

BOSTON LYRIC OPERA COMPANY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021)

**BOSTON LYRIC OPERA COMPANY
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boston Lyric Opera Company
Boston, Massachusetts

Opinion

We have audited the accompanying financial statements of Boston Lyric Opera Company ("BLO"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of BLO as of June 30, 2022, and the results of changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BLO 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.

Prior Period Financial Statements

The financial statements of BLO as of and for the year ended June 30, 2021, were audited by other auditors whose report dated January 26, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
March 3, 2023

Boston Lyric Opera Company

Statement of Financial Position

June 30, 2022

(With Comparative Totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 1,888,497	\$ 1,500,926
Accounts and other receivables	435,536	695,502
Current portion of unconditional promises to give	1,832,935	1,646,708
Prepaid expenses and other	304,876	20,895
Total Current Assets	4,461,844	3,864,031
Long-term Assets:		
Restricted cash	-	131,369
Marketable securities	15,015,257	17,835,064
Unconditional promises to give, net of current portion and discount	710,228	1,711,664
Deposits	4,000	4,000
Broadcast costs, net	126,641	848,149
Property and equipment, net	75,283	98,008
Total Long-term Assets	15,931,409	20,628,254
Total Assets	\$ 20,393,253	\$ 24,492,285
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 601,279	\$ 624,235
Notes payable, current	34,756	3,792
Deferred revenue	315,369	279,725
Refundable advance	-	131,369
Total Current Liabilities	951,404	1,039,121
Notes payable, net of current portion	224,187	146,208
Total Liabilities	1,175,591	1,185,329
Net Assets:		
Without Donor Restrictions:		
Board designated reserve funds	1,045,608	1,360,608
Operating funds	979,105	967,333
Total Without Donor Restrictions	2,024,713	2,327,941
With Donor Restrictions	17,192,949	20,979,015
Total Net Assets	19,217,662	23,306,956
Total Liabilities and Net Assets	\$ 20,393,253	\$ 24,492,285

See Notes to Financial Statements.

Boston Lyric Opera Company

Statement of Activities

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022			2021	
	Without Donor Restrictions		With Donor Restrictions	Total	
	Operating Funds	Board Designated Reserve Funds			
Earned Revenue:					
Ticket sales	\$ 272,841	\$ -	\$ -	\$ 272,841	\$ 155,623
Broadcast revenue	29,465	-	-	29,465	-
Production partnership revenue	73,846	-	-	73,846	-
Other income	29,198	-	-	29,198	83,341
Total Earned Revenue	405,350	-	-	405,350	238,964
Contributed Revenue and Transfers:					
Contributions and grants	3,973,113	-	831,266	4,804,379	5,745,089
In-kind contributions	200,673	-	-	200,673	214,888
Investment income (loss)	2,993	-	(1,600,070)	(1,597,077)	3,381,195
Net assets released from restriction and transfers	3,332,262	(315,000)	(3,017,262)	-	-
Total Contributed Revenue and Transfers	7,509,041	(315,000)	(3,786,066)	3,407,975	9,341,172
Total Revenue and Transfers	7,914,391	(315,000)	(3,786,066)	3,813,325	9,580,136
Operating Expenses:					
Program	5,210,552	-	-	5,210,552	2,806,915
Management and general	2,204,404	-	-	2,204,404	1,891,915
Fundraising	487,663	-	-	487,663	550,099
Total Operating Expenses	7,902,619	-	-	7,902,619	5,248,929
Other revenue (expenses):					
Insurance proceeds	-	-	-	-	500,000
Venue search, fees and related costs	-	-	-	-	(6,940)
Loss on disposal of property and equipment	-	-	-	-	(59,156)
	-	-	-	-	433,904
Change in net assets	11,772	(315,000)	(3,786,066)	(4,089,294)	4,765,111
Net assets, beginning	967,333	1,360,608	20,979,015	23,306,956	18,541,845
Net assets, ending	\$ 979,105	\$ 1,045,608	\$ 17,192,949	\$ 19,217,662	\$ 23,306,956

See Notes to Financial Statements.

