

**GRAND OPERA HOUSE, INC.**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**JULY 31, 2020 AND 2019**

**GRAND OPERA HOUSE, INC.**  
**TABLE OF CONTENTS**  
**JULY 31, 2020**

	<u>Page No.</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	10
Notes to Financial Statements	12



BELFINT • LYONS • SHUMAN  
Certified Public Accountants

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*Independent Auditors' Report*

To the Board of Directors of  
Grand Opera House, Inc.

We have audited the accompanying financial statements of Grand Opera House, Inc. (Organization) which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors of  
Grand Opera House, Inc.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Opera House, Inc. as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Belfint, Lyons & Shuman, P.A.*

March 31, 2021

Wilmington, Delaware

**GRAND OPERA HOUSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2020 AND 2019**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,110,885	\$ 5,428
Accounts Receivable	44,476	4,868
Contributions Receivable	499,613	964,730
Inventory	41,468	24,662
Prepaid Expenses	169,662	227,768
<b>TOTAL CURRENT ASSETS</b>	<b>1,866,104</b>	<b>1,227,456</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	679,600	679,600
Building and Improvements	27,830,856	27,486,908
Equipment	2,075,476	2,042,630
	30,585,932	30,209,138
Less: Accumulated Depreciation and Amortization	25,128,607	24,285,970
<b>TOTAL PROPERTY AND EQUIPMENT, NET</b>	<b>5,457,325</b>	<b>5,923,168</b>
<b>OTHER ASSETS</b>		
Restricted Cash - Acquisition of Property	132,915	132,915
Restricted Cash - Imagine Your Grand Tomorrow Campaign	8,126	6,500
Restricted Investments - Imagine Your Grand Tomorrow Campaign	112,912	109,561
Contributions Receivable - Acquisition of Property	-	113,207
Beneficial Interest in Perpetual Trusts	4,594,673	4,565,758
<b>TOTAL OTHER ASSETS</b>	<b>4,848,626</b>	<b>4,927,941</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,172,055</b>	<b>\$ 12,078,565</b>

**LIABILITIES AND NET ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT LIABILITIES</b>		
Current Maturities of Notes Payable	\$ 1,247,945	\$ 1,137,854
Current Maturities of Capital Lease Obligation	-	7,548
Accounts Payable	476,460	275,666
Accrued Expenses	47,305	39,855
Advance Production, Program Book, and Subscription Income	802,865	1,222,145
Advance Rental Income	63,664	41,909
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,638,239</b>	<b>2,724,977</b>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable - Net of Current Maturities	149,900	33,774
Conditional Contribution - Paycheck Protection Program (PPP)	618,560	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>768,460</b>	<b>33,774</b>
<b>TOTAL LIABILITIES</b>	<b>3,406,699</b>	<b>2,758,751</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	3,619,167	3,805,964
With Donor Restrictions	5,146,189	5,513,850
<b>TOTAL NET ASSETS</b>	<b>8,765,356</b>	<b>9,319,814</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 12,172,055</b>	 <b>\$ 12,078,565</b>

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

**GRAND OPERA HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Event Revenue			
Ticket Sales	\$ 1,989,303	\$ -	\$ 1,989,303
Rental Income	434,600	-	434,600
Service and Marketing Fees	242,274	-	242,274
Preservation Fees	182,246	-	182,246
Concessions	105,764	-	105,764
Merchandise	22,395	-	22,395
Parking	216	-	216
Total Event Revenue	2,976,798	-	2,976,798
Less: Event Expenses	(2,251,980)	-	(2,251,980)
Total Event Revenues (Net)	724,818	-	724,818
Grant and Contribution Revenue	1,331,862	319,800	1,651,662
Trust Distributions	1,077,547	-	1,077,547
Special Event Revenue	442,534	-	442,534
Miscellaneous	36,034	-	36,034
Office Rental	143,251	-	143,251
Net Assets Released from Restrictions	716,376	(716,376)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>4,472,422</b>	<b>(396,576)</b>	<b>4,075,846</b>
<b>EXPENSES</b>			
Program Services	2,408,386	-	2,408,386
Management and General	1,734,120	-	1,734,120
Fundraising	520,085	-	520,085
<b>TOTAL EXPENSES</b>	<b>4,662,591</b>	<b>-</b>	<b>4,662,591</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>(190,169)</b>	<b>(396,576)</b>	<b>(586,745)</b>
<b>NONOPERATING ACTIVITIES</b>			
Investment Income, Net of Fees	4,405	-	4,405
Interest Income	36	-	36
Loss on Marketable Securities	(1,069)	-	(1,069)
Increase in Beneficial Interest in Perpetual Trusts	-	28,915	28,915
<b>CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES</b>	<b>3,372</b>	<b>28,915</b>	<b>32,287</b>
<b>CHANGE IN NET ASSETS</b>	<b>(186,797)</b>	<b>(367,661)</b>	<b>(554,458)</b>
<b>NET ASSETS - Beginning of Year</b>	<b>3,805,964</b>	<b>5,513,850</b>	<b>9,319,814</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 3,619,167</b>	<b>\$ 5,146,189</b>	<b>\$ 8,765,356</b>

