LYRIC OPERA OF CHICAGO
Chicago, Illinois

FINANCIAL STATEMENTS
(INCLUDING SINGLE AUDIT)
June 30, 2023 and 2022

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FINANCIAL STATEMENTS
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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lyric Opera of Chicago
Chicago, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lyric Opera of Chicago (the Opera), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Opera as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Opera and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of the Opera's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Opera's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Opera's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Chicago, Illinois
October 26, 2023

LYRIC OPERA OF CHICAGO
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 8,779,843	$ 7,412,900
Short-term investments	8,337,712	10,007,014
Ticket and other receivables	481,010	498,404
Pledge and bequest receivables, net	5,652,034	6,262,407
Deferred production costs and other assets	2,033,982	2,924,679
Total current assets	25,284,581	27,105,404
Long-term assets		
Pledge and bequest receivables, net	20,724,334	26,060,657
Long-term investments	181,730,963	186,506,844
Deferred production costs and other assets	1,741,482	1,197,782
Property and equipment, net	40,022,833	42,321,165
Total long-term assets	244,219,612	256,086,448
Total assets	$ 269,504,193	$ 283,191,852
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other liabilities	$ 4,657,485	$ 3,675,076
Deferred ticket and other revenue	7,844,469	10,180,322
Severance plans	550,028	613,980
Interest rate swap	82,135	710,420
Total current liabilities	13,134,117	15,179,798
Long-term liabilities		
Long-term other liabilities	225,671	254,845
Severance plans	2,553,345	2,675,558
Debt payable, net	65,457,357	65,375,629
Interest rate swap	2,234,592	3,866,920
Total long-term liabilities	70,470,965	72,172,952
Total liabilities	83,605,082	87,352,750
Net assets		
Without donor restrictions	82,917,791	89,333,511
With donor restrictions		
Time or purpose	62,435,311	67,134,096
Perpetual	40,546,009	39,371,495
Total with donor restrictions	102,981,320	106,505,591
Total net assets	185,899,111	195,839,102
Total liabilities and net assets	$ 269,504,193	$ 283,191,852

See accompanying notes to financial statements.

LYRIC OPERA OF CHICAGO
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Operating		
Revenue and support		
Revenue		
Ticket sales	$ 18,743,399	$ 11,667,223
Spending draw	22,206,504	14,246,853
Investment return	387,016	(142,307)
Government grants	1,987,868	4,405,500
Other	5,387,528	9,098,589
Total revenue	48,712,315	39,275,858
Support		
Contributions and fundraising revenue, net	13,816,842	14,407,139
Net assets released from restriction and designation	18,354,209	11,381,500
Total support	32,171,051	25,788,639
Total operating revenue and support	80,883,366	65,064,497
Expenses		
Artistic, production, and promotional	66,993,031	52,506,147
Administration	8,643,154	8,114,329
Development	5,247,181	4,444,021
Total expenses	80,883,366	65,064,497
Change in net assets from operations	$ -	$ -

(Continued)

LYRIC OPERA OF CHICAGO
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions Non-Operating		
Revenue and Support		
Contributions	$ -	$ 30
Investment return, net of spending draw	(10,456,087)	(30,879,434)
Unrealized gain on interest rate swap	2,260,613	4,384,247
Other revenue	66,501	60,838
Net assets released from restriction and designation	6,335,031	7,213,887
Total revenue and support	(1,793,942)	(19,220,432)
Other expenses (gains)		
Depreciation	4,382,092	4,238,662
Other	239,686	(429,111)
Total expenses (gains)	4,621,778	3,809,551
Change in non-operating net assets Without donor restrictions	(6,415,720)	(23,029,983)
Change in net assets without donor restrictions	(6,415,720)	(23,029,983)
Changes in net assets with donor restrictions		
Contributions	16,667,503	31,270,140
Investment return (loss)	7,033,943	(8,078,742)
Increase in allowance for doubtful pledges receivable	(2,536,477)	(110,047)
Net assets released from restriction	(24,689,240)	(18,595,387)
Change in net assets with donor restrictions	(3,524,271)	4,485,964
Change in net assets	(9,939,991)	(18,544,019)
Net assets at beginning of year	195,839,102	214,383,121
Net assets at end of year	$ 185,899,111	$ 195,839,102

See accompanying notes to financial statements.

