

**EISNERAMPER**

**THE METROPOLITAN OPERA GUILD, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 and 2019**



# THE METROPOLITAN OPERA GUILD, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Metropolitan Opera Guild, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Metropolitan Opera Guild, Inc. (the "Guild"), which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Metropolitan Opera Guild, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



## ***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that the Guild will continue as a going concern. As discussed in Note A[1] to the financial statements, the Guild had a deficiency in net assets without donor restrictions at June 30, 2020 that raises an uncertainty about the Guild's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note A[1]. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*EisnerAmper LLP*

EISNERAMPER LLP  
New York, New York  
November 19, 2020

EISNERAMPER  
LLP



# THE METROPOLITAN OPERA GUILD, INC.

## Balance Sheets

	June 30,	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,402,013	\$ 822,978
Accounts receivable, net	98,459	88,899
Contributions, pledges, and government grants receivable, net	71,262	98,572
Investments	5,928,432	6,654,064
Remainder interest in trust	1,819,100	1,557,456
Inventory	19,846	42,982
Deposits, deferred expenses, and other assets	150,267	273,361
Property and equipment, net	<u>2,147,529</u>	<u>2,259,450</u>
	<u>\$ 11,636,908</u>	<u>\$ 11,797,762</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 350,131	\$ 427,807
Deferred revenue:		
Membership	1,335,303	950,837
Opera News	9,580	51,427
Payroll Protection Program loan payable	336,700	-
Accrued pension benefit liability	<u>7,650,388</u>	<u>5,897,411</u>
Total liabilities	<u>9,682,102</u>	<u>7,327,482</u>
Commitments, contingency, and other uncertainty (see Notes B and J)		
Net assets:		
Without donor restrictions:		
Accrued pension liability	(7,650,388)	(5,897,411)
Available for operations	<u>7,002,770</u>	<u>7,873,378</u>
Total net assets without donor restrictions	<u>(647,618)</u>	<u>1,975,967</u>
With donor restrictions:		
Time-restricted for future periods	1,904,100	1,712,831
Purpose restrictions	250,165	333,323
Perpetual in nature	<u>448,159</u>	<u>448,159</u>
Total net assets with donor restrictions	<u>2,602,424</u>	<u>2,494,313</u>
Total net assets	<u>1,954,806</u>	<u>4,470,280</u>
	<u>\$ 11,636,908</u>	<u>\$ 11,797,762</u>

See notes to financial statements.

# THE METROPOLITAN OPERA GUILD, INC.

## Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating activities:</b>						
<b>Support and revenue:</b>						
Publication sales and advertising	\$ 956,578	\$ -	\$ 956,578	\$ 1,082,827	\$ -	\$ 1,082,827
Membership dues	5,813,855	-	5,813,855	6,798,872	-	6,798,872
Contributions (including donated services of \$1,822,820 and \$1,927,760 for 2020 and 2019, respectively, and donated legal services of \$14,504 for 2019)	2,546,587	35,000	2,581,587	2,246,143	37,500	2,283,643
Special events (including donated auction items of \$43,428 and \$129,851 for 2020 and 2019, respectively, and net direct benefit to donor of \$273,535 and \$389,131 for 2020 and 2019, respectively)	278,048	50,000	328,048	743,249	80,375	823,624
Education program fees	460,740	-	460,740	534,156	-	534,156
Legacies and bequests	598,400	-	598,400	323,968	-	323,968
Investment draw	636,000	-	636,000	710,000	-	710,000
Other income	74,163	-	74,163	136,116	-	136,116
Total support and revenue before release of net assets from restrictions	11,364,371	85,000	11,449,371	12,575,331	117,875	12,693,206
Net assets released from restrictions	255,375	(255,375)	-	127,165	(127,165)	-
Total support and revenue	11,619,746	(170,375)	11,449,371	12,702,496	(9,290)	12,693,206
<b>Expenses:</b>						
Program services:						
Donation to Metropolitan Opera Association, Inc.	5,003,146	-	5,003,146	5,953,740	-	5,953,740
Costs of publications for members and subscribers	2,175,010	-	2,175,010	2,137,977	-	2,137,977
Educational programs	1,212,926	-	1,212,926	1,228,534	-	1,228,534
Total program services	8,391,082	-	8,391,082	9,320,251	-	9,320,251
Supporting services:						
Management and general	955,267	-	955,267	1,374,702	-	1,374,702
Fund-raising	408,430	-	408,430	410,064	-	410,064
Membership development	1,822,820	-	1,822,820	1,927,760	-	1,927,760
Total supporting services	3,186,517	-	3,186,517	3,712,526	-	3,712,526
Total expenses	11,577,599	-	11,577,599	13,032,777	-	13,032,777
Change in net assets before non-operating activities	42,147	(170,375)	(128,228)	(330,281)	(9,290)	(339,571)
<b>Non-operating activities:</b>						
Investment income in excess of investment draw	(485,141)	16,842	(468,299)	(293,363)	34,188	(259,175)
Change in value of interest-rate-swap agreement	-	-	-	(73,090)	-	(73,090)
Change in value of remainder interest in trust	-	261,644	261,644	-	-	-
Proceeds from the sale of memorabilia collection	6,186	-	6,186	-	-	-
Pension-related benefits – related changes other than service costs	(2,186,777)	-	(2,186,777)	(1,498,070)	-	(1,498,070)
Donation of remainder interest in trust	-	-	-	-	1,557,456	1,557,456
Change in net assets	(2,623,585)	108,111	(2,515,474)	(2,194,804)	1,582,354	(612,450)
Net assets, beginning of year	1,975,967	2,494,313	4,470,280	4,170,771	911,959	5,082,730
<b>Net assets, end of year</b>	<b>\$ (647,618)</b>	<b>\$ 2,602,424</b>	<b>\$ 1,954,806</b>	<b>\$ 1,975,967</b>	<b>\$ 2,494,313</b>	<b>\$ 4,470,280</b>

See notes to financial statements.

