

LYRIC OPERA OF CHICAGO
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2021 and 2020

LYRIC OPERA OF CHICAGO
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2021 and 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTAL SCHEDULE	
STATEMENT OF ACTIVITIES – COLUMN FORMAT	34

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lyric Opera of Chicago
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Lyric Opera of Chicago (the Opera), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lyric Opera of Chicago as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note A to the financial statements, the Opera has adopted Accounting Standards Update (ASU) 2016-02 - *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of activities - column format is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe LLP

Crowe LLP

Chicago, Illinois
October 25, 2021

LYRIC OPERA OF CHICAGO
 STATEMENTS OF FINANCIAL POSITION
 As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,719,338	\$ 3,016,280
Short-Term Investments	13,654,981	18,476,005
Ticket and Other Receivables	191,268	2,397,792
Pledge and Bequest Receivables, net	4,138,068	5,432,166
Deferred Production Costs and Other Assets	2,351,183	905,300
Total Current Assets	23,054,838	30,227,543
Long-Term Assets		
Pledge and Bequest Receivables, net	19,505,593	21,937,669
Long-Term Investments	227,939,616	179,197,843
Deferred Production Costs and Other Assets	772,744	492,220
Property and Equipment, net	40,646,379	37,783,075
Total Long-Term Assets	288,864,332	239,410,807
Total Assets	\$ 311,919,170	\$ 269,638,350
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Other Liabilities	\$ 4,419,696	\$ 2,648,115
Deferred Ticket and Other Revenue	9,047,848	10,130,692
Severance Plans	406,001	644,150
Interest Rate Swap	1,488,351	1,479,416
Total Current Liabilities	15,361,896	14,902,373
Long-Term Liabilities		
Long-Term Other Liabilities	339,642	-
Severance Plans	3,416,930	3,706,372
Debt Payable, net	65,293,900	65,212,171
Forgivable Paycheck Protection Program Loan	5,650,445	-
Interest Rate Swap	7,473,236	10,252,110
Total Long-Term Liabilities	82,174,153	79,170,653
Total Liabilities	97,536,049	94,073,026
Net Assets		
Without Donor Restrictions	112,363,494	87,066,225
With Donor Restrictions		
Time or Purpose	67,817,559	58,630,979
Perpetual	34,202,068	29,868,120
Total With Donor Restrictions	102,019,627	88,499,099
Total Net Assets	214,383,121	175,565,324
Total Liabilities and Net Assets	\$ 311,919,170	\$ 269,638,350

See accompanying notes to financial statements.

LYRIC OPERA OF CHICAGO
 STATEMENTS OF ACTIVITIES
 For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Operating		
Revenue and Support		
Revenue		
Ticket Sales	\$ 42,375	\$ 15,483,046
Spending Draw	14,408,333	16,037,524
Investment Return	178,493	559,792
Other	<u>251,258</u>	<u>3,951,448</u>
Total Revenue	<u>14,880,459</u>	<u>36,031,810</u>
Support		
Contributions and Fundraising Revenue, net	15,167,509	17,905,579
Net Assets Released from Restriction and Designation	<u>10,160,286</u>	<u>17,868,561</u>
Total Support	<u>25,327,795</u>	<u>35,774,140</u>
Total Operating Revenue and Support	<u>40,208,254</u>	<u>71,805,950</u>
Expenses		
Artistic, Production and Promotional	29,280,987	59,811,753
Administration	6,706,465	7,297,337
Development	<u>4,220,802</u>	<u>4,696,860</u>
Total Expenses	<u>40,208,254</u>	<u>71,805,950</u>
Change in Net Assets from Operations	<u>\$ -</u>	<u>\$ -</u>

(Continued)

LYRIC OPERA OF CHICAGO
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Non-Operating		
Revenue and Support		
Contributions	\$ 5,175,239	\$ 9,006,283
Investment Return, net of Spending Draw	18,305,185	(17,833,625)
Unrealized Gain (Loss) on Interest Rate Swap	2,769,939	(2,682,719)
Other Revenue	132,315	69,188
Net Assets Released from Restriction and Designation	<u>3,237,253</u>	<u>(2,150,620)</u>
Total Revenue and Support	<u>29,619,931</u>	<u>(13,591,493)</u>
Expenses		
Depreciation	3,875,368	3,959,704
Other	<u>447,294</u>	<u>1,628,460</u>
Total Expenses	<u>4,322,662</u>	<u>5,588,164</u>
Change in Non-Operating Net Assets		
Without Donor Restrictions	<u>25,297,269</u>	<u>(19,179,657)</u>
Change in Net Assets Without Donor Restrictions	<u>25,297,269</u>	<u>(19,179,657)</u>
Changes in Net Assets With Donor Restrictions		
Contributions	13,551,048	9,845,400
Investment Return	13,849,746	(590,323)
Increase in Allowance for Doubtful Pledges Receivable	(482,727)	-
Net Assets Released from Restriction	<u>(13,397,539)</u>	<u>(15,717,941)</u>
Change in Net Assets With Donor Restrictions	<u>13,520,528</u>	<u>(6,462,864)</u>
Change in Net Assets	38,817,797	(25,642,521)
Net Assets at Beginning of Year	<u>175,565,324</u>	<u>201,207,845</u>
Net Assets at End of Year	<u>\$ 214,383,121</u>	<u>\$ 175,565,324</u>

See accompanying notes to financial statements.

LYRIC OPERA OF CHICAGO
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 38,817,797	\$ (25,642,521)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	3,957,097	4,041,433
Net Realized and Unrealized (Gains) Losses on Investments	(46,583,774)	3,574,539
Net Interest Rate Swap Settlements	1,484,166	1,084,158
Unrealized (Gain) Loss on Interest Rate Swap	(2,769,939)	2,682,719
Contributions With Donor Restrictions for Endowment	(4,464,692)	(271,612)
Contributions With Donor Restrictions for Capital Investment	(1,472,891)	(976,591)
Decrease in Pledge and Bequest Receivables	3,726,174	4,430,067
(Increase) Decrease in Ticket and Other Receivables	2,206,524	(1,717,994)
(Increase) Decrease in Deferred Production Costs and Other Assets	(1,726,407)	1,449,488
Increase (Decrease) in Accounts Payable and Other Liabilities	2,111,223	(618,098)
(Decrease) Increase in Deferred Ticket and Other Revenue	(1,082,844)	(5,235,411)
Increase (Decrease) in Severance Plans	<u>(527,591)</u>	<u>95,266</u>
Net Cash Used In Operating Activities	(6,325,157)	(17,104,557)
Cash Flows from Investing Activities		
Sale of Investments	162,651,265	73,365,368
Purchase of Investments	(159,988,240)	(56,184,351)
Net Interest Rate Swap Settlements	(1,484,166)	(1,084,158)
Fixed Asset Additions:		
Facilities	(82,539)	(400,860)
Equipment and Other Assets	<u>(6,656,133)</u>	<u>(1,260,751)</u>
Net Cash (Used in) Provided By Investing Activities	(5,559,813)	14,435,248
Cash Flows from Financing Activities		
Proceeds from Forgivable Paycheck Protection Program Loan	5,650,445	-
Contributions With Donor Restrictions for Endowment	4,464,692	271,612
Contributions With Donor Restrictions for Capital Investment	<u>1,472,891</u>	<u>976,591</u>
Net Cash Provided by Financing Activities	<u>11,588,028</u>	<u>1,248,203</u>
Net Decrease in Cash and Cash Equivalents	(296,942)	(1,421,106)
Cash and Cash Equivalents at Beginning of Year	<u>3,016,280</u>	<u>4,437,386</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,719,338</u>	<u>\$ 3,016,280</u>
Supplemental Disclosure of Cash Flow Information		
Interest Paid	<u>\$ 1,757,893</u>	<u>\$ 2,031,942</u>

See accompanying notes to financial statements.

