



**FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**BOSTON LYRIC OPERA COMPANY**

Contents  
June 30, 2021 and 2020

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## Independent Auditor's Report

To the Board of Directors of  
Boston Lyric Opera Company:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boston Lyric Opera Company (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and changes in net assets, cash flows and functional expenses 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Lyric Opera Company as of June 30, 2021 and 2020, 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.

*AAFCPAs, Inc.*

Boston, Massachusetts  
January 26, 2022

**BOSTON LYRIC OPERA COMPANY**

 Statements of Financial Position  
 June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 1,448,178	\$ 52,748	\$ 1,500,926	\$ 1,046,153	\$ 40,844	\$ 1,086,997
Restricted cash	131,369	-	131,369	95,976	-	95,976
Accounts and other receivables	690,209	-	690,209	1,767	-	1,767
Current portion of pledges receivable, net of allowance for doubtful accounts of \$25,000	201,001	1,451,000	1,652,001	810,240	1,372,500	2,182,740
Prepaid expenses and other	20,895	-	20,895	59,903	-	59,903
Short-term investments	-	-	-	150,000	-	150,000
Total current assets	<u>2,491,652</u>	<u>1,503,748</u>	<u>3,995,400</u>	<u>2,164,039</u>	<u>1,413,344</u>	<u>3,577,383</u>
Investments	71,461	17,763,603	17,835,064	57,937	14,496,330	14,554,267
Pledges Receivable, net of current portion and discount	-	1,711,664	1,711,664	-	2,212,664	2,212,664
Deposits	4,000	-	4,000	4,000	-	4,000
Broadcast costs, net	848,149	-	848,149	-	-	-
Property and Equipment, net	<u>98,008</u>	<u>-</u>	<u>98,008</u>	<u>141,772</u>	<u>-</u>	<u>141,772</u>
Total assets	<u>\$ 3,513,270</u>	<u>\$ 20,979,015</u>	<u>\$ 24,492,285</u>	<u>\$ 2,367,748</u>	<u>\$ 18,122,338</u>	<u>\$ 20,490,086</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Line of credit	\$ -	\$ -	\$ -	\$ 750,000	\$ -	\$ 750,000
Current portion of note payable	3,792	-	3,792	-	-	-
Refundable advance	131,369	-	131,369	95,976	-	95,976
Accounts payable and accrued expenses	624,235	-	624,235	593,593	-	593,593
Advance ticket subscriptions and other deferred revenue	279,725	-	279,725	358,672	-	358,672
Total current liabilities	<u>1,039,121</u>	<u>-</u>	<u>1,039,121</u>	<u>1,798,241</u>	<u>-</u>	<u>1,798,241</u>
Note Payable, net of current portion	<u>146,208</u>	<u>-</u>	<u>146,208</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total liabilities	<u>1,185,329</u>	<u>-</u>	<u>1,185,329</u>	<u>1,948,241</u>	<u>-</u>	<u>1,948,241</u>
Net Assets:						
Without donor restrictions:						
Operating	21,176	-	21,176	277,735	-	277,735
Board designated fund for COVID-19 recovery	1,360,608	-	1,360,608	-	-	-
Property, equipment and broadcast costs	946,157	-	946,157	141,772	-	141,772
Total without donor restrictions	<u>2,327,941</u>	<u>-</u>	<u>2,327,941</u>	<u>419,507</u>	<u>-</u>	<u>419,507</u>
With donor restrictions	<u>-</u>	<u>20,979,015</u>	<u>20,979,015</u>	<u>-</u>	<u>18,122,338</u>	<u>18,122,338</u>
Total net assets	<u>2,327,941</u>	<u>20,979,015</u>	<u>23,306,956</u>	<u>419,507</u>	<u>18,122,338</u>	<u>18,541,845</u>
Total liabilities and net assets	<u>\$ 3,513,270</u>	<u>\$ 20,979,015</u>	<u>\$ 24,492,285</u>	<u>\$ 2,367,748</u>	<u>\$ 18,122,338</u>	<u>\$ 20,490,086</u>

The accompanying notes are an integral part of these statements.

**BOSTON LYRIC OPERA COMPANY**

 Statements of Activities and Changes in Net Assets  
 For the Years Ended June 30, 2021 and 2020