LYRIC OPERA OF CHICAGO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (9,939,991)	$ (18,544,019)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,463,300	4,320,391
Net realized and unrealized (gains) losses on investments	(18,032,737)	25,605,974
Net interest rate swap settlements	531,146	1,460,707
Unrealized gain on interest rate swap	(2,260,613)	(4,384,247)
Contributions with donor restrictions for endowment	(1,563,384)	(5,561,427)
Contributions with donor restrictions for capital investment	(376,764)	(650,082)
Forgiveness of forgivable Paycheck Protection Program Loan	-	(5,650,445)
Decrease (increase) in pledge and bequest receivables	5,946,696	(8,679,403)
Decrease (increase) in ticket and other receivables	17,394	(307,136)
Decrease (increase) in deferred production costs and other assets	346,997	(998,534)
Increase (decrease) in accounts payable and other liabilities	953,235	(829,417)
(Decrease) increase in deferred ticket and other revenue	(2,335,853)	1,132,474
Decrease in severance plans	(186,165)	(533,393)
Net cash used in operating activities	(22,436,739)	(13,618,557)
Cash flows from investing activities		
Sale of investments	86,159,632	63,847,217
Purchase of investments	(61,681,712)	(44,372,452)
Net interest rate swap settlements	(531,146)	(1,460,707)
Fixed asset additions:		
Facilities	-	(449,539)
Equipment and other assets	(2,083,240)	(5,463,909)
Net cash provided by investing activities	21,863,534	12,100,610
Cash flows from financing activities		
Contributions with donor restrictions for endowment	1,563,384	5,561,427
Contributions with donor restrictions for capital investment	376,764	650,082
Net cash provided by financing activities	1,940,148	6,211,509
Net incease in cash and cash equivalents	1,366,943	4,693,562
Cash and cash equivalents at beginning of year	7,412,900	2,719,338
Cash and cash equivalents at end of year	$ 8,779,843	$ 7,412,900
Supplemental disclosure of cash flow information		
Interest paid	$ 2,215,727	$ 1,744,114

See accompanying notes to financial statements.

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 change in 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.

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

(Continued)

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, contributors to the Opera have made unconditional promises to give, which are due as follows:

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Less than one year	$ 2,448,797	$ 3,642,913	$ 6,091,710
One to five years	2,750	15,199,589	15,202,339
With no due date	75,000	8,790,659	8,865,659
Gross	2,526,547	27,633,161	30,159,708
Less: discount	15,385	3,157,955	3,173,340
Less: allowance	57,000	553,000	610,000
Net	$ 2,454,162	$ 23,922,206	$ 26,376,368

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Less than one year	$ 1,654,663	$ 5,357,592	$ 7,012,255
One to five years	332,464	19,931,224	20,263,688
More than five years	-	250,000	250,000
With no due date	75,000	8,812,507	8,887,507
Gross	2,062,127	34,351,323	36,413,450
Less: discount	16,979	3,416,407	3,433,386
Less: allowance	42,000	615,000	657,000
Net	$ 2,003,148	$ 30,319,916	$ 32,323,064

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. At June 30, 2023, the Opera had conditional pledges receivable of $2,500,000, which will be recognized when the underlying conditions of producing specific performances are met.

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.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2023	2022
Land	$ 696,577	$ 696,577
Equipment	20,481,212	19,005,819
Facilities	102,951,614	100,261,786
Work in-process	565,647	2,809,827
Less: accumulated depreciation	84,672,217	80,452,844
Net	$ 40,022,833	$ 42,321,165

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, 2023 and 2022, 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 $458,386 and $713,799 for the years ended June 30, 2023 and 2022, respectively. Donated materials were $346,078 and $192,891 for the years ended June 30, 2023 and 2022, respectively.