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Lyric Opera of Chicago (the Opera) is a not-for-profit corporation incorporated in the State of Illinois. The Opera's primary purpose is to sponsor, produce, and encourage opera and musical performances. The Opera's operations include international grand opera, educational and community engagement activities through Lyric Unlimited, other musical performances and the training for young artists through the Patrick G. and Shirley W. Ryan Opera Center (the Ryan Opera Center).

Basis of Accounting: The accounting records of the Opera are maintained on the accrual basis.

Basis of Presentation: Resources of the Opera are classified for reporting purposes into the following two net asset categories according to the existence or absence of donor-imposed restrictions:

- Net Assets Without Donor Restrictions - net assets which are not subject to donor-imposed restrictions including the carrying value of physical properties (land, facilities and equipment). Items which increase or decrease this net asset category include revenue—principally ticket sales and investment income unless donor-restricted, and all expenses of the Opera. This category also includes gifts without donor restriction and gifts with donor restriction whose donor-imposed or time restrictions were met during the fiscal year.
- Operating and Non-Operating Activities: Within net assets without donor restrictions are:
 - Operating net assets without donor restrictions – include all operating revenue and expenses without donor restrictions that are an integral part of its programs and supporting activities, interest expense and other debt service costs, net assets released from donor restrictions to support operating activities, and distributions in accordance with the Opera's spending policies and capital campaigns.
 - Non-Operating net assets without donor restrictions – include investment returns in excess of/less than the Opera's spending policy without donor restrictions, depreciation of property and equipment, the actuarial change in severance plans' valuation, and the unrealized balance in the value of the swap. Charitable gift annuities without donor restrictions are also included in Non-Operating Revenue and Support as contributions.
- Net Assets With Donor Restrictions - net assets subject to donor-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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid, interest-bearing, investments with original maturities of three months or less.

Short-Term Investments: Short-term investments consist of short-term fixed income mutual funds.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledge and Bequest Receivables: Contributions, including cash or other assets, as well as unconditional promises to give, are recognized in the period received.

Contributions are classified as without donor restrictions or with donor restrictions support based on donor-imposed restrictions. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is met), the Opera reclassifies the net assets with donor restrictions to net assets without donor restrictions and reports these assets as released from restriction. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the Opera classifies the support as without donor restrictions, except for production sponsorship where the contribution is classified as with donor restrictions until the opening of the production.

As of June 30, 2021 and 2020, contributors to the Opera have made unconditional promises to give, which are due as follows:

<u>June 30, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Less than one year	962,329	3,801,513	\$ 4,763,842
One to five years	9,917	13,765,292	13,775,209
More than five years	-	-	-
With no due date	<u>75,000</u>	<u>9,054,158</u>	<u>9,129,158</u>
Gross	1,047,246	26,620,963	27,668,209
Less discount	11,506	3,451,042	3,462,548
Less allowance	<u>32,000</u>	<u>530,000</u>	<u>562,000</u>
Net	<u>\$ 1,003,740</u>	<u>\$ 22,639,921</u>	<u>\$ 23,643,661</u>
<u>June 30, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Less than one year	\$ 2,274,571	\$ 3,311,826	\$ 5,586,397
One to five years	515,917	16,029,741	16,545,658
More than five years	-	450,000	450,000
With no due date	<u>75,000</u>	<u>9,044,715</u>	<u>9,119,715</u>
Gross	2,865,488	28,836,282	31,701,770
Less discount	44,152	3,737,756	3,781,908
Less allowance	<u>279,017</u>	<u>271,010</u>	<u>550,027</u>
Net	<u>\$ 2,542,319</u>	<u>\$ 24,827,516</u>	<u>\$ 27,369,835</u>

Unconditional pledges expected to be received over more than one year from the statements of financial position date are recorded by the Opera at their net realizable value using a discount rate equivalent to treasury yields.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Production Costs: Expenditures for scenery, costumes, and stage properties are recorded as deferred production costs if specifically related to productions of future opera seasons and expensed if used in productions of the current opera season.

Long-Term Investments: Long-term investments, consisting primarily of publicly traded equity and fixed income mutual funds, alternative investments and real assets, are stated at fair value. For investment purposes, funds without donor restriction are commingled with endowment funds to constitute the managed portfolio.

Property and Equipment: Purchases or donations of property and equipment greater than \$5,000 that have a useful life of more than one year are capitalized at their original cost or estimated fair value at the date of donation. Provisions for depreciation are computed on the straight-line method based on estimated useful lives ranging from three to forty years.

Property and equipment consist of:

	<u>2021</u>	<u>2020</u>
Land	\$ 696,577	\$ 696,577
Equipment	17,876,232	17,698,007
Facilities	90,959,359	90,864,018
Work In Process	7,445,828	1,225,840
Less: accumulated depreciation	<u>76,331,617</u>	<u>72,701,367</u>
Net	<u>\$ 40,646,379</u>	<u>\$ 37,783,075</u>

Donated assets, or assets acquired with gifts with donor restrictions to the purchase of long-lived assets, are reclassified to net assets without donor restrictions when they are placed into service.

On an ongoing basis, the Opera reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. As of June 30, 2021 and 2020, management believes that no impairments existed.

Deferred Ticket Revenue: Deferred ticket revenue relates to ticket sales for the following season.

Interest Rate Swap: The Opera entered into an interest rate swap agreement as part of its interest rate risk management strategy, not for speculation. Although the Opera believes the derivative would qualify as a hedge, accounting standards for not-for-profits allow reporting the instrument as a freestanding derivative.

Donated Services and Materials: The Opera records various types of in-kind support, including contributed services, equipment, and other goods. Contributions of tangible assets and services are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets. Donated services were \$491,081 and \$601,421 for the years ended June 30, 2021 and 2020, respectively. Donated materials were \$49,104 and \$131,286 for the years ended June 30, 2021 and 2020, respectively.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the years ended June 30, 2021 and 2020, substantial amounts of time were donated by volunteers to the Opera in its fundraising and outreach efforts. In accordance with accounting principles generally accepted in the United States of America such amounts were not recorded as contributions in the financial statements.

Realized and Unrealized Investment Gains (Losses): Changes in the fair value of investments are reported as realized and unrealized investment gains or losses without donor restrictions unless a donor restricts income for a specific purpose. If the earnings are on assets with donor restrictions and not yet appropriated for expenditure, changes in the fair value of investments are reported as with donor restrictions.

Other Operating Revenue: Other operating revenue includes revenue from various sources such as facilities rentals, concessions, production rentals, and education and community engagement activities.