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

**GRAND OPERA HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Event Revenue			
Ticket Sales	\$ 2,652,755	\$ -	\$ 2,652,755
Rental Income	610,775	-	610,775
Service and Marketing Fees	325,343	-	325,343
Preservation Fees	257,671	-	257,671
Concessions	128,666	-	128,666
Merchandise	16,629	-	16,629
Parking	8,071	-	8,071
Total Event Revenue	3,999,910	-	3,999,910
Less: Event Expenses	(2,977,052)	-	(2,977,052)
Total Event Revenues (Net)	1,022,858	-	1,022,858
Grant and Contribution Revenue	892,016	1,019,371	1,911,387
Trust Distributions	279,078	-	279,078
Special Event Revenue	428,024	-	428,024
Miscellaneous	79,111	-	79,111
Office Rental	137,127	-	137,127
Net Assets Released from Restrictions	816,058	(816,058)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>3,654,272</u>	<u>203,313</u>	<u>3,857,585</u>
<b>EXPENSES</b>			
Program Services	2,286,711	-	2,286,711
Management and General	1,828,984	-	1,828,984
Fundraising	496,255	-	496,255
<b>TOTAL EXPENSES</b>	<u>4,611,950</u>	<u>-</u>	<u>4,611,950</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>(957,678)</u>	<u>203,313</u>	<u>(754,365)</u>
<b>NONOPERATING ACTIVITIES</b>			
Investment Income, Net of Fees	4,382	-	4,382
Interest Income	20	-	20
Loss on Marketable Securities	(1,161)	-	(1,161)
Decrease in Beneficial Interest in Perpetual Trusts	-	(158,341)	(158,341)
Gain from Insurance Proceeds	30,663	-	30,663
<b>CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES</b>	<u>33,904</u>	<u>(158,341)</u>	<u>(124,437)</u>
<b>CHANGE IN NET ASSETS</b>	(923,774)	44,972	(878,802)
<b>NET ASSETS - Beginning of Year</b>	<u>4,729,738</u>	<u>5,468,878</u>	<u>10,198,616</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 3,805,964</u>	<u>\$ 5,513,850</u>	<u>\$ 9,319,814</u>

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



**GRAND OPERA HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JULY 31, 2020**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Program</u>	<u>Outreach and Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
<b>EVENT EXPENSES</b>							
Advertising	\$ 372,275	\$ 15,043	\$ 387,318	\$ -	\$ -	\$ -	\$ 387,318
Artist Fees	1,110,293	90,434	1,200,727	-	-	-	1,200,727
Catering	19,512	1,049	20,561	-	-	-	20,561
Commissions	8,001	-	8,001	-	-	-	8,001
Concessions	36,202	459	36,661	-	-	-	36,661
Licenses and Permits	9,806	192	9,998	-	-	-	9,998
Merchandise	11,890	-	11,890	-	-	-	11,890
Miscellaneous	41,498	7,043	48,541	-	-	-	48,541
Parking	860	940	1,800	-	-	-	1,800
Processing Fees	125,022	550	125,572	-	-	-	125,572
Production	70,312	5,403	75,715	-	-	-	75,715
Royalties	61,045	-	61,045	-	-	-	61,045
Salaries and Related Benefits	241,227	17,398	258,625	-	-	-	258,625
Security	2,310	2,100	4,410	-	-	-	4,410
Supplies	1,116	-	1,116	-	-	-	1,116
<b>TOTAL EVENT EXPENSES</b>	<b>\$ 2,111,369</b>	<b>\$ 140,611</b>	<b>\$ 2,251,980</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,251,980</b>

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

**GRAND OPERA HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED**  
**YEAR ENDED JULY 31, 2020**

	Program Services			Supporting Services			Total
	Program	Outreach and Education	Total	Management and General	Fundraising	Total	
<b>OTHER EXPENSES</b>							
Advertising	\$ -	\$ -	\$ -	\$ 17,955	\$ -	\$ 17,955	\$ 17,955
Bank Service Fees	-	-	-	7,823	1,979	9,802	9,802
Conferences and Staff	1,180	-	1,180	8,627	8,690	17,317	18,497
Credit Losses on Pledges	-	-	-	211	-	211	211
Depreciation	631,978	-	631,978	210,659	-	210,659	842,637
Dues and Subscriptions	-	-	-	1,092	7,825	8,917	8,917
Equipment Maintenance Contracts	72,169	-	72,169	72,169	-	72,169	144,338
Equipment Rental	-	-	-	4,735	-	4,735	4,735
Insurance	50,203	-	50,203	50,203	-	50,203	100,405
Interest Expense	-	-	-	39,646	-	39,646	39,646
Miscellaneous	61,236	-	61,236	1,805	66	1,871	63,107
Office Services	11,532	-	11,532	-	910	910	12,442
Postage	-	-	-	13,209	536	13,745	13,745
Printing	-	-	-	2,998	-	2,998	2,998
Professional Fees	108,218	-	108,218	86,343	21,875	108,218	216,435
Rent Expense	75,833	-	75,833	-	-	-	75,833
Repairs and Maintenance	33,220	-	33,220	-	-	-	33,220
Salaries and Related Benefits	1,242,852	-	1,242,852	1,049,951	215,008	1,264,959	2,507,811
Security Services	-	-	-	6,750	-	6,750	6,750
Special Events	-	-	-	-	234,796	234,796	234,796
Supplies	13,691	-	13,691	11,887	1,804	13,691	27,382
Taxes and Licenses	27,889	-	27,889	-	24,082	24,082	51,971
Telephone	-	-	-	56,260	-	56,260	56,260
Travel and Entertainment	-	-	-	13,411	2,514	15,925	15,925
Utilities	78,387	-	78,387	78,387	-	78,387	156,773
<b>TOTAL EXPENSES</b>	<b>4,519,755</b>	<b>140,611</b>	<b>4,660,366</b>	<b>1,734,120</b>	<b>520,085</b>	<b>2,254,205</b>	<b>6,914,571</b>
Less: Expenses Netted with Revenue							
Event Expenses	(2,111,369)	(140,611)	(2,251,980)	-	-	-	(2,251,980)
<b>TOTAL EXPENSES ON STATEMENT OF ACTIVITIES</b>	<b>\$ 2,408,386</b>	<b>\$ -</b>	<b>\$ 2,408,386</b>	<b>\$ 1,734,120</b>	<b>\$ 520,085</b>	<b>\$ 2,254,205</b>	<b>\$ 4,662,591</b>

