Financial Statements
June 30, 2014 and 2013

The Minnesota Opera

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
The Minnesota Opera
Minneapolis, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of The Minnesota Opera (Minnesota Opera), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Minnesota Opera as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Minneapolis, Minnesota
October 11, 2014

	2014	2013
Assets		
Cash and cash equivalents	$ 519,762	$ 374,467
Reserved cash and cash equivalents	1,450,000	-
Contributions and grants receivable, net (Note 2)	2,551,226	3,042,142
Accounts receivable, net	258,461	321,478
Deferred production expenses (Note 3)	1,251,568	633,367
Prepaid expenses	23,010	16,120
Property and equipment, net (Note 4)	3,081,957	3,154,009
Investments (Note 5)	11,172,913	11,869,410
Beneficial interest in perpetual trusts	8,516,813	7,888,886
Total assets	$ 28,825,710	$ 27,299,879
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 163,933	$ 190,174
Deferred revenue	1,768,283	1,816,160
Mortgage payable (Note 7)	726,343	819,982
Total liabilities	2,658,559	2,826,316
Net Assets		
Unrestricted		
Board designated	700,000	700,000
Unrestricted	1,425,858	859,111
	2,125,858	1,559,111
Temporarily restricted (Note 8)	3,974,710	3,513,297
Permanently restricted (Note 8)	20,066,583	19,401,155
Total net assets	26,167,151	24,473,563
Total liabilities and net assets	$ 28,825,710	$ 27,299,879

	2014				
	Unrestricted				
	Operating Fund	Endowment/ Capital Fund	Temporarily Restricted	Permanently Restricted	Total
Revenue and Public Support					
Revenue					
Opera season/admissions	$ 2,965,435	$ -	$ -	$ -	$ 2,965,435
Outreach and education	149,095	-	-	-	149,095
Rental and other	118,610	-	-	-	118,610
Co-production income	80,000	-	-	-	80,000
Investment income (loss)	415,325	-	-	-	415,325
Interest earnings	380	-	-	-	380
Other	45,403	-	-	-	45,403
Total revenue	3,774,248	-	-	-	3,774,248
Public Support					
Annual fund drive	1,782,007	105,000	404,200	-	2,291,207
Grants	1,359,448	-	1,260,457	-	2,619,905
Special event revenue	510,030	-	-	-	510,030
Less cost of direct benefits to donors	(143,478)	-	-	-	(143,478)
Net special events revenue	366,552	-	-	-	366,552
In-kind contributions	52,321	-	-	-	52,321
Transfers to operating fund from endowment fund	606,610	(606,610)	-	-	-
Total public support	4,166,938	(501,610)	1,664,657	-	5,329,985
Total revenue and public support	7,941,186	(501,610)	1,664,657	-	9,104,233
Net assets released from restrictions	1,365,089	-	(1,365,089)	-	-
Expenses					
Program services					
Production expenses	7,167,930	-	-	-	7,167,930
Outreach and education	357,495	-	-	-	357,495
Administrative and general	1,338,419	153,843	-	-	1,492,262
Fundraising expenses	615,558	-	-	-	615,558
Total expenses	9,479,402	153,843	-	-	9,633,245
Change in Net Assets - Operating	(173,127)	(655,453)	299,568	-	(529,012)
Change in Net Assets -					
Nonoperating Contributions	-	-	-	45,800	45,800
Investment income (loss)	-	1,395,327	161,845	-	1,557,172
Change in value of beneficial interest in perpetual trusts	-	-	-	619,628	619,628
	-	1,395,327	161,845	665,428	2,222,600
Total Change in Net Assets	(173,127)	739,874	461,413	665,428	1,693,588
Net Assets, Beginning of Year	(14,193)	1,573,304	3,513,297	19,401,155	24,473,563
Net Assets, End of Year	$ (187,320)	$ 2,313,178	$ 3,974,710	$ 20,066,583	$ 26,167,151