**THE METROPOLITAN OPERA GUILD, INC.**

**Statement of Functional Expenses  
Year Ended June 30, 2020**

(with summarized financial information for 2019)

	Program Services				Supporting Services			Total		
	Donation to Metropolitan Opera Association, Inc.	Costs of Publications for Members & Subscribers	Educational Programs	Total Program Services	Management and General	Fund-Raising	Membership Development	Total Supporting Services	2020	2019
Donation to Metropolitan Opera Association, Inc.	\$ 5,003,146	\$ -	\$ -	\$ 5,003,146	\$ -	\$ -	\$ -	\$ -	\$ 5,003,146	\$ 5,953,740
Salaries and benefits	-	863,304	713,302	1,576,606	611,822	337,581	-	949,403	2,526,009	2,618,401
Printing and paper	-	199,660	-	199,660	-	-	-	-	199,660	201,435
Promotion and advertising	-	59,191	27,348	86,539	12,722	-	-	12,722	99,261	108,065
Mailing, postage, and shipping	-	220,103	4,079	224,182	8,648	-	-	8,648	232,830	276,386
Occupancy	-	108,320	108,850	217,170	14,843	17,317	-	32,160	249,330	272,893
Art and editorial	-	555,187	-	555,187	-	-	-	-	555,187	539,203
Equipment maintenance	-	71,546	76,612	148,158	12,124	9,149	-	21,273	169,431	153,584
Student performances	-	-	155,628	155,628	-	-	-	-	155,628	169,801
Travel	-	4,732	12,735	17,467	10,780	-	-	10,780	28,247	38,261
Professional fees	-	3,714	-	3,714	249,223	-	-	249,223	252,937	165,791
Data processing	-	24,200	-	24,200	9,863	-	-	9,863	34,063	40,082
Dues and subscriptions	-	782	3,642	4,424	4,948	-	-	4,948	9,372	7,344
Insurance	-	20,762	21,245	42,007	667	3,380	-	4,047	46,054	34,264
Telephone	-	24,586	10,125	34,711	4,852	1,954	-	6,806	41,517	37,205
Bank service charges	-	2,249	201	2,450	9,540	-	-	9,540	11,990	23,508
Interest expense	-	-	-	-	-	-	-	-	-	132,276
Depreciation and amortization	-	51,367	101,519	152,886	11,701	11,792	-	23,493	176,379	202,767
Catering and space rental	-	-	-	-	-	273,535	-	273,535	273,535	389,131
Contributed membership service and auction items	-	-	-	-	-	43,428	1,822,820	1,866,248	1,866,248	2,057,611
Bad debt expense	-	-	-	-	14,529	-	-	14,529	14,529	12,237
Miscellaneous	-	5,690	2,239	7,929	7,334	338	-	7,672	15,601	11,426
<b>Total expenses</b>	<b>5,003,146</b>	<b>2,215,393</b>	<b>1,237,525</b>	<b>8,456,064</b>	<b>983,596</b>	<b>698,474</b>	<b>1,822,820</b>	<b>3,504,890</b>	<b>11,960,954</b>	<b>13,445,411</b>
Less:										
Other components of net periodic costs	-	(40,383)	(24,599)	(64,982)	(28,329)	(16,509)	-	(44,838)	(109,820)	(23,503)
Direct benefit to donors	-	-	-	-	-	(273,535)	-	(273,535)	(273,535)	(389,131)
<b>Total expenses per statement of activities</b>	<b>\$ 5,003,146</b>	<b>\$ 2,175,010</b>	<b>\$ 1,212,926</b>	<b>\$ 8,391,082</b>	<b>\$ 955,267</b>	<b>\$ 408,430</b>	<b>\$ 1,822,820</b>	<b>\$ 3,186,517</b>	<b>\$ 11,577,599</b>	<b>\$ 13,032,777</b>

See notes to financial statements.