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

**GRAND OPERA HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JULY 31, 2019**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Program</u>	<u>Outreach and Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
<b>EVENT EXPENSES</b>							
Advertising	\$ 454,214	\$ 9,993	\$ 464,207	\$ -	\$ -	\$ -	\$ 464,207
Artist Fees	1,687,310	127,909	1,815,219	-	-	-	1,815,219
Catering	20,069	2,061	22,130	-	-	-	22,130
Commissions	5,212	31	5,243	-	-	-	5,243
Concessions	56,997	752	57,749	-	-	-	57,749
Licenses and Permits	12,082	128	12,210	-	-	-	12,210
Merchandise	10,152	-	10,152	-	-	-	10,152
Miscellaneous	25,081	9,334	34,415	-	-	-	34,415
Parking	771	-	771	-	-	-	771
Processing Fees	76,666	1,355	78,021	-	-	-	78,021
Production	40,199	3,002	43,201	-	-	-	43,201
Rental	-	1,800	1,800	-	-	-	1,800
Royalties	5,481	-	5,481	-	-	-	5,481
Salaries and Related Benefits	389,734	19,699	409,433	-	-	-	409,433
Security	5,342	11,678	17,020	-	-	-	17,020
<b>TOTAL EVENT EXPENSES</b>	<b>\$ 2,789,310</b>	<b>\$ 187,742</b>	<b>\$ 2,977,052</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,977,052</b>

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

**GRAND OPERA HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED**  
**YEAR ENDED JULY 31, 2019**

	Program Services			Supporting Services			Total
	Program	Outreach and Education	Total	Management and General	Fundraising	Total	
<b>OTHER EXPENSES</b>							
Advertising	\$ -	\$ -	\$ -	\$ 2,413	\$ -	\$ 2,413	\$ 2,413
Bank Service Fees	-	-	-	20,036	5,368	25,404	25,404
Conferences and Staff	-	-	-	7,911	2,418	10,329	10,329
Credit Losses on Pledges	-	-	-	19,815	-	19,815	19,815
Depreciation	646,264	-	646,264	215,420	-	215,420	861,684
Dues and Subscriptions	-	-	-	904	4,070	4,974	4,974
Equipment Maintenance Contracts	65,295	-	65,295	65,295	-	65,295	130,590
Equipment Rental	-	-	-	45,100	-	45,100	45,100
Insurance	42,259	-	42,259	48,986	-	48,986	91,245
Interest Expense	-	-	-	48,128	-	48,128	48,128
Miscellaneous	12,738	-	12,738	56,983	1,872	58,855	71,593
Office Services	3,241	-	3,241	8,603	1,543	10,146	13,387
Postage	-	-	-	13,732	314	14,046	14,046
Printing	-	-	-	7,500	-	7,500	7,500
Professional Fees	81,099	-	81,099	132,228	8,000	140,228	221,327
Rent Expense	123,225	-	123,225	-	-	-	123,225
Repairs and Maintenance	14,855	-	14,855	14,316	-	14,316	29,171
Salaries and Related Benefits	1,180,163	-	1,180,163	937,228	226,967	1,164,195	2,344,358
Special Events	-	-	-	-	221,862	221,862	221,862
Supplies	6,436	-	6,436	27,458	-	27,458	33,894
Taxes and Licenses	25,365	-	25,365	6,502	23,601	30,103	55,468
Telephone	-	-	-	50,178	-	50,178	50,178
Travel and Entertainment	-	-	-	14,478	240	14,718	14,718
Utilities	85,771	-	85,771	85,770	-	85,770	171,541
<b>TOTAL EXPENSES</b>	<b>5,076,021</b>	<b>187,742</b>	<b>5,263,763</b>	<b>1,828,984</b>	<b>496,255</b>	<b>2,325,239</b>	<b>7,589,002</b>
Less: Expenses Netted with Revenue							
Event Expenses	(2,789,310)	(187,742)	(2,977,052)	-	-	-	(2,977,052)
<b>TOTAL EXPENSES ON STATEMENT OF ACTIVITIES</b>	<b>\$ 2,286,711</b>	<b>\$ -</b>	<b>\$ 2,286,711</b>	<b>\$ 1,828,984</b>	<b>\$ 496,255</b>	<b>\$ 2,325,239</b>	<b>\$ 4,611,950</b>

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

**GRAND OPERA HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JULY 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Revenue and Support	\$ 6,780,728	\$ 6,290,546
Cash Paid to Suppliers and Employees	(6,427,305)	(6,464,829)
Interest Received	36	20
Interest Paid	(38,060)	(34,676)
	<u>315,399</u>	<u>(208,939)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(46,344)	(224,636)
Reinvestment of Interest and Dividends, Net of Fees	(4,405)	(4,382)
Withdrawal from Investments	5,204	-
Net Cash Received from Insurance Proceeds	-	30,663
	<u>(45,545)</u>	<u>(198,355)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing on Notes Payable	667,226	1,141,321
Repayments of Notes Payable	(441,009)	(801,474)
Proceeds from Paycheck Protection Program (PPP)	618,560	-
Proceeds from Contributions Received for Investment in Capital	-	113,207
Payments of Capital Lease Obligation	(7,548)	(7,408)
	<u>837,229</u>	<u>445,646</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	1,107,083	38,352
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of Year</b>	<u>144,843</u>	<u>106,491</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of Year</b>	<u>\$ 1,251,926</u>	<u>\$ 144,843</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accounts Payable Incurred to Acquire Property and Equipment	<u>\$ 330,450</u>	<u>\$ -</u>