	2021					2020				
	Without Donor Restrictions			With Donor Restrictions	Total	Without Donor Restrictions			With Donor Restrictions	Total
	Operating and Property, Equipment and Broadcast costs	Designated by Board of Directors	Total Without Donor Restrictions			Operating and Property, Equipment and Broadcast costs	Designated by Board of Directors	Total Without Donor Restrictions		
<b>Operating Support and Revenue:</b>										
Operating support:										
Contributions	\$ 3,078,238	\$ -	\$ 3,078,238	\$ 885,000	\$ 3,963,238	\$ 2,775,220	\$ -	\$ 2,775,220	\$ 1,057,075	\$ 3,832,295
Grants	1,681,851	-	1,681,851	100,000	1,781,851	1,053,193	-	1,053,193	164,000	1,217,193
In-kind contributions	214,888	-	214,888	-	214,888	104,661	-	104,661	-	104,661
Special events	-	-	-	-	-	627,928	-	627,928	85,000	712,928
Donated tickets	-	-	-	-	-	242,332	-	242,332	-	242,332
Net assets transferred to board designated	(1,360,608)	1,360,608	-	-	-	-	-	-	-	-
Net assets released from restrictions:										
Time - other	1,322,500	-	1,322,500	(1,322,500)	-	1,266,444	-	1,266,444	(1,266,444)	-
Time - special events	65,000	-	65,000	(65,000)	-	60,000	-	60,000	(60,000)	-
Purpose	8,096	-	8,096	(8,096)	-	55,510	-	55,510	(55,510)	-
Total operating support	5,009,965	1,360,608	6,370,573	(410,596)	5,959,977	6,185,288	-	6,185,288	(75,879)	6,109,409
Operating revenue:										
Rental and other	83,341	-	83,341	-	83,341	24,127	-	24,127	-	24,127
Ticket sales	155,623	-	155,623	-	155,623	464,495	-	464,495	-	464,495
Investment return designated for current operations	100,000	-	100,000	-	100,000	850,000	-	850,000	-	850,000
Total operating revenue	338,964	-	338,964	-	338,964	1,338,622	-	1,338,622	-	1,338,622
Total operating support and revenue	5,348,929	1,360,608	6,709,537	(410,596)	6,298,941	7,523,910	-	7,523,910	(75,879)	7,448,031
<b>Operating Expenses:</b>										
Program	2,806,915	-	2,806,915	-	2,806,915	5,272,042	-	5,272,042	-	5,272,042
Management and general	1,891,915	-	1,891,915	-	1,891,915	1,160,814	-	1,160,814	-	1,160,814
Fundraising	550,099	-	550,099	-	550,099	1,064,484	-	1,064,484	-	1,064,484
Total operating expenses	5,248,929	-	5,248,929	-	5,248,929	7,497,340	-	7,497,340	-	7,497,340
Changes in net assets from operations	100,000	1,360,608	1,460,608	(410,596)	1,050,012	26,570	-	26,570	(75,879)	(49,309)
<b>Non-Operating Revenue (Expenses):</b>										
Investment return, net	13,922	-	13,922	3,367,273	3,381,195	(5,950)	-	(5,950)	(435,291)	(441,241)
Insurance proceeds	500,000	-	500,000	-	500,000	-	-	-	-	-
Venue search contributions	-	-	-	-	-	-	-	-	168,259	168,259
Endowment contributions and grants	-	-	-	-	-	-	-	-	55,000	55,000
Net assets released from restrictions - venue search	-	-	-	-	-	168,024	-	168,024	(168,024)	-
Performance cancellation fees	-	-	-	-	-	(504,415)	-	(504,415)	-	(504,415)
Venue search, fees and related costs	(6,940)	-	(6,940)	-	(6,940)	(168,706)	-	(168,706)	-	(168,706)
Loss on disposal of property and equipment	(59,156)	-	(59,156)	-	(59,156)	-	-	-	-	-
Investment return designated for current operations	-	-	-	(100,000)	(100,000)	-	-	-	(850,000)	(850,000)
Total non-operating revenue (expenses)	447,826	-	447,826	3,267,273	3,715,099	(511,047)	-	(511,047)	(1,230,056)	(1,741,103)
Changes in net assets	547,826	1,360,608	1,908,434	2,856,677	4,765,111	(484,477)	-	(484,477)	(1,305,935)	(1,790,412)
<b>Net Assets:</b>										
Beginning of year	419,507	-	419,507	18,122,338	18,541,845	903,984	-	903,984	19,428,273	20,332,257
End of year	\$ 967,333	\$ 1,360,608	\$ 2,327,941	\$ 20,979,015	\$ 23,306,956	\$ 419,507	\$ -	\$ 419,507	\$ 18,122,338	\$ 18,541,845

The accompanying notes are an integral part of these statements.

**BOSTON LYRIC OPERA COMPANY**

## Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 4,765,111	\$ (1,790,412)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,024,958	46,516
Loss on disposal of property and equipment	59,156	-
Net losses (gains) on investments	(3,133,342)	775,497
Change in discount of pledges receivable	-	(46,402)
Bad debt	5,808	3,500
Endowment contributions and grants	-	(55,000)
Changes in operating assets and liabilities:		
Accounts receivable	(688,442)	13,905
Pledges receivable	1,025,931	1,574,165
Prepaid expenses and other	39,008	36,377
Deposits	-	20,000
Refundable advance	35,393	95,976
Accounts payable and accrued expenses	30,642	189,862
Advance ticket subscriptions and other deferred revenue	(78,947)	(131,891)
Net cash provided by operating activities	<u>3,085,276</u>	<u>732,093</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(71,700)	(96,318)
Acquisition of broadcast costs	(1,816,799)	-
Purchase of investments	(4,741,591)	(6,114,617)
Proceeds from sale of investments	4,744,136	6,419,169
Net cash provided by (used in) investing activities	<u>(1,885,954)</u>	<u>208,234</u>
<b>Cash Flows from Financing Activities:</b>		
Payment on line of credit	(750,000)	(350,000)
Proceeds from note payable	-	150,000
Endowment cash contributions and pledge payments	-	57,000
Net cash used in financing activities	<u>(750,000)</u>	<u>(143,000)</u>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	449,322	797,327
<b>Cash, Cash Equivalents and Restricted Cash:</b>		
Beginning of year	<u>1,182,973</u>	<u>385,646</u>
End of year	<u>\$ 1,632,295</u>	<u>\$ 1,182,973</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 1,500,926	\$ 1,086,997
Restricted cash	<u>131,369</u>	<u>95,976</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 1,632,295</u>	<u>\$ 1,182,973</u>
<b>Supplemental Disclosures of Cash Flow Transactions:</b>		
Unrealized (losses) gains on investments	<u>\$ 2,661,651</u>	<u>\$ (1,540,306)</u>
Cash paid for interest	<u>\$ 3,730</u>	<u>\$ 44,121</u>

The accompanying notes are an integral part of these statements.

