

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2016, 2015 AND 2014



CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

FLORIDA GRAND OPERA, INC. AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florida Grand Opera, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Florida Grand Opera, Inc., Greater Miami Opera, Inc. and the Opera Guild, Inc. (non-profit organizations), (collectively "the Organization"), which comprise the consolidated statements of financial position as of May 31, 2016, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2016, 2015 and 2014, and the results of their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Working Capital Deficit and Management's Plans

As discussed in NOTE 1 to the consolidated financial statements, the Organization had a significant working capital deficit for the years ended May 31, 2016, 2015 and 2014. On August 1, 2016, the Organization took several steps to improve its working capital issues including obtaining a \$3.5 million promissory note from a financial institution which matures August 1, 2021 which was cosigned by a major donor (NOTE 14). The Organization will continue to rely on contributions as well as the funding of its cash flow needs through collections of cash from advance ticket sales for future performances. See NOTE 1 for management's plans. Our opinion is not modified with respect to this matter.

An Independent Member of Baker Tilly International

Report on Supplementary Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 27 - 35 are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole. October

Morrison, Brown, Aigler & Fana

Miami, Florida
October 17, 2016

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31,

ASSETS	2016	2015	2014
Cash	\$ 101,796	\$ 95,836	\$ 240,358
Current portion of pledges receivable, net	498,121	748,944	5,200
Grant and other receivables	92,450	101,615	108,934
TOTAL CURRENT ASSETS	692,367	946,395	354,492
Pledges receivable, net of current portion	68,107	558,216	51,092
Beneficial interest in split interest agreements and assets held in trust	1,066,632	1,218,252	1,371,834
Investments	127,622	731,815	1,208,656
Property and equipment, net	5,672,599	5,882,211	6,089,952
Other	13,100	7,199	6,000
TOTAL ASSETS	\$ 7,640,427	\$ 9,344,088	\$ 9,082,026
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,583,558	\$ 1,316,034	\$ 1,598,187
Deferred revenue	872,186	927,073	1,103,459
Line of credit	-	2,500,000	1,000,000
Current portion of note payable	-	2,000,000	-
Current portion of loans from donors	1,250,284	1,260,000	-
TOTAL CURRENT LIABILITIES	3,706,028	8,003,107	3,701,646
NOTE PAYABLE, NET OF CURRENT PORTION	-	-	2,000,000
LOANS FROM DONORS, NET OF CURRENT PORTION	-	-	1,250,000
TOTAL LIABILITIES	3,706,028	8,003,107	6,951,646
NET ASSETS			
Unrestricted	101,539	(3,384,431)	(1,497,746)
Temporarily restricted	1,632,860	2,525,412	1,428,126
Permanently restricted	2,200,000	2,200,000	2,200,000
TOTAL NET ASSETS	3,934,399	1,340,981	2,130,380
TOTAL LIABILITIES AND NET ASSETS	\$ 7,640,427	\$ 9,344,088	\$ 9,082,026

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

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Performance ticket sales and fees	\$ 2,263,695	\$ -	\$ -	\$ 2,263,695	\$ 2,689,753	\$ -	\$ -	\$ 2,689,753
Contributions	8,520,519	62,522	-	8,583,041	2,269,687	1,256,068	-	3,525,755
State and County grants	661,136	-	-	661,136	785,264	-	-	785,264
Special events	26,300	-	-	26,300	42,175	-	-	42,175
Investment income, net	1,604	-	-	1,604	54,159	-	-	54,159
Program book and other revenues	176,285	-	-	176,285	249,585	-	-	249,585
In-kind revenue	125,072	-	-	125,072	75,488	-	-	75,488
Change in value of beneficial interest in split interest agreements and assets held in trust	-	(39,479)	-	(39,479)	-	424	-	424
Net assets released from restrictions	915,595	(915,595)	-	-	159,206	(159,206)	-	-
TOTAL SUPPORT AND REVENUE	12,690,206	(892,552)	-	11,797,654	6,325,317	1,097,286	-	7,422,603
EXPENSES:								
Program services	7,737,997	-	-	7,737,997	6,576,932	-	-	6,576,932
Management and general	1,207,094	-	-	1,207,094	1,255,124	-	-	1,255,124
Fundraising	259,145	-	-	259,145	379,946	-	-	379,946
TOTAL EXPENSES	9,204,236	-	-	9,204,236	8,212,002	-	-	8,212,002
CHANGE IN NET ASSETS	3,485,970	(892,552)	-	2,593,418	(1,886,685)	1,097,286	-	(789,399)
NET ASSETS AT BEGINNING OF YEAR	(3,384,431)	2,525,412	2,200,000	1,340,981	(1,497,746)	1,428,126	2,200,000	2,130,380
NET ASSETS AT END OF YEAR	\$ 101,539	\$ 1,632,860	\$ 2,200,000	\$3,934,399	\$ (3,384,431)	\$ 2,525,412	\$ 2,200,000	\$1,340,981

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

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED MAY 31,

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE:				
Performance ticket sales and fees	\$ 3,008,419	\$ -	\$ -	\$ 3,008,419
Contributions	3,308,840	-	-	3,308,840
State and County grants	619,844	-	-	619,844
Special events	182,450	-	-	182,450
Investment income, net	6,992	-	-	6,992
Program book and other revenues	356,987	-	-	356,987
In-kind revenue	29,332	-	-	29,332
Change in value of beneficial interest in split interest agreements and assets held in trust	-	101,584	-	101,584
Net assets released from restrictions	183,421	(183,421)	-	-
TOTAL SUPPORT AND REVENUE	7,696,285	(81,837)	-	7,614,448
EXPENSES:				
Program services	8,416,339	-	-	8,416,339
Management and general	1,353,213	-	-	1,353,213
Fundraising	574,597	-	-	574,597
TOTAL EXPENSES	10,344,149	-	-	10,344,149
CHANGE IN NET ASSETS	(2,647,864)	(81,837)	-	(2,729,701)
NET ASSETS AT BEGINNING OF YEAR - AS PREVIOUSLY REPORTED	839,811	1,626,430	2,200,000	4,666,241
PRIOR PERIOD ADJUSTMENT (NOTE 2)	310,307	(116,467)	-	193,840
NET ASSETS AT BEGINNING OF YEAR - AS RESTATED	1,150,118	1,509,963	2,200,000	4,860,081
NET ASSETS AT END OF YEAR	\$ (1,497,746)	\$ 1,428,126	\$ 2,200,000	\$2,130,380

