

**PALM BEACH OPERA, INC. AND
SUBSIDIARY**

Consolidated Financial Statements

***For the year ended
May 31, 2022***

HAFER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PALM BEACH OPERA, INC. AND SUBSIDIARY

Opinion

We have audited the accompanying consolidated financial statements of PALM BEACH OPERA, INC. AND SUBSIDIARY ("the Opera"), which comprise the consolidated statement of financial position as of May 31, 2022, and the related consolidated statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PALM BEACH OPERA, INC. AND SUBSIDIARY as of May 31, 2022, and the results of its operations 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are required to be independent of PALM BEACH OPERA, INC. AND SUBSIDIARY 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

PALM BEACH OPERA, INC. AND SUBSIDIARY
Independent Auditor's Report (Continued)

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 PALM BEACH OPERA, INC. AND SUBSIDIARY'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PALM BEACH OPERA, INC. AND SUBSIDIARY'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.



Palm Beach, Florida
September 2, 2022

PALM BEACH OPERA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
May 31, 2022

Assets

Cash and cash equivalents	\$ 1,692,378
Certificates of deposit - Florida Cultural Endowment Program Fund (Notes 4 and 14)	2,000,962
Pledges receivable (Note 5)	4,375,220
Grants receivable	166,609
Prepaid expenses	125,819
Property and equipment, net (Note 6)	4,097,153
Beneficial interest in perpetual trust (Notes 7, 9 and 14)	275,276
Beneficial interest in remainder trust (Notes 8, 9 and 14)	152,498
Other assets	53,438
	<u>53,438</u>
Total assets	\$ 12,939,353
	<u><u>12,939,353</u></u>

Liabilities and net assets

Accounts payable and accrued expenses	\$ 36,098
Deferred revenues	593,612
Security deposits payable	42,000
Note payable (Note 12)	2,142,542
	<u>2,142,542</u>
Total liabilities	<u>2,814,252</u>

Net assets

Net assets without donor restrictions:	
Board designated (Note 15)	877,756
Undesignated	3,038,931
	<u>3,916,687</u>
Total net assets without donor restrictions	3,916,687
Net assets with donor restrictions (Note 14)	6,208,414
	<u>6,208,414</u>
Total net assets	<u>10,125,101</u>
Total liabilities and net assets	\$ 12,939,353
	<u><u>12,939,353</u></u>

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

PALM BEACH OPERA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Operating revenue and other support			
Opera revenues	\$ 991,133	\$ -	\$ 991,133
Contributions	3,647,570	3,960,135	7,607,705
Contributions in-kind	8,025	-	8,025
Grant income	788,203	205,450	993,653
Special events	549,799	-	549,799
Investment return	(53,766)	-	(53,766)
Net assets released from restrictions	<u>672,415</u>	<u>(672,415)</u>	<u>-</u>
 Total operating support and revenues	 <u>6,603,379</u>	 <u>3,493,170</u>	 <u>10,096,549</u>
Operating expenses			
Program services:			
Production	2,953,239	-	2,953,239
Box office	85,129	-	85,129
Education	491,356	-	491,356
Supporting services:			
General and administrative	785,758	-	785,758
Development	553,280	-	553,280
Marketing	<u>374,422</u>	<u>-</u>	<u>374,422</u>
 Total operating expenses	 <u>5,243,184</u>	 <u>-</u>	 <u>5,243,184</u>
 Change in net assets from operations	 <u>1,360,195</u>	 <u>3,493,170</u>	 <u>4,853,365</u>
Non-operating revenues, support, gains, losses and expenses			
Depreciation expense	(26,057)	-	(26,057)
Gain on PPP loan forgiveness	225,450	-	225,450
ERC tax credit	192,384	-	192,384
Unrealized loss on beneficial interest in remainder trust (Note 8)	-	(11,492)	(11,492)
Unrealized loss on beneficial interest in perpetual trust (Note 7)	<u>-</u>	<u>(25,829)</u>	<u>(25,829)</u>
 Total non-operating revenues, support, gains, losses and expenses	 <u>391,777</u>	 <u>(37,321)</u>	 <u>354,456</u>
 Change in net assets	 <u>1,751,972</u>	 <u>3,455,849</u>	 <u>5,207,821</u>
Net assets, beginning	<u>2,164,715</u>	<u>2,752,565</u>	<u>4,917,280</u>
 Net assets, ending	 <u><u>\$ 3,916,687</u></u>	 <u><u>\$ 6,208,414</u></u>	 <u><u>\$ 10,125,101</u></u>