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**BOSTON LYRIC OPERA COMPANY**

 Statements of Functional Expenses  
 For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Support Services			Total	Support Services			Total
	Program	Management and General	Fundraising		Program	Management and General	Fundraising	
<b>Operating Expenses:</b>								
Salaries, taxes and benefits	\$ 899,321	\$ 671,518	\$ 375,603	\$ 1,946,442	\$ 1,357,832	\$ 574,874	\$ 605,166	\$ 2,537,872
Depreciation and amortization	988,633	36,325	-	1,024,958	29,380	9,346	7,790	46,516
Occupancy	86,595	421,433	-	508,028	247,070	87,274	72,728	407,072
Consultants	282,508	174,086	43,874	500,468	179,536	62,923	37,994	280,453
Direct performance costs	245,970	-	-	245,970	2,003,426	-	-	2,003,426
Information technology	169,906	64,493	10,709	245,108	146,599	23,055	25,711	195,365
Professional fees	-	222,774	-	222,774	108,766	45,622	2,053	156,441
Advertising and public relations	-	131,240	-	131,240	-	225,021	-	225,021
Miscellaneous	24,667	10,433	26,047	61,147	50,450	7,859	9,291	67,600
Travel and entertainment	22,102	21,985	12,831	56,918	67,520	4,502	18,288	90,310
Events	-	-	56,694	56,694	-	-	238,606	238,606
Insurance	10,784	43,841	-	54,625	41,914	6,690	4,906	53,510
Printing and postage	6,785	20,932	22,294	50,011	50,475	2,487	33,612	86,574
Bank fees and interest expense	-	47,210	-	47,210	-	79,266	-	79,266
Office equipment and supplies	16,326	24,585	1,397	42,308	16,835	27,656	4,711	49,202
Principal artist fees and benefits	28,510	-	-	28,510	907,542	-	-	907,542
Artistic research and planning	16,219	-	-	16,219	53,569	-	-	53,569
Dues and subscriptions	8,589	1,060	650	10,299	11,128	4,239	3,628	18,995
Total expenses	<u>\$ 2,806,915</u>	<u>\$ 1,891,915</u>	<u>\$ 550,099</u>	<u>\$ 5,248,929</u>	<u>\$ 5,272,042</u>	<u>\$ 1,160,814</u>	<u>\$ 1,064,484</u>	<u>\$ 7,497,340</u>

The accompanying notes are an integral part of these statements.

## **BOSTON LYRIC OPERA COMPANY**

Notes to Financial Statements  
June 30, 2021 and 2020

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### **1. OPERATIONS AND NONPROFIT STATUS**

Boston Lyric Opera Company (BLO) is a Massachusetts nonprofit institution incorporated in 1976. Entering its 45<sup>th</sup> season, BLO is New England's largest and oldest opera company. Celebrated for its artistic excellence and diverse repertoire, BLO's mission is to build curiosity, enthusiasm and support for opera by creating musically and theatrically compelling productions and events, and to provide educational resources for the Boston community and beyond.

BLO's long-term success is based on its commitment to offering the highest caliber productions of both classic and contemporary operas; providing an internationally renowned platform on which emerging artists can develop; engaging new and diverse audiences through innovations in technology, outreach and strategic communications; and by offering collaborative education and community events on its own and in partnership with other Boston-based cultural institutions. BLO achieves its mission by ensuring the availability and accessibility of one of the world's greatest and oldest art forms for generations to come.

Funded in part by a grant from the Massachusetts Cultural Council and the National Endowment for the Arts, BLO generally reaches annual audiences of more than 20,000 through the staging of four productions and community outreach programs each season. In fiscal year 2021, government-mandated closures in response to the COVID-19 pandemic prevented staging of BLO's regular mainstage season as planned. In lieu of indoor productions, BLO staged performances on BLO's Street Stage at locations across the Boston area and filmed two new productions for operabox.tv, in addition to two archival releases on operabox.tv.

BLO is exempt from Federal income taxes as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). BLO is also exempt from state income taxes. Donors may deduct contributions made to BLO within the IRC requirements.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

BLO prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### **Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP 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 periods. Actual results could differ from those estimates.

#### **Property and Equipment and Depreciation**

Purchased property and equipment over \$1,000 and with a useful life of more than one year are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Sets and properties are expensed as production costs in the year of the related performance.

Depreciation of property and equipment (see Note 5) is computed using the straight-line method over estimated useful lives of three to ten years. Depreciation expense for the years ended June 30, 2021 and 2020, was \$56,308 and \$46,516, respectively, and is included in depreciation and amortization in the accompanying statements of functional expenses.



## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Broadcast Cost and Amortization

All costs associated with the broadcast of completed works over \$5,000 are capitalized and amortized over the life of the license period. During fiscal year 2021, BLO incurred capitalized costs of \$1,816,799. Amortization expense for the year ended June 30, 2021, was \$968,650 and is included in depreciation and amortization in the accompanying fiscal year 2021 statement of functional expenses.