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

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 2,308,768	\$ 409,432	\$ 165,364	\$ 2,883,564
Payroll taxes and other employee benefits	542,553	34,255	28,820	605,628
Opera program expenses	2,537,649	-	-	2,537,649
Professional fees	17,000	26,510	-	43,510
Supplies	1,399	7,064	-	8,463
Telephone	15,296	12,818	-	28,114
Postage and shipping	24,266	11,496	2,414	38,176
Performing and production center rental	1,211,759	47,742	-	1,259,501
Equipment rental and maintenance	224,811	64,205	-	289,016
Printing and publications	86,673	1,003	6,801	94,477
Travel	94,312	-	-	94,312
Training and seminars	10,522	-	-	10,522
Interest	-	164,245	-	164,245
Depreciation and amortization	-	209,612	-	209,612
Advertising and public relations	275,490	-	-	275,490
Bad debt expense	-	50,011	-	50,011
Bank charges	76,076	6,284	-	82,360
Building repair and maintenance	18,442	5,941	-	24,383
Dues and subscriptions	-	12,971	5,000	17,971
Insurance	73,488	73,489	-	146,977
Recognition and gifts	1,129	-	27,204	28,333
Photography	3,194	-	1,200	4,394
Sales commission and expenses	17,472	-	-	17,472
Utilities	2,852	59,133	-	61,985
Special events	-	-	20,315	20,315
In-kind expense	125,072	-	-	125,072
Miscellaneous expense	69,774	10,883	2,027	82,684
TOTAL EXPENSES	\$ 7,737,997	\$ 1,207,094	\$ 259,145	\$ 9,204,236

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

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,824,294	\$ 455,328	\$ 278,418	\$ 2,558,040
Payroll taxes and other employee benefits	447,253	38,938	42,862	529,053
Opera program expenses	2,185,092	-	-	2,185,092
Professional fees	-	20,949	-	20,949
Supplies	6,989	6,453	105	13,547
Telephone	13,182	10,357	-	23,539
Postage and shipping	24,857	9,337	1,775	35,969
Performing and production center rental	1,127,103	-	-	1,127,103
Equipment rental and maintenance	90,549	66,444	-	156,993
Printing and publications	96,627	1,854	3,051	101,532
Travel	96,814	-	-	96,814
Training and seminars	5,522	-	160	5,682
Interest	-	204,104	-	204,104
Depreciation and amortization	-	213,041	-	213,041
Advertising and public relations	300,474	-	-	300,474
Bad debt expense	-	62,762	-	62,762
Bank charges	72,176	3,670	-	75,846
Building repair and maintenance	16,903	5,448	-	22,351
Dues and subscriptions	-	16,186	4,150	20,336
Insurance	63,133	63,133	-	126,266
Recognition and gifts	2,453	-	28,436	30,889
Photography	6,480	-	1,200	7,680
Sales commission and expenses	42,877	-	-	42,877
Utilities	2,037	62,496	-	64,533
Special events	-	-	15,543	15,543
In-kind expense	75,488	-	-	75,488
Miscellaneous expense	76,629	14,624	4,246	95,499
TOTAL EXPENSES	\$ 6,576,932	\$ 1,255,124	\$ 379,946	\$ 8,212,002

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

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 2,408,449	\$ 540,288	\$ 292,002	\$ 3,240,739
Payroll taxes and other employee benefits	548,103	53,445	40,707	642,255
Opera program expenses	3,256,951	-	-	3,256,951
Professional fees	-	66,357	-	66,357
Supplies	28,914	8,856	398	38,168
Telephone	13,088	9,762	-	22,850
Postage and shipping	40,054	12,578	2,928	55,560
Performing and production center rental	1,092,901	-	-	1,092,901
Equipment rental and maintenance	108,509	63,318	-	171,827
Printing and publications	122,154	5,336	6,836	134,326
Travel	66,499	241	-	66,740
Training and seminars	2,777	-	-	2,777
Interest	-	184,975	-	184,975
Depreciation and amortization	-	213,129	-	213,129
Advertising and public relations	309,701	11	150	309,862
Bad debt expense	-	9,485	-	9,485
Bank charges	98,121	2,133	-	100,254
Building repair and maintenance	68,342	9,220	-	77,562
Consulting fees	24,846	39	7,275	32,160
Dues and subscriptions	834	15,154	4,723	20,711
Insurance	79,370	79,370	-	158,740
Recognition and gifts	2,260	250	42,827	45,337
Photography	781	-	2,460	3,241
Sales commission and expenses	46,729	-	-	46,729
Utilities	11,823	70,367	-	82,190
Special events	-	-	171,622	171,622
In-kind expense	29,332	-	-	29,332
Miscellaneous expense	55,801	8,899	2,669	67,369
TOTAL EXPENSES	\$ 8,416,339	\$ 1,353,213	\$ 574,597	\$ 10,344,149

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

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MAY 31,

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 2,593,418	\$ (789,399)	\$ (2,729,701)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Bad debt expense	50,011	62,762	9,485
Pledge present value discount adjustment	(32,778)	66,355	-
Depreciation and amortization	209,612	213,041	213,129
Forgiveness of loans from donors	(201,500)	-	-
Partial forgiveness of severance payable	(27,500)	-	-
Unrealized gains in fair value of investments	(4,784)	(30,418)	(5,711)
Change in beneficial interest in split interest agreements and assets held in trust	39,479	(424)	(101,584)
Decrease (increase) in assets:			
Pledges receivable	723,699	(1,379,985)	(207)
Grants and other receivables	9,165	7,319	16,806
Other assets	(5,901)	(1,199)	19,976
(Decrease) increase in liabilities:			
Accounts payable and accrued expenses	295,024	(282,153)	511,687
Deferred revenue	(54,887)	(176,386)	(147,929)
TOTAL ADJUSTMENTS	999,640	(1,521,088)	515,652
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,593,058	(2,310,487)	(2,214,049)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Distributions received from assets held in trust	112,141	154,006	76,344
Proceeds from sale of investments	608,977	507,259	-
Purchases of investments	-	-	(1,202,945)
Purchases of property and equipment	-	(5,300)	(9,501)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	721,118	655,965	(1,136,102)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from line of credit	-	1,500,000	-
Proceeds from note payable	-	-	2,000,000
Proceeds from loans from donors	1,869,784	10,000	1,950,000
Repayments on line of credit	(2,500,000)	-	-
Repayments on note payable	(2,000,000)	-	-
Repayments on loans from donors	(1,678,000)	-	(700,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(4,308,216)	1,510,000	3,250,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,960	(144,522)	(100,151)
CASH - BEGINNING OF YEAR	95,836	240,358	340,509
CASH - END OF YEAR	\$ 101,796	\$ 95,836	\$ 240,358
SUPPLEMENTAL DISCLOSURE OF CASH FLOW TRANSACTIONS:			
Interest paid	\$ 164,245	\$ 204,104	\$ 184,975

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

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Florida Grand Opera, Inc. is a non-profit organization established to oversee the activities of Greater Miami Opera, Inc. ("Miami Opera") and the Opera Guild, Inc. ("Fort Lauderdale Opera") (collectively "the Organization"). Effective June 1, 1994, Florida Grand Opera, Inc. consolidated the operations of both the Miami Opera and Fort Lauderdale Opera. The purpose of the Organization is to encourage the study and enjoyment of opera through productions and educational programs. The Organization supports its programs with ticket revenues and contributions from the private and public sectors.

Working Capital Deficit and Management's Plan

The Organization had a working capital deficit of approximately \$3 million at May 31, 2016. Management has taken several actions to raise the Organization's revenue, reduce debt and improve working capital. Specifically, the Organization received an unrestricted contribution from a major donor during the year ended May 31, 2016 of approximately \$6.2 million which was used to repay debt and other liabilities. The same donor cosigned a \$3.5 million promissory note and pledged its investment assets as collateral (NOTE 14). The Organization used the proceeds of the promissory note to pay off additional debt, liabilities, and add staff. As of September 30, 2016, the Organization has approximately \$2 million of cash in its bank accounts.