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

PALM BEACH OPERA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2022

Description	Box Office	Development	Education	General and Administrative	Marketing	Production	Total Operating Expenses
Advertising	\$ -	\$ -	\$ 55	\$ -	\$ 188,891	\$ -	\$ 188,946
Audio and visual	-	-	-	-	-	3,971	3,971
Computer expenses	-	5,480	192	20,263	2,845	11,788	40,568
Donor recognition	-	9,387	-	-	-	-	9,387
Dues and subscriptions	275	51	90	3,064	697	878	5,055
Employee benefits	5,883	13,967	66,015	4,905	4,807	15,428	111,005
Event costs	-	172,263	21,580	-	-	-	193,843
Housing	-	-	125,143	-	-	141,622	266,765
Insurance	-	-	-	102,046	-	-	102,046
Interest expense	-	-	-	58,854	-	-	58,854
Licenses, permits and fees	-	575	-	4,384	-	-	4,959
Occupancy	-	-	-	113,845	-	123,630	237,475
Office expense	1,929	2,997	15,823	33,473	8,864	8,788	71,874
Other employee costs	-	25,469	60	48,368	-	1,683	75,580
Other production costs	-	-	-	-	-	43,725	43,725
Outside services	301	20,908	1,329	100,192	24,913	1,586	149,229
Payroll and payroll taxes	74,198	243,716	242,666	199,251	132,336	1,827,469	2,719,636
Professional fees	-	52,109	-	61,641	5,000	30,536	149,286
Repairs and maintenance	-	-	-	5,232	-	25,260	30,492
Retirement contributions	1,390	6,267	1,650	7,416	1,783	6,013	24,519
Scenery and costumes	-	-	-	-	-	228,915	228,915
Supplies	1,153	-	1,288	-	4,286	32,055	38,782
Travel	-	91	15,465	1,519	-	101,770	118,845
Utilities	-	-	-	21,305	-	13,728	35,033
Venue	-	-	-	-	-	334,394	334,394
	<u>\$ 85,129</u>	<u>\$ 553,280</u>	<u>\$ 491,356</u>	<u>\$ 785,758</u>	<u>\$ 374,422</u>	<u>\$ 2,953,239</u>	<u>\$ 5,243,184</u>

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

PALM BEACH OPERA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended May 31, 2022

Cash flows from operating activities	
Change in net assets	\$ 5,207,821
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities</u>	
Depreciation expense	26,057
Gain on PPP loan forgiveness	(225,450)
Unrealized loss on beneficial interest in remainder trusts	11,492
Unrealized loss on beneficial interest in perpetual trusts	25,829
<u>Changes in assets and liabilities:</u>	
Pledges receivable	(3,435,135)
Grants receivable	88,418
Prepaid expenses	(52,076)
Other assets	82,191
Accounts payable and accrued liabilities	(48,915)
Deferred revenues	211,134
Security deposits payable	42,000
Net cash provided by operating activities	<u>1,933,366</u>
Cash flows from investing activities	
Purchases of certificates of deposit	(776,632)
Purchase of property and equipment	<u>(4,000,000)</u>
Net cash used by investing activities	<u>(4,776,632)</u>
Cash flows from financing activities	
Proceeds from note payable	3,200,000
Payments on note payable	<u>(1,057,458)</u>
Net cash provided by financing activities	<u>2,142,542</u>
Net decrease in cash and cash equivalents	(700,724)
Cash and cash equivalents, beginning	<u>2,393,102</u>
Cash and cash equivalents, ending	<u><u>\$ 1,692,378</u></u>
Supplemental disclosures of cash flow information:	
Cash paid for income taxes	<u><u>\$ -</u></u>
Cash paid for interest	<u><u>\$ 58,854</u></u>

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

PALM BEACH OPERA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022

NOTE 1: Organization

Palm Beach Opera, Inc (“PB Opera”) is a not-for-profit organization incorporated in the State of Florida in May 1962. PB Opera is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. PB Opera’s mission is to produce live opera at an international standard of excellence and to enrich the life of the communities it serves with a diverse offering of educational programs, concerts and lectures. Ticket sales and general contributions from donors represent PB Opera’s largest sources of revenue. PB Opera is located in West Palm Beach, Florida. PB Opera also owns Palm Beach Opera Holdings, Inc. (PB Holdings) which owns and holds certain real property beginning August 2021.