#### Revenue Recognition

In accordance with Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, BLO must determine whether a contribution (or a promise) is deemed conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. *Topic 958* prescribes that BLO should not consider probability of compliance with the barrier when determining if such awards are conditional. Assets received before the barrier is overcome are accounted for as refundable advances. See Note 11 for disclosure of BLO's conditional grants at June 30, 2021 and 2020.

Grants and contributions without donor restrictions are recorded as operating support and net assets without donor restrictions when unconditionally received or pledged. Grants and contributions with donor restrictions are recorded as donor-restricted support and net assets when BLO receives the contributions, or an unconditional commitment accompanied by restrictions imposed by the donor. Donor-restricted grants and contributions are recorded as donor-restricted support and net assets if received or committed with donor stipulations that the net assets be held in perpetuity. In addition, net investment earnings (losses) on such donor-restricted endowment investments are recorded in investment return with donor restrictions under non-operating revenue. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Special event revenue is recognized in the period in which the event takes place.

BLO generally measures revenue for qualifying exchange transactions based on the amount of consideration BLO expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as BLO satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. BLO evaluates its revenue contracts with customers based on the five-step model under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

In accordance with *Topic 606*, the performance obligation of delivering the performance is simultaneously received and consumed by the recipients; therefore, ticket sales revenue is recognized as productions are performed. Ticket sales and production set rentals received in advance of performances are recorded as advance ticket subscriptions and other deferred revenue in the accompanying statements of financial position.

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

For investment return (see Note 6), interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period.

All other revenues are recorded when earned.

#### Allowance for Doubtful Accounts and Pledges

An allowance for doubtful accounts and pledges (see Note 9) is recorded based on BLO's policy, which takes into account factors such as management's review of accounts and pledges receivable and their estimate of amounts that may become uncollectible. Amounts are written-off as they are determined to be uncollectible.

#### Cash and Cash Equivalents

Cash and cash equivalents include checking and money market accounts, excluding those included in the investment portfolio (see Note 6) and restricted cash.

#### Restricted Cash

Restricted cash at June 30, 2021 and 2020, represents unspent Paycheck Protection Program loan proceeds (see Note 11).

#### Fair Value Measurements

BLO follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that BLO would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

BLO uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of BLO. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

##### *Investments*

Investments are recorded in the financial statements at fair value. BLO values its investments in certain fixed income investments (certain government, agency, and corporate bonds) using significant other observable, or Level 2 inputs, as explained further in Note 6. BLO values all other investments, which are publicly traded, using observable, or Level 1 inputs - the quoted price in an active market.

A summary of inputs used in valuing BLO's investments as of June 30, 2021 and 2020, is included in Note 6.

##### *Charitable Remainder Trust*

A summary of inputs used in valuing BLO's Charitable Remainder Trust as of June 30, 2021 and 2020, is included in Note 9.

#### Investment Return Allocations

Massachusetts state law allows BLO to appropriate as much of the appreciation of its endowment as is prudent considering BLO's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

The Board of Directors has voted to allow for the use of a portion of total investment return for operations each year. BLO may annually distribute from its investment portfolios an amount in accordance with its current spending policy. Transfers to operating net assets, in accordance with this policy, are reflected in the accompanying statements of activities and changes in net assets as investment return designated for current operations (see Note 4).

#### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue (expenses) includes endowment, investment, capital, and other non-operating activity.

#### Donated Goods and Services

Other organizations contribute goods and services to BLO in support of various aspects of its programs. These goods and services are reflected as in-kind contributions and as expenses in the accompanying financial statements based upon the estimated value assigned to them by the donating organizations or by management.

The value of these goods and services for the years ended June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Legal and other consulting	\$ 177,888	\$ 104,661
Event supplies and services	37,000	-
	<u>\$ 214,888</u>	<u>\$ 104,661</u>

## **BOSTON LYRIC OPERA COMPANY**

Notes to Financial Statements  
June 30, 2021 and 2020

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Donated Goods and Services (Continued)**

BLO receives additional donated services relating to various aspects of its operations. The value of these services does not meet the criteria for recording under U.S. GAAP; accordingly, no value is reflected in the accompanying financial statements.

#### **Expense Allocations**

Expenses related directly to a function are distributed to that function, while other expenses are allocated to functions based upon management's estimate of percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, taxes and benefits, occupancy, information technology, bank fees and interest expense, insurance, office equipment and supplies, depreciation and amortization, and certain miscellaneous expenses. The expenses are allocated on the basis of estimates of time and effort and employee headcount.

#### **Prepaid Expenses**

At June 30, 2021 and 2020, prepaid expenses include approximately \$20,000 and \$34,000, respectively, of costs incurred relating to productions to be performed during the next fiscal year. These costs are expensed at the time of the related productions.

#### **Advertising Costs**

BLO expenses advertising costs in the year costs have been incurred (related to fiscal year 2021) and the related performance (related to fiscal year 2020). During fiscal years 2021 and 2020, BLO incurred approximately \$41,000 and \$135,000, respectively, of advertising costs. These costs are included in advertising and public relations in the accompanying statements of functional expenses for the years ended June 30, 2021 and 2020.

#### **Subsequent Events**

Subsequent events have been evaluated through January 26, 2022, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

#### **Income Taxes**

BLO accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. BLO has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2021 and 2020. However, BLO's information returns are subject to examination by the appropriate jurisdictions.

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 3. NET ASSETS

#### Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by BLO. BLO has grouped its net assets without donor restrictions into the following categories:

**Operating net assets** represent funds available to carry on the operations of BLO.

**Property and equipment and broadcast cost net assets** reflect the net book value of BLO's property and equipment and broadcast costs.