	2013				
	Unrestricted				
	Operating Fund	Endowment/ Capital Fund	Temporarily Restricted	Permanently Restricted	Total
Revenue and Public Support					
Revenue					
Opera season/admissions	$ 2,805,265	$ -	$ -	$ -	$ 2,805,265
Outreach and education	124,266	-	-	-	124,266
Rental and other	143,702	-	-	-	143,702
Co-production income	300,000	-	-	-	300,000
Investment income (loss)	403,344	-	-	-	403,344
Interest earnings	305	-	-	-	305
Other	138,039	-	-	-	138,039
Total revenue	3,914,921	-	-	-	3,914,921
Public Support					
Annual fund drive	1,868,849	-	180,000	-	2,048,849
Grants	2,184,135	-	102,977	-	2,287,112
Special event revenue	598,374	-	-	-	598,374
Less cost of direct benefits to donors	(149,365)	-	-	-	(149,365)
Net special events revenue	449,009	-	-	-	449,009
In-kind contributions	62,774	-	-	-	62,774
Transfers to operating fund from endowment fund	596,475	(596,475)	-	-	-
Total public support	5,161,242	(596,475)	282,977	-	4,847,744
Total revenue and public support	9,076,163	(596,475)	282,977	-	8,762,665
Net assets released from restrictions	1,254,978	-	(1,254,978)	-	-
Expenses					
Program services					
Production expenses	8,355,117	-	-	-	8,355,117
Outreach and education	357,240	-	-	-	357,240
Administrative and general	1,338,516	155,281	-	-	1,493,797
Fundraising expenses	449,868	-	-	-	449,868
Total expenses	10,500,741	155,281	-	-	10,656,022
Change in Net Assets - Operating	(169,600)	(751,756)	(972,001)	-	(1,893,357)
Change in Net Assets -					
Nonoperating Contributions	-	-	-	59,287	59,287
Investment income (loss)	-	1,245,364	134,378	-	1,379,742
Change in value of beneficial interest in perpetual trusts	-	-	-	543,864	543,864
	-	1,245,364	134,378	603,151	1,982,893
Total Change in Net Assets	(169,600)	493,608	(837,623)	603,151	89,536
Net Assets, Beginning of Year	155,407	1,079,696	4,350,920	18,798,004	24,384,027
Net Assets, End of Year	$ (14,193)	$ 1,573,304	$ 3,513,297	$ 19,401,155	$ 24,473,563

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	$ 1,693,588	$ 89,536
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	247,119	238,160
Change in value of beneficial interest in perpetual trust	(627,927)	(577,516)
Net (gain) loss on investments	(1,507,484)	(1,349,628)
Changes in operating assets and liabilities		
Contributions and grants receivable	490,916	240,379
Accounts receivable	63,017	(83,116)
Deferred production expenses	(618,201)	470,903
Prepaid expenses	(6,890)	5,390
Accounts payable and accrued expenses	(26,241)	(15,975)
Deferred revenue	(47,877)	(62,905)
Net Cash from (used for) Operating Activities	(339,980)	(1,044,772)
Cash Flows from Investing Activities		
Purchase of property and equipment	(175,067)	(76,254)
Addition to reserved cash and cash equivalents	(1,450,000)	-
Purchases of investments	(2,446,987)	(3,419,007)
Proceeds from sale of investments	4,650,968	3,760,269
Net Cash from (used for) Investing Activities	578,914	265,008
Cash Flows from Financing Activities		
Borrowings under line of credit	950,000	715,968
Repayments under line of credit	(950,000)	(715,968)
Principal payments on mortgage payable	(93,639)	(89,415)
Net Cash from (used for) Financing Activities	(93,639)	(89,415)
Net Change in Cash and Cash Equivalents	145,295	(869,179)
Cash and Cash Equivalents, Beginning of Year	374,467	1,243,646
Cash and Cash Equivalents, End of Year	$ 519,762	$ 374,467
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 40,731	$ 44,020

Note 1 - Nature of Organization and Significant Accounting Policies

Mission Statement

The Minnesota Opera (Minnesota Opera) combines a culture of creativity and fiscal responsibility to produce opera and opera education programs that expand the art form, nurture artists, enrich audiences and contribute to the vitality of the community.

Nature of Organization

Minnesota Opera was formed as a 501(c)(3) corporation organized for charitable, artistic and educational purposes, primarily in the St. Paul/Minneapolis area.