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

**GRAND OPERA HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED JULY 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CHANGE IN NET ASSETS</b>	\$ (554,458)	\$ (878,802)
Adjustment to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	842,637	861,684
Loss on Marketable Securities	1,069	1,161
(Increase) Decrease in Beneficial Interest in Perpetual Trusts	(28,915)	158,341
Gain from Insurance Proceeds	-	(30,663)
Contributions Received for Investment in Capital	-	(113,207)
Noncash Donations Received	(5,219)	-
Credit Losses on Pledges	9,802	19,815
(Increase) Decrease in		
Accounts Receivable	(39,608)	22
Contributions Receivable	578,113	(455,103)
Prepaid Expenses	58,106	(94,909)
Inventory	(16,806)	(3,893)
Increase (Decrease) in		
Accounts Payable	(129,656)	73,081
Accrued Expenses	7,450	(65,712)
Advance Production, Program Book, and Subscription Income	(419,280)	311,467
Advance Rental Income	21,755	7,779
	<b>\$ 324,990</b>	<b>\$ (208,939)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 324,990</b>	<b>\$ (208,939)</b>

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

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020**

**NOTE 1: NATURE OF BUSINESS**

Grand Opera House, Inc. (Organization) was chartered by the State of Delaware on January 8, 1973, as a charitable, non-profit corporation for the purpose of maintaining the Organization as a historic landmark and a center for the performing arts to provide the opportunity for Delawareans and regional residents to enrich their lives through the arts.

Because the performing arts are an integral dimension of life and historic buildings are a valuable segment of American culture, the Organization strives to expand people's horizons by presenting a wide variety of artistically acclaimed performers and by preserving one of Delaware's architectural landmarks. The Organization features established and emerging artists whose performances take advantage of its intimate size and superb acoustics. Its programming reflects and celebrates the cultural diversity of the community and provides educational opportunities, helping to ensure culturally literate future generations of audiences. By maintaining its architectural integrity, technical excellence, and commitment to serve as the venue of choice for Delaware's performing arts organizations, the Organization exerts a continuing influence on the revitalization of downtown Wilmington, Delaware, enhances the cultural resources of the Brandywine Valley, and remains a nationally acclaimed, restored historic theater. The Organization is a non-profit institution, committed to preserving its long-term financial strength through a responsible balance of earned income and contributed support.

In January 2015, the Organization assumed operation of another historic theater in downtown Wilmington, The DuPont Theatre (which was renamed The Playhouse on Rodney Square). The Playhouse opened in 1913 as one of the select theaters across the country to be included on the Broadway touring circuit. Now more than 100 years old, The Playhouse is the oldest, continuously operating theater on the national circuit. The Organization has supplemented the Playhouse's core schedule of six to eight musicals annually with a growing program of other performances that complement those featured in their Copeland Hall and Baby Grand venues. Although the Organization acquired the theater business and some purchased assets (database, phone number, advance ticket sales, etc.) from the DuPont Company, it operates the facility under a lease with 1007 Market Partners Owner LLC. (Note 16).

In March 2020, the Organization closed its facilities to the public to comply with state and local health and safety standards resulting from COVID-19. Continued restrictions on public gathering size continue to force the closure of the Organization's theater. The Organization has continued to fulfill its mission to connect people to arts with outdoor events such as The Grand's Concerts by Car, Drive-In Cinema, and Winter in Wilmington Light Show.

The Organization has developed a recovery plan which includes participating in the Small Business Administration's Save Our Stages Shuttered Venue Grant Program and implementing a major fundraising campaign.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 1: NATURE OF BUSINESS - CONTINUED**

No impairments were recorded as of July 31, 2020; however, due to uncertainty surrounding the situation, management's judgment regarding this could change in the future. While management reasonably expects the COVID-19 outbreak to continue to negatively impact the Organization's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Changes in Accounting Principles*** - Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis.

***Basis of Accounting*** - The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

***Reclassification*** - Certain accounts in the prior year's financial statements have been reclassified to conform to the presentation of the current year's financial statements. These reclassifications had no effect on previously reported changes in net assets or total net assets.

***Revenue Recognition for Contracts with Customers*** - Event revenue on the statements of activities consists of ticket sales and related service charges, rental income, and the sale of concessions, merchandise, and parking. These amounts are recorded as revenue at the point in time in which the Organization satisfies its performance obligation of providing the performance, theater space, and goods.

Ticket sales, service charges, and gift certificates for future shows represent contract liabilities and are shown as advanced income on the statements of financial position and recognized as revenue on the date of performance.



**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Revenue Recognition for Contracts with Customers - Continued*** - Event rental income received in which the Organization has not yet met its performance obligations represent contract liabilities and is shown as advanced rental income on the statements of financial position.

Contract liabilities totaled \$866,529, \$1,264,054, and \$944,808 as of July 31, 2020, 2019 and 2018, respectively. Contract liabilities are normally satisfied during the subsequent year; however, due to the high uncertainty of when the Organization will be able to resume live, in person theater performances, the period in which the Organization will satisfy its performance obligations as of July 31, 2020 cannot be determined.

There were no contract assets or accounts receivable as of the beginning or end of the years ended July 31, 2020 and 2019.

***Revenue Recognition for Contributions and Grants*** - The Organization recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special event revenue is recognized as contributions in accordance with ASU 2018-08 since performance obligations associated with special events is not significant.