Furthermore, on August 1, 2016, the Organization reversed its working capital deficit by obtaining a long term promissory note described above. Management also continues to monitor its cash flow from each line of business. Management is working towards increasing the Organization's net assets and continuing to improve its working capital. If such efforts are not sufficiently successful, management is prepared to take further steps to reduce expenses in order to ensure that the Organization will continue to meet its obligations in the normal course. The Organization will continue to rely on the funding of its cash flow needs through contributions as well as the collections of cash from advance ticket sales for future performances.

Management is also working on a plan to replenish its permanently restricted endowment which was used in past years to fund its operating cash shortfalls (See NOTES 5 and 11).

Principles of Consolidation

The accompanying consolidated financial statements include the consolidated statements of financial position, activities, and cash flows of Florida Grand Opera, Inc., Greater Miami Opera, Inc. and the Opera Guild, Inc. As such, the Organization eliminates any intercompany balances and intercompany income and expense in the consolidation process.

Basis of Accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed or time restrictions as follows:

Unrestricted – net assets that are free of donor imposed or time restrictions. This category includes all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted – net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the Consolidated Statements of Activities as "Net assets released from restriction."

Permanently Restricted – net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016, 2015 AND 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Split-Interest Agreements and Trust

The Organization is the remainder beneficiary of various charitable remainder unitrusts and another charitable trust. A contribution is recorded at the time of the gift as the difference between the fair value of the assets received and the liabilities incurred in the exchange portion of the agreement for these irrevocable transfers of assets. There were no contributions during the years ended May 31, 2016, 2015 and 2014.

Changes in the value of these split-interest agreements amounted to approximate (losses) gains of \$(39,000), \$400 and \$102,000 for the years ended May 31, 2016, 2015 and 2014, respectively, and are included in "Change in value of beneficial interest in split interest agreements and assets held in trust" in the Consolidated Statements of Activities. During the years ended May 31, 2016, 2015 and 2014, the Organization received distributions from the trusts of approximately \$112,000, \$154,000 and \$76,000, respectively, and are included in "Net assets released from restrictions" in the Consolidated Statements of Activities.

The assets related to the split interest agreements, were \$1,066,632, \$1,218,252 and \$1,371,834 as of May 31, 2016, 2015 and 2014, respectively, and are reflected within "Beneficial interest in split interest agreements and assets held in trust" on the Consolidated Statements of Financial Position.

Investments and Investment Return

The Organization's investments as of May 31, 2016 were held and administered by the Miami Foundation. The assets are invested in the Miami Foundation's blended investment pool. The investments held at the Miami Foundation are permanently restricted. The Investments for the years ended May 31, 2015 and 2014 were held at a traditional brokerage firm.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Consolidated Statements of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the Consolidated Statements of Activities as increases or decreases in unrestricted net assets unless income or loss is restricted by donor or law.

Property and Equipment, Net

The Organization follows the practice of capitalizing expenditures greater than \$1,000 for property and equipment or, if contributed, at the fair market value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions are recorded as unrestricted support. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 30 years.

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes indicate that assets may have been impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

Long-Lived Assets

The Organization reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded in 2016, 2015, and 2014.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue Recognition

The Organization is dependent upon public and governmental support for its operations. The amount and timeliness in which the support from fundraising events and governmental agencies is collected is essential to meet the normal cash flow needs of the Organization.

Contribution Revenue and Unconditional Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted support. Conditional promises to give are recognized when the conditions are substantially met. Contributions received for special events which occur in a future period are recorded as deferred income.

Unconditional pledges to give cash and other assets are reported at fair value at the date the pledge is received to the extent estimated to be collectible by the Organization. Pledges received with donor restrictions that limit the use of the donated assets are reported as temporarily or permanently restricted support. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, or when cash is collected on unconditional pledges in excess of current year pledge revenue, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a market rate of return and are recorded at net present value.

Management reviews outstanding pledges on an ongoing basis. Management provides for probable uncollectible pledges through a provision for bad debt expense and an adjustment to the allowance based on its assessment of the current status of individual pledges receivable. Pledges receivable are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Performance ticket sales and fees

Programming revenues and expenses are recognized as the related performances occur. Revenues from ticket sales and expenses incurred in connection with performances marketed and/or presented by the Organization, are reported gross in the Consolidated Statements of Activities.

Deferred Revenue

Amounts received in advance for future performances are deferred to the fiscal year in which the performance occurs.

Grants

The Organization receives grant funds from various social and governmental agencies. The amounts received under these grants are designated for specific purposes by the granting agencies. Grant revenue is recognized when the allowable costs as defined by the individual grants are incurred and/or the unit of service has been performed. The Organization records advances at the start of each grant as a liability. Revenues and expenses, which are treated as reciprocal transactions, are recognized as the costs are incurred. Grant receivables at year end represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency.

In-kind Contributions

The Organization records the value of donated goods and services when there is an objective basis available to measure the value. Donated items are reflected as support in the accompanying consolidated financial statements at their fair market values at date of receipt. During the years ended May 31, 2016, 2015 and 2014, the Organization received approximately \$125,000, \$75,000 and \$29,000, respectively, of in-kind contributions.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue Recognition (Continued)

Contributed Services

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, fundraising campaigns and management that do not meet the criteria of specialized skills for financial statement recognition.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses. The majority of expenses can be directly identified with the program services to which they relate and are charged accordingly. The remaining expenses have been allocated among the programs and support services benefited.

Advertising Costs

Advertising costs for the years ended May 31, 2016, 2015 and 2014 were approximately \$275,000, \$300,000 and \$310,000, respectively, and were expensed as incurred.

Income Taxes

The Florida Grand Opera, Inc., Greater Miami Opera, Inc. and Opera Guild, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Florida Grand Opera, Inc. and Greater Miami Opera, Inc. are classified as public charities under Section 509(a)(1) and The Opera Guild, Inc. is classified as a public charity under Section 509(a)(2). Accordingly, the accompanying consolidated financial statements reflect no provision for income taxes.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and the State of Florida jurisdiction are the major tax jurisdictions where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal or state examinations by tax authorities for years before 2012.

Risks and Uncertainties

The Organization depends heavily on contributions and grants for its revenue. The ability of certain contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Organization. While the Board of Directors believe the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

Concentrations of Promises to Give and Contributions

During the year ended May 31, 2016 and 2014, 76% and 30%, respectively of contribution revenue was received from a single, different donor. There was no such concentration during the year ended May 31, 2015.

As of May 31, 2016 and 2015, pledges receivable from one donor accounted for approximately 21%, and 15%, respectively of the outstanding pledges receivable balance. There was no such concentration as of May 31, 2014.

Concentrations and Credit Risk

The Organization performs various Operas primarily at two venues in South Florida. In the event that these facilities were not available, it could impact the ability of the Organization to generate operating revenues.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations and Credit Risk (Continued)

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and cash equivalents and investments. The majority of the Organization's cash balance is in non-interest bearing accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times cash balances may exceed the FDIC coverage insurance limit. The Organization has not experienced any losses in such accounts.