Boston Lyric Opera Company

Statement of Functional Expenses

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022									
	Program Expenses					Supporting Services Expenses				
	Program Operations	Opera Productions	Opera Presenting	Community Initiatives	Total Program Expense	Management and General	Fundraising	Total Supporting Services Expense	2022 Total Expenses	2021 Total Expenses
Salaries, taxes and benefits	\$ 1,160,134	\$ 757,225	\$ -	\$ 19,273	\$ 1,936,632	\$ 450,506	\$ 372,663	\$ 823,169	\$ 2,759,801	\$ 1,946,442
Depreciation and amortization	18,533	1,221,953	-	-	1,240,486	23,952	-	23,952	1,264,438	1,024,958
Occupancy	157,611	604,496	-	580	762,687	52,815	44,112	96,927	859,614	508,028
Fees for Service	28,979	602,646	-	45,332	676,957	1,218,391	12,225	1,230,616	1,907,573	969,212
Information technology	17,535	40	-	54	17,629	170,213	10,073	180,286	197,915	245,108
Advertising and public relations	105	93,735	-	405	94,245	54,253	-	54,253	148,498	131,240
Miscellaneous	6,426	43,233	20,000	11,581	81,240	62,465	10,095	72,560	153,800	162,570
Travel and entertainment	42,593	293,053	-	5,558	341,204	18,922	12,760	31,682	372,886	56,918
Insurance	(3,547)	-	-	-	(3,547)	35,898	-	35,898	32,351	54,625
Printing and postage	(3,441)	17,459	-	883	14,901	21,287	20,533	41,820	56,721	60,310
Bank fees and interest expense	-	-	-	-	-	7,332	-	7,332	7,332	47,210
Office equipment and supplies	13,439	38,786	-	181	52,406	86,738	4,293	91,031	143,437	42,308
Royalties	(9,783)	3,930	-	1,515	(4,338)	-	-	-	(4,338)	-
Conferences and Training	50	-	-	-	50	1,632	909	2,541	2,591	-
Total Expenses	\$ 1,428,634	\$ 3,676,556	\$ 20,000	\$ 85,362	\$ 5,210,552	\$ 2,204,404	\$ 487,663	\$ 2,692,067	\$ 7,902,619	\$ 5,248,929

See Notes to Financial Statements.

Boston Lyric Opera Company

Statement of Cash Flows

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (4,089,294)	\$ 4,765,111
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	42,485	56,308
Loss on disposal of property and equipment	-	59,156
Amortization of broadcast costs	1,221,953	968,650
Realized gains on investments	(850,735)	(471,691)
Unrealized (gains) losses on investments	2,764,376	(2,661,651)
Bad Debt	9,369	5,808
Changes in operating assets and liabilities:		
Unconditional promises to give	805,840	1,025,931
Accounts and other receivable	259,966	(688,442)
Prepaid expenses and other	(283,981)	39,008
Accounts payable and accrued expenses	(22,956)	30,642
Deferred revenue	35,644	(78,947)
Refundable advance	-	35,393
Forgiveness of debt, Paycheck Protection Program loan	(22,426)	-
Net cash provided by (used in) operating activities	<u>(129,759)</u>	<u>3,085,276</u>
Cash Flows from Investing Activities:		
Purchases of investments	(636,803)	(4,741,591)
Proceeds from sales of investments	1,542,969	4,744,136
Acquisition of broadcast costs	(500,445)	(1,816,799)
Purchases of property and equipment	(19,760)	(71,700)
Net cash provided by (used in) investing activities	<u>385,961</u>	<u>(1,885,954)</u>
Cash Flows from Financing Activities, payment on line of credit	<u>-</u>	<u>(750,000)</u>
Net increase in cash	<u>256,202</u>	<u>449,322</u>
Cash, cash equivalents and restricted cash - beginning	<u>1,632,295</u>	<u>1,182,973</u>
Cash, cash equivalents and restricted cash - ending	<u><u>\$ 1,888,497</u></u>	<u><u>\$ 1,632,295</u></u>

See Notes to Financial Statements.

Boston Lyric Opera Company

Statement of Cash Flows

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,888,497	\$ 1,500,926
Restricted cash	-	131,369
	<u>\$ 1,888,497</u>	<u>\$ 1,632,295</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 7,332</u>	<u>\$ 3,730</u>

See Notes to Financial Statements.