***Net Assets*** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net Assets - Continued*

*Net Assets With Donor Restrictions - Continued* - When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

***Cash and Cash Equivalents*** - For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents do not include cash management funds held in the Organization's investment accounts.

The Organization maintains its cash in bank accounts at high quality financial institutions. The balances, at times, exceed federally insured limits. As of July 31, 2020 and 2019, uninsured balances held at the Organization's financial institutions were \$1,029,156 and \$0, respectively.

***Restricted Cash*** - The Organization has classified as restricted cash and cash equivalents contributions acquired from its Imagine Your Grand Tomorrow Capital Campaign to reinvest in capital infrastructure to complete deferred repairs and upgrade systems and equipment; retire residual debt and capitalized interest; and enhance long-term operating support.

***Inventory*** - Inventory is stated at the lower of cost or net realizable value.

***Contributions Receivable*** - Unconditional contributions are recorded at net realizable value if, at the time the pledge is made, payment is expected to be received in one year or less. Unconditional contributions receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Organization elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional contributions receivable in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those pledges were measured using historical discount rates.

***Property and Equipment*** - Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Expenditures for maintenance and repairs are charged to expense as incurred; costs or renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in the statements of activities.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Property and Equipment - Continued***

The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Depreciation expense was \$842,637 and \$861,684 during the years ended July 31, 2020 and 2019, respectively. No value has been assigned and recorded on the accompanying financial statements to the basic building structure, since it reverts to the grantor of the deed if the Organization ceases to be a performing arts center.

***Capital Leases*** - The Organization leases certain equipment under various lease agreements that meet the definition of capital leases. The assets and liabilities under the capital leases are originally recorded at the present value of the minimum lease payments, which approximate the fair value of the asset. The asset is subsequently depreciated over its lease term, which is its estimated productive life. Amortization of the assets under these capital leases is included in depreciation expense. Amortization expense was \$6,673 during the years ended July 31, 2020 and 2019.

***Impairment of Long-Lived Assets*** - The Organization reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statements of activities, to its current value. There was no impairment loss recorded during the years ended July 31, 2020 and 2019.

***Estimates*** - The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Accounts Receivable*** - Accounts receivable is stated at the amount management expects to collect from balances outstanding at year end.

The Organization has elected to record bad debts using the direct write-off method since management believes all receivables to be fully collectible. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts. Management believes the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

***Donated Services*** - In accordance with FASB ASC 958, donated services are recorded at the fair market value of those services only if they create or enhance nonfinancial assets, or if they require specialized skills and are performed by a person possessing those skills. For the years ended July 31, 2020 and 2019, the Organization did not recognize any amounts from donated services since the criteria for FASB ASC 958 were not met.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Barter Transactions** - The Organization recognizes revenue from barter transactions on the statements of activities at fair value. The Organization estimates fair value by using the current value of making or receiving cash payments for similar goods and services. Note 15 describes barter transactions in which the Organization is engaged.

**Fair Value Measurements** - The Organization follows fair value measurements and disclosures standards in accordance with accounting principles generally accepted in the United States of America. The standard applies to all assets and liabilities that are being measured and reported on a fair value basis. The standard establishes a framework for measuring fair value under generally accepted accounting principles and requires disclosures about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable market-based inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Investments	\$ 112,912	\$ -	\$ -	\$ 112,912
Contributions Receivable	-	-	499,613	499,613
Beneficial Interest in Perpetual Trust	-	4,594,673	-	4,594,673
Total	<u>\$ 112,912</u>	<u>\$ 4,594,673</u>	<u>\$ 499,613</u>	<u>\$ 5,207,198</u>
	2019			
	Level 1	Level 2	Level 3	Total
Investments	\$ 109,561	\$ -	\$ -	\$ 109,561
Contributions Receivable	-	-	1,077,937	1,077,937
Beneficial Interest in Perpetual Trust	-	4,565,758	-	4,565,758
Total	<u>\$ 109,561</u>	<u>\$ 4,565,758</u>	<u>\$ 1,077,937</u>	<u>\$ 5,753,256</u>

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Fair Value Measurements - Continued*

The following is a description of the valuation methodologies used for assets measured at fair value.

Investments - Valued at the quoted price as reported on the active market in which the securities are traded.

Contributions Receivable - When estimating fair value management considers the relationship with the donor, the donor's past history of making timely payments, the donor's overall creditworthiness, general economic conditions in the geographic area in which the donors live, the Organization's policies concerning enforcement of contributions receivable, and market risk assumptions.

Beneficial Interest in Perpetual Trusts - Fair value is based on the percentage of the trusts designated to the Organization to the total fair value of the trust, which is based on quoted market prices of underlying assets when available.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The change in contributions receivable measured at fair value, for which the Organization has categorized as level 3, is as follows for the years ended July 31:

	<u>2020</u>	<u>2019</u>
Balance - Beginning of Year	\$ 1,077,937	\$ 870,249
Amounts Pledged	493,287	1,051,304
Cash Received	(1,071,400)	(823,801)
Credit Losses	<u>(211)</u>	<u>(19,815)</u>
Balance - End of Year	<u>\$ 499,613</u>	<u>\$ 1,077,937</u>

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Allocation of Functional Expenses* - The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited utilizing reasonable methods that are consistently applied. Expenses have been allocated based on direct costs, time and effort, and estimates of direct benefit.

