

Shreveport Opera

Financial Statements

Year Ended June 30, 2018

| | |
|---|-------|
| Independent Auditor's Report | 3-4 |
| Financial Statements | |
| Statement of Financial Position | 5 |
| Statement of Activities | 6 |
| Statement of Cash Flows | 7 |
| Summary of Accounting Policies | 8-11 |
| Notes to Financial Statements | 12-15 |
| Supplementary Information | |
| Schedule of Compensation, Benefits and Other Payments to Agency Head | 17 |
| Schedule of Findings | 18 |

Independent Auditor's Report

The Board of Directors
Shreveport Opera
Shreveport, Louisiana

I have audited the accompanying financial statements of Shreveport Opera (a nonprofit organization) which comprise the statements of financial position for the year ended June 30, 2018 and the related statements of activities and cash flows for the year then ended, and summary of significant accounting policies and related notes to 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Opera as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

James Demculland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
December 13, 2018

Shreveport Opera

Statement of Financial Position

| <i>June 30,</i> | 2018 |
|---|------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents (Note 1) | \$303,365 |
| Prepaid expenses | 6,628 |
| Total current assets | 309,993 |
| Long-term investments (Notes 8, 9 and 10) | 331,200 |
| Property and equipment (Note 2) | 15,557 |
| | \$656,750 |
| Liabilities and Net Assets | |
| Current liabilities: | |
| Accounts payable and accrued expenses | \$ 8,721 |
| Deferred revenue | 33,000 |
| Total current liabilities | 41,721 |
| Net assets: | |
| Temporarily restricted net assets (Note 11) | 28,425 |
| Unrestricted net assets (Note 10) | 586,604 |
| Total net assets | 615,029 |
| | \$656,750 |

See accompanying summary of accounting policies and notes to financial statements.

Shreveport Opera

Statement of Activities

| <i>Year Ended June 30, 2018</i> | Unrestricted | Temporarily Restricted | Total |
|---|------------------|---------------------------|------------------|
| Support and revenues: | | | |
| Grants | \$ - | \$201,538 | \$201,538 |
| Contributions | 169,086 | 32,000 | 201,086 |
| Guild revenues | 146,575 | - | 146,575 |
| Special events | 85,892 | - | 85,892 |
| Box office receipts | 82,525 | - | 82,525 |
| Miscellaneous | 42,200 | - | 42,200 |
| Season ticket sales | 36,703 | - | 36,703 |
| Net realized and unrealized gains | 23,350 | - | 23,350 |
| Performance fees | 19,944 | - | 19,944 |
| Program advertisement sales | 11,083 | - | 11,083 |
| Interest and dividends | 6,248 | - | 6,248 |
| Total support and revenues | 623,606 | 233,538 | 857,144 |
| Net assets released from restrictions | 201,538 | (201,538) | - |
| Net support and revenues | 825,144 | 32,000 | 857,144 |
| Expenses: | | | |
| Program expenses | 351,849 | - | 351,849 |
| General and administrative | 338,537 | 3,575 | 342,112 |
| Opera Guild expenses | 58,124 | - | 58,124 |
| Special events | 41,293 | - | 41,293 |
| Total expenses | 789,803 | 3,575 | 793,378 |
| Excess of support and revenues over expenses | 35,341 | 28,425 | 63,766 |
| Net assets, beginning of year | 551,263 | - | 551,263 |
| Net assets, end of year | \$586,604 | \$ 28,425 | \$615,029 |

See accompanying summary of accounting policies and notes to financial statements.

Shreveport Opera

Statement of Cash Flows

Year Ended June 30, 2018

| | Unrestricted | Temporarily Restricted | Total |
|--|------------------|---------------------------|------------------|
| Cash Flows from Operating Activities: | | | |
| Excess of support and revenues over expenses | \$ 35,341 | 28,425 | \$ 63,766 |
| Adjustments to reconcile excess of support and revenues over expenses to net cash used by operating activities: | | | |
| Depreciation and amortization | 9,400 | - | 9,400 |
| Net realized and unrealized gains on investments | (23,350) | - | (23,350) |
| Change in operating assets and liabilities: | | | |
| Prepaid expenses | (2,789) | - | (2,789) |
| Accounts payable and accrued expenses | 2,327 | - | 2,327 |
| Deferred revenue | 18,500 | - | 18,500 |
| Net cash used by operating activities | 39,429 | 28,425 | 67,854 |
| Cash Flows From Investing Activities: | | | |
| Purchase of investment securities | (6,248) | - | (6,248) |
| Proceeds from the sale of securities | 9,659 | - | 9,659 |
| Net cash used by investing activities | 3,411 | - | 3,411 |
| Net increase in cash | 42,840 | 28,425 | 71,265 |
| Cash, at beginning of year | 232,100 | - | 232,100 |
| Cash, at end of year | \$274,940 | 28,425 | \$303,365 |

See accompanying summary of accounting policies and notes to financial statements.

