

**VIRGINIA OPERA ASSOCIATION, INC.
AND
VIRGINIA OPERA FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

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Independent Auditor's Report

To the Board of Directors
Virginia Opera Association, Inc.
and Virginia Opera Foundation
Norfolk, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Virginia Opera Association, Inc. (the "Association") and Virginia Opera Foundation (the "Foundation") (collectively referred to as the "Organization") which comprise the consolidated statement of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Carmay Nelson PLC

December 8, 2022

VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of June 30,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,486,431	\$ 1,115,447
Contributions receivable, short-term	325,889	795,511
Accounts receivable	10,928	8,264
Inventory	5,876	7,340
Prepaid expenses	<u>129,126</u>	<u>116,814</u>
Total current assets	<u>1,958,250</u>	<u>2,043,376</u>
Property and equipment, net	<u>155,761</u>	<u>151,551</u>
Noncurrent assets:		
Investments, at fair value	53,052	30,089
Contributions receivable, long-term	35,000	50,000
Other noncurrent assets	6,283	10,806
Due from unrestricted fund	<u>1,290,000</u>	<u>1,290,000</u>
Total noncurrent assets	<u>1,384,335</u>	<u>1,380,895</u>
Total assets	<u><u>\$ 3,498,346</u></u>	<u><u>\$ 3,575,822</u></u>
Liabilities and net assets (deficit)		
Current liabilities:		
Accounts payable	\$ 212,779	\$ 392,266
Accrued payroll, payroll tax liabilities, and other expenses	244,615	213,393
Accrued vacation	30,167	27,545
Deferred revenue	472,373	508,921
Advanced grant funding	549,309	-
Refundable advance	<u>-</u>	<u>299,000</u>
Total current liabilities	<u>1,509,243</u>	<u>1,441,125</u>
Noncurrent liabilities:		
Note payable	150,000	150,000
Due to permanently restricted fund	<u>1,290,000</u>	<u>1,290,000</u>
Total noncurrent liabilities	<u>1,440,000</u>	<u>1,440,000</u>
Total liabilities	<u>2,949,243</u>	<u>2,881,125</u>
Net assets (deficit):		
Net assets without donor restrictions	(1,308,098)	(1,476,656)
Net assets with donor restrictions	<u>1,857,201</u>	<u>2,171,353</u>
Total net assets	<u>549,103</u>	<u>694,697</u>
Total liabilities and net assets	<u><u>\$ 3,498,346</u></u>	<u><u>\$ 3,575,822</u></u>

See independent auditor's report and accompanying notes.

VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Net Assets Without donor Restrictions	Net Assets With donor Restrictions	Total
Revenue and support			
Program revenue:			
Mainstage subscriptions	\$ 486,787	\$ -	\$ 486,787
Mainstage single tickets	307,776	-	307,776
Mainstage touring	220,000	-	220,000
Education programs	1,754	-	1,754
Total program revenue	<u>1,016,317</u>	<u>-</u>	<u>1,016,317</u>
Other revenue:			
Production sales and rentals, net	20,283	-	20,283
Merchandise and concessions, net	1,024	-	1,024
Program advertising	11,325	-	11,325
Fundraising special events, net	98,779	-	98,779
Other income	228,591	-	228,591
Total other revenue	<u>360,002</u>	<u>-</u>	<u>360,002</u>
Contributed support:			
Individual	1,226,159	262,589	1,488,748
Corporate	123,601	136,880	260,481
Grants	1,089,502	6,500	1,096,002
Foundations	224,974	52,850	277,824
Total contributed support	<u>2,664,236</u>	<u>458,819</u>	<u>3,123,055</u>
Net assets released from restrictions	<u>772,971</u>	<u>(772,971)</u>	<u>-</u>
Total revenue and support	<u>4,813,526</u>	<u>(314,152)</u>	<u>4,499,374</u>
Expenses			
Program services:			
Mainstage general	2,758,561	-	2,758,561
Education	202,044	-	202,044
Marketing and Box Office	256,592	-	256,592
Production marketing	117,431	-	117,431
Total program services	<u>3,334,628</u>	<u>-</u>	<u>3,334,628</u>
Support services:			
Management and general	998,592	-	998,592
Development and fundraising	311,748	-	311,748
Total support services	<u>1,310,340</u>	<u>-</u>	<u>1,310,340</u>
Total expenses	<u>4,644,968</u>	<u>-</u>	<u>4,644,968</u>
Change in net assets	168,558	(314,152)	(145,594)
Net assets (deficit), beginning of year	<u>(1,476,656)</u>	<u>2,171,353</u>	<u>694,697</u>
Net assets (deficit), end of year	<u><u>\$ (1,308,098)</u></u>	<u><u>\$ 1,857,201</u></u>	<u><u>\$ 549,103</u></u>