**THE METROPOLITAN OPERA GUILD, INC.**

**Statement of Functional Expenses  
Year Ended June 30, 2019**

	Program Services				Supporting Services				Total
	Donation to Metropolitan Opera Association, Inc.	Costs of Publications for Members & Subscribers	Educational Programs	Total Program Services	Management and General	Fund-Raising	Membership Development	Total Supporting Services	
Donation to Metropolitan Opera Association, Inc.	\$ 5,953,740	\$ -	\$ -	\$ 5,953,740	\$ -	\$ -	\$ -	\$ -	\$ 5,953,740
Salaries and benefits	-	789,480	672,638	1,462,118	923,028	233,255	-	1,156,283	2,618,401
Printing and paper	-	200,328	-	200,328	1,107	-	-	1,107	201,435
Promotion and advertising	-	23,467	34,162	57,629	50,436	-	-	50,436	108,065
Mailing, postage, and shipping	-	260,055	3,858	263,913	9,652	2,821	-	12,473	276,386
Occupancy	-	117,567	120,083	237,650	16,266	18,977	-	35,243	272,893
Art and editorial	-	539,203	-	539,203	-	-	-	-	539,203
Equipment maintenance	-	63,643	69,428	133,071	8,692	11,821	-	20,513	153,584
Student performances	-	-	169,801	169,801	-	-	-	-	169,801
Travel	-	7,678	13,801	21,479	16,430	352	-	16,782	38,261
Professional fees	-	15,552	-	15,552	150,239	-	-	150,239	165,791
Data processing	-	29,308	-	29,308	10,774	-	-	10,774	40,082
Dues and subscriptions	-	880	3,756	4,636	2,708	-	-	2,708	7,344
Insurance	-	15,674	16,038	31,712	-	2,552	-	2,552	34,264
Telephone	-	20,952	9,689	30,641	4,618	1,946	-	6,564	37,205
Bank service charges	-	-	70	70	23,438	-	-	23,438	23,508
Interest expense	-	-	-	-	132,276	-	-	132,276	132,276
Depreciation and amortization	-	61,729	119,911	181,640	10,412	10,715	-	21,127	202,767
Catering and space rental	-	-	-	-	-	389,131	-	389,131	389,131
Contributed membership service and auction items	-	-	-	-	-	129,851	1,927,760	2,057,611	2,057,611
Bad debt expense	-	-	-	-	12,237	-	-	12,237	12,237
Miscellaneous	-	-	-	-	11,370	56	-	11,426	11,426
<b>Total expenses</b>	<b>5,953,740</b>	<b>2,145,516</b>	<b>1,233,235</b>	<b>9,332,491</b>	<b>1,383,683</b>	<b>801,477</b>	<b>1,927,760</b>	<b>4,112,920</b>	<b>13,445,411</b>
Less:									
Other components of net periodic costs	-	(7,539)	(4,701)	(12,240)	(8,981)	(2,282)	-	(11,263)	(23,503)
Direct benefit to donors	-	-	-	-	-	(389,131)	-	(389,131)	(389,131)
<b>Total expenses per statement of activities</b>	<b>\$ 5,953,740</b>	<b>\$ 2,137,977</b>	<b>\$ 1,228,534</b>	<b>\$ 9,320,251</b>	<b>\$ 1,374,702</b>	<b>\$ 410,064</b>	<b>\$ 1,927,760</b>	<b>\$ 3,712,526</b>	<b>\$ 13,032,777</b>

See notes to financial statements.



# THE METROPOLITAN OPERA GUILD, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (2,515,474)	\$ (612,450)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	176,379	202,767
Bad debt expense	14,529	12,237
Net realized gains on investments	(489,887)	(131,628)
Net unrealized losses (gains) on investments	488,543	(163,225)
Change in value of remainder interest in trust	(261,644)	-
Changes in:		
Accounts receivable	(24,089)	79,241
Contributions, pledges, and government grants receivable	27,310	147,560
Inventory	23,136	1,350
Deposits, deferred expenses, and other assets	123,094	38,166
Accounts payable and accrued expenses	(77,676)	62,236
Deferred revenue	342,619	(117,216)
Accrued pension benefit liability	<u>1,752,977</u>	<u>1,178,070</u>
Net cash (used in) provided by operating activities	<u>(420,183)</u>	<u>697,108</u>
<b>Cash flows from investing activities:</b>		
Donation of remainder interest in trust	-	(1,557,456)
Proceeds from sales of investments	7,510,383	9,069,129
Purchases of investments	(6,783,407)	(5,413,544)
Purchases of property and equipment	<u>(64,458)</u>	<u>(58,600)</u>
Net cash provided by investing activities	<u>662,518</u>	<u>2,039,529</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Paycheck Protection Program loan payable	(336,700)	-
Repayments on borrowings under bank line-of-credit	<u>-</u>	<u>(2,865,000)</u>
Net cash used in financing activities	<u>(336,700)</u>	<u>(2,865,000)</u>
<b>Net change in cash and cash equivalents</b>	<b>579,035</b>	<b>(128,363)</b>
Cash and cash equivalents, beginning of year	<u>822,978</u>	<u>951,341</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>1,402,013</u></b>	<b>\$ <u>822,978</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Donated services, membership services and legal	\$ 1,822,820	\$ 1,942,264
Noncash donation of goods – auction items	\$ 43,428	\$ 129,851
Interest paid during the year	\$ -	\$ 93,526

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

The Metropolitan Opera Guild, Inc. (the "Guild"), incorporated in New York in 1936, is organized (i) to develop, support, and cultivate a wider public interest in the Metropolitan Opera and the art form at-large, (ii) to further musical education and appreciation, and (iii) to sponsor and give assistance to operatic, musical, and cultural programs, as well as other activities of an educational character.

The Guild also provides educational programs for schoolchildren and teachers, as well as for the general public, and seeks grants and contributions from foundations, corporations, and individuals to support its programs.

The Guild is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"), and from state and local taxes under comparable laws, except for certain types of income subject to unrelated business income tax. The Guild is also associated with the Metropolitan Opera Association, Inc. (the "Met"), a not-for-profit organization that operates the Metropolitan Opera performing company and provides various membership services to the Guild. (See Note H.)

As of June 30, 2020, the Guild had an accumulated deficit in net assets without donor restrictions of \$647,618. Accordingly, the Guild's Board of Directors and management have been continuously considering various long-term strategies to ensure the continued operations of the Guild. As a result, the management team implemented a number of restructuring initiatives designed to improve cash flows and to strengthen the balance sheet, including filing for a distress termination of the Guild's defined benefit pension plan with the Pension Benefit Guaranty Corporation ("PBGC"). In addition, significant cost reductions were achieved in salary and other targeted operating expenses.

#### [2] Basis of accounting:

The financial statements of the Guild have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

#### [3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenue, expenses, and non-operating activities, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### [4] Cash and cash equivalents:

For financial-reporting purposes, the Guild considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Cash equivalents considered to be part of the Guild's investment portfolio are reported as investments in the financial statements.

#### [5] Investments:

The Guild's investments in mutual funds are reported at their fair values in the balance sheets based on quoted market prices. Cash equivalents held as part of the investment portfolio are also included in the balances reported as investments.

