

OPERA BIRMINGHAM, INC.
Financial Statements

For the Year Ended
June 30, 2023

OPERA BIRMINGHAM, INC.

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For the Year Ended June 30, 2022**

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BORLAND | BENEFIELD

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Opera Birmingham

We have reviewed the accompanying financial statements of Opera Birmingham, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.


Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Opera Birmingham and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Borland Benefield, P.C.
Birmingham, Alabama
REPORT DATE, 2023

OPERA BIRMINGHAM, INC.

Statement of Financial Position
As of June 30, 2023

Assets

| | | |
|--|----|----------------|
| Cash and cash equivalents | \$ | 152,841 |
| Grants receivable | | 40,000 |
| Prepaid expenses | | 68,169 |
| Beneficial interest in assets held at Community Foundation | | 63,613 |
| Beneficial interest in remainder trust | | 621,219 |
| Property and equipment, net | | <u>185,378</u> |

Total Assets

\$ 1,131,220

Liabilities

| | | |
|------------------------------|----|----------------|
| Accounts payable | \$ | 4,146 |
| Deferred revenue | | 82,603 |
| Mortgage loan | | 201,094 |
| Line of credit | | 40,000 |
| Note payable - related party | | <u>10,260</u> |
| Total Liabilities | | <u>338,103</u> |

Net Assets

| | | |
|----------------------------|--|----------------|
| Without donor restrictions | | 171,898 |
| With donor restrictions | | <u>621,219</u> |
| Total Net Assets | | <u>793,117</u> |

Total Liabilities and Net Assets

\$ 1,131,220

See accompanying notes to financial statements

OPERA BIRMINGHAM, INC.

**Statement of Activities
For the Year Ended June 30, 2023**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------|
| Revenue, Gains, and Other Support | | | |
| Ticket sales | \$ 44,169 | \$ - | \$ 44,169 |
| Contributions and grants | 487,475 | - | 487,475 |
| Contributions of non-financial assets | 37,926 | - | 37,926 |
| Special events | 29,892 | - | 29,892 |
| Investment return, net | 7,450 | - | 7,450 |
| Change in value of split-interest agreement | - | 25,963 | 25,963 |
| Other income | 303 | - | 303 |
| Net assets released from restriction | - | - | - |
| Total Revenue, Gains, and Other Support | <u>607,215</u> | <u>25,963</u> | <u>633,178</u> |
| Expenses | | | |
| Program Services | | | |
| Main-stage production | 470,830 | - | 470,830 |
| Supporting Services | | | |
| Fundraising | 127,235 | - | 127,235 |
| Management and general | 136,280 | - | 136,280 |
| Total Supporting Services | <u>263,516</u> | <u>-</u> | <u>263,516</u> |
| Total Expenses | <u>734,346</u> | <u>-</u> | <u>734,346</u> |
| Change in Net Assets | (127,131) | 25,963 | (101,168) |
| Net Assets - Beginning of Year | <u>299,029</u> | <u>595,256</u> | <u>894,285</u> |
| Net Assets - End of Year | <u>\$ 171,898</u> | <u>\$ 621,219</u> | <u>\$ 793,117</u> |

See accompanying notes to financial statements

OPERA BIRMINGHAM, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2023**

| Expenses | Supporting Services | | | Total |
|--------------------------------|---|---------------------------|--|-------------------|
| | <u>Main-Stage Production</u> | <u>Fundraising</u> | <u>Management and General</u> | |
| Personnel | | | | |
| Salaries | \$ 78,265 | \$ 102,819 | \$ 81,242 | \$ 262,326 |
| Payroll taxes and benefits | <u>34,715</u> | <u>7,439</u> | <u>7,439</u> | <u>49,593</u> |
| Total Personnel | <u>112,980</u> | <u>110,258</u> | <u>88,681</u> | <u>311,919</u> |
| Performances and production | 235,888 | - | - | 235,888 |
| Gift-in-kind | 37,926 | - | - | 37,926 |
| Marketing | 27,449 | 7,491 | - | 34,940 |
| Depreciation | 13,134 | - | 4,378 | 17,512 |
| Facilities | 6,353 | - | 6,352 | 12,705 |
| Fees | 9,630 | 1,699 | - | 11,329 |
| Equipment | 5,422 | - | 5,421 | 10,843 |
| Utilities | 5,498 | - | 5,498 | 10,996 |
| Insurance | 5,515 | - | 5,515 | 11,030 |
| Interest | - | - | 8,966 | 8,966 |
| Promotional and development | - | 7,787 | - | 7,787 |
| Transportation and travel | - | - | 5,297 | 5,297 |
| Licenses and dues | 3,956 | - | 1,318 | 5,274 |
| Miscellaneous | 3,335 | - | 1,111 | 4,446 |
| Printing | 2,165 | - | 2,165 | 4,330 |
| Mailing, postage, and shipping | <u>1,579</u> | <u>-</u> | <u>1,578</u> | <u>3,157</u> |
| Total Expenses | <u>\$ 470,830</u> | <u>\$ 127,235</u> | <u>\$ 136,280</u> | <u>\$ 734,346</u> |