See independent auditor's report and accompanying notes.

VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Net Assets Without donor Restrictions	Net Assets With donor Restrictions	Total
Revenue and support			
Program revenue:			
Mainstage subscriptions	\$ -	\$ -	\$ -
Mainstage single tickets	10,588	-	10,588
Mainstage touring	-	-	-
Education programs	-	-	-
Total program revenue	<u>10,588</u>	<u>-</u>	<u>10,588</u>
Other revenue:			
Production sales and rentals, net	(42,399)	-	(42,399)
Merchandise and concessions, net	1,182	-	1,182
Program advertising	-	-	-
Fundraising special events, net	12,368	-	12,368
Other income	2	-	2
Total other revenue	<u>(28,847)</u>	<u>-</u>	<u>(28,847)</u>
Contributed support:			
Individual	1,888,867	334,165	2,223,032
Corporate	247,417	75,000	322,417
Grants	483,534	317,492	801,026
Foundations	291,957	126,779	418,736
Total contributed support	<u>2,911,775</u>	<u>853,436</u>	<u>3,765,211</u>
Net assets released from restrictions	<u>513,521</u>	<u>(513,521)</u>	<u>-</u>
Total revenue and support	<u>3,407,037</u>	<u>339,915</u>	<u>3,746,952</u>
Expenses			
Program services:			
Mainstage general	636,355	-	636,355
Education	59,117	-	59,117
Marketing and Box Office	137,545	-	137,545
Production marketing	94,809	-	94,809
Harrison Opera House	5,747	-	5,747
Total program services	<u>933,573</u>	<u>-</u>	<u>933,573</u>
Support services:			
Management and general	852,776	-	852,776
Development and fundraising	383,469	-	383,469
Total support services	<u>1,236,245</u>	<u>-</u>	<u>1,236,245</u>
Total expenses	<u>2,169,818</u>	<u>-</u>	<u>2,169,818</u>
Change in net assets	1,237,219	339,915	1,577,134
Deficit, beginning of year	<u>(2,713,875)</u>	<u>1,831,438</u>	<u>(882,437)</u>
Net assets (deficit), end of year	<u><u>\$ (1,476,656)</u></u>	<u><u>\$ 2,171,353</u></u>	<u><u>\$ 694,697</u></u>

See independent auditor's report and accompanying notes.

**VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the years ended June 30,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (145,594)	\$ 1,577,134
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	75,548	62,683
Unrealized loss on investments	10,442	-
(Increase) decrease in assets:		
Contributions receivable	484,622	(474,226)
Accounts receivable	(2,664)	102,584
Inventory	1,464	-
Prepaid expenses	(12,312)	(54,032)
Increase (decrease) in liabilities:		
Accounts payable	(179,487)	(280,324)
Accrued expenses	33,844	26,510
Deferred revenue	(36,548)	(162,312)
Advanced grant funding	549,309	-
Refundable advance	(299,000)	175,366
Net cash provided by operating activities	<u>479,624</u>	<u>973,383</u>
Cash flows from investing activities:		
Purchase of investments	(33,405)	(1,915)
Purchase of property and equipment	(75,235)	(84,790)
Additions to other noncurrent assets	-	(5,000)
Net cash used for investing activities	<u>(108,640)</u>	<u>(91,705)</u>
Cash flows from financing activities:		
Payments on note payable	-	(102,672)
Net cash used for financing activities	<u>-</u>	<u>(102,672)</u>
Net change in cash and cash equivalents	370,984	779,006
Cash and cash equivalents, beginning of year	<u>1,115,447</u>	<u>336,441</u>
Cash and cash equivalents, end of year	<u>\$ 1,486,431</u>	<u>\$ 1,115,447</u>
Supplementary disclosures:		
Cash paid during the year for interest	<u>\$ 2,078</u>	<u>\$ 4,546</u>

See independent auditor's report and accompanying notes.

**VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Virginia Opera Association, Inc. (the "Association") is a nonprofit organization founded in 1974 with operating offices in Norfolk and Richmond, Virginia. The mission of the Association is to enrich lives through opera by creating high quality productions of a broad range of opera, providing training to qualified persons in the production and performance of opera, and promoting appreciation and understanding of opera through performances, education and community outreach. In March of 1994, by unanimous vote of the Virginia General Assembly, the Association was named "The Official Opera Company of the Commonwealth of Virginia."

In accordance with various directives issued by the Governor of the Commonwealth of Virginia and other recommendations, the Association canceled all planned operas starting in March of 2020 through June 30, 2021. The Association resumed the full opera season starting July 1, 2021; however, some of these shows were held in outdoor venues and with restrictions on seating.

The Virginia Opera Foundation (the "Foundation") was founded in December 1992 specifically to assist the Association fulfill its mission.

Basis of Accounting

The Organization's consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Virginia Opera Association, Inc. and the Virginia Opera Foundation (collectively the "Organization"). The Association and the Foundation are under common control and management, and all intercompany balances and transactions, unless related to a restricted asset, have been eliminated in the consolidated financial statements.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities based on the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which classifies net assets into two categories based on the existence of donor imposed restrictions – net assets without donor imposed restrictions and net assets with donor imposed restrictions. Net assets with donor imposed restrictions generally consist of contributions restricted for future seasons and permanently restricted contributions. When donor restrictions expire, that is, when a stipulated (or implied) time restriction ends, or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of the Organization's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Contributions Receivable

Contributions receivable are recognized as revenue in the year the promise is made by the donor. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the associated risks. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history and type of contribution. Contributions of assets other than cash are recorded at their estimated fair value on the date of gift.

Inventory

Inventory includes items held for sale in the gift shop and are stated at the lower of cost or market.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded on the straight-line method based on the estimated useful lives of the related assets, ranging from 5 to 10 years.

Maintenance and repairs, including minor replacements, are charged to expense as incurred.

Advanced Grant Funding

Advanced grant funding consists of the remaining balance of conditional grant funds received for which the conditions have not yet been met.

Refundable Advance

Refundable advance includes advance funding from government grants which are subject to forgiveness.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions in the consolidated statement of activities. When restrictions expire, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. As permitted by GAAP, restricted contributions received whose restrictions are satisfied within the same accounting period are presented as support without donor restrictions.

Functional Allocation of Expenses

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

Advertising Costs

Advertising costs are expensed as incurred.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. Such reclassifications did not affect the previously recorded net assets or change in net assets.

Income Tax Status

The Association and Foundation have each been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's or the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. Both the Association and the Foundation believe they have appropriate support for any tax positions taken and, as such, are not aware of any uncertain tax positions that are material to the consolidated financial statements. Federal tax returns (Form 990 and 990-T) are generally subject to examination for three years after they are filed.

NOTE 2 - INVESTMENTS

Investments are carried at fair value and consists of the following as of June 30:

	2022	2021
Equity securities	\$ 46,083	\$ -
Cash and cash equivalents	<u>6,969</u>	<u>30,089</u>
Total investments	<u>\$ 53,052</u>	<u>\$ 30,089</u>

Investment income is included in other income in the accompanying consolidated statement of activities and consists of the following for the years ended June 30:

	2022	2021
Realized and unrealized gains (losses), net	\$(10,361)	\$ -
Interest and dividends	<u>644</u>	<u>2</u>
Total investment income (loss)	<u>\$ (9,717)</u>	<u>\$ 2</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a three-level fair value hierarchy that describes and prioritizes the inputs of valuation techniques used to measure fair value.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded, and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1: The asset and liability fair values are based on quoted prices in active markets for identical assets or liabilities.

Level 2: The asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include debt securities with quoted prices that are traded less frequently than exchange traded instruments.