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [5] Investments: (continued)

The Guild's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted on a through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of each acquisition to the proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing an investment's cost to its fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Investment expenses include the service fees and costs of bank trustees, investment managers, and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Guild's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

Donated securities are recorded at their estimated fair values, or by their net asset values as determined by the Guild's management on the date of donation. The Guild's policy is to sell the donated securities immediately, and accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

#### [6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation, less accumulated depreciation. The Guild capitalizes as assets those items of property and equipment that both have a cost of \$2,500 or more and useful lives greater than one year; whereas the costs of minor repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over five to 15 years, which are the estimated useful lives of the furniture, fixtures, and equipment. The costs of leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, respectively, and in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

#### [7] Inventory:

Inventory consists of paper held for use in printing *Opera News* magazine. The Guild reports all inventory at the lower of cost or market value, with cost determined by using the first-in, first-out ("FIFO") method.

#### [8] Collections:

The Guild has maintained a collection of various opera-related memorabilia over the years. As of June 30, 2020, the majority of the collection has been sold. All remaining collection items are catalogued and preserved, and activities verifying their existence and assessing their condition are performed regularly. In accordance with the collection policies of museums, the cost or value of these collections is not included in the balance sheets.

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [9] Remainder interest in trust:

During 2019, the Guild was named a beneficiary of a trust remainder interest whereby an unrelated trustee administers the underlying assets. Under the terms of the trust, the assets will be distributed to the donor's beneficiaries upon termination of the trust. The Guild's remainder interest in the trust has been valued at fair value, based on the expected future cash flows and discounted present value at a risk-adjusted rate of 0.60% and 2.80% for fiscal-years 2020 and 2019, respectively. The remainder interest in trust was valued at \$1,819,100 and \$1,557,456, respectively, as of June 30, 2020 and 2019.

#### [10] Accrued vacation:

Accrued vacation is included as a liability in the financial statements and represents the Guild's obligation for the potential cost of unused employee vacation time that would be payable in the event that these employees left the Guild. At June 30, 2020 and 2019, the accrued vacation obligation was approximately \$170,000 and \$182,000, respectively, and is reported as part of accounts payable and accrued expenses in the accompanying balance sheets.

#### [11] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal-year 2020, the Guild applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Guild has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 *Debt*. The Guild is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA (see Note N).

#### [12] Net assets:

##### (i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are therefore available for current operations.

##### (ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purpose and/or the passage of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions."

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [13] Revenue recognition:

(i) *Publication sales:*

Payments for subscriptions to *Opera News* magazine are recognized as income over the period during which the subscriptions are fulfilled.

(ii) *Membership dues:*

Amounts received from members consist of: (i) payments for the privileges of membership; and (ii) a contribution without donor restrictions to the Guild. A portion of membership dues is deferred and recognized as income upon the periodic publication of *Opera News* magazine. The remainder is recognized as contribution income in the period in which it is received.

(iii) *Contributions:*

Contributions to the Guild are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Guild's management or necessary events have taken place, and, if received in advance, are recognized in the balance sheets as funds received in advance.

Management periodically assesses the collectability of its contribution receivables and provides allowances for anticipated losses, if any, when necessary.

(iv) *Special events:*

Gross proceeds paid by attendees at special events held as fundraising activities represent contribution revenue, as well as the payment of the direct cost of the benefit received by the attendee at the event. Special-event revenue is reported net of the direct benefit to donors. Special event revenue, other than contributions, applicable to a current year are recognized as revenue in the year a special event takes place. Special event revenue received for a future year's event is deferred and recognized when the event takes place.

(v) *Legacies and bequests:*

The Guild records bequest income at the time it has an established right to a bequest and the proceeds are measureable.

#### [14] Donated goods and services:

For recognition of donated goods and services in the Guild's financial statements, such goods or services must (i) create or enhance non-financial assets, and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Donated goods and services are reported as both contributions and offsetting expenses in the statements of activities.

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [14] Donated goods and services: (continued)

During fiscal-years 2020 and 2019, donated goods and services were as follows:

	Year Ended June 30,	
	2020	2019
Donated membership services	\$ 1,822,820	\$ 1,927,760
Donated legal services	-	14,504
Donated goods – auctions items	<u>43,428</u>	<u>129,851</u>
	<u>\$ 1,866,248</u>	<u>\$ 2,072,115</u>

#### [15] Measure of operations:

As detailed in its statements of activities, the Guild includes in the definition of operating activities those categories of support and revenue and of expenses that are an integral part of its programs and supporting activities, including an authorized allocation of investment earnings made in accordance with its spending policy. Non-operating activities include: (i) investment earnings greater than or less than the authorized spending limit; (ii) the change in value of interest-rate-swap agreements; (iii) the change in value of remainder interest in trust; (iv) pension-related changes other than service costs; and (v) donation of remainder interest in trust.

#### [16] Functional allocation of expenses:

The costs of providing the Guild's various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by natural classification and function. Accordingly, direct costs have been functionalized within the program and supporting services, based on the nature of the expense. Indirect costs have been allocated on the basis of time allocation. Costs that have been allocated include salaries and related expenses, certain utilities expenses, insurance expenses, and depreciation expense.

#### [17] Advertising:

The Guild expenses the costs of advertising for its program and magazine, including merchandise marketed through catalogues. Advertising expense for fiscal-years 2020 and 2019 was approximately \$99,000 and \$109,000, respectively.

#### [18] Income tax uncertainties:

The Guild is subject to the provisions of the FASB ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Due to its general not-for-profit status, management believes, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Guild's financial statements.