During the years ended June 30, 2023 and 2022, 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.

(Continued)

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Government Grants: Government grant revenue is generally subject to conditions that must be met before the Opera is entitled to the funding. Accordingly, the Opera recognizes revenue from government grants at the time the funds are expended in accordance with the related grant requirements.

Operating 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, 2023 and 2022:

	2023	2022
Contributions and fundraising revenue	$ 16,364,462	$ 15,919,582
Special event expenses	(2,547,620)	(1,512,443)
Net	$ 13,816,842	$ 14,407,139

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 $3,055,407 and $1,601,878 for the years ended June 30, 2023 and 2022, respectively. Prepaid advertising expenses, to be expensed in the following fiscal year, were $252,649 and $316,277 as of June 30, 2023 and 2022, 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.

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, 2023 and 2022. There are no on-going federal, state or local audits.

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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, the consumer sector, natural resources, and 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 the 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].

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Alternative Investments consist of the hedged equities, absolute return and real assets investment categories. The Opera generally uses 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.

The following table discloses additional information about investments recorded at fair value at June 30, 2023 and 2022:

June 30, 2023	Fair Value	Unfunded Commitments	Redemption Terms	Estimated Remaining Life
Fixed income securities	$ 32,250,536	$ -	Daily	n/a
Equity securities	110,657,330	-	Daily to monthly	n/a
Hedged equities	11,923,815	-	Monthly to one year	n/a
Absolute return	17,308,919	-	Monthly to one year	n/a
Real assets and private equities				
Credit and real estate	4,387,225	3,587,014	Not permitted	1-9 years
Private equities	8,522,290	15,824,464	Not permitted	8-10 years
Investment assets held in trust	5,018,560	-	Not permitted	n/a
Total investments	$ 190,068,675	$ 19,411,478		

June 30, 2022	Fair Value	Unfunded Commitments	Redemption Terms	Estimated Remaining Life
Fixed income securities	$ 18,134,383	$ -	Daily	n/a
Equity securities	112,049,063	-	Daily to monthly	n/a
Hedged equities	22,521,018	-	Monthly to one year	n/a
Absolute return	29,975,430	-	Monthly to one year	n/a
Real assets and private equities				
Credit and real estate	4,596,817	3,754,755	Not permitted	1-9 years
Private equities	4,557,718	12,283,814	Not permitted	8-10 years
Investment assets held in trust	4,679,429	-	Not permitted	n/a
Total investments	$ 196,513,858	$ 16,038,569		

(Continued)

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

At June 30, 2023, $12,554,179 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, 2023 and 2022, are summarized below:

June 30, 2023	Level 1	Level 2	Level 3	NAV	Total
Current assets:					
Fixed income securities	$ 8,337,712	$ -	$ -	$ -	$ 8,337,712
Long-term assets:					
Fixed income securities	23,912,824	-	-	-	23,912,824
Equity securities:					
Large cap	62,407	-	-	54,466,172	54,528,579
Small cap	6,990	-	-	8,418,643	8,425,633
International	15,374,133	-	-	32,328,985	47,703,118
Hedged equities	-	-	-	11,923,815	11,923,815
Absolute return	-	-	-	17,308,919	17,308,919
Real assets/private equities	-	-	-	12,909,515	12,909,515
Investment assets held in trust	-	-	5,018,560	-	5,018,560
Total long-term assets	39,356,354	-	5,018,560	137,356,049	181,730,963
Total assets	$ 47,694,066	$ -	$ 5,018,560	$137,356,049	$ 190,068,675
	Level 1	Level 2	Level 3	NAV	Total
Current liabilities:					
Interest rate swap	$ -	$ 82,135	$ -	$ -	$ 82,135
Long-term liabilities:					
Interest rate swap	-	2,234,592	-	-	2,234,592
Total liabilities	$ -	$ 2,316,727	$ -	$ -	$ 2,316,727

(Continued)