Contributions and Fundraising Revenue, net: Contributions and fundraising revenue, net, includes Annual Campaign contributions and various fundraising special events contributions without donor restrictions, admissions, sales, and related expenses. The following table summarizes this information for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Contributions and fundraising revenue	\$ 15,753,212	\$ 19,180,964
Special event expenses	<u>(585,703)</u>	<u>(1,275,385)</u>
Net	<u>\$ 15,167,509</u>	<u>\$ 17,905,579</u>

Advertising Costs: Advertising costs are either expensed as incurred or charged to prepaid expenses when directly related to ticket sales for the following fiscal year. Advertising costs charged to expense were \$309,300 and \$2,744,726 for the years ended June 30, 2021 and 2020, respectively. Prepaid advertising expenses, to be expensed in the following fiscal year, were \$97,550 and \$256,970 as of June 30, 2021 and 2020, respectively.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Adoption of New Accounting Standards: In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use (ROU) asset on the balance sheet for most operating leases, except for those leases with an original term of twelve months or less. Accounting for finance leases is substantially unchanged. The new lease standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

The Opera adopted the new lease standard as of July 1, 2020 using a modified retrospective transition, with the cumulative-effect adjustment recorded to the opening balance of net assets as of the effective date. Financial results reported in periods prior to fiscal 2021 are unchanged. The Opera also elected the package of transition practical expedients, which among other things, does not require reassessment of lease classification.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of the new lease standard did not have a significant impact on the Opera's statements of financial position due to the recognition of approximately \$0.5 million of lease liabilities with corresponding right-of-use assets for operating leases as of June 30, 2021.

At inception, the Opera classifies a new lease as either operating or financing, depending upon relevant facts and circumstances. ROU assets related to operating leases are included in long-term deferred production costs and other assets, while lease liabilities are included in current accounts payable and other liabilities, and long-term other liabilities in the Opera's balance sheet. Leases are classified between current and long-term liabilities based on their payment terms. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of twelve months or less are not recorded on the statements of financial position.

ROU assets represent the Opera's right to use an underlying asset for the lease term and lease liabilities represent the Opera's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. ROU assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives.

As the implicit rate is generally not readily determinable for all of the Opera's leases, the Opera elected to use the risk-free rate practical expedient for the discount rate. Additionally, none of the leases include options to extend the lease. Certain leases include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Opera's lease agreements do not contain any residual value guarantees.

Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification.

Equipment leases comprise the majority of the Opera's leasing activities. The Opera accounts for the lease and non-lease components of these leases as a single lease component.

Reclassifications: Certain amounts previously reported in the 2020 financial statements have been reclassified to conform to the 2021 presentation. The reclassifications did not affect the net assets or the changes in net assets for the year ended June 30, 2020.

NOTE B – INCOME TAXES

The Opera is exempt from federal income taxes under the provisions of Section 501(C)(3) of the Internal Revenue Code. The Opera has concluded there were no material uncertain tax positions nor does the Opera expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Opera does not have nor does it anticipate any interest and penalties related to unrecognized tax positions in interest and income tax expense as of June 30, 2021 and June 30, 2020. There are no on-going federal, state or local audits.

(Continued)

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Opera's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The Opera is permitted to use a practical expedient which allows for the measurement of the fair value based on the investee's net asset value per share or its equivalent. Investments using Net Asset Value (NAV) per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as "NAV" in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the Statements of Financial Position.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates (Level 2 inputs). The fair value of investments in limited liability partnerships are valued at NAV based on valuations provided by the external investment manager as of the date of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through the end of the fiscal year.

Investment Strategies and Valuation Inputs

Fixed Income Securities consist of mutual funds which are primarily invested in debt securities. The fair value of mutual funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges.

Equity Securities consist of mutual funds, common trust funds, and a limited partnership, all of which are primarily invested in equity securities. The fair value of mutual funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges. The Opera has full transparency to the holdings of the common trust funds, and the fair value of these investments and the limited partnership investment has been determined by the managers based on the market prices of the underlying holdings. The limited partnership is invested primarily in emerging market equity securities.

(Continued)

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Hedged Equities (Long/Short) consists of funds which seek above-average returns in all market environments. The funds invest in both long and short securities to mitigate market risk. Certain investment funds concentrate their investment programs in specific industries, sectors or market capitalization. In addition, the funds may utilize leverage, options, futures, commodities or other derivatives and may invest in non-U.S. securities and illiquid securities.

Absolute Return consists of funds which seek to generate attractive, risk-adjusted returns across all market environments. In pursuing this investment objective, the funds generally employ multiple strategies, including without limitation, (i) credit and volatility-driven strategies such as the trading of convertible, asset-backed, mortgage-backed, high-yield and distressed instruments, credit, fixed-income and capital structure arbitrage, and private placements, (ii) equity strategies, including fundamental and quantitative long-short, long only and short only equity trades, and relative value-driven equity strategies and (iii) investments in commodity derivatives and physical commodities.

Real Assets and Private Equities consists of funds which invest in real estate, business services, consumer sector, natural resources, credit.

- (1) Investments in real estate seek to capitalize on relative value and opportunities across various property types, geographic regions and strategies through value-added real estate investments primarily in the United States.
- (2) Private equities consist of lower-middle-market buyout and distressed/special situation managers focused on industrials, business services, and consumer sector
- (3) Natural resources consist of global investments in commodities such as metals and mining, gold and other precious metals and oil and gas exploration and production. Holdings may be comprised of equities, ETFs, debt, illiquid investments, derivatives, commodity futures and commodity future options.
- (4) Credit funds pursue investments in distressed residential mortgage market and opportunistic investments in corporate credit, real estate and asset-based lending. The funds may engage in hedging activities, including interest rate hedging, currency hedging, short sales, foreign exchange transactions, and other derivative contracts or instruments.

Assets Held in Trust – The Opera is the beneficiary of two endowment funds managed by the Chicago Community Trust. The fair value of beneficial interests is determined based upon the Opera's proportional interest in the fair value of the underlying trust assets. The underlying trust assets are either readily marketable and have fair values which are determined by obtaining quoted market prices in active markets, or are determined by the trust using information provided by the related investment manager (Level 3 inputs)[income approach].

Interest Rate Swap – The fair value of the swap is computed using the present value of cash flows based on the notional amount, term, and fixed and variable interest rates contained in the contract. The model prices the instrument at an exit value were the agreement terminated at the date of valuation. Significant fair value inputs can be verified and do not involve management judgments (Level 2 inputs)[income approach].

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Alternative Investments consist of the hedged equities, absolute return and real assets investment categories. The Opera generally uses the net asset value (“NAV”), but incorporates information such as historical and current performance of underlying assets, liquidity terms of the investment agreements, completed or pending transactions in the underlying or a comparable investment, and overall market conditions in determining valuations. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, or appraisals. In some instances, the Opera possesses the ability to redeem its investment at the NAV at or near the measurement date. In some instances, however, restrictions on redemptions, such as notice requirements, lock-ups and gates, may be in place such that investment redemption at NAV is not possible at the measurement date.

Within the international equities and absolute return investment groups, \$10 million and \$2.5 million, respectively, were committed through capital calls prior to June 30, 2020. However, the investment accounts were not made active until July 1, 2020.

The following table discloses additional information about investments recorded at fair value at June 30, 2021 and 2020:

<u>June 30, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Estimated Remaining Life</u>
Fixed income securities	\$ 36,947,076	\$ -	Daily	n/a
Equity securities	135,883,763	-	Daily to monthly	n/a
Hedged equities	24,001,211	-	Monthly to one year	n/a
Absolute return	31,181,598	-	Quarterly to three years	n/a
Real assets and private equities				
Credit and real estate	6,064,315	5,130,245	Not permitted	1-10 years
Private equities	1,811,488	6,357,430	Not permitted	9-10 years
Investment assets held in trust	<u>5,705,146</u>	<u>-</u>	Not permitted	n/a
 Total investments	 <u>\$ 241,594,597</u>	 <u>\$ 11,487,675</u>		

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

<u>June 30, 2020</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Estimated Remaining Life</u>
Fixed income securities	\$ 39,417,703	\$ -	Daily	n/a
Equity securities	103,677,508	-	Daily to monthly	n/a
Hedged equities	20,202,819	-	Monthly to one year	n/a
Absolute return	24,079,875	-	Quarterly to three years or not permitted	n/a
Real assets				
Credit and real estate	5,856,066	5,351,621	Not permitted	1-10 years
Natural resources	11	-	Not permitted	n/a
Investment assets held in trust	<u>4,439,866</u>	<u>-</u>	Not permitted	n/a
 Total investments	 <u>\$ 197,673,848</u>	 <u>\$ 5,351,621</u>		

At June 30, 2021, \$83,439 of the Opera's alternative investments are in illiquid, special investments. Unfunded commitments represent capital calls which can be made at the discretion of the general partner within contractual limits. These commitments do not represent obligations required to be accrued on the Statements of Financial Position.