**Board designated fund for COVID-19 recovery** was established during fiscal year 2021 and serves as a fund designated to even out operating results as BLO recovers from the business interruptions due to the COVID-19 pandemic over the next 3 years. The use of these funds requires the approval of the Board of Directors.

#### Net Assets With Donor Restrictions

BLO receives contributions and grants which are designated by donors for specific time periods or purposes and are recorded as net assets with donor restrictions until they are expended for their designated purposes or as time restrictions expire. Net assets with donor restrictions also include endowment funds accumulated from donor-restricted gifts. Earnings from these gifts may be used for operations, but the principal may not be spent. In accordance with Massachusetts law, all earnings, including interest and dividends, and appreciation of a donor-restricted endowment are added to net assets with donor restrictions until appropriated by the Board of Directors, and are released to net assets without donor restrictions based on BLO's investment spending policy (see Notes 2 and 4).

BLO's endowment includes a grant from the National Endowment for the Arts and matching funds totaling \$160,000. The grant terms stipulate that the funds are to be used to create a permanent reserve fund, which may be loaned to the net assets without donor restrictions for a period of up to one year.

The investment return on endowment is expendable for the support of BLO's operations, consistent with its spending policy (see Notes 2 and 4).

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

	<u>2021</u>	<u>2020</u>
Time restricted - future years	\$ 1,939,077	\$ 2,301,578
Purpose restricted	100,810	108,905
Time restricted - special events	<u>55,000</u>	<u>95,000</u>
Total other donor restrictions	<u>2,094,887</u>	<u>2,505,483</u>
Endowment donor corpus	15,094,461	15,094,461
Unspent appreciation on endowment	<u>3,789,667</u>	<u>522,394</u>
Total endowment	<u>18,884,128</u>	<u>15,616,855</u>
Total net assets with donor restrictions	<u>\$ 20,979,015</u>	<u>\$ 18,122,338</u>

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 4. ENDOWMENT

BLO's endowment consists of donor restricted funds established for a variety of purposes (see Note 3). As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

A reconciliation of endowment activity for the years ended June 30, 2021 and 2020, is as follows:

	<u>Appreciation on Endowment</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 1,807,685	\$ 15,039,461	\$ 16,847,146
Endowment contributions	-	55,000	55,000
Investment return, net:			
Net unrealized loss	(1,534,145)	-	(1,534,145)
Net realized gain	767,602	-	767,602
Interest and dividends	414,136	-	414,136
Investment fees	(82,884)	-	(82,884)
Total investment return, net	(435,291)	-	(435,291)
Investment return designated for current operations	(850,000)	-	(850,000)
Endowment net assets, June 30, 2020	522,394	15,094,461	15,616,855
Investment return, net:			
Net unrealized gain	2,650,968	-	2,650,968
Net realized gains	469,443	-	469,443
Interest and dividends	332,606	-	332,606
Investment fees	(85,744)	-	(85,744)
Total investment return, net	3,367,273	-	3,367,273
Investment return designated for current operations	(100,000)	-	(100,000)
Endowment net assets, June 30, 2021	\$ 3,789,667	\$ 15,094,461	\$ 18,884,128

BLO has adopted investment and spending policies for endowment assets. Endowment assets include those assets of donor restricted funds that BLO must hold in perpetuity. Under this policy, as approved by the Board of Directors, the primary long-term financial objective is to preserve the real (i.e. inflation-adjusted) value of the endowment investment portfolio. This objective is measured on an intermediate and long-term basis (three, five and ten years). The secondary financial objectives are to provide within the parameters of moderate risk; 1) annual income, defined as total return from interest, dividends and appreciation in excess of inflation and; 2) long-term growth of the assets.

To satisfy its objectives, BLO relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). BLO targets a diversified asset allocation that includes equities and fixed income investments within prudent risk constraints.

BLO has adopted an investment spending policy related to its endowment assets that incorporates the transfer of a portion of the value of endowment assets to the operating budget subject to various factors.

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 4. ENDOWMENT (Continued)

The spending policy is calculated as follows: each fiscal year BLO may, under the advisement of the Finance Committee, transfer to the operating budget an amount equal to the sum of the following:

- 70 percent of the prior fiscal year's draw;
- 30 percent of 5 percent of the prior fiscal year's average quarterly market value of the endowment fund, inclusive of the endowment fund's pro rata share of investment management and custodial fees, but exclusive of prior years' new gifts;
- 5 percent of the cash contributions (1.25 percent per quarter) for four consecutive quarters beginning with the quarter of receipt.

In accordance with current state law - the Uniform Prudent Management of Institutional Funds Act, known as "UPMIFA," (adopted by the Commonwealth of Massachusetts on June 30, 2009) - BLO considers the following standards of prudence as it annually reviews the effects of the spending policy detailed above:

- 1) The policy and preservation of the endowment fund;
- 2) The purposes of BLO and the endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation or deflation;
- 5) The expected total return from income and appreciation of investments;
- 6) Other resources of BLO;
- 7) The investment policy of BLO.

In the event of a significant market decline, BLO will consider all factors relevant to the stated goal in determining any change to the appropriation as allowed by UPMIFA.

During fiscal year 2021, BLO obtained special approval from the Board of Directors to appropriate \$100,000 of net assets to be used for operations.