BOSTON LYRIC OPERA COMPANY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)

1) Nature of Activities and Basis of Presentation

Boston Lyric Opera ("BLO") is a Massachusetts nonprofit institution incorporated in 1976. Entering its 46th 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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with BLO's financial statements at and for the year ended June 30, 2021, from which the summarized information was derived.

The accompanying financial statements have been prepared in accordance with U.S. GAAP using the accrual basis of accounting. Accordingly, BLO distinguishes between net assets with donor restrictions and net assets without donor restrictions, based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for general operations. Donor-restricted contributions whose restrictions are met in the same reporting period are classified as net assets without donor restrictions.

BOSTON LYRIC OPERA COMPANY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)

1) Nature of Activities and Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are met by actions of BLO and/or the passage of time, at which point the net assets are reclassified to net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature and require the corpus be maintained permanently by BLO.

2) Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (“ASU 2020-07”)*, which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, and BLO has adopted the amendments on a retrospective basis during the year ended June 30, 2022. BLO has determined that the application of the amendments of ASU 2020-07 did not have a material impact on BLO’s financial statements and related disclosures.

Recently Issued but not yet Effective Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases (“ASU 2016-02”)*. This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. The FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842 and ASU No. 2018-11, Leases: Targeted Improvements* in July 2018. These updates provide narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits BLO to use its effective date as the date of initial application without restating the comparative period consolidated financial statements and recognizing any cumulative effect adjustment to the opening balance sheet. The FASB also issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provides deferral of the adoption of ASU 2016-02. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. BLO is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

Use of Estimates

The preparation of financial statements in conformity 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, including functional allocations, during the reporting period. Accordingly, actual results could differ from those estimates.

BOSTON LYRIC OPERA COMPANY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)

2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

BLO recognizes revenue from ticket sales and production partnerships in accordance with Accounting Standards Codification (“ASC”) Topic 606. Ticket sales and production partnership revenue are recognized over time, in the period the operatic productions are presented. Revenue from season tickets that are subscribed for and received in advance of the related opera season are deferred and recognized on the date of the event. Revenue from partners purchasing partial ownership of opera productions and commissions received in advance of the related opera season are deferred and are recognized on the date of the event. Deferred revenue from ticket sales and production partnerships, which represent contract liabilities, totaled \$169,261, \$125,245, and \$267,198 as of June 30, 2022 and 2021, and 2020, respectively. The remaining deferred revenue shown on the statement of financial position consists of amounts received in advance for gift certificates.

Contributions, Grants, and Refundable Advance

Contributions and grants received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Promises to give are recorded at net realizable value. If expected to be collected in one year or more, amounts are discounted based on the three-year treasury rate as of the last day of the fiscal year. For the years ended June 30, 2022 and 2021, the rate was 1.0% and 0.30%, respectively. Conditional promises to give are not recognized as support until the conditions on which they depend are substantially met. There were no conditional promises to give as of June 30, 2022 and 2021. BLO periodically holds special events, and the related revenue is recognized in the period the event takes place, although none were held during the years ended June 30, 2022 or 2021.

In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities - Revenue Recognition*, BLO records conditional grant awards as refundable advances until related donor conditions are met, at which time they are recognized as revenue.

Donated Property and Services

Contributed property is recorded at estimated fair value at the date of donation and is reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. BLO recognizes contributed revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BLO.

During the years ended June 30, 2022 and 2021, vendors contributed various property and professional services to BLO. These have been recorded as contributed services to the extent that, in management’s judgment, they would have otherwise been purchased. Donations of services are valued based on the number of hours of service received and hourly rates provided by the organization that donated the services. Amounts recorded were \$200,673 and \$214,888 in 2022 and 2021, respectively for legal services received.

BOSTON LYRIC OPERA COMPANY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)

2) Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Restricted Cash

With the exception of certain money market accounts included with investments, BLO considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, BLO had cash equivalents totaling \$30,594 and \$28,368, respectively.