*Subsequent Events* - Management has evaluated all events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**NOTE 3: AVAILABILITY AND LIQUIDITY**

The following reflects the Organization's financial assets as of the date of the statements of financial position, reduced by amounts not available for general use because of contractual, board-designated, or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Financial Assets as of July 31		
Cash and Cash Equivalents	\$ 1,251,926	\$ 144,843
Contributions Receivable	499,613	1,077,937
Accounts Receivable	44,476	4,868
Investments	112,912	109,561
Beneficial Interest in Perpetual Trusts	<u>4,594,673</u>	<u>4,565,758</u>
Total Financial Assets as of July 31	6,503,600	5,902,967
Less: Those Unavailable for General Expenditures Within One Year, Due to Restricted by Donor With Purpose Restrictions Not Subject to Appropriation or Expenditures	<u>304,716</u>	<u>541,745</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,604,211</u>	<u>\$ 795,464</u>

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for subscriptions, single tickets and a concentration of contributions received during the fiscal year. To manage liquidity the Organization maintains a \$1,000,000 line of credit with a bank (Note 9) that is drawn upon as needed during the fiscal year to manage cash flow.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 4: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH**

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>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,110,885	\$ 5,428
Restricted Cash - Acquisition of Property	132,915	132,915
Restricted Cash - Imagine Your Grand Tomorrow Campaign	<u>8,126</u>	<u>6,500</u>
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows	<u><u>\$ 1,251,926</u></u>	<u><u>\$ 144,843</u></u>

**NOTE 5: CONTRIBUTIONS RECEIVABLE**

Contributions receivable were comprised of the following as of July 31:

	<u>2020</u>	<u>2019</u>
Grant Awards	\$ 318,200	\$ 699,750
Grand Gala	37,750	33,850
Other - Individuals and Corporate	<u>143,663</u>	<u>344,337</u>
Total Contributions Receivable	<u><u>\$ 499,613</u></u>	<u><u>\$ 1,077,937</u></u>

As of July 31, 2020 and 2019, all pledges are due within one year and considered by management to be fully collectible.

**NOTE 6: INVESTMENTS**

Investments consisted of the following as of July 31:

	<u>2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized</u>
Mutual Funds	<u>\$ 121,290</u>	<u>\$ 112,912</u>	<u>\$ (8,378)</u>
	<u>2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized</u>
Mutual Funds	<u>\$ 116,788</u>	<u>\$ 109,561</u>	<u>\$ (7,227)</u>

Investment fees of \$99 and \$150 are netted with interest and dividends on the statement of activities for the years ended July 31, 2020 and 2019, respectively.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 7: BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

On December 19, 1984, the Organization entered into an agreement with the Delaware Performing Arts Center, Inc. (DPAC), a non-profit organization under which the Grand Opera House, Inc. made available to DPAC donated funds totaling \$2,500,000 with the understanding that DPAC would apply its best efforts and all of its assets to the exclusive public purpose of ensuring the use of the Grand Opera House, Inc. as a theater for the performing arts. In conjunction with the aforesaid agreement, the City of Wilmington and New Castle County agreed to donate \$250,000 each and the State of Delaware agreed to donate \$2,000,000 to DPAC for use until such time as the Grand Opera House, Inc. would cease operations as a center for the performing arts. The fair value of the assets held in trust by DPAC was \$3,479,719 and \$3,327,087 as of July 31, 2020 and 2019, respectively.

In accordance with the spending policy of DPAC, annual trust distributions are approximately 5% of the rolling average of the fair value of trust assets. The Organization received distributions totaling \$176,000 from DPAC during the year ended July 31, 2019.

During the year ended July 31, 2020, DPAC distributed \$1,000,000 from the trust to the Organization. The increased distribution allowed the Organization to maintain operations during its closure to the public. As of the date of the issuance of this report, DPAC and the Organization were in ongoing discussions regarding whether the increased current distribution of \$1,000,000 will impact the amount of future distributions received by the Organization. The Organization recognizes the possibility that future distributions may be reduced or delayed to take into consideration the trust's distribution spending policy on a long-term basis. There is no right of return associated with the advanced distribution amount and no fees or interest have been assessed, by DPAC, and therefore, their distribution has been recorded as trust distributions on the statements of activities.

The Organization is also the beneficiary of a trust agreement whereby bequeathed assets are held in trust by a bank. Income from the trust is to be paid in perpetuity to five charitable organizations, one being the Grand Opera House, Inc. The estimated fair value of the Organization's beneficial interest in assets held in trust was \$1,114,954 and \$1,238,671 as of July 31, 2020 and 2019, respectively.

In accordance with the terms of the trust agreement, the Organization received distributions totaling \$72,500 and \$98,124 during the years ended July 31, 2020 and 2019, respectively. The distributions have been recorded as trust distributions on the statements of activities.

The net assets associated with the Organization's beneficial interest in the perpetual trust are reported as donor restricted. Management does not believe that beneficial interests in a charitable perpetual trust are within the scope of FASB ASC 958 in regard to required disclosures for endowments, because in contrast to donor-restricted endowment funds, no ongoing decisions about the investment of the trust or distributions from the trust are within the authority of the Organization.



**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 7: BENEFICIAL INTEREST IN PERPETUAL TRUSTS - CONTINUED**

The Organization is the beneficiary of a perpetual trust in which the Organization has not recorded their beneficial interest as an asset. The perpetual trust allows for the trustee, at their sole discretion, to distribute a portion of net income to the Organization should certain criteria be met. As a result, it is not practicable to estimate the Organization's irrevocable beneficial interest in the trust. Trust distributions received during the years ended July 31, 2020 and 2019 totaled \$5,047 and \$4,954, respectively.