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

June 30, 2022	Level 1	Level 2	Level 3	NAV	Total
Current assets:					
Fixed income securities	$ 10,007,014	$ -	$ -	$ -	$ 10,007,014
Long-term assets:					
Fixed income securities	8,127,369	-	-	-	8,127,369
Equity securities:					
Large cap	79,051	-	-	53,084,547	53,163,598
Small cap	8,776	-	-	7,929,893	7,938,669
International	15,834,403	-	-	35,112,393	50,946,796
Hedged equities	-	-	-	22,521,018	22,521,018
Absolute return	-	-	-	29,975,430	29,975,430
Real assets/private equities	-	-	-	9,154,535	9,154,535
Investment assets held in trust	-	-	4,679,429	-	4,679,429
Total long-term assets	24,049,599	-	4,679,429	157,777,816	186,506,844
Total assets	$ 34,056,613	$ -	$ 4,679,429	$157,777,816	$ 196,513,858

	Level 1	Level 2	Level 3	NAV	Total
Current liabilities:					
Interest rate swap	$ -	$ 710,420	$ -	$ -	$ 710,420
Long-term liabilities:					
Interest rate swap	-	3,866,920	-	-	3,866,920
Total liabilities	$ -	$ 4,577,340	$ -	$ -	$ 4,577,340

The table below reconciles beginning and ending balances for Level 3 assets for the years ended June 30, 2023 and 2022:

Year ended June 30, 2023	Investment Assets Held In Trust
July 1, 2022	$ 4,679,429
Distributions	(183,754)
Unrealized losses	522,885
June 30, 2023	$ 5,018,560

(Continued)

NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Year ended June 30, 2022	Investment Assets Held In Trust
July 1, 2021	$ 5,705,146
Distributions	(182,298)
Unrealized losses	(843,419)
June 30, 2022	$ 4,679,429

The realized and unrealized gains (losses) on Level 3 investments still held at June 30, 2023 and 2022 were $522,885 and ($843,419), respectively.

Investment Returns

Investment returns for the years ended June 30, 2023 and 2022, are summarized as follows:

	Without Donor Restrictions		With Donor	
2023	Operating	Non-Operating	Restrictions	Total
Interest and dividends	$ 411,042	$ 1,155,555	$ 665,128	$ 2,231,725
Net realized and unrealized (losses) gains	(24,026)	11,287,441	6,769,322	18,032,737
Investment expenses	-	(692,579)	(400,507)	(1,093,086)
Total return on investments	387,016	11,750,417	7,033,943	19,171,376
Board authorized spending draw	-	(22,206,504)	-	(22,206,504)
Total (return) loss on investments, net of spending draw	$ 387,016	$ (10,456,087)	$ 7,033,943	$ (3,035,128)

	Without Donor Restrictions		With Donor	
2022	Operating	Non-Operating	Restrictions	Total
Interest and dividends	$ 72,777	$ 1,510,157	$ 676,656	$ 2,259,590
Net realized and unrealized (losses) gains	(215,084)	(17,105,125)	(8,285,765)	(25,605,974)
Investment expenses	-	(1,037,613)	(469,633)	(1,507,246)
Total return on investments	(142,307)	(16,632,581)	(8,078,742)	(24,853,630)
Board authorized spending draw	-	(14,246,853)	-	(14,246,853)
Total (return) loss on investments, net of spending draw	$ (142,307)	$ (30,879,434)	$ (8,078,742)	$ (39,100,483)

(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 two endowment funds with a total fair value of $5.5 million that were deficient up to 0.03% at June 30, 2023. There were six endowment funds with a total fair value of $8.4 million that were deficient up to 5.70% at June 30, 2022.