See accompanying notes to financial statements

OPERA BIRMINGHAM, INC.
Statement of Cash Flows
For the Year Ended June 30, 2023

| | |
|--|-------------------|
| Cash Flows from Operating Activities | \$ (101,168) |
| Change in net assets | |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Depreciation | 17,512 |
| Change in value of split-interest agreement | (25,963) |
| Unrealized gain on investments | (7,824) |
| (Increase)/decrease in operating assets: | |
| Grants receivable | 2,910 |
| Pledges receivable | 50,000 |
| Prepaid expenses | (16,130) |
| Increase in operating liabilities: | |
| Accounts payable | 3,583 |
| Deferred revenue | 34,908 |
| Net Cash Provided by Operating Activities | <u>(42,172)</u> |
| Cash Flows from Investing Activities | |
| Proceeds from maturity of investments | 65,000 |
| Acquisition of property and equipment | (14,250) |
| Net Cash Provided by Investing Activities | <u>50,750</u> |
| Cash Flows from Financing Activities | |
| Payments on long-term debt | (7,713) |
| Proceeds from LOC | 40,000 |
| Net Cash Provided by Financing Activities | <u>32,287</u> |
| Net Increase in Cash and Cash Equivalents | 40,865 |
| Cash and Cash Equivalents, Beginning of Year | <u>111,976</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 152,841</u> |
| Supplemental Disclosure of Cash Flow Information | |
| Cash paid for interest | <u>\$ 8,966</u> |

See accompanying notes to financial statements

OPERA BIRMINGHAM, INC.

Notes to Financial Statements For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

Nature of Activities - Opera Birmingham, Inc. (the Organization) is the only professional opera company in Northern and Central Alabama and has entertained audiences for over 55 years. From its humble beginnings in 1955 to its 50th anniversary in 2005 and beyond, the Organization has produced world-class operatic productions and concerts that have been hailed by critics and loved by audiences. The Organization is committed to creating the finest professional opera productions, developing talent through competition and exposure to major artists, and promoting the operatic art form through community-wide education and outreach.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent revenues and expenses related to the operation and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered without donor restrictions. Donor restricted contributions that are expended for their restricted purpose in the same accounting period as received may be recorded as without donor restrictions.

Net assets with donor restrictions represent resources available for use, but expendable only for the purposes specifically stated by the donor.

Cash and Cash Equivalents - The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents. As of June 30, 2023, the cash balance of the Organization was \$152,841.

Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the net present value of their estimated future cash flows.

Investments - Investments held by the Community Foundation of Greater Birmingham are valued at the net asset value of the Organization's underlying interest in the pooled funds and reported in the statement of financial position. The statement of activities includes investment return consisting of interest income and realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Realized gains and losses on sale of investments are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis.

Charitable Remainder Trust - The Organization has elected the fair value option to value its beneficial interest in the charitable remainder trust reported in the statement of financial position. The Organization recognizes changes in the fair value of its beneficial interest using the same valuation technique and is reported in the statement of activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment – Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost or fair value of property and equipment purchased or received in excess of \$5,000 is capitalized. Funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of

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OPERA BIRMINGHAM, INC.

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 1 – Summary of Significant Accounting Policies (continued)

any proceeds from the sale of those assets. Depreciation is computed on the straight-line basis of the estimated useful lives of the assets generally as follows:

| | |
|---------------------------|---------------|
| Building and improvements | 10 - 40 years |
| Furniture and equipment | 3 - 7 years |
| Vehicles | 5 years |

Revenue Recognition - All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase the respective class of net assets. Contributions received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as an increase in net assets without donor restriction if the restrictions are met in the same reporting period as the income is recognized.