Assets and liabilities measured on a recurring basis at fair value at June 30, 2021 and 2020, are summarized below:

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Current assets:					
Fixed income securities	\$ 13,654,981	\$ -	\$ -	\$ -	\$ 13,654,981
Long-term assets:					
Fixed income securities	23,292,095	-	-	-	23,292,095
Equity securities					
Large cap	108,262	-	-	62,479,272	62,587,534
Small cap	11,878	-	-	9,638,086	9,649,964
International	19,166,960	-	-	44,479,305	63,646,265
Hedged equities	-	-	-	24,001,211	24,001,211
Absolute return	-	-	-	31,181,598	31,181,598
Real assets/private equities	-	-	-	7,875,803	7,875,803
Investment assets held in trust	<u>-</u>	<u>-</u>	<u>5,705,146</u>	<u>-</u>	<u>5,705,146</u>
Total long-term assets	<u>42,579,195</u>	<u>-</u>	<u>5,705,146</u>	<u>179,655,275</u>	<u>227,939,616</u>
 Total assets	 <u>\$ 56,234,176</u>	 <u>\$ -</u>	 <u>\$ 5,705,146</u>	 <u>\$ 179,655,275</u>	 <u>\$ 241,594,597</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Current liabilities:					
Interest rate swap	\$ -	\$ 1,488,351	\$ -	\$ -	\$ 1,488,351
Long-term liabilities:					
Interest rate swap	<u>-</u>	<u>7,473,236</u>	<u>-</u>	<u>-</u>	<u>7,473,236</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ 8,961,587</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 8,961,587</u>

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Current assets:					
Fixed income securities	\$ 18,476,005	\$ -	\$ -	\$ -	\$ 18,476,005
Long-term assets:					
Fixed income securities	20,941,698	-	-	-	20,941,698
Equity securities					
Large cap	26,598,771	-	-	22,279,901	48,878,672
Small cap	8,344	-	-	7,227,826	7,236,170
International	15,862,073	-	-	31,700,593	47,562,666
Hedged equities	-	-	-	20,202,819	20,202,819
Absolute return	-	-	-	24,079,875	24,079,875
Real assets	-	-	-	5,856,077	5,856,077
Investment assets held in trust	-	-	4,439,866	-	4,439,866
Total long-term assets	<u>63,410,886</u>	<u>-</u>	<u>4,439,866</u>	<u>111,347,091</u>	<u>179,197,843</u>
 Total assets	 <u>\$ 81,886,891</u>	 <u>\$ -</u>	 <u>\$ 4,439,866</u>	 <u>\$ 111,347,091</u>	 <u>\$ 197,673,848</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Current liabilities:					
Interest rate swap	\$ -	\$ 1,479,416	\$ -	\$ -	\$ 1,479,416
Long-term liabilities:					
Interest rate swap	<u>-</u>	<u>10,252,110</u>	<u>-</u>	<u>-</u>	<u>10,252,110</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ 11,731,526</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 11,731,526</u>

The table below reconciles beginning and ending balances for Level 3 assets for the years ended June 30, 2021 and 2020:

<u>Year ended</u> <u>June 30, 2021</u>	<u>Investment Assets</u> <u>Held In Trust</u>
July 1, 2020	\$ 4,439,866
Distributions	(178,383)
Unrealized gains	<u>1,443,663</u>
 June 30, 2021	 <u>\$ 5,705,146</u>

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Year ended <u>June 30, 2020</u>	Investment Assets <u>Held In Trust</u>
July 1, 2019	\$ 4,615,950
Distributions	(155,748)
Unrealized losses	<u>(20,336)</u>
June 30, 2020	<u>\$ 4,439,866</u>

The realized and unrealized gains (losses) on Level 3 investments still held at June 30, 2021 and 2020 were \$1,433,663 and \$(20,336), respectively.

Investment Returns

Investment returns for the years ended June 30, 2021 and 2020, are summarized as follows:

	<u>Without Donor Restrictions</u>		<u>With Donor</u>	<u>Total</u>
	<u>Operating</u>	<u>Non-Operating</u>	<u>Restrictions</u>	
<u>2021</u>				
Interest and dividends	\$ 96,694	\$ 1,384,263	\$ 539,252	\$ 2,020,209
Net realized and unrealized gains	81,799	32,667,224	13,834,751	46,583,774
Investment expenses	<u>-</u>	<u>(1,337,969)</u>	<u>(524,257)</u>	<u>(1,862,226)</u>
Total return on investments	178,493	32,713,518	13,849,746	46,741,757
Board authorized spending draw	<u>-</u>	<u>(14,408,333)</u>	<u>-</u>	<u>(14,408,333)</u>
Total return on investments, net of spending draw	<u>\$ 178,493</u>	<u>\$ 18,305,185</u>	<u>\$ 13,849,746</u>	<u>\$ 32,333,424</u>
	<u>Without Donor Restrictions</u>	<u>With Donor</u>		
	<u>Operating</u>	<u>Non-Operating</u>	<u>Restrictions</u>	<u>Total</u>
<u>2020</u>				
Interest and dividends	\$ 611,304	\$ 2,060,741	\$ 694,502	\$ 3,366,547
Net realized and unrealized losses	(51,512)	(2,645,468)	(877,559)	(3,574,539)
Investment expenses	<u>-</u>	<u>(1,211,374)</u>	<u>(407,266)</u>	<u>(1,618,640)</u>
Total return on investments	559,792	(1,796,101)	(590,323)	(1,826,632)
Board authorized spending draw	<u>-</u>	<u>(16,037,524)</u>	<u>-</u>	<u>(16,037,524)</u>
Total return on investments, net of spending draw	<u>\$ 559,792</u>	<u>\$ (17,833,625)</u>	<u>\$ (590,323)</u>	<u>\$ (17,864,156)</u>

(Continued)

NOTE D – ENDOWMENT

The Opera's endowment is comprised of perpetual donor-restricted funds.

The Opera has interpreted the State of Illinois' Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Opera retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. Accumulations to the donor-restricted endowment net of Board authorized spending draws are classified as net assets with donor restrictions.

In accordance with UPMIFA, the Opera considers the following factors, among others, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Opera and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Opera; and
- The investment policies of the Opera.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Opera to retain as a fund of perpetual duration. In the event an endowment fund falls 20% below the level the donor has required the Opera to retain, an analysis of the fund will be undertaken to determine future spending distributions. In the event an endowment fund falls 25% below the level the donor has required the Opera to retain, future spending distributions will be suspended until the fund again exceeds the 25% level. There were no deficiencies at June 30, 2021 and four endowment funds with a total fair value of \$0.6 million that were deficient up to 3.5% at June 30, 2020.

The Investment Committee of the Board of Directors establishes policies and procedures concerning the management of endowment funds. These policies establish asset classes that are deemed suitable for investment of endowment funds which currently include investments in domestic and international equities, fixed income, alternative strategies and real assets.