**NOTE 8: DELAWARE ARTS STABILIZATION FUND GRANT**

The Delaware Arts Stabilization Fund (DASF) resulted from an agreement, dated June 17, 1993, between the State of Delaware's Division of the Arts (DDOA), eight of the primary arts organizations in Delaware (the cultural organizations), and the Delaware Community Foundation (DCF) to join together, organize, and conduct a campaign to secure the current and future financial needs of these cultural organizations. Grand Opera House, Inc. is one of the cultural organizations. The DASF raised over \$21,500,000 to meet these needs, including \$5,000,000 from the State of Delaware. The funds are administered and invested in DCF, a commingled investment fund for the benefit of the cultural organizations. These assets are excluded from the Grand Opera House, Inc.'s financial statements, since DCF holds variance power over such assets.

During the years ended, July 31, 2020 and 2019, the Organization received \$851,943 and \$313,263 in grants from DASF, respectively. These amounts have been recorded as grant and contribution revenue on the statements of activities.

**NOTE 9: NOTES PAYABLE**

*BankDirect Capital Finance* - During the year ended July 31, 2020, the Organization entered into an agreement with BankDirect Capital Finance to finance insurance premiums. Under the terms of the agreement, the Organization financed \$117,226 and agreed to make 10 monthly payments of \$12,130, including interest at 7.52%, beginning April 1, 2020. The debt is collateralized by a security interest in each policy. As of July 31, 2020, the note payable balance was \$69,308.

During the year ended July 31, 2019, the Organization entered into an agreement with BankDirect Capital Finance to finance insurance premiums. Under the terms of the agreement, the Organization financed \$91,321 and agreed to make 10 monthly payments of \$9,467, including interest at 7.92%, beginning April 1, 2019. The debt was collateralized by a security interest in each policy. As of July 31, 2020 and 2019, the note payable balance was \$0 and \$54,562, respectively.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 9: NOTES PAYABLE - CONTINUED**

*Delaware Community Foundation ArtCo Endowment (ArtCo)* - In March 2019, the Organization received a working capital loan from ArtCo in the amount of \$300,000. The loan bore interest at 2.45% and was unsecured. During March 2020, the Organization satisfied the note. In March 2020, the Organization received a working capital loan from ArtCo in the amount of \$300,000. The loan bears interest at .25%, is unsecured, and payable during March 2021.

*CIT Bank* - During the year ended July 31, 2016, the Organization entered into an installment purchase agreement to purchase certain equipment. Under the terms of the agreement, the Organization financed \$169,346 and agreed to make 60 monthly payments of \$3,192, including interest at 4.9%, beginning June 2016. The debt is collateralized by a security interest in the equipment. As of July 31, 2020 and 2019, the note payable balance was \$28,637 and \$67,066, respectively.

*Artisans' Bank* - The Organization has a \$1,000,000 working capital line of credit with Artisans' Bank. As of July 31, 2019, the line bore interest at the bank's prime rate plus .50% (minimum of 5.25%), required monthly payments of interest only, and matured in May 2020. In May 2020, the line of credit was renewed. The renewed line of credit bears interest at the bank's prime rate plus .50% (minimum of 4.00%), requires monthly payments of interest only, and matures in May 2021. The line is secured by a first mortgage lien and assignment of rents and leases of the Organization's property located at 818 N. Market Street, Wilmington, Delaware. As of July 31, 2020 and 2019, the note payable balance was \$850,000 and \$750,000, respectively, and was being assessed interest at 4.50% and 5.75%, respectively.

*U.S. Small Business Administration (SBA)* - During the year ended July 31, 2020, the Organization received a COVID-19 Economic Injury Disaster Loan (EIDL) from the SBA in the amount of \$150,000. The EIDL has a maturity of 30 years, incurs interest at a fixed rate of 2.75%, and is secured by all collateral of the Organization. Monthly payments of principal and interest in the amount of \$641 commence June 2021.

Maturities of notes payable are as follows as of July 31, 2020:

2021	\$ 1,247,945
2022	394
2023	3,635
2024	3,736
2025	3,840
2026 and Therafter	<u>138,295</u>
	<u><u>\$ 1,397,845</u></u>

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 10: CAPITAL LEASE OBLIGATION**

The Organization was a party to a capital lease obligation relating to equipment that terminated during the year ended July 31, 2020. The capital lease had an imputed interest rate of 20.7%. Total equipment under the capital lease obligation was \$33,364. Accumulated amortization on the equipment was \$33,364 and \$26,691 during the years ended July 31, 2020 and 2019, respectively.

**NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose		
Imagine Your Grand Tomorrow Campaign	\$ 149,303	\$ 149,303
Capital Improvements	132,915	132,915
Program Activities	<u>22,498</u>	<u>146,320</u>
	304,716	428,538
Net Pledges Receivable, the Proceeds from Which Have Been Restricted for Property Improvements	<u>-</u>	<u>113,207</u>
Total Subject to Expenditure for Specified Purpose	304,716	541,745
Subject to the Passage of Time		
Subsequent Fiscal Year General Operations	246,800	406,347
Not Subject to Appropriation or Expenditure		
Beneficial Interest in Perpetual Trusts	<u>4,594,673</u>	<u>4,565,758</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,146,189</u>	<u>\$ 5,513,850</u>

**NOTE 12: TAX STATUS**

The Organization qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and its activities are not subject to income tax.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2017 due to the expiration of the statute of limitations.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 13: PENSION PLAN**

The Organization provides a defined contribution pension plan for full-time employees with two years of employment and part-time employees with 1,000 or more hours per year. Prior to fiscal year 2013, the Organization contributed to the plan 2.5% of eligible annual salaries. During fiscal year 2013, employer contributions to the plan were suspended. Employees are fully vested after two years.