The charitable remainder trust in the accompanying statement of financial position consist of an unconditional promise to give, which is recorded at its net realizable value at the time the promise is received. This promise to give is reflected as a long-term receivable on the statement of financial position. With the exception of the charitable remainder trust, all long-term receivables are expected to be collected within five years.

Contributions of Nonfinancial Assets - In-kind contributions are reflected as contributions at their fair value on the date of donation and are reported as support without donor restriction unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets, or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. These amounts are presented as both in-kind contribution revenue and in-kind expense on the statement of activities.

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none during the year ended June 30, 2023, would be subject to federal income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

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OPERA BIRMINGHAM, INC.

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Recent Pronouncements - In February 2016, the Financial Accounting Standards Board (“FASB” or “the Board”) issued a new leasing standard in ASU 2016-02 (“Topic 842” or “the new standard”) for both lessees and lessors. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under its core principle, a lessee will recognize right-of-use (“ROU”) assets and related lease liabilities on the balance sheet for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income

statement will depend on a lease’s classification. The provisions of this update are effective for fiscal years beginning after December 15, 2021. The Organization has adopted ASC 842 for the 2023 fiscal year. However, after evaluating the provisions of ASC 842 and the nature of its leases, the Organization has determined that its lease obligations relative to ASC 842 are immaterial to the financial statements.

Note 2 - Liquidity and Availability of Financial Assets

The Organization has \$192,841 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$152,841 and grants receivable of \$40,000.

Note 3 – Beneficial Interest in Assets Held at Community Foundation

The Organization has transferred assets to the Community Foundation of Greater Birmingham (the Foundation) which is holding them as an endowed component fund (“Fund”) for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation’s Board of Trustee’s the power to use the Fund for other purpose in certain circumstances. The Fund is subject to the Foundation’s investment and spending policies. The Organization reports the fair value of the Fund as Beneficial Interest in Assets Held at Community Foundation in the statement of financial position and reposts distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities. Changes in the Fund for the year ended June 30, 2023 are as follows:

| | | |
|-------------------------------|----|----------------|
| Balance at July 1, 2022 | \$ | 121,163 |
| Grants and transfers | | (65,000) |
| Share of appreciation of fund | | 8,489 |
| Fees and other expenses | | <u>(1,039)</u> |
| Balance at June 30, 2023 | \$ | <u>63,613</u> |

Note 4 – Charitable Remainder Trust

The Organization has been named a remainder beneficiary of a charitable remainder unitrust, which was created in 2011 upon the death of the trust settlor and is managed by an unrelated third-party trustee. Two income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a fixed annuity each year from the trust assets as of the first day of the trust year. Upon the death of the last to die of the two beneficiaries, the trust will terminate and one-sixth of all trust principal and undistributed income, if any (net of expenses), will be distributed to the Organization. A noncurrent asset for the Organization’s beneficial interest in the charitable remainder trust has been recognized at the fair value of one-sixth of the trust’s total assets at June 30, 2023. Changes in value of the Organization’s beneficial interest in the trust’s assets have been reported in the statement of activities as an increase/(decrease) in net assets with donor restriction.

See independent accountant’s review report

OPERA BIRMINGHAM, INC.

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 5 – Fair Value Measurements

FASB ASC 820-10-50 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair values of assets measured at June 30, 2023 are as follows:

| | Total | in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|-------------------|--|---|--|
| Beneficial interest in assets held at community foundation | \$ 63,613 | \$ - | \$ - | \$ 63,613 |
| Beneficial interest in remainder trust | <u>621,219</u> | <u>-</u> | <u>-</u> | <u>621,219</u> |
| Total | <u>\$ 684,832</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 684,832</u> |

Level 3 Measurements - The beneficial interest in assets held at the Community Foundation of Greater Birmingham has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of June 30, 2023. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from values that would have been used had a ready market existed for these investments.

The beneficial interest in the charitable remainder trust has been valued using one-sixth of the fair value of the assets held in the trust as reported by the trustee as of June 30, 2023. The trustee values securities on a fair value basis of accounting. Securities held in the trust fall into the Level 1 fair value hierarchy. However, estimated fair values of the securities currently held in the trust could differ significantly from values upon the death of the two beneficiaries.