At June 30, 2020 and 2019, the Guild had federal and state net operating loss carryforwards which may be offset against future taxable income.

## THE METROPOLITAN OPERA GUILD, INC.

### Notes to Financial Statements June 30, 2020 and 2019

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [19] Adoption of accounting principles:

(i) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made:*

In June 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU No. 2018-08 clarifies and improves guidance concerning: 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution; and 2) determining whether a contribution received is conditional. ASU No. 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and periods beginning after December 15, 2019 for entities that are resource providers. ASU No. 2018-08 should be applied on a modified prospective basis. The Guild adopted the resource recipient portion for its fiscal year ended June 30, 2020, and this accounting guidance did not have a material effect on the Guild's financial statements. Management is in the process of assessing the impact of the resource provider portion of this ASU on the financial statements.

(ii) *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost:*

ASU No. 2017-07, *Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on net assets and amortization of other actuarially determined amounts, are required to be presented as a non-operating change in net assets without restrictions. The standard is effective for annual reporting periods beginning after December 15, 2018; accordingly, the Guild has adopted this ASU on the retrospective basis. Although the Guild's adoption of ASU No. 2017-07 had no effect on the Guild's total net assets or its changes in net assets for fiscal-years 2020 and 2019, certain reclassifications were required. Accordingly, the Guild changed its presentation within the statements of activities and statements of functional expenses.

##### [20] Upcoming accounting principles:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. ASU No. 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date*, which delayed the effective date by one year. As a result of this recent deferral due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly, management plans to adopt the new standard using the modified retrospective approach and is in the process of assessing the impact of this ASU on the financial statements.

(ii) *Leases:*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the balance sheets. The ASU is effective for fiscal years beginning after December 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [20] Upcoming accounting principles: (continued)

##### (iii) *Contributed Nonfinancial Assets:*

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

##### (iv) *Collections:*

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, to align the definition of collections with the American Alliance of Museums' Code of Ethics for Museums, thereby changing the types of collections that are eligible to not be reported as assets in the balance sheets. The ASU modifies the definition of the term collections by expanding the acceptable uses of the proceeds of sales of collection items so that the proceeds can be used to support the direct care of existing collections, in addition to the current requirement that proceeds be used to acquire other items for collections. ASU No. 2019-03 is effective for annual periods beginning after December 15, 2019. Earlier application is permitted. Management is in the process of assessing the impact of this ASU on the financial statements.

#### [21] Subsequent events:

The Guild has evaluated all subsequent events through November 19, 2020, the date on which the financial statements were available to be issued.

### NOTE B - RECEIVABLES

#### [1] Contributions, pledges, and government grant receivable:

At each fiscal year-end, the Guild's contributions receivable consisted of unconditional promises, primarily in the form of pledges, grants, and bequests. All amounts are scheduled to be received within one year. Based on management's past experience, an amount of approximately \$15,000 was reserved for uncollectible accounts for both fiscal-years 2020 and 2019.

#### [2] Accounts receivable:

At each fiscal year-end, other receivables consisted of amounts due to the Guild for exchange-type transactions. All amounts are due within one year. Based on management's past experience, an amount of approximately \$15,000 was reserved for uncollectible accounts in both fiscal-years 2020 and 2019.



# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 18,281	\$ 18,281	\$ 83,907	\$ 83,907
Mutual funds:				
Fixed-income	1,834,168	1,873,604	2,232,741	2,248,960
Equity	<u>4,075,983</u>	<u>4,262,288</u>	<u>4,337,416</u>	<u>4,058,395</u>
	<u>\$ 5,928,432</u>	<u>\$ 6,154,173</u>	<u>\$ 6,654,064</u>	<u>\$ 6,391,262</u>

During each fiscal year, investment losses consisted of the following:

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 187,907	\$ 21,773	\$ 209,680
Net realized gains on investments	432,353	57,534	489,887
Net unrealized losses on investments	(431,166)	(57,377)	(488,543)
Investment fees	<u>(38,235)</u>	<u>(5,088)</u>	<u>(43,323)</u>
Net investment gains	150,859	16,842	167,701
Less: investment draw	<u>(636,000)</u>	<u>-</u>	<u>(636,000)</u>
Investment income in excess of investment draw	<u>\$ (485,141)</u>	<u>\$ 16,842</u>	<u>\$ (468,299)</u>

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 194,675	\$ 15,974	\$ 210,649
Net realized gains on investments	121,647	9,981	131,628
Net unrealized gains on investments	150,846	12,379	163,225
Investment fees	<u>(50,531)</u>	<u>(4,146)</u>	<u>(54,677)</u>
Net investment gains	416,637	34,188	450,825
Less: investment draw	<u>(710,000)</u>	<u>-</u>	<u>(710,000)</u>
Investment income in excess of investment draw	<u>\$ (293,363)</u>	<u>\$ 34,188</u>	<u>\$ (259,175)</u>

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE C - INVESTMENTS (CONTINUED)

Management has determined that, during fiscal-years 2020 and 2019, 5.00% of the average fair value of investments, based on a 20-quarter rolling average, is a reasonable amount of investment income to be used to fund current operations. The Guild utilized investment income for current operations of approximately \$636,000 and \$710,000 in fiscal-years 2020 and 2019, respectively. During both fiscal-years 2020 and 2019, the Board approved additional spending of \$100,000 and \$115,000, respectively, to meet interim requirements.

FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value designations. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets or liabilities at the reporting date.
- Level 2: Valuations are based on: (i) quoted prices for similar assets or liabilities in active markets; or (ii) quoted prices for those assets or liabilities, or similar assets or liabilities, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the assets or liabilities; or (ii) the assets or liabilities cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another.