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)

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, 2023 and 2022:

June 30, 2023	With Donor Restrictions
Pledges receivable, net	$ 826,307
Interfund receivable	13,000
Donor restricted endowment funds	
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	39,706,702
Accumulated investment gains	27,161,888
Total donor restricted endowment funds	66,868,590
Total net assets	$ 67,707,897

June 30, 2022	With Donor Restrictions
Pledges receivable, net	$ 1,215,178
Interfund receivable	13,000
Donor restricted endowment funds	
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	38,143,317
Accumulated investment gains	23,256,394
Total donor restricted endowment funds	61,399,711
Total net assets	$ 62,627,889

(Continued)

NOTE D – ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30, 2023 and 2022:

Year Ended June 30, 2023	With Donor Restrictions	Total
Net assets at beginning of year	$ 62,627,889	$ 62,627,889
Investment return		
Investment income	311,871	311,871
Net depreciation (realized and unrealized)	6,769,322	6,769,322
Total investment return	7,081,193	7,081,193
Contributions	1,168,514	1,168,514
Appropriation of endowment assets for expenditures	(3,169,699)	(3,169,699)
Net assets at end of year	$ 67,707,897	$ 67,707,897

Year Ended June 30, 2022	With Donor Restrictions	Total
Net assets at beginning of year	$ 68,051,058	$ 68,051,058
Investment return		
Investment income	252,343	252,343
Net depreciation (realized and unrealized)	(8,285,765)	(8,285,765)
Total investment return	(8,033,422)	(8,033,422)
Contributions	5,161,427	5,161,427
Appropriation of endowment assets for expenditures	(2,551,174)	(2,551,174)
Net assets at end of year	$ 62,627,889	$ 62,627,889

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, 2023 and 2022, the Opera contributed $460,479 and $370,481, respectively.

(Continued)

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 nine 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. According to the audited financial statements of the American Federations of Musicians and Employers' Pension Fund ('the Fund'), on March 17, 2021, the Trustees of the Fund decided to withdraw the Fund's application to reduce benefits under the Multiemployer Pension Reform Act and the U.S. Department of the Treasury was notified of the decision. Under the American Rescue Plan Act of 2021, the Fund may be eligible for financial relief and the Fund is currently monitoring its future guidance in applicability to the Fund.

NOTE E – EMPLOYEE RETIREMENT BENEFITS (Continued)

	Orchestra	Stagehands
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	6/30/2023	6/30/2023
Opera contributions –		
Fiscal 2023	$939,488	$816,237
Fiscal 2022	$707,690	$643,577
Plan year-end of most recent Form 5500 filing	3/31/2022	12/31/2021
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 $182,943 and $151,803 to five other defined benefit multi-employer plans in fiscal 2023 and 2022, respectively. The Opera also contributed $1,676,343 and $1,175,266 to various defined contribution multi-employer plans in fiscal 2023 and 2022, respectively.

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, 2023 and 2022, are as follows:

	2023	2022
Change in benefit obligation		
Benefit obligation, beginning of year	$ 3,289,538	$ 3,822,931
Service cost	117,715	150,340
Interest cost	133,769	102,846
Actuarial (gain) loss	70,136	(642,866)
Benefits paid	(507,785)	(143,713)
Benefit obligation, end of period	$ 3,103,373	$ 3,289,538
Funded Status		
Projected benefit obligation	$ (3,103,373)	$ (3,289,538)
Funded status	$ (3,103,373)	$ (3,289,538)

(Continued)

NOTE E – EMPLOYEE RETIREMENT BENEFITS (Continued)

The components of net periodic benefit costs for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Service cost	$ 117,715	$ 150,340
Interest cost	133,769	102,846
Amortization of		
Prior service cost	7,713	6,065
Net loss	47,202	81,653
Net periodic benefit cost	$ 306,399	$ 340,904

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, 2023 and 2022, are as follows:

	2023	2022
Prior service cost	$ 45,943	$ 53,656
Net actuarial loss	1,123,250	1,100,316
Net amount recognized	$ 1,169,193	$ 1,153,972

Severance costs included as a separate charge to net assets for the years ended June 30, 2023 and 2022, consisted primarily of actuarial losses/(gains) of approximately $70,100 and ($642,900), respectively.