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OPERA BIRMINGHAM, INC.

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 5 – Fair Value Measurements (continued)

There have been no changes in valuation techniques and related inputs. Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring measurements. The Organization's Board of Directors assesses and approves these policies and procedures. At least annually, management (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of each reporting period.

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements):

| | Beneficial Interest in Assets Held at Community Foundation | Beneficial Interest in Remainder Trust |
|--------------------------------------|--|---|
| Balance, Beginning of Year | \$ 121,163 | \$ 595,256 |
| Investment gains and other income | 8,489 | 25,963 |
| Grants and transfers | (65,000) | |
| Fees | (1,039) | - |
| Balance at June 30, 2022 | <u>\$ 63,613</u> | <u>\$ 621,219</u> |

Note 6 – Property and Equipment

Property and equipment consist of the following:

| | |
|--------------------------------|-------------------|
| Buildings and improvements | \$ 391,072 |
| Furniture and fixtures | <u>15,371</u> |
| Total | 406,443 |
| Less: Accumulated depreciation | <u>(221,065)</u> |
| Total Property and Equipment | <u>\$ 185,378</u> |

Depreciation expense for the year ended June 30, 2023 was \$17,512.

See independent accountant's review report

OPERA BIRMINGHAM, INC.

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 7 – Mortgage Loan

The Organization has a note payable with Cadence Bank with an original amount of \$224,991. The note bears interest at a fixed rate of 3.5% and is payable in monthly installments of \$1,311 with an anticipated balloon payment of approximately \$132,037 on June 9, 2030. The Organization has pledged real property owned by the Organization in Birmingham, Alabama as collateral for the loan.

Maturities of the note payable described above for the next seven years are as follows:

| | |
|-----------------------|-------------------|
| Years Ending June 30: | |
| 2024 | \$ 8,864 |
| 2025 | 9,179 |
| 2026 | 9,506 |
| 2027 | 9,844 |
| Thereafter | <u>163,702</u> |
| Total | <u>\$ 201,094</u> |

Interest expense was \$8,966 for the year ended June 30, 2023.

Note 8 – Note Payable – Related Party

The Organization has a second note payable to a member of the Board of Directors. The loan is interest free with no definite terms of repayment. At June 30, 2023, the outstanding balance on the loan was \$10,260 and is included as note payable, other on the financial statements.

Note 9 – Line of Credit

The Organization has a \$40,000 bank line of credit which matures June 8, 2024. Amounts borrowed under this agreement bear interest at the bank's variable prime rate minus 0.5% (8.75% at June 30, 2023). At June 30, 2023, the full \$40,000 was outstanding on this line. The line is secured by real property owned by the Organization in Birmingham, Alabama as collateral for the line.

Note 10 – Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

Note 11 – Net Assets With Donor Restrictions

Net assets with donor restrictions in the amount of \$621,219 includes the beneficial interest in the charitable remainder trust at June 30, 2023. See Note 3.

OPERA BIRMINGHAM, INC.

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 12 – Operating Leases

The Organization leases office equipment under operating leases with varying expirations. Minimum lease payments required under the operating leases as of June 30, 2023 are as follows:

| Years Ending June 30: | |
|-----------------------|-----------------|
| 2024 | \$ 1,150 |
| 2025 | <u>910</u> |
| Total | <u>\$ 2,060</u> |

Lease expense for office equipment was \$5,601 for the year ended June 30, 2023.

Note 13 – Contributions of Nonfinancial Assets

The Organization received \$37,926 in contributed nonfinancial assets in current year. The Organization has recorded contributions of nonfinancial assets based on the estimated fair market value of the services rendered and the rental value of the housing donated. The following represents the value of the donated nonfinancial assets received in current year:

| Contributions of Nonfinancial Assets | |
|--------------------------------------|------------------|
| Rental space | \$ 5,000 |
| Artist fees | 140 |
| Housing | 13,786 |
| Advertising | 15,000 |
| Set design | 3,500 |
| Supplies | <u>500</u> |
| Total | <u>\$ 37,926</u> |

Note 14 – Related Party

At June 30, 2023, there was one outstanding loan due to a Board member in the amount of \$10,260. See Note 6.

Note 15 – Subsequent Events

The Organization's management has evaluated subsequent events as of **REPORT DATE**, 2023, the date the financial statements were available to be issued.