#### Assets Within the Fair-Value Hierarchy

	June 30, 2020			June 30, 2019		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Cash and cash equivalents	\$ 18,281	\$ -	\$ 18,281	\$ 83,907	\$ -	\$ 83,907
Mutual funds	<u>5,910,151</u>	<u>-</u>	<u>5,910,151</u>	<u>6,570,157</u>	<u>-</u>	<u>6,570,157</u>
	<u>5,928,432</u>	<u>-</u>	<u>5,928,432</u>	<u>6,654,064</u>	<u>-</u>	<u>6,654,064</u>
Remainder interest in trust	<u>-</u>	<u>1,819,100</u>	<u>1,819,100</u>	<u>-</u>	<u>1,557,456</u>	<u>1,557,456</u>
	<u>\$ 5,928,432</u>	<u>\$ 1,819,100</u>	<u>\$ 7,747,532</u>	<u>\$ 6,654,064</u>	<u>\$ 1,557,456</u>	<u>\$ 8,211,520</u>

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE C - INVESTMENTS (CONTINUED)

The following provides information on the valuation techniques and nature of significant unobservable inputs used to determine the value of Level 3 assets:

	<u>Valuation Techniques</u>	<u>Fair Value at June 30, 2020</u>	<u>Unobservable Inputs</u>	<u>Range of Inputs</u>
Remainder. interest in trust:	Income approach	\$ 1,819,100	Present value of interest in fair value of underlying trust assets based on life expectancies	0.60%

### NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 972,581	\$ 972,581
Leasehold improvements	285,283	285,283
Samuel B. and David Rose Building	6,660,183	6,595,725
Furniture, fixtures, and operating equipment	<u>169,504</u>	<u>169,504</u>
	<b>8,087,551</b>	8,023,093
Less: accumulated depreciation and amortization	<u>(5,940,022)</u>	<u>(5,763,643)</u>
	<b><u>\$ 2,147,529</u></b>	<b><u>\$ 2,259,450</u></b>

In May 1987, the Guild entered into an agreement with certain organizations that now occupy the Samuel B. and David Rose Building (the "Rose Building"), which is owned by Lincoln Center (see Note J). Under the terms of the agreement, the Guild pays a portion of the building's maintenance costs.

**THE METROPOLITAN OPERA GUILD, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE E - NET ASSETS WITH DONOR RESTRICTIONS**

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Time-restricted for future periods	<u>\$ 1,904,100</u>	<u>\$ 1,712,831</u>
Purpose restricted:		
Education (A)	<u>180,969</u>	<u>228,074</u>
Subject to appropriation:		
Accumulated endowment income reserved for appropriation	<u>69,196</u>	<u>105,249</u>
Perpetual in nature:		
Education and outreach programs	<u>448,159</u>	<u>448,159</u>
	<u>\$ 2,602,424</u>	<u>\$ 2,494,313</u>

(A) Included in purpose restricted net assets with donor restrictions are investment earnings that were appropriated, but unspent of \$180,969 and \$228,074, during fiscal 2020 and 2019, respectively. These amounts remain in purpose restricted until the Guild incurs actual expenditures related to particular restriction on the funds.

During each fiscal year, net assets with donor restrictions were released from restrictions for the following purposes:

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Time-restricted for future periods	<u>\$ 155,375</u>	<u>\$ 115,000</u>
Purpose restricted	<u>100,000</u>	<u>12,165</u>
	<u>\$ 255,375</u>	<u>\$ 127,165</u>

**NOTE F - ACCOUNTING AND REPORTING FOR ENDOWMENT**

**[1] The endowment:**

The Guild's endowment consists of three donor-restricted funds established for a variety of purposes. 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.

**[2] Interpretation of relevant law:**

NYPMIFA is applicable to all of the Guild's institutional funds, including its donor-restricted endowment funds. The Board of Directors will continue to adhere to NYPMIFA's requirements.

**THE METROPOLITAN OPERA GUILD, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE F - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)**

**[3] Endowment net-asset composition by type of fund, at each fiscal year-end:**

	June 30, 2020		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Donor-restricted endowment funds	<u>\$ 69,196</u>	<u>\$ 448,159</u>	<u>\$ 517,355</u>

  

	June 30, 2019		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Donor-restricted endowment funds	<u>\$ 105,249</u>	<u>\$ 448,159</u>	<u>\$ 553,408</u>

Amounts subject to appropriation represent that portion of allocated investment income, derived from endowment assets held in perpetuity, that have not been appropriated by the Board of Directors for expenditure.

**[4] Changes in endowment net assets, during each fiscal year:**

	June 30, 2020		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of the year	\$ 105,249	\$ 448,159	\$ 553,408
Investment gains, net	16,842	-	16,842
Appropriation of endowment earnings for expenditure	<u>(52,895)</u>	<u>-</u>	<u>(52,895)</u>
Endowment net assets, end of the year	<u>\$ 69,196</u>	<u>\$ 448,159</u>	<u>\$ 517,355</u>

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE F - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

#### [4] Changes in endowment net assets, during each fiscal year: (continued)

	June 30, 2019		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of the year	\$ 110,680	\$ 448,159	\$ 558,839
Investment gains, net	34,188	-	34,188
Appropriation of endowment earnings for expenditure	<u>(39,619)</u>	<u>-</u>	<u>(39,619)</u>
Endowment net assets, end of the year	<u>\$ 105,249</u>	<u>\$ 448,159</u>	<u>\$ 553,408</u>

#### [5] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, restricted contribution. Under the terms of NYPMIFA, the Guild would have no responsibility to restore any such decreases in value. There were no such deficiencies in fiscal-years 2020 or 2019.