BLO maintains its cash accounts primarily with one bank. At June 30, 2022 and 2021, BLO's deposits were fully insured by the Federal Deposit Insurance Corporation ("FDIC") and the Massachusetts Depositors Insurance Fund ("MDIF").

Cash amounts restricted by donors or designated by the Board of Directors for use in years beyond the next fiscal year are reported as long-term assets. Restricted cash at June 30, 2021 represents unspent Paycheck Protection Program ("PPP") loan proceeds.

Pledges Receivable

Pledges receivable are stated at the amount BLO expects to collect. Management considers the following factors when determining the collectability of specific receivables: creditworthiness, past transaction history with the donor, current economic industry trends and changes in donor payment terms. If the financial conditions of BLO's donors were to deteriorate, adversely affecting their ability to make payments, allowances would be required. Based on management's assessment BLO provides for estimated uncollectible pledges through a charge to bad debt expense and a credit to a valuation allowance. Balances that remain outstanding after BLO has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give.

Net pledges receivable totaled \$2,543,163 and \$3,363,665 at June 30, 2022 and 2021.

Property and Equipment

Property and equipment are stated at cost. A portion of the production costs for commissioned operas built in-house with a reasonable expectation to be rented in the near future are capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of three to ten years are used for software, furniture, fixtures, and equipment, the expected rental period for production assets, and ten to twenty-five years for office condominiums and improvements.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted which is other than temporary. If the carrying amount for the asset is not recoverable, the value of the asset is written down to the asset's fair value. BLO did not record any impairment losses during the years ended June 30, 2022 or 2021.

BOSTON LYRIC OPERA COMPANY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)

2) Summary of Significant Accounting Policies (Continued)

Production Costs

Production costs, including scenery, costumes, and stage properties, are recorded as expenses in the year the related production is performed unless the project falls within the capitalization policy for property and equipment. Production costs relating to future opera performances are deferred until the production is presented and are included in prepaid expenses and other in the statements of financial position

Broadcast Costs and Rights

Costs of developing and producing digital productions for broadcast are capitalized and amortized in accordance with ASC Topic 926. Rights obtained to present existing digital content were capitalized and amortized in accordance with ASC Topic 920.

Cost amortized in accordance with ASC Topic 926 are amortized using the same ratio that current period broadcast revenue bears to estimated remaining unrecognized revenue. Amortization expense for the years ended June 30, 2022 and 2021 was \$1,221,954 and \$968,650, respectively.

Investments

Investments consist of marketable securities and a that are carried at fair value (see Note 7). Equity securities are classified as investments in equity securities with readily determinable fair values. Debt securities are classified as trading securities. Investment return, which consists of interest, dividends, and realized and unrealized gains or losses on those investments, is shown in the statement of activities. Total net unrealized gains (losses) on investments held as of June 30, 2022 and 2021 were (\$2,764,376) and \$2,661,651, respectively. Realized gains and losses are computed based on the specific identification method for the securities sold.

The Company's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Interest and dividend income are presented net of investment fees. Purchases and sales of securities are recorded on the trade date.

BOSTON LYRIC OPERA COMPANY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)

2) Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification details of expenses by function. Accordingly, certain costs applicable to more than one program or activity have been allocated among the programs and supporting services based on the activities of personnel. Personnel costs are allocated among the programs and supporting services based on management's estimation of time and effort. Occupancy is allocated based on consumption. Depreciation is allocated according to square footage. All other expenses are allocated according to usage.

Charitable Remainder Trust

A summary of inputs used in valuing BLO's Charitable Remainder Trust as of June 30, 2022 and 2021, is included in Note 4.

Advertising and Promotion Costs

The Company expenses advertising and marketing costs in the period incurred. Total advertising and marketing expenses recognized were \$194,975 and \$41,000 in 2022 and 2021, respectively.

Income Taxes

BLO is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). ASC Topic 740 addresses the accounting for uncertainty in income taxes and establishes for all entities, including not-for-profit entities such as BLO, a minimum threshold for financial statement recognition of the benefit of positions taken or expected to be taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction). BLO recognizes tax benefits only if it is more likely than not that a tax position (including BLO's assertion that its income is exempt from tax) will be sustained upon examination. No liability for uncertain tax positions was recorded as of June 30, 2022 or 2021.