Level 3: The asset and liability fair values are based on unobservable inputs that are supported by little or no market activity. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

As of June 30, 2022 and 2021, the Organization had total investments of \$53,052 and \$30,089, respectively. All of the Organization's investments are categorized as Level 1 assets in the fair value hierarchy.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. In the normal course of operations, the Organization from time to time may have amounts on deposit in excess of the insured limits.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, consist of the following:

	2022	2021
Less than one year	\$ 325,889	\$ 795,511
One to five years	<u>35,000</u>	<u>50,000</u>
Total contributions receivable	<u>\$ 360,889</u>	<u>\$ 845,511</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property, plant and equipment as of June 30, consists of the following:

	2022	2021
Leasehold improvements	\$ 4,713,920	\$ 4,704,456
Equipment and software	<u>1,245,323</u>	<u>1,223,875</u>
	5,959,243	5,928,331
Less: Accumulated depreciation	<u>5,803,482</u>	<u>5,776,780</u>
Net property and equipment	<u>\$ 155,761</u>	<u>\$ 151,551</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$71,025 and \$58,159, respectively.

NOTE 7 - ADVANCED GRANT FUNDING

During the year ended June 30, 2022, the Organization was awarded a Shuttered Venue Operators Grant (SVOG) in the amount of \$1,559,508 from the Small Business Administration (SBA). This federal relief program was part of the of the American Rescue Plan Act of 2021. The grant was available to be used for certain expenses incurred as of or contracted through June 30, 2022 such as payroll, production costs, contractual costs, and admission sale refunds issued due to the pandemic. The Organization expended \$1,010,199 of the grant during the year ended June 30, 2022 and, accordingly, recognized that amount as grant revenue in the accompanying consolidated statement of activities. The remaining balance of \$549,309 is included in advanced grant funding in the accompanying consolidated statement of financial position as of June 30, 2022.

NOTE 8 - REFUNDABLE ADVANCE

On April 17, 2020, the Organization received a Paycheck Protection Program (PPP) loan sponsored by the Small Business Administration (SBA) in the amount of \$404,900, which was issued in the form of a promissory note. Management elected to record the PPP loan, in accordance with FASB-ASC 958-605, as a refundable advance and as grant income as qualifying expenses were incurred. Through June 30, 2020, qualifying expenses incurred totaled \$281,266. The remaining balance of \$123,634 was shown as a liability as of June 30, 2020 and used to offset qualifying expenses incurred during the year ended June 30, 2021. During the year ended June 30, 2021 the loan was forgiven.

On May 19, 2021, the Organization received a second PPP loan in the amount of \$299,000. Management elected not to seek forgiveness of the second PPP loan due to the impact on other eligible governmental support. Accordingly, during the year ended June 30, 2022, the funds from the second PPP loan were returned to the SBA.

NOTE 9 - NOTE PAYABLE

Note payable consist of the following as of June 30:

	2022	2021
Small Business Administration (SBA), under Section 7(b) of the Small Business Act, payable in monthly installments of \$641 beginning December 21, 2022, including interest at 2.75%, due in full November 2052.	<u>\$ 150,000</u>	<u>\$ 150,000</u>
	150,000	150,000
Less – current portion	<u>-</u>	<u>-</u>
Notes payable, long term	<u>\$ 150,000</u>	<u>\$ 150,000</u>

The annual maturities of the note payable as of June 30, are as follows:

2023	\$ -
2024	-
2025	-
2026	2,841
2027	3,691
Thereafter	<u>143,468</u>
	<u>\$ 150,000</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Contributions for future seasons	\$ 407,469	\$ 801,521
Employee benefits	50,000	50,000
Commission of Loving v. Virginia	66,250	-
Emerging Artists Program	13,650	-
Endowment funds	<u>1,319,832</u>	<u>1,319,832</u>
Total	<u>\$ 1,857,201</u>	<u>\$ 2,171,353</u>

The Organization has an endowment which consists of individual investment funds established from donor-restricted gifts for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported in net assets based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

During the year ended June 30, 2013, the Boards of the Association and the Foundation approved the loan of certain net assets with donor restrictions to satisfy the Association’s outstanding debts and to pay the operating deficit incurred during the year. Accordingly, on the accompanying consolidated statement of financial position the restricted funds have a receivable from the unrestricted funds with a corresponding unrestricted funds payable to restricted funds.