#### [6] Return objectives and risk parameters:

The overall financial objective of the endowment assets is to provide the operations of the Guild with a relatively stable stream of spendable revenue.

#### [7] Strategies employed for achieving objectives:

To satisfy its long-term, rate-of-return objectives, the Guild 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 Guild targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

#### [8] Spending policy and relationships with investment objectives:

At its discretion, during each fiscal year the Board of Directors may appropriate for expenditure a percentage of endowment earnings. During both fiscal-years 2020 and 2019, the Board appropriated an amount based on 5% of the average market value of the endowment assets, as calculated on a 20-quarter rolling average of asset value.

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE G - RETIREMENT PLANS

#### [1] Defined-benefit retirement plan:

The Guild had a defined-benefit retirement plan, covering substantially all of its full-time employees, based on years of service and his or her compensation during the last five years of employment. Effective June 30, 2012, participation and benefit accruals were frozen in compliance with a resolution of the Board of Directors.

For continuing eligible plan participants, the Guild's funding policy is to contribute annually in amounts not less than the minimum statutory funding requirements. Contributions are intended to provide for the accumulated benefit obligation to be paid to participants over time. The Guild contributed \$433,800 and \$320,000 to the plan during fiscal-years 2020 and 2019, respectively. The most recent measurement date used to determine pension benefits was June 30, 2020. The estimated amount of the Guild's contributions for fiscal-year 2021 is \$878,300.

On June 18, 2020, the Guild filed an application with PBGC that proposed to end the pension plan effective August 31, 2020 under a process known legally as a "distress termination" of the plan. If the PBGC approves the Guild's application, it will take over responsibility for the plan by becoming the plan's trustee, and will continue to pay benefits under the plan in annuity form up to legal limits. The Guild continues to administer and contribute to the plan until the PBGC accepts the application.

The plan assets are managed in a global tactical allocation strategy with a mix of asset classes and an investment horizon of greater than ten years. The plan remains an ongoing plan despite the pendency of the distress termination application, until such time as it is terminated by agreement or court order. The Guild adopted an investment policy statement in fiscal-year 2020 that was later revised subsequent to year-end to reflect the proposed plan termination. The investment horizon remains long-term, and the desired investment objective is a total return objective that is 6.5%, or 4.5% greater than the anticipated rate of inflation as measured by the Consumer Price Index. The investment policy establishes allowable and prohibited assets, and a minimum, maximum, and target weighting for equities, fixed income, alternatives and, cash and cash equivalents. The Board reviews performance regularly throughout the year with Raymond James, the portfolio manager, and, at least annually, reviews all costs associated with the management of the portfolio.

At each fiscal year-end, plan assets were invested as follows:

	June 30,					
	2020			2019		
	Fair Value	Cost	% Total	Fair Value	Cost	% Total
Cash and cash equivalents	\$ 60,274	\$ 60,274	1%	\$ 58,904	\$ 58,904	1%
Mutual funds	8,206,559	6,811,218	90%	7,516,251	6,251,835	81%
Exchange-traded index fund	<u>849,724</u>	<u>838,668</u>	<u>9%</u>	<u>1,695,242</u>	<u>1,677,738</u>	<u>18%</u>
	<u>\$ 9,116,557</u>	<u>\$ 7,710,160</u>	<u>100%</u>	<u>\$ 9,270,397</u>	<u>\$ 7,988,477</u>	<u>100%</u>

The plan's investments are considered all Level 1 within the fair-value hierarchy.

**THE METROPOLITAN OPERA GUILD, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE G - RETIREMENT PLANS (CONTINUED)**

**[1] Defined-benefit retirement plan: (continued)**

The following table sets forth the plan's unfunded status at each fiscal-year end:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation	<u>\$ 16,766,945</u>	<u>\$ 15,167,808</u>
Projected benefit obligation at end of year	<u>\$ (16,766,945)</u>	<u>\$ (15,167,808)</u>
Fair value of plan assets at end of year	<u>9,116,557</u>	<u>9,270,397</u>
Deficit of plan assets	<u>\$ (7,650,388)</u>	<u>\$ (5,897,411)</u>
Accrued benefit obligation on the balance sheets	<u>\$ (7,650,388)</u>	<u>\$ (5,897,411)</u>

Amounts recognized in changes in net assets without donor restrictions during each fiscal year-end were as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Net losses	<u>\$ (2,076,957)</u>	<u>\$ (1,474,567)</u>
Net periodic benefit cost	<u>(109,820)</u>	<u>(23,503)</u>
	<u>\$ (2,186,777)</u>	<u>\$ 1,498,070</u>
Benefits cost	<u>\$ 109,820</u>	<u>\$ 23,503</u>
Benefits paid	<u>\$ 718,425</u>	<u>\$ 709,733</u>
Components of net periodic benefit cost:		
Interest cost	<u>\$ 480,835</u>	<u>\$ 550,496</u>
Expected return on plan assets	<u>(593,246)</u>	<u>(692,423)</u>
Amortization of unrecognized actuarial loss	<u>222,231</u>	<u>165,430</u>
Net periodic benefit cost	<u>\$ 109,820</u>	<u>\$ 23,503</u>



# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE G - RETIREMENT PLANS (CONTINUED)

#### [1] Defined-benefit retirement plan: (continued)

Assumptions used to measure benefit obligations at each fiscal year-end:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Weighted-average assumptions:		
Discounted rate	2.32%	3.25%
Expected rate of return on plan assets	6.50%	7.50%
Rate of compensation increase	N/A	N/A

As of June 30, 2020, the expected benefits to be made under the plan for retirees, former members entitled to deferred benefits, and currently active employees are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 751,791
2022	766,362
2023	770,991
2024	776,450
2025	788,174
2026 - 2029	4,447,661

#### [2] Defined-contribution retirement plan:

The Guild also maintains a defined-contribution retirement plan established under Section 403(b) of the Code for the benefit of eligible employees to which it may also contribute. All employees are eligible to participate upon employment with the Guild. Plan expense for fiscal-years 2020 and 2019 was \$65,808 and \$81,041, respectively.