Investments held at the Miami Foundation are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. Additionally, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Miami Foundation's investment balance and the amounts reported in the Consolidated Statements of Financial Position. The Miami Foundation utilizes an investment policy and management oversight, which periodically reviews its investment portfolios to monitor these risks.

Subsequent Events

The Organization has evaluated subsequent events through October 17, 2016, which is the date the accompanying consolidated financial statements were available to be issued.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016, 2015 AND 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

2. RESTATEMENTS

The Organization restated its previously issued May 31, 2013 consolidated financial statements in order to correct certain errors as follows:

- The Organization incorrectly wrote off certain assets as part of a land and property sale that occurred during 2013 thus understating property and equipment.
- The Organization did not allocate a portion of its property between building and land and as a result over depreciated its property since inception which was 2007.
- The Organization incorrectly valued its split interest agreements thus overstating their value in prior years.

The following is a summary of the effects the corrections had on the May 31, 2013 Consolidated Statements of Financial Position:

	<u>As Previously Reported</u>	<u>Effect of Restatement</u>	<u>As Restated</u>
<u>Consolidated Statements of Financial Position</u>			
Beneficial interest in split interest agreements and assets held in trust	\$ 1,463,061	\$ (116,467)	\$ 1,346,594
Property and equipment, net	<u>5,983,273</u>	<u>310,307</u>	<u>6,293,580</u>
TOTAL ASSETS	<u>\$ 7,446,334</u>	<u>\$ 193,840</u>	<u>\$ 7,640,174</u>
NET ASSETS	<u>\$ 4,666,241</u>	<u>\$ 193,840</u>	<u>\$ 4,860,081</u>

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

3. INVESTMENTS

Investments, at fair value, consist of following at May 31,:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Money market funds	\$ -	\$ 180,330	\$ 306,038
Mutual funds	-	-	171,187
Bonds	-	421,249	731,431
Investments held at Miami Foundation	127,622	130,236	-
	<u>\$ 127,622</u>	<u>\$ 731,815</u>	<u>\$ 1,208,656</u>

The following schedule summarizes investment income for the years ended May 31:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 6,917	\$ 38,400	\$ 1,765
Net realized and unrealized gains	4,784	30,418	5,711
Investment fees	(10,097)	(14,659)	(484)
	<u>\$ 1,604</u>	<u>\$ 54,159</u>	<u>\$ 6,992</u>

4. FAIR VALUE MEASUREMENTS

The FASB establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the FASB Accounting Standards Codification 820 are described as follows:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2016, 2015 and 2014.

Money market funds – cash is primarily utilized to hold customers balances awaiting re-investment.

Mutual funds and bonds - fair value is based on the number of shares of an underlying fund multiplied by the closing value per share quoted by that fund and held by the Organization at year end.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

4. FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial interest in split interest agreements and assets held in trust – fair value is based on the value of the trusts along with the life expectancy of the donor and discounted cash flows.

Investments held at Miami Foundation – The values of the assets invested with the Miami Foundation are determined by calculating the Organization’s net asset value (“NAV”) in the pool. The Organization has the ability to observe the inputs to the valuation, as such, the Organization’s investment is reflected at NAV and reported as Level 2.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table represents the Organization’s financial instruments measured at fair value on a recurring basis at May 31, 2016, 2015, and 2014 for each of the fair value hierarchy levels:

Description	Fair Value	Fair Value Measurements at May 31, 2016		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Investments held at Miami Foundation	\$ 127,622	\$ -	\$ 127,622	\$ -
Beneficial interest in split interest agreements and assets held in trust	1,066,632	-	-	1,066,632
	\$ 1,194,254	\$ -	\$ 127,622	\$ 1,066,632

Description	Fair Value	Fair Value Measurements at May 31, 2015		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 180,330	\$ 180,330	\$ -	\$ -
Bonds	421,249	-	421,249	-
Investments held at Miami Foundation	130,236	-	130,236	-
Beneficial interest in split interest agreements and assets held in trust	1,218,252	-	-	1,218,252
	\$ 1,950,067	\$ 180,330	\$ 551,485	\$ 1,218,252

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

4. FAIR VALUE MEASUREMENTS (CONTINUED)

Description	Fair Value	Fair Value Measurements at May 31, 2014		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 306,038	\$ 306,038	\$ -	\$ -
Mutual funds	171,187	171,187	-	-
Bonds	731,431	-	731,431	-
Beneficial interest in split interest agreements and assets held in trust	1,371,834	-	-	1,371,834
	\$ 2,580,490	\$ 477,225	\$ 731,431	\$ 1,371,834

Changes in Fair Value of Level 3 Investments

The following table sets forth a summary of changes in fair value of the Organization's Level 3 net assets for the years ended May 31,:

	2016	2015	2014
Balance, beginning of year	\$ 1,218,252	\$ 1,371,834	\$ 1,346,594
Change in value of beneficial interest in split interest agreements and assets held in trust	(39,479)	424	101,584
Distributions from trusts	(112,141)	(154,006)	(76,344)
	\$ 1,066,632	\$ 1,218,252	\$ 1,371,834

There were no financial assets or liabilities measured at fair value on a non-recurring basis at May 31, 2016, 2015 and 2014.

5. ENDOWMENT

Interpretation of Relevant Law

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016, 2015 AND 2014

5. ENDOWMENT (CONTINUED)

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Permanently restricted net assets at May 31, 2016, 2015 and 2014 consist of donor-restricted endowment funds to function as an endowment to support the Organization's program services. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended for program services. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds with Deficiencies

The fair value of assets associated with individual donor restricted endowment funds fell below the level that the donor requires the Organization to retain as a fund of perpetual duration. Due to the significant cash flow issues the Organization decided to borrow from its permanently restricted endowment and is in the process of determining a plan to replenish these funds (NOTE 11). In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets to the extent that the deficiencies fall below the permanently restricted corpus. The deficiencies that are reported in unrestricted net assets were approximately \$2,072,000, \$1,468,000 and \$991,000 for the years ended May 31, 2016, 2015 and 2014, respectively.

Return Objectives and Risk Parameters

Prior to borrowing from its endowment, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation-adjusted basis. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that achieve the majority of the gains of the S&P 500 while limiting the negative returns caused by decreases in the S&P 500, by assuming a moderate level of investment risk and limiting volatility. Once the endowment is restored, the Organization expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

The Organization is currently working on replenishing its endowment. The Organization satisfies its long-term objectives on an inflation adjusted basis with moderate volatility. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

5. ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Effective June 1, 2011, the Organization suspended its spending policy. Prior to borrowing from its endowment, the Organization's Board of Directors had approved a spending policy which allows for the transfer of up to 5% of the average trailing twelve quarter endowment balance to be used to support operations. The spending rate approximates the return objective of the fund allowing for the preservation of purchasing power and growth of the endowment through investment returns in excess of the objective and new gifts.