NOTE 2: Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of PB Opera and its wholly owned subsidiary, PB Holdings (collectively referred to as “the Opera”). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of accounting and presentation

The consolidated financial statements of the Opera have been prepared on the accrual basis of accounting in accordance with accounting principles whereby revenues and gains are recorded when earned and expenses and losses are recorded when incurred. Resources are classified for accounting and reporting purposes into two categories of net assets – without donor restrictions, or with donor restrictions – according to externally (donor) imposed restrictions.

Net assets without donor restrictions include all resources that are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Opera to utilize funds in furtherance of its mission. Revenues received and expenses incurred in conducting the programs and services of the Opera are presented in the consolidated financial statements as without donor restrictions operating funds that increase or decrease without donor restrictions net assets.

Net assets with donor restrictions comprise of both temporarily and permanently restricted donations. Temporarily restricted donations carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because the Opera has fulfilled the restrictions. Permanently restricted donations are those that are subject to donor-imposed restrictions that will never lapse, thus requiring the assets to be maintained permanently as endowment funds.

Net realized and unrealized appreciation on endowment funds are classified in the consolidated financial statements as part of net assets without donor restrictions or net assets with donor restrictions based on donors’ restrictions and interpretations of Florida law.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including money market funds. Cash equivalents include highly liquid securities, including certificates of deposit, with original maturities of 90 days or less.

PALM BEACH OPERA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022

NOTE 2: Summary of significant accounting policies (continued)

Certificates of deposit

Certificates of deposit consist of a certificate with an original maturity of more than 90 days. The certificates are carried at cost plus any interest earned and reinvested. The Opera, at least annually, assesses for any other-than-temporary impairment, and as of the date of these consolidated financial statements, the Opera does not believe any impairment exists.

Prepaid expenses

Expenses applicable to the next fiscal year are included in prepaid expenses. Included in prepaid expenses are insurance coverage, future rent, various administrative costs, and costs associated with future productions.

Property and equipment

Property and equipment are recorded at cost. Capitalized property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period when the donor's commitment received. All contributions are considered to be available for without donor restrictions use unless specifically restricted by the donor. When applicable, amounts received that are restricted for future periods (time restrictions) or are restricted by the donor for specific purposes (purpose restriction) are reported as with donor restricted support that increases that net asset class. As previously noted, the Opera does not have any with donor restrictions net assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and are reported in the consolidated statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as without donor restrictions.

Deferred revenues

Deferred revenues represent funds received from advance ticket sales for the upcoming season of the Opera, as well as certain other receipts applicable to the 2022 – 2023 fiscal year.

Donated services

For the year ended May 31, 2022, the Opera received contributed goods and services for marketing and other services, which totaled \$8,025. This amount is reflected as in-kind contributions and expenses in the accompanying consolidated financial statements based upon estimated fair values assigned to them.

Additionally, a significant number of volunteers donated their time to the Opera's administration, educational programs, and fundraising campaigns. The value of donated volunteer time is not reflected in the accompanying consolidated financial statements, as it is presently not subject to objective valuation.

Allocation of functional expenses

The cost of providing the Opera programs services and other activities have been summarized on a function basis in the consolidated statement of functional activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Advertising

The Opera expenses the cost of advertising as incurred. Advertising expense was \$188,946 for the year ended May 31, 2022.

PALM BEACH OPERA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022

NOTE 2: Summary of significant accounting policies (continued)

Compensated absences

Employees of the Opera are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. The Opera has a use it or lose it prior to fiscal year end policy and, accordingly, no liability has been recorded in the accompanying consolidated financial statements. The Opera's policy is to recognize the costs of compensated absences when paid to employees.

Income taxes

The Opera is generally exempt from income taxes under Internal Revenue Code Section 501(c)(3). Therefore, the Opera has made no provision for federal or state income taxes in the accompanying consolidated financial statements. Generally, the Opera's federal income tax returns for 2019 – 2021 remain subject to possible examination by the Internal Revenue Service.

Recently issued accounting pronouncements, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For non-public entities, such as the Opera, the new standard is effective for annual periods beginning after December 15, 2021. While the Opera expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Association has not yet determined the full impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.