### NOTE H - RELATED-PARTY TRANSACTIONS

As described in Note A[1], the Met is an independent not-for-profit membership organization that maintains the Guild's membership records and provides membership development at no charge to the Guild. Both organizations' governing boards share certain directors in common. Although the Guild and the Met have some common interests, they are separate corporate entities, are engaged in different activities, and do not meet the criteria for the consolidation of their financial statements under U.S. GAAP.

In fiscal-years 2020 and 2019, the Guild made contributions without restrictions to the Met of \$5,003,146 and \$5,953,740, respectively. In fiscal-years 2020 and 2019, the Met contributed services for membership development to the Guild, which are recognized in the accompanying statements of activities at a value of approximately \$1,822,820 and \$1,927,760, respectively.

## **THE METROPOLITAN OPERA GUILD, INC.**

### **Notes to Financial Statements June 30, 2020 and 2019**

#### **NOTE I - BORROWINGS UNDER BANK LINE-OF-CREDIT**

The Guild has a bank line-of-credit that provides the Guild with borrowing power for an amount up to \$4,500,000. The line may be used for operations, bears interest (at the one-month LIBOR plus 1.50%), and is limited to the value of the Guild's investment portfolio. The line-of-credit is renewable on an annual basis. As of June 30, 2020 and 2019, there are no borrowings against this line-of-credit.

#### **NOTE J - COMMITMENTS, CONTINGENCIES, AND OTHER UNCERTAINTY**

##### **[1] Leases:**

The Guild entered into an agreement with Lincoln Center to lease space in the Rose Building for a period of 99 years (ending December 31, 2085), and the lease agreement can be renewed for any number of terms of 99 years. The Guild paid maintenance of approximately \$285,000 and \$294,000 in fiscal-years 2020 and 2019, respectively, based on its proportionate share of the costs of operating and maintaining the building.

##### **[2] Government-funded activities:**

Government-funded activities are subject to audit by the applicable granting agencies. At June 30, 2020, there were no material obligations outstanding as a result of such audits, and management believes that unaudited projects would not result in any material obligation.

##### **[3] Other contracts:**

In the normal course of business, the Guild enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

##### **[4] Litigation:**

The Guild may be subject to litigation in the routine course of conducting business. In management's opinion, however, there is no current litigation, the outcome of which would have a material adverse impact on the Guild's financial position or operations.

##### **[5] Other uncertainty:**

The extent of the impact of the COVID-19 outbreak on the Guild's programming, operational, and financial performance is uncertain and will depend on the continued future developments of the outbreak and external restrictions imposed. The potential economic impact brought by, and the duration of, the COVID-19 pandemic is difficult to assess or predict, and may potentially have an adverse impact on the Guild's operations.

#### **NOTE K - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Guild to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Guild does not face a significant risk of loss on these accounts due to the failure of these institutions.

## THE METROPOLITAN OPERA GUILD, INC.

### Notes to Financial Statements June 30, 2020 and 2019

#### NOTE L - RENTAL INCOME

The Guild sub-leases approximately 234 square feet of its office space to an unrelated not-for-profit organization for a renewable three-year term that ended June 30, 2020. Rent paid to the Guild during fiscal-years 2020 and 2019 was \$16,200 and \$15,600, respectively.

#### NOTE M - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Guild's financial assets as each fiscal year-end available for general expenditures within one year of the balance sheet dates:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,402,013	\$ 822,978
Accounts receivable, net	74,160	88,899
Contributions, pledges, and government grants receivable, net	71,262	98,572
Remainder interest in trust	1,819,100	1,557,456
Investments	<u>5,928,432</u>	<u>6,654,064</u>
 Total financial assets	 <u>9,294,967</u>	 <u>9,221,969</u>
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with:		
Time-restricted for future periods	(1,904,100)	(1,712,831)
Purpose restrictions	(250,165)	(333,323)
Perpetual in nature	<u>(448,159)</u>	<u>(448,159)</u>
	 <u>(2,602,424)</u>	 <u>(2,494,313)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 6,692,543</u>	 <u>\$ 6,727,656</u>

#### Liquidity policy:

The Guild's cash flows have seasonal variations during the year attributable to the schedule of educational and community engagement programming around the opera calendar and school year, and the concentration of contributions received from fundraising events. To manage liquidity during the year, the Guild maintains a sufficient level of operating cash and investments to be available as general expenditures, liabilities, and other obligations come due. The Guild also has a committed line of credit that can be drawn upon for unanticipated needs.

# THE METROPOLITAN OPERA GUILD, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE N - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 27, 2020, the Guild received \$336,700 in funds from the SBA that are reported as a Paycheck Protection Program loan payable in the balance sheet at June 30, 2020. This loan may be forgiven subject to bank and SBA approval in accordance with SBA guidelines, and an application for forgiveness was submitted subsequent to year-end on October 23, 2020. Neither principle nor interest is due until the end of the loan note's deferral period, which will be on the date that the SBA makes a decision on the Guild's loan forgiveness application. The loan matures on April 25, 2022. Any outstanding principle of the loan that is not forgiven under the PPP loan program will convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest. If no loan forgiveness amount is approved, the future principle matures as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 196,408
2022	<u>140,292</u>
	<u>\$ 336,700</u>