Program Accomplishments

Minnesota Opera, having completed its 51st anniversary season, is regarded as one of the opera industry's most ambitious companies, offering five fully staged operas, including both standard repertoire and less well-known works. Minnesota Opera has been a resident company of the Ordway Center for the Performing Arts since 1985. Minnesota Opera regularly receives national and international acclaim as a producer and creator of opera, and this season, Minnesota Opera's production of Kevin Puts' *Silent Night* for which he earned the 2012 Pulitzer Prize in Music, was broadcast nationally on PBS in December 2013 to 625,000 people from across the nation.

Minnesota Opera's 2013-14 season included *Manon Lescaut* (Puccini), *Arabella* (Strauss), a new production of *Macbeth* (Verdi), *The Dream of Valentino* (Argento) and an inventive new staging of *The Magic Flute* (Mozart). Minnesota Opera productions featured world-renowned artists showcased in productions which were conducted, directed and designed by acclaimed professionals of the field. Along with distinguished guest artists, Minnesota Opera's productions also featured the company's own professional chorus and orchestra. During the fiscal year 2014 season, the Opera produced 28 performances for the entertainment and enrichment of over 46,000 patrons. The company saw a 14-year high in subscribers and an all-time high in ticket sales revenue.

Minnesota Opera's education and outreach efforts reached over 19,000 adults and 9,000 youth including adult education classes; coOPERAtion! – an in-school residency program that places Teaching Artists and Resident Artists into schools; Spotlight Partnership – a specialized in-school residency program for at-risk youths; Day at the Opera – audition master classes which provide opportunities for high school students to work with members of the Opera staff and guest artists; Project Opera – consisting of three groups, Ragazzi (grades 4-8), Giovani (grades 9-12) and the Apprentice program (grade 12); Summer Opera Camp – a week-long vocal training program for teens; Children's Chorus Summer Opera Camp – a three-day long day camp for children ages 7-12; Opera Artist+ – a week long camp for college students to learn about the business of opera, www.mnop.co/learn – an education specific area of our website that provides resources for teachers and students to learn about the art form; Student Final Dress Rehearsals – open final dress rehearsals with an invited audience of primarily high school students; Opera Insights – a pre-performance lecture open to ticket holders one hour before each performance; and Behind the Curtain – 90-minute evening classes designed to give ticket holders an in-depth look at each opera in the season.

Minnesota Opera's Resident Artist Program provided ten young professionals at the initial stages of their careers with nine months of professional development, including vocal training and coaching, stage time, classes and career counseling. This program includes both performers and other practitioners of the art form. In addition to appearing in Minnesota Opera's productions, these artists were an integral part of the company's outreach and education efforts, serving as operatic ambassadors throughout the community both in schools and at special events.

Cash and Cash Equivalents

Minnesota Opera considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes of Minnesota Opera are excluded from this definition.

During the year ended June 30, 2014, the Finance Committee voted to move $1,450,000 raised as cash reserves to money market accounts. These funds are included as reserved cash and cash equivalents in the statements of financial position. These funds had been previously held as investments.

Minnesota Opera maintains funds in bank deposit and investment accounts, which, at times, may exceed insured limits. Minnesota Opera has not experienced any losses in these accounts.

Receivables and Credit Policies

Accounts receivable consists primarily of non-interest bearing amounts due for various purposes. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. There was no allowance determined to be necessary as of June 30, 2014 and 2013.

Contributions and Grants Receivable

Unconditional contributions and grants receivable expected to be collected within one year are recorded at net realizable value. Unconditional contributions and grants receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions and grants receivable are written off when deemed uncollectable. At June 30, 2014 and 2013, the allowance was $33,547 and $82,776, respectively.

Deferred Production Expenses

Expenses related to production incurred in years prior to a scheduled performance are deferred until the year of performance. These expenses may include construction of sets, props and costumes as well as certain licensing costs or commissioning fees to composers and librettists.

Property and Equipment

Property and equipment acquisitions in excess of $1,000 with a life greater than two years are recorded at cost, if purchased, or at fair value at the date received, if donated. Depreciation is computed using the straight-line method over the estimated useful property and equipment lives (three to forty years). Minnesota Opera monitors the addition of production equipment in accordance with the terms of the Strategic Initiative. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Minnesota Opera reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2014.