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

	2024
Service cost	$ 109,864
Interest cost	139,318
Amortization of	
Prior service cost	7,713
Net loss	50,022
Net periodic benefit cost	$ 306,917

The key actuarial assumptions used were:

	2023	2022
To determine benefit obligation:		
Discount rate	4.92%	4.48%
Expected rate of pay increases	1.5%-4.0%	1.50%
To determine net periodic benefit:		
Discount rate	4.92%	4.48%
Expected rate of pay increase	1.5%-4.0%	1.50%

(Continued)

NOTE E – EMPLOYEE RETIREMENT BENEFITS (Continued)

Estimated benefit payments for future fiscal years are as follows:

2024	$ 550,028
2025	193,287
2026	318,463
2027	209,766
2028	269,243
2029-2032	1,401,443

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:

	2023 With Donor Restrictions	2022 With Donor Restrictions
Subject to the passage of time:		
Future operating support	$ 56,504,946	$ 61,415,003
Subject to expenditure for specified purpose:		
Equipment	5,930,365	5,719,093
Endowments:		
Future operating support	40,546,009	39,371,495
Total	$ 102,981,320	$ 106,505,591

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, 2023 and 2022, are summarized as follows:

	2023	2022
Time restrictions:		
Operating support	$ 11,129,696	$ 7,263,094
	11,129,696	7,263,094
Purpose restrictions:		
Operating support	11,217,058	7,524,273
Equipment	2,342,486	3,808,020
	13,559,544	11,332,293
Total	$ 24,689,240	$ 18,595,387

(Continued)

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 $9,226,497 and $10,572,404 for the years ended June 30, 2023 and 2022, respectively.

For the years ended June 30, 2023 and 2022, the Board authorized a distribution of proceeds without donor restrictions of $730,430 and $1,304,173, 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 and maturity date of December 1, 2028. As of June 30, 2023, 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, 2023, the interest rate was 4.00%.

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 was set to expire March 13, 2023. On June 15, 2022 the Opera signed an amendment to the agreement which extended the expiration date to June 15, 2026. Under the terms of the agreement and the amendment to 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 original 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.

(Continued)

NOTE H – BONDS PAYABLE (Continued)

Bond interest expense was $1,758,220 and $303,609 for the years ended June 30, 2023 and 2022, respectively.

Unamortized bond issuance costs were:

	2023	2022
Deferred bond issuance costs	$ 2,394,947	$ 2,394,947
Less: accumulated amortization	2,052,304	1,970,576
Net	$ 342,643	$ 424,371

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

Future debt maturities are as follows:

March 12, 2028	$ 3,600,000
December 1, 2028	62,200,000
Total	$ 65,800,000

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 the daily Standard Overnight Financing Rate (SOFR). 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, 2023 and 2022 is as follows:

	2023	2022
Weighted average pay rates (fixed)	3.804%	3.804%
Weighted average daily LIBOR fallback rate (SOFR)	2.677%	0.223%

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 $536,391 and $1,460,707 for the years ended June 30, 2023 and 2022, respectively.

NOTE J – LINE OF CREDIT

During Fiscal Year 2022, the Opera carried an unsecured line of credit (LOC) with JP Morgan Chase Bank with a borrowing capacity of $10 million and a variable rate of 0.85% per annum plus the one-month LIBOR rate on borrowing, and an unused fee of 0.10%. On September 30, 2022, the Opera extended the LOC with JP Morgan Chase Bank through September 29, 2023. The one-year extension maintained the $10 million capacity and had a variable rate per annum equal to the CB Floating Rate plus 0.00% of Adjusted Term SOFR plus 0.85% and maintained the unused fee of 0.10%. Subsequent to fiscal year-end, the Opera extended the LOC with JP Morgan Chase Bank through September 27, 2024. The one-year extension maintains the $10 million capacity and has a variable rate per annum equal to the CB Floating Rate plus 0.00% or Adjusted Term SOFR plus 0.85% and maintains the unused fee of 0.10%.

As of June 30, 2023 and 2022, the Opera has not borrowed on either LOC.

NOTE K – COMMITMENTS AND CONTINGENCIES

Contracts with Performers and Unions: Future commitments to artists are approximately $1.6 million in 2023-24; and $1.5 million in 2024-25; and $0.5 million in 2025-26.