BLO files income tax returns in the U.S. federal jurisdiction and in the state of Massachusetts.

Subsequent Events

Management has evaluated subsequent events through March 3, 2023, which is the date BLO's financial statements were available to be issued. Except as disclosed in Note 15, there were no material subsequent events that required recognition or disclosure in these financial statements.

BOSTON LYRIC OPERA COMPANY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)

3) Liquidity

The following represents BLO's financial assets as of June 30, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,888,497
Receivables:	
Pledges	2,543,163
Other	435,536
Investments	<u>15,015,257</u>
 Total financial assets at year-end	 <u>19,882,453</u>
 Less amounts not available to be used within one year:	
Amounts unavailable without Board approval	1,045,608
Net assets with donor restrictions	<u>17,192,949</u>
	 <u>18,238,557</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 1,643,896</u>

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 considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. As part of BLO's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In 2021 the Board of Directors designated \$1,360,608 as a COVID-19 recovery fund, the purpose of which is to offset reduced revenue or increased expenses directly related to business interruptions due to the COVID-19 pandemic. One hundred percent of the full fund value may be drawn upon once a budget is approved by the Board in each fiscal year. Additionally, BLO could draw upon an available line of credit as further discussed in Note 9.

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4) Unconditional Promises to Give

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>2022</u>	<u>2021</u>
Due in less than one year	\$ 1,867,304	\$ 2,914,586
Less - allowance for doubtful accounts	<u>(34,369)</u>	<u>(25,000)</u>
	<u>1,832,935</u>	<u>2,889,586</u>
Due in one to five years	697,122	472,122
Charitable Remainder Trust	42,878	42,878
Less - discount	<u>(29,772)</u>	<u>(46,214)</u>
	<u>710,228</u>	<u>468,786</u>
	<u>\$ 2,543,163</u>	<u>\$ 3,358,372</u>

The pledges have been discounted using a rate of 1.75%.

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 7). 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.

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5) Property and Equipment

Property and equipment as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Furniture fixtures and equipment	\$ 405,391	\$ 405,391
Software	152,399	152,399
Work in progress	<u>19,760</u>	<u>-</u>
	577,550	557,790
Less: accumulated depreciation	<u>(502,267)</u>	<u>(459,782)</u>
	<u>\$ 75,283</u>	<u>\$ 98,008</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$42,485 and \$56,308, respectively.

6) Broadcast Costs

Broadcast costs for digital content as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Broadcast costs	\$ 2,317,245	\$ 1,816,799
Less: accumulated amortization	<u>(2,190,604)</u>	<u>(968,650)</u>
	<u>\$ 126,641</u>	<u>\$ 848,149</u>

Amortization expense for the years ended June 30, 2022 and 2021 was \$1,221,954 and \$968,650, respectively.

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7) Fair Value Measurements and Investments

FASB ASC 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that BLO has the ability to access.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are measured at fair value based on one or more of the following valuation techniques:

- (a) Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earning models).

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7) Fair Value Measurements and Investments (Continued)

The following tables present the assets that are measured at fair value on a recurring basis as of June 30, 2022 and 2021 categorized using the three levels of the fair value hierarchy:

	June 30, 2022				Valuation Technique
	Level 1	Level 2	Level 3	Total	
Money market funds	\$ 274,995	\$ -	\$ -	\$ 274,995	(a)
Mutual funds, foreign	-	537,900	-	537,900	(a)
Preferred stocks, domestic	299,124	-	-	299,124	(a)
Corporate bonds:					
A	-	319,360	-	319,360	(a)
A+	-	407,687	-	407,687	(a)
A-	-	403,055	-	403,055	(a)
AA	-	522,784	-	522,784	(a)
AA+	-	275,913	-	275,913	(a)
AA-	-	347,576	-	347,576	(a)
AAA	-	99,704	-	99,704	(a)
BBB	-	1,515,625	-	1,515,625	(a)
BBB+	-	659,726	-	659,726	(a)
BBB-	-	352,304	-	352,304	(a)
	-	4,903,734	-	4,903,734	
Equities:					
Technology	930,709	-	-	930,709	(a)
Telecommunications	152,251	-	-	152,251	(a)
Healthcare	1,237,018	-	-	1,237,018	(a)
Financials	1,814,539	-	-	1,814,539	(a)
Real Estate	244,563	-	-	244,563	(a)
Consumer discretionary	827,055	-	-	827,055	(a)
Consumer staples	1,061,614	-	-	1,061,614	(a)
Industrials	1,460,406	-	-	1,460,406	(a)
Basic Materials	188,525	-	-	188,525	(a)
Energy	678,550	-	-	678,550	(a)
Utilities	382,635	-	-	382,635	(a)
	8,977,865	-	-	8,977,865	
Accrued interest	21,639	-	-	21,639	(a)
	<u>\$ 9,573,623</u>	<u>\$ 5,441,634</u>	<u>\$ -</u>	<u>\$ 15,015,257</u>	