Investments

Minnesota Opera is a member in several limited liability companies (the companies). The underlying investments in the companies do not have readily determinable market values. The investment manager revalues the partnerships monthly and independent audits are performed on an annual basis. Minnesota Opera's investment in the companies is reported at the estimated fair value of Minnesota Opera's share of the companies, which is evaluated and determined by Minnesota Opera with assistance from the investment manager.

Minnesota Opera’s investment in the venture capital limited partnership is reported at the estimated fair value of Minnesota Opera’s share of the partnership, which is evaluated and determined by Minnesota Opera with assistance from its custodian.

Realized and unrealized gains and losses are included in the change in unrestricted net assets, unless their use is temporarily or permanently restricted by donor stipulations or law. Realized gains and losses are reported at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are reported for the change in fair value between reporting periods. Interest and dividend income is reported when earned.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that the changes in the values of investment securities will occur in the near term and that those changes could materially affect the balance of investments in the financial statements.

Beneficial Interest in Perpetual Trusts

Minnesota Opera has been named as an irrevocable beneficiary of perpetual trusts held and administered by a third party. Perpetual trusts provide for the distribution of net income of the trusts to Minnesota Opera; however, Minnesota Opera does not determine the investment. After the twentieth anniversary of the Trust, the Trustees may vote to unanimously to terminate the Trust and distribute the proceeds to Minnesota Opera's endowment. At the date Minnesota Opera receives notice of a beneficial interest, a permanently restricted contribution is recorded in the statements of activities, and a beneficial interest is perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Minnesota Opera also has a beneficial interest in another trust held by a third party whereby Minnesota Opera has the right to the residual value upon trust termination. The beneficial interest in this trust is recorded at the present value of the expected future cash flows.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted Board designated net assets consist of net assets designated by the Board of Directors in the amounts of $500,000 and $200,000 for operating reserve and quasi-endowment, respectively.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of Minnesota Opera and/or the passage of time, and certain income earned on permanently restricted net assets that has not been appropriated for expenditure by Minnesota Opera's Board of Directors.

Minnesota Opera reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets (unless the restriction is in perpetuity), depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets from a prior period are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Minnesota Opera. The restrictions stipulate that resources be maintained permanently but permit Minnesota Opera to expend the income not recognized until the conditions on which they depend have been substantially met.

In addition to net asset reporting, to ensure observance of limitations and restrictions placed on the use of resources available to Minnesota Opera, internally, the accounts are maintained in accordance with the principles of fund accounting, whereby resources for various purposes are classified into funds established according to their natures and purposes.

The two self-balancing funds utilized are as follows:

Operating Fund – This fund consists of resources that are available for the current or future-year support of operations that are not accounted for in the Endowment/Capital Fund.

Endowment/Capital Fund – This fund consists of donor contributions or gift instruments, which are subject to capital restrictions. Also included in this fund are endowment contributions and related earnings. This fund is also used to account for resources obtained and expended for property acquisitions.

Performance Revenue

Revenue from ticket sales that relate to a specific production are recognized during the time period of the performance. Revenues received prior to a performance are deferred. The deferred amounts are included in deferred revenue in the accompanying financial statements.

During each year ended June 30, 2014 and 2013, five productions were performed by Minnesota Opera. Ticket sales for these productions for the years ended June 30, 2014 and 2013 were $2,965,436 and $2,805,265, respectively. Related production expenses for the years ended June 30, 2014 and 2013 were $6,072,858 and $6,835,662, respectively.

Contributions and Donations

Contributions and donations are recognized when cash, securities or other assets, an unconditional promise to give, or notification or a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations, Minnesota Opera presents these assets as unrestricted support. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Minnesota Opera reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recorded when there is an objective basis to measure the value of such services and the service involves specialized skills that would be purchased, if not provided by donation. The services of most volunteers have not been reflected in the statements as donated services, since there is no objective measurement basis and they do not meet generally accepted accounting principles' criteria for recognition. Nevertheless, volunteers have given significant amounts of their time to Minnesota Opera.