BLO appropriated \$700,000 of net assets during the year ended June 30, 2020, to be used for operations in accordance with the spending policy. Also, during fiscal year 2020, BLO made an additional \$150,000 appropriation of net assets to be used for operations in response to the COVID-19 public health pandemic, for a total of \$850,000.

### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 223,172	\$ 186,271
Software	152,399	152,399
Computer hardware	112,172	77,373
Furniture and fixtures	70,047	70,047
Leasehold improvements	-	75,290
	<u>557,790</u>	<u>561,380</u>
Less - accumulated depreciation	<u>459,782</u>	<u>419,608</u>
	<u>\$ 98,008</u>	<u>\$ 141,772</u>

**BOSTON LYRIC OPERA COMPANY**Notes to Financial Statements  
June 30, 2021 and 2020**6. INVESTMENTS**

Investments are carried at fair value. The following is a summary of the investment portfolio as of June 30, 2021 and 2020, by level within the valuation framework (see Note 2):

<u>Description</u>	<b>2021</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Corporate bonds	\$ -	\$ 4,775,275	\$ -	\$ 4,775,275
Money market accounts	919,682	-	-	919,682
Preferred stocks:				
Domestic preferred stocks	496,568	-	-	496,568
Equities:				
Financial	2,494,865	-	-	2,494,865
Foreign equities	1,240,300	-	-	1,240,300
Consumer non-durables	1,662,297	-	-	1,662,297
Consumer services	1,104,131	-	-	1,104,131
Business products and services	959,086	-	-	959,086
Capital goods	890,020	-	-	890,020
Other	472,339	-	-	472,339
Basic industries and materials	404,388	-	-	404,388
Utilities	403,222	-	-	403,222
Energy	291,046	-	-	291,046
Industrial electronics	222,947	-	-	222,947
Transportation	215,361	-	-	215,361
Industrial	177,445	-	-	177,445
Consumer durables and staples	141,002	-	-	141,002
Information technology	139,910	-	-	139,910
Mutual fund - foreign	-	825,180	-	825,180
	<u>\$ 12,234,609</u>	<u>\$ 5,600,455</u>	<u>\$ -</u>	<u>\$ 17,835,064</u>



**BOSTON LYRIC OPERA COMPANY**

Notes to Financial Statements  
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**6. INVESTMENTS (Continued)**

Description	2020			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ -	\$ 3,131,343	\$ -	\$ 3,131,343
Money market accounts	844,333	-	-	844,333
Government and agency bonds	-	199,894	-	199,894
Preferred stocks:				
Domestic preferred stocks	1,095,597	-	-	1,095,597
Foreign preferred stocks	55,990	-	-	55,990
Equities:				
Financial	1,726,747	-	-	1,726,747
Foreign equities	1,427,990	-	-	1,427,990
Consumer non-durables	1,204,426	-	-	1,204,426
Consumer services	445,980	-	-	445,980
Business products and services	1,396,725	-	-	1,396,725
Capital goods	773,640	-	-	773,640
Other	227,962	-	-	227,962
Basic industries and materials	261,431	-	-	261,431
Utilities	508,956	-	-	508,956
Energy	140,431	-	-	140,431
Industrial electronics	239,148	-	-	239,148
Consumer durables and staples	124,951	-	-	124,951
Information technology	201,236	-	-	201,236
Real estate	108,828	-	-	108,828
Mutual fund - foreign	-	588,659	-	588,659
	<u>\$ 10,784,371</u>	<u>\$ 3,919,896</u>	<u>\$ -</u>	<u>\$ 14,704,267</u>

Bonds are valued using several factors, including the credit rating relative to a corporate bond or government security with similar maturity or duration. Money market accounts, preferred stocks, and equities are valued based on quoted market prices in active markets. Shares in mutual funds are based on share prices reported by the fund as of the last business day of the fiscal year.

BLO believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2021 and 2020. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

Investments are classified as long-term due to management's intent to hold these investments for long-term purposes, except for current investments that management expects will be liquidated and used for operations in the following fiscal year. Investments are not insured and are subject to ongoing market fluctuations.

Investment return, net, consists of the following for the years ended June 30:

	2021	2020
Net unrealized gains (losses) on investments	\$ 2,661,651	\$ (1,540,306)
Net realized gains on sale of investments	471,691	764,809
Interest and dividends	333,942	417,473
Investment fees	(86,089)	(83,217)
	<u>\$ 3,381,195</u>	<u>\$ (441,241)</u>

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 7. LINE OF CREDIT AGREEMENT

BLO maintained a \$1,800,000 line of credit agreement with a commercial bank. Borrowings under the line of credit agreement were due on demand and interest was payable monthly at the higher of 4.0% or the bank's base lending rate (3.25% at June 30, 2020), plus .50%. The line of credit renewed annually in October. The outstanding balance as of June 30, 2020, was \$750,000. The line of credit was secured by all assets of BLO. BLO must comply with certain covenants as specified in the agreement. BLO was in compliance with these covenants as of June 30, 2020. During August 2020, BLO paid off the outstanding balance totaling \$750,000 and terminated its line of credit agreement.

In fiscal year 2021, BLO and entered into a new \$2,050,000 line of credit agreement with another commercial bank. Borrowings under the new line of credit agreement are due on demand and interest is payable monthly at the greater of the bank's base lending rate (3.75% at June 30, 2021) plus .25% or 3.75%. There was no outstanding balance as of June 30, 2021. The line of credit is secured by all assets of BLO. BLO must comply with certain covenants as specified in the agreement. BLO was in compliance with these covenants as of June 30, 2021.