Endowment funds, commingled with other funds without donor restrictions, are managed on a total return basis taking into consideration the need to maintain the purchasing power of the managed portfolio as well as the need to support the Opera's mission.

Risk and return expectations for the managed portfolio are modeled using historical rates of return and volatility measures for various asset allocation scenarios. Investments are made in various asset classes based on policy requirements for a highly diversified portfolio in accordance with asset allocation guidelines. Actual allocations to an asset class are compared to target allocations and rebalanced as appropriate. The performance of the managed portfolio is reported on a monthly basis with a target return of 8%.

(Continued)

LYRIC OPERA OF CHICAGO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE D – ENDOWMENT (Continued)

The Opera's Board of Directors has approved a spending policy which allows for the transfer of 5% of the average of the market values of the trailing twelve quarter balance of the managed portfolio at December 31 of the previous fiscal year, including endowment balances, to be used to support operations and fund debt service. The spending rate approximates the return objective of the fund allowing for the preservation of purchasing power and growth of the managed portfolio through investment returns in excess of the objective and new gifts.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020:

	<u>With Donor Restrictions</u>
<u>June 30, 2021</u>	
Pledges receivable, net	\$ 1,600,612
Interfund receivable	13,000
Donor restricted endowment funds	
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	32,588,456
Accumulated investment gains	<u>33,848,990</u>
Total donor restricted endowment funds	<u>66,437,446</u>
Total net assets	<u>\$ 68,051,058</u>
<u>June 30, 2020</u>	
Pledges receivable, net	\$ 941,664
Interfund receivable	13,000
Donor restricted endowment funds	
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	28,913,456
Accumulated investment gains	<u>22,329,088</u>
Total donor restricted endowment funds	<u>51,242,544</u>
Total net assets	<u>\$ 52,197,208</u>

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE D – ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30, 2021 and 2020:

	<u>With Donor Restrictions</u>
<u>Year Ended June 30, 2021</u>	
Net assets at beginning of year	\$ 52,197,208
Investment return	
Investment income	60,246
Net appreciation (realized and unrealized)	<u>13,834,751</u>
Total investment return	13,894,997
Contributions	4,364,692
Appropriation of endowment assets for expenditures	<u>(2,405,839)</u>
Net assets at end of year	<u>\$ 68,051,058</u>
	<u>With Donor Restrictions</u>
<u>Year Ended June 30, 2020</u>	
Net assets at beginning of year	\$ 54,986,096
Investment return	
Investment income	331,374
Net appreciation (realized and unrealized)	<u>(877,559)</u>
Total investment return	(546,185)
Contributions	271,612
Appropriation of endowment assets for expenditures	<u>(2,514,315)</u>
Net assets at end of year	<u>\$ 52,197,208</u>

NOTE E – EMPLOYEE RETIREMENT BENEFITS

401(k) Plan: The Opera provides a 401(k) plan which allows eligible full-time administrative non-union employees to make elective deferrals. The Opera makes a matching contribution based on a percentage of each employee's deferral. For the years ended June 30, 2021 and 2020, the Opera contributed \$312,716 and \$578,902, respectively.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE E – EMPLOYEE RETIREMENT BENEFITS (Continued)

Multiemployer Retirement Plans: The Opera contributes to a number of defined benefit multi-employer pension plans under the terms of collective-bargaining agreements which cover its union-represented employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following respects:

- a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c) If the Opera chooses to stop participating in any of its multi-employer plans, the Opera may be required to pay those plans an amount based on the Opera's proportionate share of unfunded vested plan benefits, referred to as a withdrawal liability.

The Opera participates in eight multi-employer defined benefit plans, two of which are material to the Opera's financial position. The Opera's participation in the plans which cover Orchestra and Stagehand employees is outlined in the following table. "EIN/Pension Plan Number" provides the Employee Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available is for the plan's year-end. The zone status is based on information that the Opera received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. "FIP/RP Status" indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Lyric was advised that the American Federation of Musicians and Employers' Pension Fund entered critical and declining status for the plan year beginning April 1, 2019. On March 10, 2021 US Congress passed the American Rescue Plan Act of 2021, which included a provision to pay for all Plan benefits over the next 30 years, without reducing benefits. The following table does not reflect the impact of the American Rescue Plan Act of 2021, which was passed subsequent to the plan year-end reported below.

	<u>Orchestra</u>	<u>Stagehands</u>
Pension Fund	American Federation of Musicians and Employers' Pension Fund	Stagehands Local Two Retirement Plan
EIN/pension plan number	51-6120204/001	36-6099766/001
Expiration date of collective bargaining agreement	6/30/2022	6/30/2023
Opera contributions –		
Fiscal 2021	\$289,784	\$261,850
Fiscal 2020	\$1,193,934	\$717,277
Plan year-end of most recent Form 5500 filing	3/31/2020	12/31/2019
PPA zone status –		
Most recent year	Red	Green
Two years prior	Red	Green
FIP/RP status	Implemented	Not applicable
Surcharge imposed	Yes	No
Opera contributed more than 5% of total contributions	No	Yes

The Opera contributed a total of \$88,225 and \$86,554 to six other defined benefit multi-employer plans in fiscal 2021 and 2020, respectively. The Opera also contributed \$616,319 and \$1,480,586 to various defined contribution multi-employer plans in fiscal 2021 and 2020, respectively.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE E – EMPLOYEE RETIREMENT BENEFITS (Continued)

Severance Benefits: In addition to contributions to multiemployer retirement plans, the Opera provides severance benefits for the orchestra, chorus, production staff, and dancers. Severance benefits are based on a combination of wages, age, and length of service.

The change in benefit obligations and the funded status of the plans for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 4,350,522	\$ 4,255,256
Service cost	165,400	151,799
Interest cost	100,072	126,230
Actuarial loss/(gain)	60,193	953,950
Benefits paid	<u>(853,256)</u>	<u>(1,136,713)</u>
Benefit obligation, end of period	<u>\$ 3,822,931</u>	<u>\$ 4,350,522</u>
Funded Status		
Projected benefit obligation	\$ (3,822,931)	\$ (4,350,522)
Fair value of assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (3,822,931)</u>	<u>\$ (4,350,522)</u>

The components of net periodic benefit costs for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 165,400	\$ 151,799
Interest cost	100,072	126,230
Amortization of		
Prior service cost	(14,082)	(21,112)
Net loss	<u>78,634</u>	<u>29,842</u>
Net periodic benefit cost	<u>\$ 330,024</u>	<u>\$ 286,759</u>

Severance costs not previously recognized as a component of the periodic severance cost, but included as a cumulative separate charge to net assets for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Prior service cost	\$ 59,721	\$ 45,639
Net actuarial loss	<u>1,824,835</u>	<u>1,843,277</u>
Net amount recognized	<u>\$ 1,884,556</u>	<u>\$ 1,888,916</u>

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE E – EMPLOYEE RETIREMENT BENEFITS (Continued)

Severance costs included as a separate charge to net assets for the years ended June 30, 2021 and 2020, consisted primarily of actuarial losses/(gains) of approximately \$60,200 and \$954,000, respectively.