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7) Fair Value Measurements and Investments (Continued)

	June 30, 2021			Valuation Technique	
	Level 1	Level 2	Level 3		Total
Money market funds	\$ 919,682	\$ -	\$ -	\$ 919,682	(a)
Mutual funds, foreign	-	825,180	-	825,180	(a)
Preferred stocks, domestic	496,568	-	-	496,568	(a)
Corporate bonds:					
A	-	327,412	-	327,412	(a)
A+	-	471,681	-	471,681	(a)
A-	-	639,922	-	639,922	(a)
AA	-	156,580	-	156,580	(a)
AA+	-	300,592	-	300,592	(a)
AAA	-	104,338	-	104,338	(a)
BBB	-	1,563,381	-	1,563,381	(a)
BBB+	-	809,700	-	809,700	(a)
BBB-	-	401,669	-	401,669	(a)
	-	4,775,275	-	4,775,275	
Equities:					
Financials	2,494,865	-	-	2,494,865	(a)
Foreign equities	1,240,300	-	-	1,240,300	(a)
Consumer non-durables	1,662,297	-	-	1,662,297	(a)
Consumer services	1,104,131	-	-	1,104,131	(a)
Business products and services	959,086	-	-	959,086	(a)
Capital goods	890,020	-	-	890,020	(a)
Other	472,339	-	-	472,339	(a)
Basic industries and materials	404,388	-	-	404,388	(a)
Utilities	403,222	-	-	403,222	(a)
Energy	291,046	-	-	291,046	(a)
Industrial electronics	222,947	-	-	222,947	(a)
Transportation	215,361	-	-	215,361	(a)
Industrial	177,445	-	-	177,445	(a)
Consumer durables and staples	141,002	-	-	141,002	(a)
Information technology	139,910	-	-	139,910	(a)
	10,818,359	-	-	10,818,359	
	<u>\$ 12,234,609</u>	<u>\$ 5,600,455</u>	<u>\$ -</u>	<u>\$ 17,835,064</u>	

BOSTON LYRIC OPERA COMPANY
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7) Fair Value Measurements and Investments (Continued)

The following methods and assumptions were used to estimate the value of each class of assets for which it is practicable to estimate that value.

Mutual and money market funds: Valued at the daily closing prices as reported by the fund.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Preferred stock and equities: Valued at the closing price reported on the active market on which the individual securities are traded.

8) Endowment

Changes in endowment net assets for the year ended June 30, 2022 and 2021 were as follows:

	<u>Accumulated Net Revenue</u>	<u>Held In Perpetuity</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, June 30, 2020	\$ 522,394	\$ 15,094,461	\$ 15,616,855
Investment return, net	3,367,273	-	3,367,273
Transfer to operations	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Endowment net assets, June 30, 2021	3,789,667	15,094,461	18,884,128
Endowment contributions	-	300,000	300,000
Investment return, net	(1,600,070)	-	(1,600,070)
Transfers to operations	<u>(1,481,262)</u>	<u>-</u>	<u>(1,481,262)</u>
Endowment net assets, June 30, 2022	<u>\$ 708,335</u>	<u>\$ 15,394,461</u>	<u>\$ 16,102,796</u>

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.

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8) Endowment (Continued)

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.