No interest expense relating to the line of credit was incurred during fiscal year 2021. Interest expense on the line of credit for fiscal year 2020 was \$44,121 which is included in bank fees and interest expense in the accompanying statement of functional expenses.

### 8. NOTE PAYABLE

BLO obtained a loan from the Small Business Administration (SBA) under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on BLO's operations. At June 30, 2021 and 2020, the outstanding balance was \$150,000. Interest accrues at the rate of 2.75% per annum and monthly principal and interest payments of \$641 are due beginning June 19, 2021, through maturity (June 2050). Total accrued interest on this loan is \$2,063 at June 30, 2021, which is included in accounts payable and accrued expenses in the accompanying fiscal year 2021 statement of financial position. The loan is secured by all tangible and intangible personal property of BLO. The loan contains various covenants with which BLO was in compliance as of June 30, 2021 and 2020.

Future minimum principal payments under this note payable agreement for the next five years are as follows:

<u>Fiscal Year</u>	
2022	\$ 3,792
2023	\$ 3,602
2024	\$ 3,702
2025	\$ 3,805
2026	\$ 3,911

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 9. PLEDGES RECEIVABLE

Pledges receivable include numerous gifts which are expected to be collected over the next five years, and a Charitable Remainder Trust which will be disbursed to BLO upon the death of the named survivors. Accordingly, this trust has been classified as long-term.

Pledges receivable are due as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due in one year	\$ 2,677,001	\$ 3,207,740
Due in two to five years	515,000	1,016,000
Due in six to nine years	<u>200,000</u>	<u>200,000</u>
	3,392,001	4,423,740
Less - discount	46,214	46,214
Less - allowance for doubtful accounts	<u>25,000</u>	<u>25,000</u>
	3,320,787	4,352,526
Charitable Remainder Trust	<u>42,878</u>	<u>42,878</u>
	<u>\$ 3,363,665</u>	<u>\$ 4,395,404</u>

Long-term pledges receivable in the accompanying statements of financial position as of June 30, 2021 and 2020, include approximately \$1,000,000 of endowment restricted pledges which are due in the following fiscal year. These have been reflected as long-term pledges receivable based on the permanent restriction of the gifts. Long-term pledges receivable in the accompanying statements of financial position as of June 30, 2021 and 2020, also include approximately \$159,000 of endowment restricted long-term pledges, net of discount.

The pledges have been discounted using rates ranging from 0.07% to 0.29%.

The Charitable Remainder Trust is invested in a diversified suite of global equity and fixed income assets which are valued using Level 1 and 2 inputs under the fair value measurement framework (see Note 2). The value of the Charitable Remainder Trust is adjusted based on the survivor life expectancy and on prevailing interest rates, which are considered Level 2 inputs.

### 10. LEASE AGREEMENTS

BLO entered into a seven-year lease agreement for office space in November 2019, which expires in November 2026. The lease requires escalating monthly payments of \$27,164 as defined in the lease agreement. BLO has an option to extend the lease for five additional years. The lease requires BLO to pay for its proportionate share of real estate taxes, if applicable, and operating expenses. In connection with this lease agreement, BLO maintains a letter of credit in the amount of approximately \$30,500 with the commercial bank that holds BLO's line of credit (see Note 7). In June 2021, the agreement was terminated by the Landlord due to a disagreement. Outstanding rent payable was \$256,947 and is included in accounts payable and accrued expenses in the accompanying fiscal year 2021 statement of financial position. The disagreement between BLO and the Landlord is still ongoing. A settlement amount may be material, however, it cannot be reasonably estimated at this time, and therefore, not accrued for in the accompanying financial statements as of June 30, 2021.

BLO leases storage space under a five-year lease agreement which expired in July 2020. In July 2020, BLO entered into a month-to-month agreement for the storage space. The lease required monthly payments of \$2,550.

BLO leases equipment under a sixty-three-month lease agreement which expires in August 2022. The lease requires monthly payments of \$1,353.

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 11. CONDITIONAL GRANTS

In fiscal year 2020, BLO applied for and was awarded a loan of \$798,500 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits, as well as rent and utilities during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. During fiscal year 2021, BLO applied for and received a second draw PPP loan totaling \$723,037. The second draw PPP loan has the same general loan terms as the first draw PPP loan noted above and any remainder of the funds not forgiven will be due over a five-year period.

The forgiveness calculations are subject to review and approval by the lending bank and the SBA. In the opinion of management, the results of such reviews, will not have a material effect on the financial position of BLO as of June 30, 2021 and 2020, and on the changes in its net assets for the year then ended.

BLO believes these loans will be forgiven, and therefore, is accounting for them as conditional grants under ASC Subtopic 958-605. It is determined that these grants are conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received are recognized as revenue when BLO has incurred expenditures in compliance with the loan application and CARES Act requirements. As of June 30, 2021 and 2020, BLO recognized a total of \$687,644 and \$702,524 of grant revenue for these PPP loans. The remaining balance of \$131,369 and \$95,976 are shown as a refundable advance as of June 30, 2021 and 2020, respectively, in the accompanying statements of financial position. BLO has not accrued interest as of June 30, 2021 and 2020, since it expects the principal and interest to be forgiven. During fiscal year 2021, BLO submitted their forgiveness calculation for the first PPP loan and was fully forgiven.