Net periodic benefit cost expected to be recognized in the next fiscal year is as follows:

	<u>2022</u>
Service cost	\$ 150,340
Interest cost	102,846
Amortization of	
Prior service cost	6,065
Net loss	<u>81,653</u>
Net periodic benefit cost	<u>\$ 340,904</u>

The key actuarial assumptions used were:

	<u>2021</u>	<u>2020</u>
To determine benefit obligation		
Discount rate	2.84%	2.70%
Expected rate of pay increases	1.50%	1.00-1.50%
To determine net periodic benefit:		
Discount rate	2.84%	2.70%
Expected rate of pay increase	1.50%	1.00-1.50%

Estimated benefit payments for future fiscal years are as follows:

2022	\$ 406,001
2023	344,908
2024	186,002
2025	286,853
2026	332,040
2027-2031	1,396,873

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net Assets with Donor Restrictions are restricted for the following purposes:

	<u>2021</u> With Donor Restrictions	<u>2020</u> With Donor Restrictions
Subject to the passage of time:		
Future operating support	<u>\$ 58,734,749</u>	<u>\$ 50,969,075</u>
Subject to expenditure for specified purpose:		
Equipment	<u>9,082,810</u>	<u>7,661,904</u>
Endowments:		
Future operating support	<u>34,202,068</u>	<u>29,868,120</u>
Total	<u>\$102,019,627</u>	<u>\$ 88,499,099</u>

Net Assets with donor restrictions are released from restrictions either by the passage of time or by the fulfillment of a purpose. Restrictions released during the years ended June 30, 2021 and 2020, are summarized as follows:

	<u>2021</u>	<u>2020</u>
Time restrictions:		
Operating support	<u>\$ 12,339,633</u>	<u>\$ 11,920,944</u>
	<u>12,339,633</u>	<u>11,920,944</u>
Purpose restrictions:		
Operating support	1,057,906	3,775,997
Equipment	<u>-</u>	<u>21,000</u>
	<u>1,057,906</u>	<u>3,796,997</u>
Total	<u>\$ 13,397,539</u>	<u>\$ 15,717,941</u>

NOTE G – FUNDRAISING CAMPAIGNS

In December 2012, the Board of Directors approved the Breaking New Ground strategic plan, which laid the foundation for the Breaking New Ground (BNG) campaign. The purpose of the campaign is to support operations of the Opera, increase the endowment, and fund stage and other equipment improvements. In fiscal 2014, the Campaign For Excellence, which was established for the purpose of supporting the operations of the Opera, subject to Finance Committee oversight, was merged with BNG. Management's use of BNG proceeds is subject to the oversight of the Finance Committee and approval of the Board of Directors. The fund balances of the Breaking New Ground Fund are \$11,986,853 and \$14,237,481 for the years ended June 30, 2021 and 2020, respectively.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE G – FUNDRAISING CAMPAIGNS (Continued)

For the years ended June 30, 2021 and 2020, the Board authorized a distribution of proceeds without donor restrictions of \$2,022,966 and \$8,400,923, respectively. Such amounts are included in net assets released from restriction and designation.

NOTE H – BONDS PAYABLE

On March 1, 1994, the Illinois Development Finance Authority (the Authority) issued and sold \$62.2 million aggregate principal amount of Variable/Fixed Rate Demand Revenue Bonds, Series 1994 (Lyric Opera of Chicago Project). Pursuant to a Loan Agreement dated as of February 1, 1994 between the Authority and the Opera, the Authority loaned the proceeds of the bonds to the Opera to provide funds to acquire, construct, renovate, remodel, and equip the facility used by the Opera in the production and performance of its programs, to pay interest on the bonds, and to pay certain costs incurred in connection with the issuance of the bonds. The bonds have adjustable methods of interest rate determination and interest payment. As of June 30, 2021, the bonds operated in a mode where the interest rate was established each week and interest on the bonds was payable monthly. On June 30, 2021, the interest rate was 0.05%.

On March 13, 2018 the Opera agreed to certain financial and operating covenants in an agreement with certain banks providing a credit facility (letter of credit) in the amount of \$63 million which expires March 13, 2023. Under the terms of the agreement, should the bonds become unmarketable, the Opera would be required to pay off such amounts within two years. Interest on such amounts would not exceed the prime rate plus 2%.

Because these bonds operate in a floating interest rate mode and are remarketed at par value weekly, their carrying values approximate fair value.

On March 13, 2018, the Opera entered into a \$3.6 million term loan. The \$3.6 million term loan has a fixed interest rate of 4.10%, payable monthly, and is set to expire March 12, 2028. Pursuant to the IFA loan agreement, IFA loaned the proceeds of the bond to the Opera to provide funds to purchase, construct, and equip space for patron hospitality services, and to pay certain issuance costs incurred in connection with the issuance of the bond. The bond had a fixed interest rate of 4.8%, payable monthly.

Bond interest expense was \$208,587 and \$890,993 for the years ended June 30, 2021 and 2020, respectively.

Unamortized bond issuance costs were:

	<u>2021</u>	<u>2020</u>
Deferred bond issuance costs	\$ 2,394,947	\$ 2,394,947
Less: accumulated amortization	<u>1,888,847</u>	<u>1,807,118</u>
Net	<u>\$ 506,100</u>	<u>\$ 587,829</u>

Bond issuance costs are netted against long-term debt on the statements of financial position.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE H – BONDS PAYABLE (Continued)

Future debt maturities are as follows:

March 12, 2028	\$ 3,600,000
December 1, 2028	<u>62,200,000</u>
Total	<u>\$ 65,800,000</u>

NOTE I – DERIVATIVE FINANCIAL INSTRUMENT

On May 9, 2006, the Opera entered into an interest rate swap agreement with the Bank of New York Mellon (BNYM) in order to hedge overall exposure to variable rate debt. The Opera has agreed to pay BNYM interest at a fixed rate of 3.804% with the counterparty paying the Opera a floating rate based on 67% of one-month LIBOR. The interest rate swap agreement has a notional amount of \$40 million and expires December 1, 2028, and has no requirements for collateral posting. The Opera may terminate the interest rate swap early.

Summary information about the interest rate swap agreement as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Weighted average pay rates (fixed)	3.804%	3.804%
Weighted average one-month LIBOR (variable)	0.088%	0.977%

The interest rate swap is recorded at fair value as a liability on the statement of financial position. Interest expense, settled on a net basis, was \$1,484,166 and \$1,084,158 for the years ended June 30, 2021 and 2020, respectively.

NOTE J – LINE OF CREDIT

On March 13, 2018, the Board of Directors approved a resolution authorizing the Opera to establish a \$10,000,000 unsecured line of credit (LOC) with Fifth Third Bank. The LOC, which terminated on March 13, 2021, had a variable rate of 0.85% per annum plus the LIBOR rate on borrowings and a 0.10% fee on the unused LOC. The LOC also required a 30 consecutive day period each fiscal year in which there were no borrowings.

On June 14, 2021 the Opera replaced the Fifth Third Bank LOC with a \$10,000,000 unsecured LOC from JP Morgan Chase Bank. The new LOC, which terminates on June 13, 2022, has a variable rate of 0.85% per annum plus the one-month LIBOR rate on borrowings and a 0.10% fee on the unused LOC.

As of June 30, 2021 and 2020, the Opera has not borrowed on either LOC.

(Continued)

NOTE K – COMMITMENTS AND CONTINGENCIES

Contracts with Performers and Unions: Future commitments to artists are approximately \$3.1 million in 2021-22; \$1.5 million in 2022-23; \$1.3 million in 2023-24; and \$0.0 million in 2024-25.

The Opera has approximately \$3.1 million in outstanding commitments related to new productions, stage equipment, facilities, and information technology investments.