The investing and spending policies adopted incorporate the transfer of a portion of the value of endowment assets to the operating budget subject to various factors.

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 5 percent of the cash contributions (1.25 percent per quarter for four consecutive quarters beginning with the quarter of receipt, using a 12 quarter rolling average)

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 effect of the spending policy detailed above:

- The policy and preservation of the endowment fund;
- The purposes of BLO and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and appreciation of investments;
- Other resources of BLO;
- 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. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires BLO to retain as a fund of perpetual duration. BLO has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no funds with deficiencies at June 30, 2022 or 2021.

9) Line of Credit

BLO has a \$2,050,000 line of credit (the “line”) with a financial institution which bears interest at the greater of the financial institution’s prime rate (4.75% and 3.75% at June 30, 2022 and 2021, respectively) plus .25% or 3.75%. The line of credit, which expires August 17, 2024, and is secured by substantially all assets of BLO, requires compliance with certain covenants including, among others, maintenance of a debt service coverage ratio. No borrowings were outstanding as of June 30, 2022 or 2021. In August 2022 the line of credit was amended to reduce the maximum borrowing available to \$2,000,000.

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10) Notes Payable

Notes payable at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Economic Injury Disaster Loan (1)	\$ 150,000	\$ 150,000
PPP Loan (2)	<u>108,943</u>	<u>-</u>
	258,943	150,000
Less current portion	<u>(34,756)</u>	<u>(3,792)</u>
	<u>\$ 224,187</u>	<u>\$ 146,208</u>

(1) BLO obtained a loan from the Small Business Administration (“SBA”) under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on BLO’s operations. Interest accrues at the rate of 2.75% per annum and monthly principal and interest payments of \$641 are due through maturity in June 2050. The loan is secured by all tangible and intangible property of BLO. The loan contains various covenants with which BLO was in compliance with as of June 30, 2022 and 2021.

(2) In January 2021 (“PPP Loan Date”) BLO received loan proceeds of \$723,037 under the PPP. The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof may be forgiven after twenty-four weeks so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, mortgage interest, and utilities and maintains its payroll levels, as defined by the PPP. At least 60% of the amount forgiven must be spent on payroll costs as defined by the PPP, for the loans to be forgiven.

The PPP loan matures five years from the PPP Loan Date and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first ten months and are payable in equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date.

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10) Notes Payable (Continued)

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretive guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, BLO has determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, BLO recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. Conditions are deemed to be met as the allowable expenses are incurred. BLO deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program. BLO recognized \$591,668 in grant revenue for the PPP Loan during the year ended June 30, 2021. As of June 30, 2021 \$131,369 was included in refundable advances on the statement of financial position related to the PPP loan program. Upon receipt of forgiveness in June 2022, an additional \$22,426 of forgiveness of debt was recognized for the year ended June 30, 2022.

BLO applied for PPP loan forgiveness and received approval from the SBA in June 2022 for \$614,094 of principal on the PPP loan and all accrued interest. BLO is required to repay \$108,943 to the SBA. If it is determined that BLO was not eligible to receive the PPP loan or that BLO has not adequately complied with the rules, regulations and procedures applicable to the SBA's Loan Program, BLO could be subject to penalties and could be required to repay the amounts previously forgiven.

At June 30, 2022, annual future minimum payments are due as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 34,756
2024	33,983
2025	34,391
2026	21,880
2027	3,986
Thereafter	<u>129,947</u>
	<u>\$ 258,943</u>

Total interest expense was \$7,332 for the year ended June 30, 2022.

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11) Employee Retention Credit