### 12. LICENSE AGREEMENTS AND COMMITMENTS

BLO has entered into a two-year license agreement with Vimeo for the OperaBox TV service, a digital venue for new series and special programs. Base payments to Vimeo are \$43,200 per year. The license agreement began in July 2020 and expires in June 2022.

Future minimum payment under this license agreement in fiscal year 2022 is \$43,200.

### 13. CONCENTRATIONS

BLO maintains its cash balances in various financial institutions in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each institution up to certain limits. At certain times during the year, cash balances exceeded the insured amounts. Management monitors on a regular basis, the financial condition of the financial institutions, along with their balances, to keep this potential risk to a minimum.

At June 30, 2021 and 2020, BLO had four donors who represented 63% and 68% of outstanding pledges receivable, respectively.

Pledges from Board members represent approximately 56% and 72% of outstanding pledges receivable as of June 30, 2021 and 2020, respectively.

One donor represents approximately 91% of endowment contributions and grants for the year ended June 30, 2020.

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 14. RETIREMENT PLAN

BLO has a defined contribution retirement plan (the Plan) covering all eligible employees under IRC Section 401(k). Employees become eligible to participate after completing three months of service and attaining the age of 21. BLO may make matching or discretionary contributions to the Plan. Employee contributions vest immediately and employer contributions vest based upon a vesting schedule as specified in the Plan document. During fiscal years 2021 and 2020, BLO contributed \$20,781 and \$25,631, respectively, to the Plan.

### 15. UNION CONTRACTS

BLO has collective bargaining agreements with the American Federation of Musicians (AFM), the American Guild of Musical Artists (AGMA), and the International Alliance of Theatrical Stage Employees (IATSE). During fiscal year 2018, BLO and AGMA entered into a new Collective Bargaining Agreement covering the period from August 1, 2017 through July 31, 2021. During fiscal year 2021, this agreement was renewed through July 31, 2022. This agreement includes provisions covering wages, pension and other benefits.

### 16. BEQUESTS

Donors have notified BLO of certain bequests to which BLO will be entitled upon the donors' deaths. Since these gifts are conditional, BLO has not recorded these amounts in the accompanying financial statements.

### 17. CONTINGENCY

#### *Lawsuits*

BLO, from time-to-time, is the defendant in lawsuits. It is management's opinion that BLO will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from these lawsuits.

### 18. EMPLOYER RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and December 31, 2021 (2021 ERTC). To be eligible, BLO must meet certain conditions as described in applicable laws and regulations.

BLO has determined that it qualifies for both the 2020 ERTC and a portion of the 2021 ERTC that pertains to January 1, 2021 to June 30, 2021, and therefore, is accounting for them as conditional grants under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2021, and therefore, the entire refund of \$678,570 that BLO expects to receive is included in the accounts and other receivables without donor restrictions in the accompanying fiscal year 2021 statement of financial position and included in grants in the accompanying statement of activities for the year ended June 30, 2021. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of BLO as of June 30, 2021, and on the changes in its net assets for the year then ended.

## BOSTON LYRIC OPERA COMPANY

Notes to Financial Statements  
June 30, 2021 and 2020

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### 19. COVID-19 PANDEMIC

During fiscal years 2021 and 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on BLO's operations and financial position. As a result, the adverse impact COVID-19 will have on BLO's businesses, operating results, cash flows and financial condition is uncertain. The financial impact to BLO, if any, cannot be reasonably estimated at this time.

During fiscal year 2021, BLO received non-operating income of \$500,000 from an insurance claim for business interruption of Norma and Giulio Cesare resulting directly the government-mandated closures in response to COVID-19. Estimated losses materially exceeded the insurance proceeds.

### 20. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

BLO is substantially supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, BLO must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. BLO's liquidity management policy involves structuring financial assets to be available as general expenditures, liabilities and other obligations come due.

To help manage seasonal liquidity needs, BLO has a committed line of credit in the amount of \$2,050,000 and \$1,800,000 at June 30, 2021 and 2020, respectively, (see Note 7) that it can draw upon. Additionally, BLO has endowment investments of approximately \$17.8 and \$14.5 million at June 30, 2021 and 2020, respectively (see Notes 4 and 6). Although BLO does not intend to spend from its endowment other than amounts appropriated for general expenditures as part of its spending policy and annual budget approval, amounts from appreciation on endowment net assets could be made available if necessary.

As of June 30, 2021 and 2020, BLO's financial assets available within one year from the statements of financial position date for general operating expenses are as follows, and the amount covers approximately 95% and 93%, respectively, of operating expenditures for the upcoming year:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents available within one year	\$ 1,448,178	\$ 1,046,143
Restricted cash available within one year	131,369	95,976
Accounts and other receivables	690,209	1,767
Endowment draw per spending policy for fiscal years 2022 and 2021 (see Notes 2 and 4)	1,350,000	700,000
Pledges due within one year	<u>1,652,001</u>	<u>2,182,740</u>
Financial assets available to meet cash needs for general expenditures within one year	5,271,757	4,026,636
Liquidity resources:		
Line of credit available	<u>2,050,000</u>	<u>1,050,000</u>
Total financial assets and liquidity resources available to meet cash needs for general expenditures within one year	<u>\$ 7,321,757</u>	<u>\$ 5,076,636</u>

**BOSTON LYRIC OPERA COMPANY**

Notes to Financial Statements  
June 30, 2021 and 2020

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**21. RECLASSIFICATION**

Certain amounts in fiscal year 2020 financial statements have been reclassified to confirm with fiscal year 2021 presentation.