Association
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Orleans Opera Association (the "Association"), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hognan, Hognan & Rotter LLP

New Orleans, Louisiana

NEW ORLEANS OPERA ASSOCIATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. Financial statements
Type of auditor's report issued: unmodified

2. Internal control over financial reporting
Material weaknesses identified ___ Yes X No
Significant deficiencies identified that are not
considered to be material weaknesses ___ Yes X No

3. Noncompliance material to financial statements ___ Yes X No

B. SUMMARY OF PRIOR YEAR FINDINGS

None