The Employee Retention Credit (“ERC”), as it existed under the CARES Act, was not available to taxpayers that received a PPP loan. Provisions in the Consolidated Appropriations Act (“CAA”), which was signed into law on December 27, 2020, removed this restriction and allowed businesses that qualify for the ERC to retroactively apply for the ERC so long as the same wages are not used for both PPP loans and the ERC. Management has determined it is probable that BLO is eligible for and meets all the conditions to qualify for the ERC for the periods March 12, 2020, through December 31, 2020, and January 1, 2021, through June 30, 2021. The ERC is a refundable payroll tax credit equal to a percentage of qualified wages paid to employees. BLO submitted amended quarterly payroll tax returns claiming to recover \$678,570 for amounts paid between March 12, 2020, and June 30, 2021 and \$175,324 for amounts paid between July 1, 2021 and September 30, 2021. These amounts have been included in the accompanying statement of activities for the year ended June 30, 2021, within contributions and grant revenue. If it is determined that the use of the ERC was not within the guidelines established, BLO could be required to reimburse these funds. During the year ended June 30, 2022 BLO received payment for \$423,639 of credits claimed for the period March 12, 2020 through June 30, 2021. At June 30, 2022 and 2021, \$430,255 and \$678,570, respectively, is included in accounts and other receivables for ERC.

12) Employee Retirement Plan

BLO sponsors a defined contribution retirement plan under Section 403(b) of the IRC. 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. BLO’s contributions were \$7,935 and \$20,781 for the years ended June 30, 2022 and 2021, respectively.

13) 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”). The agreements include provisions covering wages, pension and other benefits and expire at various dates between July 31, 2023 and August 31, 2023. The AGMA contract expired July 31, 2022 and negotiations of a contract renewal extending beyond July 31, 2022 are currently ongoing.

14) Concentrations

At June 30, 2022 and 2021, BLO had four donors who represented 68% and 63% of outstanding pledges receivable, respectively.

Pledges from Board of Directors members represent approximately 69% and 56% of outstanding pledges receivable as of June 30, 2022 and 2021, respectively.

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15) Operating Leases, Commitments and Subsequent Event

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 9). 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 statements of financial position as of June 30, 2022 and 2021. The disagreement between BLO and the Landlord is still ongoing. In February 2023 BLO has been formally notified of a lawsuit filed by the former landlord. A settlement amount may be material; however, it cannot be reasonably estimated at this time, and therefore, is not accrued for in the accompanying financial statements as of June 30, 2022.

BLO entered into a five-year lease agreement for office space on January 1, 2022, which expires December 31, 2026. The lease requires escalating monthly payments of \$5,808 as defined in the lease agreement. BLO has an option to extend the lease for three additional years. The lease requires BLO to pay for its proportionate share of real estate taxes, if applicable, and operating expenses.

BLO entered into a fifteen-year lease agreement for a warehouse space on May 19, 2022, which expires May 31, 2037. The lease requires escalating monthly payments of \$4,083 as defined in the lease agreement. The lease requires BLO to pay for its proportionate share of real estate taxes, if applicable, and operating expenses.

BLO leases equipment under a sixty-three-month lease agreement which expires in September 2026. The lease requires monthly payments of \$935.

At June 30, 2022, future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 131,335
2024	136,448
2025	141,841
2026	147,351
2027	102,379
Thereafter	<u>717,646</u>
	<u>\$ 1,377,000</u>

Rent expense for the years ended June 30, 2022 and 2021 totaled \$123,961 and \$368,687, respectively.

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16) Contingency

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 statement for any potential liability resulting from these lawsuits.

17) 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 funds – represent funds available to carry on the operations of BLO.

Board-designated reserve funds – 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

Net assets with donor restrictions as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions		
Time restricted	\$ 989,343	\$ 1,994,077
Purpose restricted	100,810	100,810
Endowment accumulated net revenue	708,335	3,789,667
Endowment held in perpetuity (Note 8)	<u>15,394,461</u>	<u>15,094,461</u>
Total net assets with donor restrictions	<u>\$ 17,192,949</u>	<u>\$ 20,979,015</u>

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 restriction based on BLO’s investment spending policy.

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17) Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

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 Note 8).

18) Reclassifications

Certain amounts in the fiscal year 2021 financial statements have been reclassified to conform with the current year presentation, including the reclassification of restricted cash in the statements of financial position as long-term in the current year presentation from current in the prior year presentation. Certain financial statement line items in the prior year presentation of 2021 statement of activities have been combined onto one line item in the 2022 presentation such as grants and contributions. Additionally, within the statement of cash flows, realized and unrealized (gains) losses on investments as well as depreciation and amortization have each been separated for 2021 to conform with the current year presentation. The reclassifications had no impact on the previously reported change in net assets.