Changes in Endowment Net Assets for the year ended May 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ (1,468,185)	\$ -	\$ 2,200,000	\$ 731,815
Interest and dividends	6,917	-	-	6,917
Funds appropriated for expenditure	(611,110)	-	-	(611,110)
Endowment net assets, ending	\$ (2,072,378)	\$ -	\$ 2,200,000	\$ 127,622

Changes in Endowment Net Assets for the year ended May 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ (991,344)	\$ -	\$ 2,200,000	\$ 1,208,656
Interest and dividends	38,400	-	-	38,400
Funds appropriated for expenditure	(515,241)	-	-	(515,241)
Endowment net assets, ending	\$ (1,468,185)	\$ -	\$ 2,200,000	\$ 731,815

Changes in Endowment Net Assets for the year ended May 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ (2,200,000)	\$ -	\$ 2,200,000	\$ -
Interest and dividends	1,765	-	-	1,765
Replenishment of endowment	1,206,891	-	-	1,206,891
Endowment net assets, ending	\$ (991,344)	\$ -	\$ 2,200,000	\$ 1,208,656

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA as of May 31, 2016, 2015 and 2014

\$ 2,200,000

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

5. ENDOWMENT (CONTINUED)

Summary of Endowment Net Assets at May 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$(2,072,378)</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>	<u>\$ 127,622</u>

Summary of Endowment Net Assets at May 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$(1,468,185)</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>	<u>\$ 731,815</u>

Summary of Endowment Net Assets at May 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ (991,344)</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>	<u>\$1,208,656</u>

6. PLEDGES RECEIVABLE, NET

Pledges receivable, net consist of the following at May 31:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Due in less than one year	\$ 498,121	\$ 748,944	\$ 5,200
Due in one to five years	157,659	695,546	56,000
Due in more than five years	-	-	5,200
Total pledges receivable	655,780	1,444,490	66,400
Less: Unamortized discount	(39,552)	(72,330)	(6,108)
Less: Allowance for doubtful pledges	(50,000)	(65,000)	(4,000)
Pledges receivable, net	566,228	1,307,160	56,292
Less: Current pledges receivable	(498,121)	(748,944)	(5,200)
Non-current pledges receivable	<u>\$ 68,107</u>	<u>\$ 558,216</u>	<u>\$ 51,092</u>

The interest rate of 3.25% was used in calculating discounts on the present value of estimated future cash flows.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following at May 31,:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000
Building and building improvements	5,453,172	5,453,172	5,447,872
Office furnishings	392,567	392,567	392,567
Production equipment	828,164	828,164	828,164
Computer equipment	319,648	319,648	319,648
Vehicles	91,495	91,495	91,495
Music equipment	28,130	28,130	28,130
	<u>8,813,176</u>	<u>8,813,176</u>	<u>8,807,876</u>
Accumulated depreciation and amortization	<u>(3,140,577)</u>	<u>(2,930,965)</u>	<u>(2,717,924)</u>
	<u>\$ 5,672,599</u>	<u>\$ 5,882,211</u>	<u>\$ 6,089,952</u>

Depreciation and amortization expense on property and equipment was approximately \$210,000, \$213,000, and \$213,000, for the years ended May 31, 2016, 2015, and 2014, respectively.

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at May 31,:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Accounts payable	\$ 1,353,668	\$ 1,056,308	\$ 1,316,796
Severance payable	100,000	140,000	140,000
Accrued payroll and vacation	129,890	119,726	141,391
Total	<u>\$ 1,583,558</u>	<u>\$ 1,316,034</u>	<u>\$ 1,598,187</u>

9. NOTES PAYABLE AND LINE OF CREDIT

Line of Credit

On December 21, 2012, the Organization entered into a line of credit agreement with a financial institution for \$1 million with an initial variable interest rate of 3.25% (minimum of 3% and maximum of 18%) and maturity date of December 19, 2014 with interest due monthly. At May 31, 2014 the Organization had an outstanding balance of \$1 million. On November 7, 2014 the Organization renewed the line of credit and increased the amount of borrowing by \$1.5 million and extended the maturity date to November 6, 2015. At May 31, 2015 the Organization had an outstanding balance of \$2.5 million. During January 2016, the entire \$2.5 million was paid in full and the line of credit was closed. The line of credit was secured by a major donor's investment accounts.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

9. NOTES PAYABLE AND LINE OF CREDIT (CONTINUED)

Note Payable and Donor Loans Payable

	2016	2015	2014
<u>Note Payable</u>			
During August, 2013, the Organization entered into a loan agreement with a financial institution secured by the Organization's Doral property for \$2,000,000 with a fixed interest rate of 5.75%. Interest payments of \$9,717 were due monthly until the loan reached maturity on July 2016, at which time the outstanding principal balance becomes due. During January 2016, the entire \$2,000,000 loan was paid in full.	\$ -	\$ 2,000,000	\$ 2,000,000
 <u>Donor Loans Payable</u>			
At different times during each of the years ended May 31, 2016, 2015 and 2014, the Organization entered into note payable agreements with certain donors in order to assist with the annual operations during a time of financial challenges the Organization was facing. The loans payable have interest due monthly at rates ranging from 2% – 3 % and are due upon demand. As of May 31, 2016, 2015 and 2014, the outstanding balances related to these loans were \$1,250,284, \$1,260,000 and \$1,250,000, respectively. During the year ended May 31, 2016, the Organization received additional loans in which repayments were made during the same year. In addition, certain loans were forgiven totaling \$201,500. The loan forgiveness was included within Contributions on the consolidated Statement of Activities for the year ended May 31, 2016. As of the date of	1,250,284	1,260,000	1,250,000
Total Notes and Donor Loans Payable	1,250,284	3,260,000	3,250,000
Less: current portion of notes and donor loans payable	1,250,284	3,260,000	-
Notes and donor loans payable, net of current portion	\$ -	\$ -	\$ 3,250,000

Total interest expense incurred on these debt facilities were approximately \$164,000, \$204,000, and \$185,000 for the years ended May 31, 2016, 2015 and 2014, respectively.

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2016, 2015 AND 2014

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are time and purpose restricted as follows at May 31,:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Split interest agreements and assets held in trust	\$ 1,066,632	\$ 1,218,252	\$ 1,371,834
Pledges receivable	566,228	1,307,160	56,292
Total temporary restricted net assets	<u>\$ 1,632,860</u>	<u>\$ 2,525,412</u>	<u>\$ 1,428,126</u>

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets were established through contributions which in turn established two endowment funds.

Endowment Fund 1- This endowment was funded through an unrelated foundation located in South Florida whose gift was \$1,000,000. As disclosed in NOTE 1, the Organization has borrowed these funds in order to meet its operating cash flow needs. The Organization entered into an agreement with the foundation to replenish these funds at \$100,000 per year. As of the date of these financials, the Organization has replenished this Endowment by \$300,000 and is current with the agreement to replenish the fund. The Organization is not allowed to use these funds or its earnings until such time the endowment is restored.

Endowment Fund 2- This endowment was funded through a matching grant with the State of Florida Cultural Endowment Fund for a total of \$1,200,000. As disclosed in NOTE 1, the Organization has borrowed from these funds to meet its operating cash flow needs. The Organization is currently evaluating a plan of action.

12. RETIREMENT PLAN

As of December 2002, the Organization converted their defined contribution plan into a qualified 401(k) Plan (the "Plan") that is available to all eligible employees. Contributions to the Plan are made by the participants. Matching contributions by the employer are discretionary. There were no contributions made by the Organization for the years ended May 31, 2016, 2015 and 2014.