NOTE 3: Liquidity and availability of financial assets

The Opera financial assets available to meet cash needs for general expenditure within one year at May 31, 2022 amounted to \$2,902,168. As of May 31, 2022, \$36,098 was not available for general use because of contractual or donor-imposed restrictions within one year.

NOTE 4: Certificates of deposit

Unrestricted and restricted certificates of deposits at May 31, 2022 consist of the following:

Certificate of deposit, interest rate: 1.95% - 0.35% original issuance date:

January 26, 2022; maturity date: June 15, 2022 to November 8, 2024 \$ 2,000,962

Florida Cultural Endowment Program

The Florida Cultural Endowment Program restricted investments were established in accordance with the terms of the Trust Agreements dated November 7, 1996 and August 4, 1999, between the State of Florida and the Opera (see Note 14).

NOTE 5: Pledges receivable

At May 31, 2022, the Opera has recorded net pledges receivable in the amount of \$4,375,220. This amount represents signed, irrevocable amounts due from donors in future periods. In accordance with the terms of the pledge agreements, the amounts are due during future periods and accordingly have been recorded as net assets with donor restrictions until receipt of the funds at which time the funds will be released from restriction. The Opera believes the pledges are fully collectible, and therefore, has not recorded an allowance for uncollectible accounts.

PALM BEACH OPERA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022

NOTE 5: Pledges receivable (continued)

The pledges receivable is due to be received, during the fiscal years ending, as follows:

2023	\$ 2,340,000
2024	2,120,000
2025	20,000
2026	<u>20,000</u>
	4,500,000
Less: present value discount	<u>(124,780)</u>
Pledge receivable, net	<u>\$ 4,375,220</u>

The Opera applies a discount rate of 3% to its pledges with terms in excess of one year.

NOTE 6: Property and equipment

A schedule of property, equipment, and accumulated depreciation was as follows at May 31, 2022:

Building*	\$ 4,000,000
Equipment	154,029
Leasehold improvements	196,897
Furniture and fixtures	20,224
Costumes and scenery	<u>54,933</u>
	4,426,083
Less: accumulated depreciation	<u>(328,930)</u>
	<u>\$ 4,097,153</u>

For the year ended May 31, 2022, depreciation expense was \$26,057.

* Building was not placed in service as of May 31, 2022.

NOTE 7: Beneficial interest in perpetual trust

The Opera is a beneficiary of an irrevocable trust created by a donor, the assets of which are held by a third-party trustee at a local financial institution. Under the terms of the agreement, the Opera is to receive the annual income from the trust in perpetuity. The interest in the trust was valued at \$275,276, at May 31, 2022, based on the fair value of the trust (see Note 9 for additional information regarding fair value) and is classified as net assets with donor restrictions in the accompanying consolidated financial statements. For the year ended May 31, 2022, the Opera recorded unrealized loss of \$25,829 related to the trust.

NOTE 8: Beneficial interest in remainder trust

The Opera is the beneficiary of a charitable remainder uni-trust. According to the trust agreement, the Opera will receive a distribution from the trust, of 100% of the remaining assets in accordance with the trust agreement, upon the death of the final participant in each trust. At May 31, 2022, the fair value of the trust is \$152,498 (see Note 9 for additional information regarding fair value). For the year ended May 31, 2022, the Opera recorded \$11,492 of unrealized loss related to the trust.

PALM BEACH OPERA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022

NOTE 9: Fair value measurements

FASB ASC 820, *Fair Value Measurement*, established a fair value hierarchy that categorizes the inputs to valuation methods, used to measure fair value, into three unique levels, they are:

Level 1 inputs – are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Opera can access at the measurement date. Level 1 inputs are given the highest precedence.

Level 2 inputs – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. An example of a Level 2 input would be quoted prices in active markets for similar, but not identical, assets or liabilities.

Level 3 inputs – are unobservable for the asset or liability. Level 3 inputs are given the lowest precedence.

The following schedule details the fair value of the Opera's assets, by level, at May 31, 2022:

Description	Fair Value at May 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in remainder trust	\$ 152,498	152,498	-	-
Beneficial interest in perpetual trust	\$ 275,276	275,276	-	-

NOTE 10: Concentration of credit risk

The Opera maintains its cash in bank at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation; balances at times may exceed this federally insured limit. At May 31, 2022, the Opera did not have any uninsured deposits.