Interfund Transfers

In accordance with donor restrictions, a portion of the income earned on Endowment Fund investments may be transferred to and used to supplement current support in the Operating Fund. A transfer of $588,906 and $576,112 was approved by the Board of Directors during the year ended June 30, 2014 and 2013, respectively. In addition, $17,704 was transferred as the current portion from a three year capital purchase for the year ended June 30, 2014 and $20,363 was approved and transferred to the Operating Fund in conjunction with the Artistic Development and Strategic Initiative campaigns for the year ended June 30, 2013.

Advertising Costs

Advertising costs are expensed as incurred. Such costs were $378,685 and $492,702, for the years ended June 30, 2014 and 2013, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Minnesota Opera is a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Minnesota Opera is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Minnesota Opera is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purpose. Minnesota Opera files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business activity.

Minnesota Opera believes that is has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Minnesota Opera would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred. Minnesota Opera’s Form 990-T is no longer subject to tax examinations by Federal tax authorities for years before 2010 and state examinations for years before 2010.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Minnesota Opera has evaluated subsequent events through October 11, 2014, the date which the financial statements were available to be issued.

Note 2 - Contributions and Grants Receivable

Contributions and grants receivable are estimated to be collected as follows at June 30, 2014 and 2013:

	2014	2013
Within one year	$ 1,065,470	$ 1,471,433
In one to five years	1,637,500	1,780,750
	2,702,970	3,252,183
Less discount to net present value (3%)	(118,197)	(127,265)
Less allowance for uncollectible contributions and grants	(33,547)	(82,776)
	$ 2,551,226	$ 3,042,142

At June 30, 2014 and 2013, two donors accounted for approximately 71% and 67% of total contributions and grants receivable, respectively.

Note 3 - Deferred Production Expenses

Deferred production expenses are estimated as follows at June 30, 2014 and 2013:

	2014	2013
Current deferred production expenses	$ 722,598	$ 299,410
Noncurrent deferred production expenses	528,970	333,957
	$ 1,251,568	$ 633,367

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2014 and 2013:

	2014	2013
Land	$ 1,110,000	$ 1,110,000
Equipment	1,416,841	1,343,055
Buildings	4,040,672	4,040,672
	6,567,513	6,493,727
Less accumulated depreciations	(3,485,556)	(3,339,718)
	$ 3,081,957	$ 3,154,009

Depreciation expense totaled $247,119 and $238,160 for the years ended June 30, 2014 and 2013, respectively.

Note 5 - Investments

A summary of the underlying investments held with Okabena Advisors, as described below, stated at fair value as of June 30, 2014 and 2013, consists of the following:

	2014	2013
Money market and cash funds	$ 793,285	$ 273,498
Fixed income funds	1,106,118	999,491
Equities funds	4,536,199	5,831,426
Opportunistic multistrategy funds	1,206,674	1,181,122
Venture capital limited partnerships	78,210	70,194
Marketable alternatives	3,273,661	3,300,992
Real assets	178,766	212,687
	$ 11,172,913	$ 11,869,410

During the year ended June 30, 2014, the Finance Committee voted to move $1,450,000 raised as cash reserves to money market accounts. These funds are included as reserved cash and cash equivalents in the statements of financial position. These funds had been previously held as investments.

Minnesota Opera has invested in four limited partnerships with Okabena Advisors. Those funds are Okabena Fixed Income Fund (OFIF), Okabena Diversified Equity Fund (ODEF), Okabena Marketable Alternatives Fund (OMAF) and Okabena Special Opportunities Fund (OSOF). The fair market value of each fund is estimated monthly and calculated quarterly. Okabena provides monthly liquidity for these positions. Minnesota Opera may discontinue the relationship with Okabena upon six-months' notice. Minnesota Opera retains control of the asset allocation between the four funds, but is obligated to allow Okabena to have discretion within the four asset classes.

Minnesota Opera also has an investment in a private equity limited partnership which is not tradable. The fair value of Minnesota Opera's partnership interest is calculated quarterly. Minnesota Opera must retain its interest in the partnership for a ten-year period, with options for subsequent one-year extensions. The partnership invests in venture capital and leveraged buyout interests. Minnesota Opera initially invested $390,000 in the fund.

Investment income consists of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Investment income	$ 50,068	$ 77,693
Realized gains	262,279	226,773
Unrealized gains	1,245,205	1,122,855
	$ 1,557,552	$ 1,427,321

Note 6 - Fair Value of Assets and Liabilities

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that Minnesota Opera can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, Minnesota Opera develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Minnesota Opera's assessment of the quality, risk or liquidity profile of the asset or liability.