13. COMMITMENTS AND CONTINGENCIES

Audits from Governmental Entities

Financial awards from State and County government entities in the form of grants are subject to audit by the respective governmental agencies. The possible disallowance by the governmental agencies of any item charged to the program or request for the return of any unexpended funds cannot be determined at this time. Accordingly, no provision for any liability that may result has been made in the financial statements.

Leases

The Organization leases office, storage and rehearsal space, and equipment under non-cancelable operating leases expiring in various years through 2019. Minimum future lease payments are as follows:

<u>Years ending May 31:</u>	
2017	\$ 48,000
2018	33,000
2019	<u>6,000</u>
	<u>\$ 87,000</u>

FLORIDA GRAND OPERA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016, 2015 AND 2014

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Organization is subject to legal proceedings and other claims that arise in the ordinary course of its business. In the opinion of management and legal counsel, the amount of ultimate liability, if any, in excess of applicable insurance coverage, is not likely to have a material effect on the financial condition, results of operations or liquidity of the Organization.

The Organization is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution will not have a material effect on the Organization's Consolidated Statements of Financial Position or Statements of Activities.

Performing Arts Center Agreements

The Organization had agreements with the Adrienne Arsht Center for the Performing Arts of Miami-Dade County (the "Arsht Center") and the Performing Arts Center Authority - Broward Center for the Performing Arts (the "Broward Center"), to use their facilities to perform Operas during the years ended May 31, 2016, 2015 and 2014. Total approximate fees incurred to use the two centers during the years ended May 31, 2016, 2015 and 2014 were approximately \$974,000, \$921,000 and \$1,058,000, respectively. The Organization has an agreement in place with the two centers to use their facilities in the upcoming 2016/2017 opera season.

14. SUBSEQUENT EVENTS

On August 1, 2016, the Organization and a major donor as a co-borrower entered into a promissory note agreement for \$3.5 million with a financial institution. The Organization will make 59 payments of \$20,751 of principal and interest and a balloon payment estimated at \$2,874,000 on August 1, 2021. The promissory note bears interest at a fixed rate of 3.75%. The promissory note is secured by a major donor's investment accounts.

SUPPLEMENTAL SCHEDULES

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MAY 31, 2016

ASSETS	Florida Grand Opera, Inc	Greater Miami Opera, Inc	Opera Guild, Inc	Eliminations	Total
Cash	\$ 101,796	\$ -	\$ -	\$ -	\$ 101,796
Current portion of pledges receivable, net	498,121	-	-	-	498,121
Grant and other receivables	-	27,500	64,950	-	92,450
Due from affiliates, net	1,895,517	-	-	(1,895,517)	-
TOTAL CURRENT ASSETS	2,495,434	27,500	64,950	(1,895,517)	692,367
Pledges receivable, net of current portion	68,107	-	-	-	68,107
Beneficial interest in split interest agreements and assets held in trust	1,066,632	-	-	-	1,066,632
Investments	127,622	-	-	-	127,622
Property and equipment, net	5,413,319	259,280	-	-	5,672,599
Other	13,100	-	-	-	13,100
TOTAL ASSETS	\$ 9,184,214	\$ 286,780	\$ 64,950	\$ (1,895,517)	\$ 7,640,427
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,583,558	\$ -	\$ -	\$ -	\$ 1,583,558
Deferred revenue	-	671,442	200,744	-	872,186
Line of credit	-	-	-	-	-
Current portion of loans from donors	1,250,284	-	-	-	1,250,284
Due to affiliates, net	-	1,298,784	596,733	(1,895,517)	-
TOTAL CURRENT LIABILITIES	2,833,842	1,970,226	797,477	(1,895,517)	3,706,028
NOTE PAYABLE, NET OF CURRENT PORTION	-	-	-	-	-
LOANS FROM DONORS, NET OF CURRENT PORTION	-	-	-	-	-
TOTAL LIABILITIES	2,833,842	1,970,226	797,477	(1,895,517)	3,706,028
NET ASSETS					
Unrestricted:	2,517,512	(1,683,446)	(732,527)	-	101,539
Temporarily restricted	1,632,860	-	-	-	1,632,860
Permanently restricted	2,200,000	-	-	-	2,200,000
TOTAL NET ASSETS	6,350,372	(1,683,446)	(732,527)	-	3,934,399
TOTAL LIABILITIES AND NET ASSETS	\$ 9,184,214	\$ 286,780	\$ 64,950	\$ (1,895,517)	\$ 7,640,427

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2016

	Florida Grand Opera, Inc.				Greater Miami Opera, Inc.			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Performance ticket sales and fees	\$ -	\$ -	\$ -	\$ -	\$ 1,769,756	\$ -	\$ -	\$ 1,769,756
Contributions	8,520,519	62,522	-	8,583,041	4,437,584	-	-	4,437,584
State and county grants	-	-	-	-	494,336	-	-	494,336
Special events	-	-	-	-	26,300	-	-	26,300
Investment income	1,604	-	-	1,604	-	-	-	-
Program book and other revenues	-	-	-	-	137,820	-	-	137,820
In-kind revenue	-	-	-	-	97,781	-	-	97,781
Change in value of beneficial interest in split interest agreements and assets held in trust	-	(39,479)	-	(39,479)	-	-	-	-
Net assets released from restrictions	915,595	(915,595)	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	9,437,718	(892,552)	-	8,545,166	6,963,577	-	-	6,963,577
EXPENSES:								
Program services	5,676,114	-	-	5,676,114	6,035,638	-	-	6,035,638
Management and general	1,207,094	-	-	1,207,094	-	-	-	-
Fundraising	238,830	-	-	238,830	15,846	-	-	15,846
TOTAL EXPENSES	7,122,038	-	-	7,122,038	6,051,484	-	-	6,051,484
CHANGE IN NET ASSETS	2,315,680	(892,552)	-	1,423,128	912,093	-	-	912,093
NET ASSETS AT BEGINNING OF YEAR	201,832	2,525,412	2,200,000	4,927,244	(2,595,539)	-	-	(2,595,539)
NET ASSETS AT END OF YEAR	\$ 2,517,512	\$ 1,632,860	\$ 2,200,000	\$6,350,372	\$ (1,683,446)	\$ -	\$ -	\$ (1,683,446)