NOTE 11: Line of credit payable

On August 16, 2021, the Opera entered into a revolving line of credit agreement in the amount of \$750,000 with First Republic Bank for general working capital purposes. The line of credit expires August 16, 2022 and bears a variable interest rate of Prime minus 0.25%. At May 31, 2022, the interest rate was 3.75%. The line of credit is payable in monthly installments of interest only, until August 16, 2022, at which time all principal and accrued interest are payable in full. The line of credit is collateralized by the Opera's real and personal property. At May 31, 2022, the outstanding balance on the line of credit is \$0.

PALM BEACH OPERA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022

NOTE 12: Notes payable

Mortgage note payable

During 2021, the Opera entered into a mortgage agreement with First Republic Bank in the amount of \$3,200,000. The mortgage bears a stated interest rate of 2.90% per annum and is payable in monthly installments of \$15,078, with all outstanding principal and any accrued interest payable in full on September 1, 2031. The note is collateralized by the Opera's real and personal property. At May 31, 2022, the outstanding balance on the note payable was \$2,142,542.

Future estimated minimum principal maturities are as follows:

2023	\$ 85,788
2024	85,788
2025	85,788
2026	85,788
2027 and thereafter	1,799,390
	<u>\$ 2,142,542</u>

For the year ended May 31, 2022, the Association incurred and paid interest on the note in the amount of \$58,854.

PPP note payable

During 2021, the Opera entered into a loan agreement in the amount of \$225,450 under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief, and Economic Security Act ("the Program"). The note bore a fixed interest rate of 1.00% per annum. No interest or principal was due during the first six months of the loan. During the year ended May 31, 2022, the outstanding balance on the note payable was forgiven in full.

NOTE 13: Leases

Effective, July 1, 2016, the Opera entered into a five-year lease, ending July 31, 2021, with two additional one-year extensions through July 31, 2023, for administrative office space. For the year ended May 31, 2022, office lease expense was \$113,845.

The future lease payments are as follows:

For the year ending May 31:

2023	\$ 119,003
2024	19,931
Total minimum lease payments	<u>\$ 138,934</u>

NOTE 14: Net assets with donor restrictions

Net assets with temporary donor restrictions

Net assets with temporary donor restrictions consist of the following May 31, 2022:

Grants receivable	\$ 205,450
Beneficial interest in remainder trust (Note 8)	152,468
Pledges receivable, net of discount	4,375,220
	<u>\$ 4,733,138</u>

PALM BEACH OPERA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022

NOTE 14: Net assets with donor restrictions (continued)

Net assets with permanent donor restrictions (continued)

The Opera was awarded two grants (first in 1996 and second in 1999) totaling \$480,000 from the State of Florida's Cultural Endowment Program. The grants require the Opera to deposit these funds along with \$720,000 of the Opera's funds in a pre-approved investment plan under the agreement. The Opera is entitled to use the investment income which these funds earn but cannot invade the principal. Therefore, total funds with permanent donor restrictions related to the grants were \$1,200,000. The Opera, at the discretion of the Board of Directors, has the option, at any time, to return the \$480,000 to the State of Florida. Upon this return of capital to the State, the Opera's portion of \$720,000 would become without donor restriction funds for use in operations.

In addition, the beneficial interest in perpetual trust which had a fair value of \$275,276 at May 31, 2022, is also recorded as net assets with permanent donor restrictions (see Notes 7 and 9 for additional information).

Accordingly, assets totaling \$1,475,276 are net assets with permanent donor restrictions at May 31, 2022.

NOTE 15: Net assets without donor restrictions – board designated

On September 27, 2018, the Opera's Board of Directors approved the establishment of a Board designated operating reserve to support the Opera's day to day operations in the event of unforeseen shortfalls. The Board designated operating reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. At May 31, 2022, the balance of the Board designated operating reserve was \$877,756 and is included in the accompanying consolidated statement of financial position.

NOTE 16: Employee benefit plan – 403(b)

The Opera has a 403(b) Plan ("the Plan") for the benefit of its employees. The Opera, at its discretion, may contribute up to 3% of an employee's salary to the Plan. Employees may contribute up to maximum allowable IRS limits. For the year ended May 31, 2022, the Opera's expenses related to the Plan were \$24,519.

NOTE 17: Subsequent events

Management has evaluated subsequent events through September 2, 2022, the date the consolidated financial statements were available to be issued.