Endowment fund net assets and activity consist of the following as of and for the year ended June 30:

	2022	2021
Activity for the year ended June 30:		
Beginning endowment funds	\$ 1,319,832	\$ 1,317,917
Transfers from unrestricted	<u> -</u>	<u> 1,915</u>
Ending endowment funds	<u>\$ 1,319,832</u>	<u>\$ 1,319,832</u>
Assets at June 30:		
Cash and cash equivalents	\$ 29,832	\$ 29,832
Receivable from unrestricted funds	<u>1,290,000</u>	<u>1,290,000</u>
Total	<u>\$ 1,319,832</u>	<u>\$ 1,319,832</u>

NOTE 11 - FUNDRAISING SPECIAL EVENTS

Fundraising activity for special events for the years ended June 30 consisted of the following:

	Revenue	Expense	Net
June 30, 2022			
Norfolk Gala	\$ 89,995	\$ 36,689	\$ 53,306
Richmond Gala	74,297	32,604	41,693
Beer Event	<u>7,581</u>	<u>3,801</u>	<u>3,780</u>
Total	<u>\$ 171,873</u>	<u>\$ 73,094</u>	<u>\$ 98,779</u>
June 30, 2021			
Virtual Gala	<u>\$ 17,398</u>	<u>\$ 5,030</u>	<u>\$ 12,368</u>

NOTE 12 - DONATED ASSETS AND SERVICES

Donated materials, services and rent are reflected in the consolidated financial statement at estimated fair value. For the years ended June 30, 2022 and 2021, the Organization recorded \$107,730 and \$100,560, respectively, in donated assets and services.

NOTE 13 - NATURAL AND FUNCTIONAL CLASSIFICATION OF EXPENSES

The Organization's expenses are presented in the consolidated statement of activities on a functional basis. The Organization's natural expenses contain certain categories of expenses that are attributable to one or more program or supporting functions and, accordingly, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits, depreciation and occupancy, and software support among others. Expenses by function, disaggregated to show the natural expense classifications, consist of the following for the years ended June 30:

June 30, 2022:	Management and			Total
	Program	General	Development	
Salaries	\$ 971,708	\$ 528,478	\$ 197,618	\$ 1,697,804
Payroll taxes and employee benefits	118,739	77,718	29,219	225,676
Contracted services	1,009,708	-	-	1,009,708
Travel	96,613	7,242	4,014	107,869
Scenery, props and costumes	280,213	431	-	280,644
Advertising and promotion	157,058	-	19,247	176,305
Rent	239,102	90,230	20,630	349,962
Software support, service contracts and maintenance	-	20,958	-	20,958
Insurance	-	63,203	-	63,203
Interest	-	4,294	-	4,294
Depreciation and amortization	75,548	-	-	75,548
Production and other expenses	<u>385,939</u>	<u>206,038</u>	<u>41,020</u>	<u>632,997</u>
	<u>\$ 3,334,628</u>	<u>\$ 998,592</u>	<u>\$ 311,748</u>	<u>\$ 4,644,968</u>

June 30, 2021:	Management and			Total
	Program	General	Development	
Salaries	\$ 498,761	\$ 339,465	\$ 295,534	\$ 1,133,760
Payroll taxes and employee benefits	71,969	35,807	41,327	149,103
Contracted services	119,867	-	-	119,867
Travel	9,439	2,277	334	12,050
Scenery, props and costumes	7,994	-	-	7,994
Advertising and promotion	58,865	-	17,118	75,983
Rent	53,095	80,865	24,082	158,042
Software support, service contracts and maintenance	-	55,186	-	55,186
Insurance	-	68,801	-	68,801
Interest	-	4,546	-	4,546
Depreciation and amortization	62,683	-	-	62,683
Production and other expenses	<u>50,900</u>	<u>265,829</u>	<u>5,074</u>	<u>321,803</u>
	<u>\$ 933,573</u>	<u>\$ 852,776</u>	<u>\$ 383,469</u>	<u>\$ 2,169,818</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Certain contractual obligations are made between the Organization and artists, directors, and musicians in advance of the upcoming season based on the Organization's planned opera repertoire. Such conditional commitments approximated \$591,650 as of June 30, 2022 and are expected to be expensed during the forthcoming season.