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2016

	Opera Guild, Inc.				Total				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Total
SUPPORT AND REVENUE:									
Performance ticket sales and fees	\$ 493,939	\$ -	\$ -	\$ 493,939	\$ 2,263,695	\$ -	\$ -	\$ -	\$ 2,263,695
Contributions	1,238,530	-	-	1,238,530	14,196,633	62,522	-	(5,676,114)	8,583,041
State and county grants	166,800	-	-	166,800	661,136	-	-	-	661,136
Special events	-	-	-	-	26,300	-	-	-	26,300
Investment income	-	-	-	-	1,604	-	-	-	1,604
Program book and other revenues	38,465	-	-	38,465	176,285	-	-	-	176,285
In-kind revenue	27,291	-	-	27,291	125,072	-	-	-	125,072
Change in value of beneficial interest in split interest agreements and assets held in trust	-	-	-	-	-	(39,479)	-	-	(39,479)
Net assets released from restrictions	-	-	-	-	915,595	(915,595)	-	-	-
TOTAL SUPPORT AND REVENUE	1,965,025	-	-	1,965,025	18,366,320	(892,552)	-	(5,676,114)	11,797,654
EXPENSES:									
Program services	1,702,359	-	-	1,702,359	13,414,111	-	-	(5,676,114)	7,737,997
Management and general	-	-	-	-	1,207,094	-	-	-	1,207,094
Fundraising	4,469	-	-	4,469	259,145	-	-	-	259,145
TOTAL EXPENSES	1,706,828	-	-	1,706,828	14,880,350	-	-	(5,676,114)	9,204,236
CHANGE IN NET ASSETS	258,197	-	-	258,197	3,485,970	(892,552)	-	-	2,593,418
NET ASSETS AT BEGINNING OF YEAR	(990,724)	-	-	(990,724)	(3,384,431)	2,525,412	2,200,000	-	1,340,981
NET ASSETS AT END OF YEAR	\$ (732,527)	\$ -	\$ -	\$ (732,527)	\$ 101,539	\$ 1,632,860	\$ 2,200,000	\$ -	\$3,934,399

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MAY 31, 2015

ASSETS	Florida Grand Opera, Inc	Greater Miami Opera, Inc	Opera Guild, Inc	Eliminations	Total
Cash	\$ 95,836	\$ -	\$ -	\$ -	\$ 95,836
Current portion of pledges receivable, net	748,944	-	-	-	748,944
Grant and other receivables	54,207	47,408	-	-	101,615
Due from affiliates, net	3,558,221	-	-	(3,558,221)	-
TOTAL CURRENT ASSETS	4,457,208	47,408	-	(3,558,221)	946,395
Pledges receivable, net of current portion	-	396,141	162,075	-	558,216
Beneficial interest in split interest agreements and assets held in trust	1,218,252	-	-	-	1,218,252
Investments	731,815	-	-	-	731,815
Property and equipment, net	5,588,804	293,407	-	-	5,882,211
Other	7,199	-	-	-	7,199
TOTAL ASSETS	\$ 12,003,278	\$ 736,956	\$ 162,075	\$ (3,558,221)	\$ 9,344,088
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,316,034	\$ -	\$ -	\$ -	\$ 1,316,034
Deferred revenue	-	754,172	172,901	-	927,073
Line of credit	2,500,000	-	-	-	2,500,000
Current portion of note payable	2,000,000	-	-	-	2,000,000
Current portion of loans from donors	1,260,000	-	-	-	1,260,000
Due to affiliates, net	-	2,578,323	979,898	(3,558,221)	-
TOTAL CURRENT LIABILITIES	7,076,034	3,332,495	1,152,799	(3,558,221)	8,003,107
NOTE PAYABLE, NET OF CURRENT PORTION	-	-	-	-	-
LOANS FROM DONORS, NET OF CURRENT PORTION	-	-	-	-	-
TOTAL LIABILITIES	7,076,034	3,332,495	1,152,799	(3,558,221)	8,003,107
NET ASSETS					
Unrestricted:	201,832	(2,595,539)	(990,724)	-	(3,384,431)
Temporarily restricted	2,525,412	-	-	-	2,525,412
Permanently restricted	2,200,000	-	-	-	2,200,000
TOTAL NET ASSETS	4,927,244	(2,595,539)	(990,724)	-	1,340,981
TOTAL LIABILITIES AND NET ASSETS	\$ 12,003,278	\$ 736,956	\$ 162,075	\$ (3,558,221)	\$ 9,344,088

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2015

	Florida Grand Opera, Inc.				Greater Miami Opera, Inc.			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Performance ticket sales and fees	\$ -	\$ -	\$ -	\$ -	\$ 1,913,255	\$ -	\$ -	\$ 1,913,255
Contributions	2,269,687	1,256,068	-	3,525,755	1,724,514	-	-	1,724,514
State and county grants	-	-	-	-	607,064	-	-	607,064
Special events	-	-	-	-	42,175	-	-	42,175
Investment income	54,159	-	-	54,159	-	-	-	-
Program book and other revenues	11,401	-	-	11,401	169,735	-	-	169,735
In-kind revenue	-	-	-	-	53,672	-	-	53,672
Change in value of beneficial interest in split interest agreements and assets held in trust	-	424	-	424	-	-	-	-
Net assets released from restrictions	159,206	(159,206)	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	2,494,453	1,097,286	-	3,591,739	4,510,415	-	-	4,510,415
EXPENSES:								
Program services	2,428,893	-	-	2,428,893	4,669,622	-	-	4,669,622
Management and general	1,255,124	-	-	1,255,124	-	-	-	-
Fundraising	364,403	-	-	364,403	11,036	-	-	11,036
TOTAL EXPENSES	4,048,420	-	-	4,048,420	4,680,658	-	-	4,680,658
CHANGE IN NET ASSETS	(1,553,967)	1,097,286	-	(456,681)	(170,243)	-	-	(170,243)
NET ASSETS AT BEGINNING OF YEAR	1,755,799	1,428,126	2,200,000	5,383,925	(2,425,296)	-	-	(2,425,296)
NET ASSETS AT END OF YEAR	\$ 201,832	\$ 2,525,412	\$ 2,200,000	\$4,927,244	\$ (2,595,539)	\$ -	\$ -	\$ (2,595,539)

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2015

	Opera Guild, Inc.				Total				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Total
SUPPORT AND REVENUE:									
Performance ticket sales and fees	\$ 776,498	\$ -	\$ -	\$ 776,498	\$ 2,689,753	\$ -	\$ -	\$ -	\$ 2,689,753
Contributions	704,379	-	-	704,379	4,698,580	1,256,068	-	(2,428,893)	3,525,755
State and county grants	178,200	-	-	178,200	785,264	-	-	-	785,264
Special events	-	-	-	-	42,175	-	-	-	42,175
Investment income	-	-	-	-	54,159	-	-	-	54,159
Program book and other revenues	68,449	-	-	68,449	249,585	-	-	-	249,585
In-kind revenue	21,816	-	-	21,816	75,488	-	-	-	75,488
Change in value of beneficial interest in split interest agreements and assets held in trust	-	-	-	-	-	424	-	-	424
Net assets released from restrictions	-	-	-	-	159,206	(159,206)	-	-	-
TOTAL SUPPORT AND REVENUE	1,749,342	-	-	1,749,342	8,754,210	1,097,286	-	(2,428,893)	7,422,603
EXPENSES:									
Program services	1,907,310	-	-	1,907,310	9,005,825	-	-	(2,428,893)	6,576,932
Management and general	-	-	-	-	1,255,124	-	-	-	1,255,124
Fundraising	4,507	-	-	4,507	379,946	-	-	-	379,946
TOTAL EXPENSES	1,911,817	-	-	1,911,817	10,640,895	-	-	(2,428,893)	8,212,002
CHANGE IN NET ASSETS	(162,475)	-	-	(162,475)	(1,886,685)	1,097,286	-	-	(789,399)
NET ASSETS AT BEGINNING OF YEAR	(828,249)	-	-	(828,249)	(1,497,746)	1,428,126	2,200,000	-	2,130,380
NET ASSETS AT END OF YEAR	\$ (990,724)	\$ -	\$ -	\$ (990,724)	\$ (3,384,431)	\$ 2,525,412	\$ 2,200,000	\$ -	\$ 1,340,981