The Opera has Collective Bargaining Agreements (CBAs) with numerous unions. In fiscal year 2022, the Opera reached agreements with the Chicago Federation of Musicians (CFM) and the American Guild of Musical Artists (AGMA) to extend the CBAs dated July 1, 2018, through June 30, 2021, by another year to cover the period July 1, 2022, through June 30, 2023. A new agreement was reached with the CFM, covering the period July 1, 2023 through June 30, 2028. The contract with the International Alliance of Theatrical Stage Employees (IATSE), which represents the stagehands, expired on June 30, 2023. A new agreement was reached with the IATSE, covering the period July 1, 2023 through June 30, 2028. Subsequent to fiscal year 2023, an agreement was reached with the AGMA, covering the period July 1, 2023, through June 30, 2028.

The Opera has personal service contracts with three individuals, two through June 2024 and one through June 2031.

Other Commitments: The Opera has approximately $1.9 million in outstanding commitments related to new productions, stage equipment, facilities, and information technology investments.

Contingencies: 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.

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

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.

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:

	2023	2022
Cash and Cash Equivalents	$ 8,779,843	$ 7,412,900
Short-Term Investments	8,337,712	10,007,014
Ticket and Other Receivables	481,010	498,404
Current Pledge and Bequest Receivables		
Without Donor Restriction	2,448,797	1,654,663
Total	$ 20,047,362	$ 19,572,981

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 $115 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)

NOTE N – FUNCTIONAL ALLOCATION OF EXPENSES

The Opera's functional allocation of expenses as of June 30, 2023 are as follows:

	2023				2022
	Program	Management & General	Fundraising	Total	Total
Salaries, Benefits, & Employment Taxes	$ 42,620,107	$ 4,733,924	$ 3,962,719	$ 51,316,750	$ 41,565,855
Contracted Services & Professional Fees	5,130,039	1,170,206	210,092	6,510,337	5,505,719
Production Costs	5,478,261	-	-	5,478,261	4,553,255
Advertising and Promotions	2,406,018	6,391	86,389	2,498,798	1,581,030
Occupancy	2,289,155	133,250	81,190	2,503,595	2,330,113
Office Expense	1,326,157	347,183	175,942	1,849,282	1,319,097
Travel	1,182,713	155,832	213,972	1,552,517	764,286
Other Expenses	4,188,670	1,341,200	432,986	5,962,856	3,796,355
Other Debt Service Costs	588,506	115,667	3,662	707,835	688,118
Interest	2,008,918	181,784	12,525	2,203,227	1,736,030
Depreciation & Amortization	4,250,231	213,069	-	4,463,300	4,320,391
In-Kind Services	-	458,386	-	458,386	713,799
	$ 71,468,775	$ 8,856,892	$ 5,179,477	$ 85,505,144	$ 68,874,048

The Opera's functional allocation of expenses as of June 30, 2022 are as follows:

	2022			
	Program	Management & General	Fundraising	Total
Salaries, Benefits, & Employment Taxes	$ 33,771,856	$ 4,382,298	$ 3,411,701	$ 41,565,855
Contracted Services & Professional Fees	4,442,338	876,942	186,439	5,505,719
Production Costs	4,553,255	-	-	4,553,255
Advertising and Promotions	1,497,412	8,399	75,219	1,581,030
Occupancy	1,995,895	213,737	120,481	2,330,113
Office Expense	831,269	350,202	137,626	1,319,097
Travel	533,509	102,529	128,248	764,286
Other Expenses	2,205,938	1,197,028	393,389	3,796,355
Other Debt Service Costs	589,020	95,426	3,672	688,118
Interest	1,551,882	174,473	9,675	1,736,030
Depreciation & Amortization	4,015,341	305,050	-	4,320,391
In-Kind Services	-	713,799	-	713,799
	$ 55,987,715	$ 8,419,883	$ 4,466,450	$ 68,874,048

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.

(Continued)

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, 2023 and 2022.