The Opera has collective bargaining agreements with numerous unions. Contracts with the American Guild of Musical Artists (AGMA), which represents principal artists, choristers, ballet, and production staff, and the Chicago Federation of Musicians (CFM), which represents the orchestra, expired on June 30, 2021. Subsequent to fiscal year-end, the Opera negotiated one-year contract agreements with the AGMA and the CFM that expire June 30, 2022. The contract with the International Alliance of Theatrical Stage Employees (IATSE), which represents the stagehands, expires on June 30, 2023.

The Opera has personal service contracts with five individuals, one through July 2021, three through December 2021, and one through June 2024.

The Opera is the defendant in certain litigation arising in the ordinary course of business. In the opinion of management and outside legal counsel, such items are adequately covered by insurance or their ultimate outcome will not have a material impact on the financial position of the Opera.

NOTE L – RELATED PARTIES, CONFLICTS OF INTEREST AND CODE OF CONDUCT

The Opera maintains a Conflict of Interest Policy which applies to all Directors, officers of auxiliary organizations authorized by the Opera as well as senior management and other designated members of staff. The Policy requires each person to whom the policy applies complete an annual disclosure statement which identifies a business or financial interest related to that person and which is planning to engage in a business transaction with the Opera or has engaged in a business transaction with the Opera during the preceding year.

The Policy forbids such individuals from voting on or using their personal influence in connection with such transactions. In the event the Opera does conduct business with a related party, the financial terms of those relationships are reported annually to the Audit Committee, whose members must be independent per the terms of its charter.

The Opera requires each Administrative employee to conduct themselves in accordance with the Code of Business Conduct and Ethics approved by the Opera's Board of Directors and to sign an annual statement acknowledging their understanding of this Code.

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE M - LIQUIDITY AND AVAILABILITY

The Opera's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 2,719,338	\$ 3,016,280
Short-Term Investments	13,654,981	18,476,005
Ticket and Other Receivables	191,268	897,792
Current Pledge and Bequest Receivables Without Donor Restriction	<u>962,329</u>	<u>2,274,571</u>
Total	<u>\$ 17,527,916</u>	<u>\$ 24,664,648</u>

As part of the Opera's liquidity management, the Opera invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Opera has a committed line of credit in the amount of \$10 million upon which it could draw. The use of this line of credit is generally restricted to the extent that the Opera is in need of liquidity to fund program-related obligations.

The Opera's long-term investment funds consist of donor-restricted endowments and funds designated by the board as long-term investments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Opera's unrestricted long-term investments of \$162 million are subject to Board approved spending policies. Although the Opera does not intend to spend from the unrestricted long-term investments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Opera's liquidity management plan, the Opera invests cash in excess of daily requirements in short-term investments and money market funds.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE N – FUNCTIONAL ALLOCATION OF EXPENSES

The Opera's functional allocation of expenses as of June 30, 2021 are as follows:

	2021			
	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Benefits, & Employment Taxes	\$ 18,425,759	\$ 3,609,344	\$ 3,176,335	\$ 25,211,438
Contracted Services & Professional Fees	3,063,102	1,137,134	225,656	4,425,892
Production Costs	2,104,564	-		2,104,564
Advertising and Promotions	406,726	3,426	47,995	458,147
Occupancy	1,738,838	201,406	69,918	2,010,162
Office Expense	564,753	248,111	185,152	998,016
Travel	108,722	17,429	37,926	164,077
Other Expenses	961,195	740,861	580,587	2,282,643
Other Debt Service Costs	589,020	140,243	3,672	732,935
Interest	1,511,611	173,829	9,424	1,694,864
Depreciation & Amortization	3,568,835	388,262	-	3,957,097
In-Kind Services	-	491,081	-	491,081
	<u>\$ 33,043,125</u>	<u>\$ 7,151,126</u>	<u>\$ 4,336,665</u>	<u>\$ 44,530,916</u>

The Opera's functional allocation of expenses as of June 30, 2020 are as follows:

	2020			
	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Benefits, & Employment Taxes	\$ 39,977,541	\$ 3,935,680	\$ 3,584,588	\$ 47,497,809
Contracted Services & Professional Fees	5,641,769	437,353	554,562	6,633,684
Production Costs	3,781,582	-	-	3,781,582
Advertising and Promotions	2,084,267	3,534	180,098	2,267,899
Occupancy	1,904,441	246,433	66,369	2,217,243
Office Expense	605,621	335,727	208,869	1,150,217
Travel	718,040	85,839	134,787	938,666
Other Expenses	3,759,906	1,394,141	408,011	5,562,058
Other Debt Service Costs	589,020	88,745	3,672	681,437
Interest	1,829,903	179,354	11,408	2,020,665
Depreciation & Amortization	3,583,805	457,628	-	4,041,433
In-Kind Services	-	601,421	-	601,421
	<u>\$ 64,475,895</u>	<u>\$ 7,765,855</u>	<u>\$ 5,152,364</u>	<u>\$ 77,394,114</u>

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE N – FUNCTIONAL ALLOCATION OF EXPENSES (Continued)

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related benefits expenses are allocated based on time worked in a department. Most expenses are directly charged to the department/function incurring the expense. However, occupancy costs are allocated based on square footage.

NOTE O – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Opera's revenue from contracts with customers in the scope of ASC 606 is recognized within the following categories for the years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Operating revenue		
Ticket sales	\$ 42,375	\$ 15,483,046
Restaurant & Concession Sales	27,904	951,003
Facility Rentals	-	1,463,354
Production Rentals	<u>7,300</u>	<u>218,070</u>
 Total	 <u>\$ 77,579</u>	 <u>\$ 18,115,473</u>

A description of the Opera's revenue streams accounted for under ASC 606 follows:

Ticket sales: The Opera sells tickets to attend the Opera's performances and events, either through subscription sales or through single ticket sales. Ticket sales are recognized as revenue at the point of performance. Ticket fees are recognized as revenue in the fiscal year that the performance occurred.

Restaurant and Concession Sales: The Opera sells food and beverages to performance attendees through its restaurants and concession stands. Sales are recognized as revenue at the point of sale.

Facility Rentals: The Opera rents the use of its theater space, labor, and food and beverage services to individuals, corporations, and non-profits. Rental revenue, including the deposit, is recognized as revenue in the month the rental event occurred.

Production Rentals: The Opera rents the use of its productions and costumes to other performing arts organizations. Production rental revenue, including the deposit, is recognized as revenue in the fiscal year the contract obligations are performed.

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE P – LEASES

As described in Note A, the Opera leases certain equipment used in its operations, primarily under leases with third parties, with lease terms that expire through 2025.

A summary of amounts reported within the statements of financial position is as follows:

	<u>2021</u>
Assets	
Deferred Production Costs & Other Assets	
Operating Lease ROU Assets	<u>\$ 457,747</u>
Total Lease Assets	<u>\$ 457,747</u>
Liabilities	
Current Accounts Payable & Other Liabilities	
Operating Lease Liabilities	\$ 118,105
Long-Term Other Liabilities	
Operating Lease Liabilities	<u>339,642</u>
Total Lease Liabilities	<u>\$ 457,747</u>
Operating lease weighted average remaining lease term (years)	4
Operating lease weighted average discount rate	0.32%

Supplemental cash flow and other information related to leases was as follows:

	<u>2021</u>
Operating cash flows from operating leases	\$ 119,496

(Continued)

LYRIC OPERA OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE P – LEASES (Continued)

Maturities of lease liabilities were as follows:

2022	\$ 119,496
2023	119,496
2024	119,496
2025	102,323
2026	-
Thereafter	<u>-</u>
Total lease payments	460,811
Less: Inputted interest	<u>3,064</u>
Present value of lease liabilities	457,747
Less: Current lease liabilities	<u>118,105</u>
Long-term lease liabilities	<u>\$ 339,642</u>

NOTE Q – IMPACT OF COVID-19

The operations and operating results of Lyric Opera have been materially impacted by the COVID-19 pandemic and government actions taken in response to the pandemic. On March 12, 2020, the State of Illinois and City of Chicago mandated the cancellation of all large-scale events exceeding 1,000 individuals. These mandates remained in effect through June 11, 2021. As a result of these mandates the Opera cancelled the remainder of its Fiscal Year 2020 spring season and the entirety of its Fiscal Year 2021 season.