**NOTE 14: RELATED PARTIES**

A board member of the Organization serves as the Vice President of Card Services at the financial institution in which the Organization maintains company credit cards and cash and cash equivalent accounts.

A board member of the Organization serves on the board of DPAC. DPAC is the trustee of a perpetual trust in which the Organization has a beneficial interest (Note 7).

**NOTE 15: BARTER TRANSACTIONS**

The Organization leases office space to third parties in exchange for professional services. Barter revenue is recognized in accordance with the respective lease agreements (Note 16) and is recorded in office rental income in the statements of activities. The expense is recorded in the period the Organization receives the professional service. During the years ended July 31, 2020 and 2019, the Organization recognized approximately \$85,000 of rental income and professional expenses from these arrangements.

The Organization leases the Playhouse from a third party (Note 16). During the year ended July 31, 2019, in exchange for discounted rent, the Organization provided the landlord with \$75,000 worth of marketing and sponsorship commitments and discounted and/or gratuitous tickets to theater events and performances. The Organization recognized \$75,000 in rental expense and contribution revenue from this arrangement during the year ended July 31, 2019.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 16: LEASES**

The Organization leases a portion of its property located at 818 N. Market Street, Wilmington, Delaware to three tenants. Rental income totaled \$140,950 and \$133,683 during the years ended July 31, 2020 and 2019, respectively. Total future minimum rental income to be received is as follows:

Year Ending July 31	Cash	Services	Total
2021	\$ 45,408	\$ 42,324	\$ 87,732
2022	23,840	9,328	33,168
2023	5,440	-	5,440
	\$ 74,688	\$ 51,652	\$ 126,340

The Organization has an operating lease for the premises of the Playhouse expiring June 30, 2023. Rental expense during the years ended July 31, 2020 and 2019 totaled \$75,833 and \$123,225, respectively. Total future minimum lease payments to be disbursed are as follows:

Year Ending July 31	
2021	\$ 85,830
2022	95,837
2023	96,250
	\$ 277,917

**NOTE 17: COMMITMENTS**

*Notes Payable* - As of July 31, 2013, the Organization was obligated under two notes payable to M&T Bank as follows:

Mortgage Note Payable (1201 Loan)	\$ 3,507,293
Demand Note Payable (1301 Loan)	285,884

During the year ended July 31, 2014, the Organization entered into an agreement with M&T Bank related to the two aforementioned notes payable. Under the terms of the agreement, the Organization agreed to make annual principal payments of \$200,000 through the year ended July 31, 2017 for a total aggregate sum of \$1,000,000. As security for the Organization's obligations under this agreement, the Organization pledged and collaterally assigned to M&T Bank its right, title, and interest in 1735 Del Gesu Partners, L.P. The agreement was also secured by a mortgage on certain property owned by the Organization, personal property, and an assignment of rents. In addition, the

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 17: COMMITMENTS - CONTINUED**

*Notes Payable - Continued* - Organization paid a portion of the proceeds received from the assignment and transfer of tax credits granted for certain restoration work at its facilities. The Organization was not obligated to make payments of interest to M&T Bank; however, interest continued to accrue at a fixed rate of 5%. Upon timely receipt of the annual principal payments, there would be no further obligation with respect to the accrued interest balance. The Organization was not obligated to make payments for interest accrued prior to the execution of this agreement.

Due to the terms of the pledge and collateral assignment of the L.P. interest described above, the asset was derecognized during the year ended July 31, 2014. As a result, the Organization recognized a gain totaling \$1,879,365 in the statement of activities for the year ended July 31, 2014.

During the year ended July 31, 2020, no principal payments were paid in accordance with the agreement. As of July 31, 2017, there were no outstanding principal payments. Final settlement of the agreement will occur upon the dissolving of the Del Gesu, L.P. and transfer of the sale proceeds to M&T Bank, which is expected to occur during 2023.

*Marketing and Sponsorship Commitments* - In consideration for discounted rent previously provided by the landlord, the lease of the Playhouse (Note 16) requires the Organization to annually provide the landlord with \$60,000 worth of marketing and sponsorship commitments and discounted and/or gratuitous tickets to theater events and performances.

*Collective Bargaining Agreement* - The Organization has an agreement through August 31, 2020, for the purpose of collective bargaining with respect to rates of pay, hours, and other employment conditions for theater actors and staff. Approximately 11% of the Organization's salaries were paid under this agreement during the year ended July 31, 2020.

**NOTE 18: CONDITIONAL CONTRIBUTION - PAYCHECK PROTECTION PROGRAM (PPP) LOAN**

In response to the uncertainty created by the COVID-19 pandemic, the federal government signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

A provision of the CARES Act allowed for loans to eligible small businesses, including nonprofit organizations, under its Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration. PPP loans have a maturity term of two years and incur interest at a rate of 1%. PPP loans contain provisions to forgive all or a portion of the funds borrowed based on a calculation that considers the borrower's incurrence of eligible costs and maintaining employee and salary levels for a period of time after receipt of the loan funds. During the year ended July 31, 2020, the Organization received a PPP loan in the amount of \$618,560.

**GRAND OPERA HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2020**

**NOTE 18: CONDITIONAL CONTRIBUTION - PAYCHECK PROTECTION PROGRAM (PPP) LOAN - CONTINUED**

The PPP loan has been recorded as a conditional grant on the statement of financial position as of July 31, 2020. Upon completion of the performance obligations contained in the PPP loan agreement, which includes the submission of an application for loan forgiveness, the Organization will recognize the conditional grant as revenue. The Organization anticipates meeting the performance obligations during the year ending July 31, 2021.