The fair values of beneficial interests in perpetual trusts are determined by management using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets, and are based on the fair values of trust investments as reported by the trustees.

Minnesota Opera uses Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships which do not have readily determinable fair values. Investments valued at NAV are classified within Level 2 if Minnesota Opera has the ability to redeem the investment at NAV per share, or its equivalent, at the measurement date or within the near term; otherwise, the investment is classified within Level 3.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2014 and 2013 are as follows:

	2014	2013
Investment securities	$ -	$ 14,752
Funds invested in limited partnerships	11,172,913	11,854,658
Beneficial interest in perpetual trusts	8,516,813	7,888,886
Total assets	$ 19,689,726	$ 19,758,296

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2014:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities	$ -	$ -	$ -	$ -
Funds invested in limited partnerships	11,172,913	-	-	11,172,913
Beneficial interest in perpetual trusts	8,516,813	-	-	8,516,813
	$ 19,689,726	$ -	$ -	$ 19,689,726

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2013:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities	$ 14,752	$ 14,752	$ -	$ -
Funds invested in limited partnerships	11,854,658	-	-	11,854,658
Beneficial interest in perpetual trusts	7,888,886	-	-	7,888,886
	$ 19,758,296	$ 14,752	$ -	$ 19,743,544

Below is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2014 and 2013:

Year Ended June 30, 2014	Funds Invested in Limited Partnerships	Beneficial Interest in Perpetual Trusts
Balance, June 30, 2013	$ 11,854,658	$ 7,888,886
Total gains or losses included in change in net assets	1,507,484	627,927
Purchases, issuances, sales and settlements		
Purchases	2,446,987	-
Sales	(4,636,216)	-
Balance, June 30, 2014	$ 11,172,913	$ 8,516,813

Year Ended June 30, 2013	Funds Invested in Limited Partnerships	Beneficial Interest in Perpetual Trusts
Balance, June 30, 2012	$ 10,824,836	$ 7,311,370
Total gains or losses included in change in net assets	1,349,635	577,516
Purchases, issuances, sales and settlements		
Purchases	2,424,438	-
Sales	(2,744,251)	-
Balance, June 30, 2013	$ 11,854,658	$ 7,888,886

Investments in certain entities that calculate NAV per share are as follows at June 30, 2014 and 2013:

	Number of Investments	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
June 30, 2014					
Funds invested in limited partnerships	4	$ 11,172,913	$ -	Quarterly	180 days
June 30, 2013					
Funds invested in limited partnerships	4	$ 11,854,658	$ -	Quarterly	180 days

Funds invested in limited partnerships – each investment within this category focuses on a different sector of the market including bonds, marketable alternatives, U.S. equities, non-U.S. equities and natural resources.

Note 7 - Mortgage Payable and Line of Credit

In 2007, a revenue bond was issued to finance the purchase of Minnesota Opera's warehouse. The revenue bond is payable over a ten-year term, with the warehouse serving as collateral for the bond. The bond may be prepaid, in whole, not in part, on any regularly scheduled payment date on or after December 9, 2008. The revenue bond contains certain covenants that Minnesota Opera is required to meet.

	2014	2013
$1,400,000 Minnesota Community Development Agency (MCDA) Revenue Bonds, Series 2005, with semiannual payments of $65,426 including principal and interest at a rate of 4.67%, due each June and December through December 2015, at which time the outstanding principal amount is also due.	$ 726,343	$ 819,982
Less current portion	98,063	93,639
	$ 628,280	$ 726,343

Annual maturities of the revenue bond at June 30 are as follows:

Years Ending June 30,	Amount
2015	$ 98,063
2016	628,280
	$ 726,343

Minnesota Opera also maintains a revolving line of credit with a bank that bears interest at the LIBOR rate plus 2.6%, whose draws are not to exceed $1,000,000 that expires on December 31, 2014. The line of credit is collateralized by substantially all unrestricted assets of Minnesota Opera and requires that pledge receipts be utilized to pay down outstanding line of credit balances. There was no balance due on the note as of June 30, 2014 and 2013.