Financial Impact of Pandemic on FY 2020:

As a direct result of the cancellation of all performances from March 13 – June 30, 2020, the Opera had revenues less than budget by \$12.8 million in ticket sales revenue and \$1.2 million in associated concessions and ancillary revenue. Management was able to mitigate losses through 1.) cancelled production cost savings, and 2.) administrative hiring freezes, position furloughs and hours reductions, position eliminations and temporary pay reductions for its highest paid non-union employees. Management also applied for the Employee Retention Credit under the CARES Act for a credit of \$1.2 million, of which \$0.4 million was received as of June 30, 2020.

In response to the loss of earned revenue, the Opera launched the Heroes' Fund fundraising initiative. Production sponsors and major donors redirected over \$5.6 million of restricted contributions to general operating support, committed \$3.3 million in new contributions and donated \$1.1 million in ticket revenue to help offset lost revenue. A supplemental draw on the Opera's Board designated unrestricted long-term investments of \$6.2 million was approved by the Executive Committee of the Board to provide the remaining support needed for operations.

(Continued)

NOTE Q – IMPACT OF COVID-19 (Continued)

Financial Impact of Pandemic on Fiscal 2021:

As a direct result of the cancellation of all planned performances for the Fiscal Year 2021 season, the Opera recorded ticket sale revenue of \$42 thousand. The Opera's baseline operations were supported through the continuation of cost reduction measures implemented in fiscal year 2020, the negotiation of one-year settlement agreements with its unions from July 1, 2020 to June 30, 2021, additional fundraising and donor redirection of restricted contributions to general operating support, and a Board approved supplemental draw on the Opera's Board designated unrestricted long-term investments of \$4.6 million.

In April 2021, the Opera obtained a Paycheck Protection Program (PPP) Loan under a program offered by the United States Small Business Administration (SBA) in the amount of \$5,594,500. The Opera is accounting for the PPP Loan as debt under ASC 470. The proceeds are recorded as a long-term liability on the statement of financial position at June 30, 2021, as the Opera has not yet satisfied the forgiveness conditions imposed by the SBA. In order to obtain loan forgiveness from the SBA, the Opera must spend the PPP proceeds on allowable expenses and maintain certain required levels of employee retention over a 24-week period. The Opera expects to meet these conditions and apply for forgiveness during the year ending June 30, 2022. If any portion of the PPP Loan is not forgiven, the remaining amount will have a five-year repayment period and the interest rate on the loan will be 1%.

Risks and Uncertainties Heading into Fiscal Year 2022:

COVID-19 has the potential to affect future Opera performances by cancellation or capacity limits. Additionally, the residency of the Joffrey Ballet, set to begin in fiscal year 2022 after being delayed a year due to COVID-19, could also be adversely affected as a result of COVID-19.

Subsequent to year end, the Opera negotiated one-year contract agreements with the AGMA and the CFM that expire June 30, 2022.

Also subsequent to year end, the Opera obtained Shuttered Venue Operators Grant (SVOG) program funds under the American Rescue Plan Act administered by the SBA in the amount of \$4,405,500.

NOTE R – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2021. Management has performed their analysis through October 25, 2021, the date the financial statements were issued. Activities subsequent to this date have not been evaluated by management.

SUPPLEMENTAL SCHEDULE

LYRIC OPERA OF CHICAGO
STATEMENT OF ACTIVITIES – COLUMN FORMAT
For the Year Ended June 30, 2021 (with comparative 2020 totals)

	For the Year ended June 30, 2021					
	Without Donor Restrictions			With Donor Restrictions	2021 Total	2020 Total
	Operating	Other	Total			
Operating revenue and support						
Revenue						
Ticket Sales	\$ 42,375	\$ -	\$ 42,375	\$ -	\$ 42,375	\$ 15,483,046
Investment return designated for operations	14,408,333	(14,408,333)	-	-	-	-
Interest Income	178,493	-	178,493	-	178,493	559,792
Other	<u>251,258</u>	<u>132,315</u>	<u>383,573</u>	-	<u>383,573</u>	<u>4,020,636</u>
Total Revenue	<u>14,880,459</u>	<u>(14,276,018)</u>	<u>604,441</u>	-	<u>604,441</u>	<u>20,063,474</u>
Support						
Contributions and Fundraising Revenue, net	15,167,509	5,966	15,173,475	8,703,629	23,877,104	27,485,650
Net Assets Released from Restriction and Designation	<u>10,160,286</u>	<u>3,237,253</u>	<u>13,397,539</u>	<u>(13,397,539)</u>	<u>-</u>	<u>-</u>
Total Support	<u>25,327,795</u>	<u>3,243,219</u>	<u>28,571,014</u>	<u>(4,693,910)</u>	<u>23,877,104</u>	<u>27,485,650</u>
Total Operating Revenue and Support	<u>40,208,254</u>	<u>(11,032,799)</u>	<u>29,175,455</u>	<u>(4,693,910)</u>	<u>24,481,545</u>	<u>47,549,124</u>
Operating expenses						
Artistic, Production, and Promotional	29,280,987	3,762,138	33,043,125	-	33,043,125	64,475,895
Administration	6,706,465	444,661	7,151,126	-	7,151,126	7,765,855
Development	<u>4,220,802</u>	<u>115,863</u>	<u>4,336,665</u>	-	<u>4,336,665</u>	<u>5,152,364</u>
Total operating expenses	<u>40,208,254</u>	<u>4,322,662</u>	<u>44,530,916</u>	-	<u>44,530,916</u>	<u>77,394,114</u>
Change in net assets before non-operating activities	<u>\$ -</u>	<u>\$ (15,355,461)</u>	<u>\$ (15,355,461)</u>	<u>\$ (4,693,910)</u>	<u>\$ (20,049,371)</u>	<u>\$ (29,844,990)</u>
Non-operating activities						
Gifts restricted to endowment	-	-	-	4,364,692	4,364,692	271,612
Bequests board designated for investment and capital	-	5,169,273	5,169,273	-	5,169,273	9,000,000
Investments excluding investment return designated for operations	-	32,713,518	32,713,518	13,849,746	46,563,264	(2,386,424)
Unrealized gain on interest rate swap	<u>-</u>	<u>2,769,939</u>	<u>2,769,939</u>	<u>-</u>	<u>2,769,939</u>	<u>(2,682,719)</u>
Total non-operating activities	<u>-</u>	<u>40,652,730</u>	<u>40,652,730</u>	<u>18,214,438</u>	<u>58,867,168</u>	<u>4,202,469</u>
Change in Net Assets			<u>25,297,269</u>	<u>13,520,528</u>	<u>38,817,797</u>	<u>(25,642,521)</u>
Net Assets at Beginning of Year			<u>87,066,225</u>	<u>88,499,099</u>	<u>175,565,324</u>	<u>201,207,845</u>
Net Assets at End of Year			<u>\$ 112,363,494</u>	<u>\$ 102,019,627</u>	<u>\$ 214,383,121</u>	<u>\$ 175,565,324</u>

See accompanying independent auditor's report.