Summary of Accounting Policies

Summary of Accounting Policies

This summary of accounting policies of the Shreveport Opera (the “Opera”) is presented to assist in understanding the the Opera’s financial statements. The financial statements and notes are representations of the the Opera’s management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Nature of Business

The Opera is a nonprofit corporation organized under the laws of the State of Louisiana. The Opera was organized to foster and promote the production of quality performances of opera and music drama, to aid in furthering the development of opera, and to further educational efforts which support the growth, development and appreciation of opera as viable art form within the Ark-La-Tex region.

Substantially all of the Opera’s revenue is from the sale of admissions to Opera sponsored events, fundraising and sponsorships, rentals and grant income.

Method of Accounting

The Opera uses the accrual basis of accounting for both unrestricted and restricted funds. Unrestricted fund assets, liabilities, revenue and expenses are those items acquired or incurred through the Opera’s normal fund raising efforts and production activities. Restricted fund assets, liabilities, revenue and expenses include those items acquired or received through the Opera’s normal fund raising efforts as well as those items received or incurred pursuant to grants from various agencies, the use of which is governed by restrictions placed thereon by the donors. Restricted funds may be used only for the purposes for which the donor or grantor contributed such funds.

Revenue Recognition

The Opera reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Shreveport Opera

Summary of Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates in the financial statements are depreciation and amortization of property as well as the value of investments.

Concentrations of Credit Risk

The Opera serves a limited geographic area. Due to the nature of its operations, the Opera is dependent upon the local community and the health of the local economy in which it operates.

Property and Equipment

The Opera capitalizes property and equipment with useful lives over three years. Property and equipment are stated at cost, or if donated, at the fair market value at the date of donation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years. Maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred.

Deferred Revenue

Deferred revenue consists of ticket sales and payments received in advance for theatrical productions to be performed in the following fiscal year and proceeds from fund raising efforts related to the following fiscal year. Amounts related to deferred revenue for 2018 was \$33,000.

Contributions and Contributed Services

The Opera has adopted FASB Accounting Standards Codification 958, *Not-For-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The Opera receives donated services from many unpaid volunteers who donate their time and perform a variety of tasks that assist the the Opera. The value of contributed services meeting the requirements for recognition in the financial statements for 2018 was not material and has not been recorded.

Shreveport Opera

Summary of Accounting Policies (Continued)

Income Taxes

The Opera is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana. The Opera is not a private foundation within the meaning of Section 509(a) and there was no unrelated net business taxable income for the year ended June 30, 2018. Accordingly, no provision for income taxes has been made in the financial statements.

The Opera has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Opera's tax positions and concluded that the Opera has taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of ASC 740. In addition, Management is not aware of any matters that would cause the Opera to lose its tax-exempt status. The income tax filings for the Opera's years ending in 2016 through 2018 are subject to examination by taxing authorities.

Financial Statement Presentation

The Opera has adopted FASB Accounting Standards Codification 958, *Not-For-Profit Entities*. Under FASB ASC 958, the Opera is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Opera does not use fund accounting.

Functional Expenses

Expenses are charged directly to program services, general and administrative, Opera Guild, and special event expenses in general categories based on specific identification.

Collective Bargaining Agreement

Certain wages paid by the Opera were covered by a collective bargaining agreement. The agreement sets wage rates for various job classifications along with other terms and conditions and is effective through August 31, 2018.

Statements of Cash Flows

For purposes of the statements of cash flows, the Opera considers all cash in bank accounts and highly liquid debt instruments purchased with original maturities of three months or less, including restricted funds not pledged as collateral or for long-term purposes, to be cash equivalents.

Shreveport Opera

Summary of Accounting Policies (Concluded)

Advertising

The Opera expenses advertising as it is incurred. The Opera expended \$20,788 in the year ended June 30, 2018 for advertising.

Subsequent Events

Management evaluated events subsequent to the Opera's most recent year end through December 13, 2018, the financial statement issuance date. In July 2018, the Opera purchased residential real property for use as an artists' home with a cost of \$350,140.