	2023	2022
Operating revenue		
Ticket sales	$ 18,743,399	$ 11,667,223
Restaurant and concession sales	1,166,772	322,011
Facility rentals	2,107,119	1,765,896
Production rentals	380,059	247,356
Total	$ 22,397,349	$ 14,002,486

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.

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 fiscal year 2027.

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

	2023
Assets	
Deferred production costs and other assets	
Operating lease ROU assets	$ 404,231
Total lease assets	$ 404,231

NOTE P – LEASES (Continued)

Liabilities		
Current accoutns payable and other liabilities		
Operating lease liabilities	$	178,560
Long-term other liabilities		
Operating lease liabilities		225,671
Total lease liabilities	$	404,231
Operating lease weighted average remaining lease term (years)		2
Operating lease weighted average discount rate		1.68%

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

		2023
Operating cash flows from operating leases	$	183,336

Maturities of lease liabilities were as follows:

2024	$	183,336
2025		166,162
2026		60,940
2027		1,400
Total lease payments		411,838
Less: imputed interest		7,607
Present value of lease liabilities		404,231
Less: current lease liabilities		178,560
Long-term lease liabilities	$	225,671

(Continued)

NOTE Q – COVID-19 AND GOVERNMENT ASSISTANCE

Federal Emergency Management Agency Grant: In May 2023, the Opera was approved to receive funding through the Federal Emergency Management Agency (FEMA) administered by the Department of Homeland Security. FEMA provides eligible applicants with grants for emergency protective measures for the COVID-19 pandemic. The Opera was approved to receive grant funds of $987,868. Under the terms of the grant, the Opera used the funds for allowable expenses as permitted by the program.

NOTE R – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2023. Management has performed their analysis through October 26, 2023, the date the financial statements were issued. Activities subsequent to this date have not been evaluated by management. Refer to Footnotes K for disclosure of subsequent events.

SUPPLEMENTAL SCHEDULE

LYRIC OPERA OF CHICAGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal ALN Number	Total Award Amount	Total Federal Expenditures
U.S. Department of Homeland Security			
COVID-19 Funding			
Federal Emergency Management Agency COVID-19 Protective Measures	97.036	$ 987,868	$ 987,868
Total Department of Homeland Security		**987,868**	**987,868**
U.S. National Endowment for the Arts			
Grants for Arts Projects			
Promotion of the Arts	45.024	70,000	70,000
Grants for Arts Projects			
Promotion of the Arts (Ryan Opera Center Support)	45.024	40,000	40,000
Total National Endowment for the Arts		**110,000**	**110,000**
Total Expenditures of Federal Awards		**$ 1,097,868**	**$ 1,097,868**

(Continued)

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Lyric Opera of Chicago (the Opera) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Opera, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Opera.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Opera has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Lyric Opera of Chicago
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lyric Opera of Chicago (the Opera), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Chicago, Illinois
October 26, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors
Lyric Opera of Chicago
Chicago, Illinois

Report on Compliance for Major Federal Program

Opinion on Federal Program

We have audited Lyric Opera of Chicago's (the Opera) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Opera's major federal program for the year ended year ended June 30, 2023. The Opera's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Opera complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

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

We are required to be independent of the Opera and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Opera's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Opera's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Opera's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Opera's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the Opera's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Opera's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

(Continued)

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

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

Crowe LLP

Crowe LLP

Chicago, Illinois
October 26, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:
The type of report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes ___X___ No
- Significant deficiencies identified that are not considered to be material weaknesses? ______ Yes ___X___ None reported

Noncompliance material to financial statements noted? ______ Yes ___X___ No

Federal Awards:
Internal control over major program:

- Material weakness(es) identified? ______ Yes ___X___ No
- Significant deficiencies identified that are not considered to be material weaknesses? ______ Yes ___X___ None reported

Type of auditor's report issued on compliance for major program: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ______Yes ___X___ None reported

Identification of major program:

ALN Numbers	Name of Federal Program or Cluster
U.S. Small Business Administration	
97.036	Federal Emergency Management Agency COVID-19 Protective Measures

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ______ Yes ___X___ No

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None