NOTE 15 - ADVERTISING COSTS

Advertising cost was \$176,305 and \$75,983 for the years ended June 30, 2022 and 2021, respectively.

NOTE 16 - LEASE COMMITMENTS

The Organization is a lessee under non-cancelable monthly operating leases for administrative space in Richmond, Virginia and set production and storage space in Portsmouth, Virginia. In addition, the Organization is a lessee under several office equipment operating leases. Rent expense for the years ended June 30, 2022 and 2021 was \$110,860 and \$158,042, respectively. For the years ended June 30, 2022 and 2021 the administrative and performance space in the Harrison Opera House was donated by the City of Norfolk.

The Organization's future minimum lease payments under non-cancelable, operating leases are as follows for the years ended June 30:

2023	\$ 80,500
2024	77,500
2025	<u>10,000</u>
Total	<u>\$ 168,000</u>

NOTE 17 - BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS

The Organization has an interest in certain funds held by a local community foundation. These funds are invested on behalf of the community foundation donors who have designated the Organization as a conditional beneficiary of these funds. The Organization receives periodic distributions from the funds, which are recorded as contributions when received. For the years ended June 30, 2022 and 2021, the Organization received \$0 and \$4,915, respectively, from such funds.

NOTE 18 - LIQUIDITY

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Management and board members routinely compare actual results to budget in order to ensure cash on hand is sufficient to meet upcoming budgeted operating expenses.

The Organization's unencumbered financial assets available to meet anticipated cash needs for general expenditures within one year of the balance sheet date consisted of the following as of June 30:

	2022	2021
Financial assets		
Cash	\$ 1,486,431	\$ 1,115,447
Investments	53,052	30,089
Contributions and other receivables	371,817	853,775
Due from unrestricted fund	<u>1,290,000</u>	<u>1,290,000</u>
Total financial assets	<u>3,201,300</u>	<u>3,289,311</u>
Less:		
Net assets with donor restrictions	<u>1,857,201</u>	<u>2,171,353</u>
Resources available for cash needs within one year	<u>\$ 1,344,099</u>	<u>\$ 1,117,958</u>

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2022, the date which the consolidated financial statements were available to be issued.

Subsequent to June 30, 2022 the Organization settled an approximately \$200,000 liability included in accrued payroll, payroll tax liabilities, and other expenses in the accompanying consolidated statement of financial position at June 30, 2022.

VIRGINIA OPERA ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	2022 Amount Expended
Shuttered Venue Operators Grant	U.S. Small Business Administration	59.075	SBAHQ21SV002650.3	\$ 1,010,199

See Report of Independent Auditors
See accompanying notes to Schedule of Expenditures of Federal Awards.

VIRGINIA OPERA ASSOCIATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of Virginia Opera Association, Inc. (hereafter referred to as “the Association”) on the accrual basis of accounting for the year ended June 30, 2022. All federal awards received directly and indirectly from federal agencies are included in this Schedule. Because the Schedule presents only a selected portion of the operations of the Association, they are not intended to, and do not, present the financial position, activities, or cash flow in accordance with generally accepted accounting principles.

Expenditures for federal awards are recognized as incurred using the cost accounting principles contained in The Office of Management and Budget’s (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called “Uniform Guidance”). Under these cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

NOTE 2 – INDIRECT COST RATE

The Association has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CAVANAUGH NELSON PLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Virginia Opera Association, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Virginia Opera Association, Inc. (hereafter referred to as "the Association"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statement of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected in a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carmichael Nelson PLC". The signature is written in a cursive, flowing style.

December 8, 2022

CAVANAUGH NELSON PLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Virginia Opera Association, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Virginia Opera Association, Inc. (hereafter referred to as "the Association") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2022. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of

assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carmay Nelson PLC

December 8, 2022

VIRGINIA OPERA ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Virginia Opera Association, Inc. ("the Association").
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements were reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Association were noted during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs is reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major award programs for the Association expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the Association were disclosed.
7. The program tested as a major program was the Shuttered Venue Operators Grant.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Association was not qualified as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDITS

None reported.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None reported.