Shreveport Opera

Notes to Financial Statements

- 1. Cash and cash equivalents** Cash and cash equivalents include interest and non-interest bearing demand deposits and time deposits with maturities of less than three months.
- At June 30, 2018, no demand deposits exceeded Federal Depository insurance limits.
- 2. Property and Equipment** Major classes of property and equipment consist of the following at June 30, 2018:
- | | |
|---|-----------------|
| Furniture, fixtures and equipment | \$38,089 |
| Vehicles | 30,000 |
| | <hr/> |
| | 68,089 |
| Less accumulated depreciation and amortization | 52,532 |
| | <hr/> |
| Net property and equipment | \$15,557 |
- 3. Notes Payable** The Opera has available a \$50,000 unsecured line of credit for the year ended June 30, 2018. The outstanding balance at June 30, 2018 was \$0.
- 4. Operating leases** The Opera leases certain office equipment. The following is a schedule by year of future minimum lease payments due under office equipment leases: 2019 - \$2,159, 2020 - \$2,159, 2021 - \$2,159, and 2022 - \$1,620. Rental expense under operating leases for 2018 was \$2,367.
- For the year ended June 30, 2018, the Opera had a month-to-month operating lease for office space. Monthly payments for rent were \$1,070 for a total of \$12,840.
- Beginning November 1, 2018, the Opera entered into a 60-month operating lease for new office space with monthly payments of \$1,058 and the following future minimum lease payments due: 2019 - \$8,464, 2020 - \$12,696, 2021 - \$12,696, 2022 - \$12,696, 2023 and thereafter - \$16,928.
- 5. Employee Benefit Plans** The Opera uses hourly employees who belong to the International Alliance of Theatrical Stage Employees Union and are covered under the IATSE National Benefit Funds pension plan. Benefits paid to union employees for the year ended June 30, 2018 were \$1,257.

Shreveport Opera

Notes to Financial Statements (Continued)

5. **Employee Benefit Plans - (continued)** The Opera maintains a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA). The Opera matches employee contributions up to a maximum of 3% of wages. Employer contribution to the SIMPLE IRA plan was \$5,337 for the year ending June 30, 2018.
6. **Related Party Transactions** Three Opera board members own businesses that provided vendor services of \$11,693, \$2,878 and \$1,533 respectively for the year ended June 30, 2018.
7. **Supplemental Cash Flows Information** There was no cash paid for interest or income taxes for the year ended June 30, 2018.
8. **Investments** Investments are stated at fair market value and consist of the following:

| June 30, 2018 | Cost | Market |
|-----------------------|------------------|------------------|
| Money Market Funds | \$ 22,257 | \$ 22,257 |
| Exchange Traded Funds | 216,930 | 286,751 |
| Mutual Funds | 15,927 | 22,192 |
| Total | \$255,114 | \$331,200 |

Interest, dividends, and net realized and unrealized gains for the year ended June 30, 2018 were \$29,598.

9. **Fair Value of Financial Instruments** The Opera has adopted the provisions of FASB ASC 820-10 and subsections. Under FASB ASC 820-10, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820-10 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

(Continued)

Shreveport Opera

Notes to Financial Statements (Continued)

9. Fair Value of Financial Instruments - (continued)

Level 1 – Valuations based on adjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 – Valuations based on inputs are unobservable and include situations where there is little, if any, market activity of the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis at June 30, 2018 consist of the following:

| | Level 1 | Level 2 | Level 3 | Fair Market Value |
|-----------------------|-----------|---------|---------|-------------------|
| Money Market | \$ 22,257 | \$ - | \$ - | \$ 22,257 |
| Mutual Funds | 22,192 | - | - | 22,192 |
| Exchange Traded Funds | 286,751 | - | - | 286,751 |
| Total | \$331,200 | \$ - | \$ - | \$331,200 |

Shreveport Opera

Notes to Financial Statements (Concluded)

10. Unrestricted Net Assets

Unrestricted net assets consist of net assets available for operations and net assets designated by the board of directors for specific purposes.

Board restricted net assets consist of the following at June 30, 2018:

| | |
|-----------------------|-----------|
| Money Market Funds | \$ 22,257 |
| Mutual Funds | 22,192 |
| Exchange Traded Funds | 286,751 |

| | |
|-------|-----------|
| Total | \$331,200 |
|-------|-----------|

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2018:

| | |
|--------------------------------|-----------|
| Capital Campaign Contributions | \$ 28,425 |
|--------------------------------|-----------|

| | |
|-------|----------|
| Total | \$28,425 |
|-------|----------|

Supplementary Information



Shreveport Opera

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended June 30, 2018

Louisiana Revised Statute 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

Shreveport Opera is not required to report the total compensation, reimbursements, and benefits paid to Mr. Steve Aiken, the General and Artistic Director, as none of those payments were made from public funds.

Shreveport Opera

Schedule of Findings

Current Findings:

There were no findings for the year ended June 30, 2018.

Past Findings:

There were no findings for the year ended June 30, 2017.