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MAY 31, 2014

ASSETS	Florida Grand Opera, Inc	Greater Miami Opera, Inc	Opera Guild, Inc	Eliminations	Total
Cash	\$ 240,358	\$ -	\$ -	\$ -	\$ 240,358
Current portion of pledges receivable, net	-	5,200	-	-	5,200
Grant and other receivables	18,000	63,563	27,371	-	108,934
Due from affiliates, net	2,624,846	-	-	(2,624,846)	-
TOTAL CURRENT ASSETS	2,883,204	68,763	27,371	(2,624,846)	354,492
Pledges receivable, net of current portion	-	31,981	19,111	-	51,092
Beneficial interest in split interest agreements and assets held in trust	1,371,834	-	-	-	1,371,834
Investments	1,208,656	-	-	-	1,208,656
Property and equipment, net	5,762,418	327,534	-	-	6,089,952
Other	6,000	-	-	-	6,000
TOTAL ASSETS	\$ 11,232,112	\$ 428,278	\$ 46,482	\$ (2,624,846)	\$ 9,082,026
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,598,187	\$ -	\$ -	\$ -	\$ 1,598,187
Deferred revenue	-	842,898	260,561	-	1,103,459
Line of credit	1,000,000	-	-	-	1,000,000
Due to affiliates, net	-	2,010,676	614,170	(2,624,846)	-
TOTAL CURRENT LIABILITIES	2,598,187	2,853,574	874,731	(2,624,846)	3,701,646
NOTE PAYABLE, NET OF CURRENT PORTION	2,000,000	-	-	-	2,000,000
LOANS FROM DONORS, NET OF CURRENT PORTION	1,250,000	-	-	-	1,250,000
TOTAL LIABILITIES	5,848,187	2,853,574	874,731	(2,624,846)	6,951,646
NET ASSETS					
Unrestricted:	1,755,799	(2,425,296)	(828,249)	-	(1,497,746)
Temporarily restricted	1,428,126	-	-	-	1,428,126
Permanently restricted	2,200,000	-	-	-	2,200,000
TOTAL NET ASSETS	5,383,925	(2,425,296)	(828,249)	-	2,130,380
TOTAL LIABILITIES AND NET ASSETS	\$ 11,232,112	\$ 428,278	\$ 46,482	\$ (2,624,846)	\$ 9,082,026

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2014

	Florida Grand Opera, Inc.				Greater Miami Opera, Inc.			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Performance ticket sales and fees	\$ -	\$ -	\$ -	\$ -	\$ 2,060,809	\$ -	\$ -	\$ 2,060,809
Contributions	3,308,840	-	-	3,308,840	2,392,248	-	-	2,392,248
State and county grants	-	-	-	-	427,644	-	-	427,644
Special events	-	-	-	-	134,576	-	-	134,576
Investment income	6,992	-	-	6,992	-	-	-	-
Program book and other revenues	40,179	-	-	40,179	217,466	-	-	217,466
In-kind revenue	29,332	-	-	29,332	-	-	-	-
Change in value of beneficial interest in split interest agreements and assets held in trust	-	101,584	-	101,584	-	-	-	-
Net assets released from restrictions	183,421	(183,421)	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	3,568,764	(81,837)	-	3,486,927	5,232,743	-	-	5,232,743
EXPENSES:								
Program services	3,492,261	-	-	3,492,261	5,765,192	-	-	5,765,192
Management and general	1,353,213	-	-	1,353,213	-	-	-	-
Fundraising	402,975	-	-	402,975	117,561	-	-	117,561
TOTAL EXPENSES	5,248,449	-	-	5,248,449	5,882,753	-	-	5,882,753
CHANGE IN NET ASSETS	(1,679,685)	(81,837)	-	(1,761,522)	(650,010)	-	-	(650,010)
NET ASSETS AT BEGINNING OF YEAR - AS PREVIOUSLY REPORTED	5,432,461	1,348,200	-	6,780,661	(3,699,770)	222,430	1,873,000	(1,604,340)
PRIOR PERIOD ADJUSTMENT (NOTE 2)	(1,996,977)	161,763	2,200,000	364,786	1,924,484	(222,430)	(1,873,000)	(170,946)
NET ASSETS AT BEGINNING OF YEAR - AS RESTATED	3,435,484	1,509,963	2,200,000	7,145,447	(1,775,286)	-	-	(1,775,286)
NET ASSETS AT END OF YEAR	\$ 1,755,799	\$ 1,428,126	\$ 2,200,000	\$5,383,925	\$ (2,425,296)	\$ -	\$ -	\$(2,425,296)

FLORIDA GRAND OPERA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2014

	Opera Guild, Inc.				Total				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Total
SUPPORT AND REVENUE:									
Performance ticket sales and fees	\$ 947,610	\$ -	\$ -	\$ 947,610	\$ 3,008,419	\$ -	\$ -	\$ -	\$ 3,008,419
Contributions	1,100,013	-	-	1,100,013	6,801,101	-	-	(3,492,261)	3,308,840
State and county grants	192,200	-	-	192,200	619,844	-	-	-	619,844
Special events	47,874	-	-	47,874	182,450	-	-	-	182,450
Investment income	-	-	-	-	6,992	-	-	-	6,992
Program book and other revenues	99,342	-	-	99,342	356,987	-	-	-	356,987
In-kind revenue	-	-	-	-	29,332	-	-	-	29,332
Change in value of beneficial interest in interest agreements and assets held in trust	-	-	-	-	-	101,584	-	-	101,584
Net assets released from restrictions	-	-	-	-	183,421	(183,421)	-	-	-
TOTAL SUPPORT AND REVENUE	2,387,039	-	-	2,387,039	11,188,546	(81,837)	-	(3,492,261)	7,614,448
EXPENSES:									
Program services	2,651,147	-	-	2,651,147	11,908,600	-	-	(3,492,261)	8,416,339
Management and general	-	-	-	-	1,353,213	-	-	-	1,353,213
Fundraising	54,061	-	-	54,061	574,597	-	-	-	574,597
TOTAL EXPENSES	2,705,208	-	-	2,705,208	13,836,410	-	-	(3,492,261)	10,344,149
CHANGE IN NET ASSETS	(318,169)	-	-	(318,169)	(2,647,864)	(81,837)	-	-	(2,729,701)
NET ASSETS AT BEGINNING OF YEAR - AS PREVIOUSLY REPORTED	(892,880)	55,800	327,000	(510,080)	839,811	1,626,430	2,200,000	-	4,666,241
PRIOR PERIOD ADJUSTMENT (NOTE 2)	382,800	(55,800)	(327,000)	-	310,307	(116,467)	-	-	193,840
NET ASSETS AT BEGINNING OF YEAR - AS RESTATED	(510,080)	-	-	(510,080)	1,150,118	1,509,963	2,200,000	-	4,860,081
NET ASSETS AT END OF YEAR	\$ (828,249)	\$ -	\$ -	\$ (828,249)	\$ (1,497,746)	\$ 1,428,126	\$ 2,200,000	\$ -	\$2,130,380