Note 8 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013, consist of:

	2014	2013
Program and, in many cases, also time restrictions		
New Works Initiative (Note 11)	$ 1,533,000	$ 1,554,000
Future seasons	366,000	198,000
Education	54,000	60,000
Capital	159,000	69,000
Technology	80,000	80,000
	2,192,000	1,961,000
Time restrictions, without program restrictions		
Future seasons	1,783,000	1,552,000
	$ 3,975,000	$ 3,513,000

Net assets were released from released from restrictions as follows during the years ended June 30, 2014 and 2013:

	2014	2013
Expirations of time restrictions	$ 430,000	$ 414,000
Satisfaction of purpose restrictions		
New Works Initiative (Note 11)	845,000	751,000
Future seasons	50,000	50,000
Education	40,000	40,000
	$ 1,365,000	$ 1,255,000

Earnings from permanently restricted net assets that are restricted for a particular purpose by a donor are recorded as temporarily restricted net assets until those restrictions are met. Unrestricted earnings from permanently restricted net assets are available for the general operational expenses of Minnesota Opera, as approved by the Board of Directors. Permanently restricted net assets are detailed below based upon the purposes for which earnings have been designated at June 30, 2014 and 2013:

	2014	2013
Future seasons	$ 928,000	$ 928,000
Education	350,000	350,000
Cash reserve	1,450,000	1,450,000
Capital funds	630,000	630,000
Unrestricted	8,192,000	8,154,000
Beneficial interest in perpetual trusts	8,517,000	7,889,000
	$ 20,067,000	$ 19,401,000

Certain donors have stipulated particular gifts may be used for short term cash flow which has been identified as cash reserve. Because the donors intend these funds not be expended on a permanent basis, these reserves are classified as permanently restricted.

Note 9 - Endowments

Minnesota Opera's endowment consists of pooled gifts restricted for the long-term support of Minnesota Opera and seven funds where the earnings are restricted to various purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Minnesota Opera has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, Minnesota Opera 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 (including pledges net of discount and allowance for doubtful accounts) 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 UPMIFA.

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

(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, and
(7) The investment policies of the organization.

As of June 30, 2014 and 2013, Minnesota Opera has the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2014				
Donor-restricted endowment funds	$ -	$ -	$ 20,066,583	$ 20,066,583
Board designated endowment funds	200,000	-	-	200,000
	$ 200,000	$ -	$ 20,066,583	$ 20,266,583
June 30, 2013				
Donor-restricted endowment funds	$ -	$ -	$ 19,401,155	$ 19,401,155
Board designated endowment funds	200,000	-	-	200,000
	$ 200,000	$ -	$ 19,401,155	$ 19,601,155

Included in the balance of donor-restricted endowment funds within permanently restricted net assets as of June 30, 2014 and 2013 are $8,516,857 and $7,888,886, respectively, held in trust for the benefit of Minnesota Opera, but not under the control of Minnesota Opera for investment decision purposes.

Changes in endowment net assets for the years ending June 30, 2014 and 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2014				
Endowment net assets, beginning of year	$ 200,000	$ -	$ 19,401,155	$ 19,601,155
Investment return				
Investment income	-	50,068	-	50,068
Net realized and unrealized appreciation (depreciation)	-	1,507,484	-	1,507,484
Change in value of beneficial interest in perpetual trust	-	-	619,628	619,628
Contributions	-	-	45,800	45,800
Appropriation of endowment assets for expenditure	-	(1,557,552)	-	(1,557,552)
Endowment net assets, end of year	$ 200,000	$ -	$ 20,066,583	$ 20,266,583
June 30, 2013				
Endowment net assets, beginning of year	$ 200,000	$ -	$ 18,798,004	$ 18,998,004
Investment return				
Investment income	-	77,693	-	77,693
Net realized and unrealized appreciation (depreciation)	-	1,349,628	-	1,349,628
Change in value of beneficial interest in perpetual trust	-	-	543,864	543,864
Contributions	-	-	59,287	59,287
Appropriation of endowment assets for expenditure	-	(1,427,321)	-	(1,427,321)
Endowment net assets, end of year	$ 200,000	$ -	$ 19,401,155	$ 19,601,155

Return Objectives and Risk Parameters

Minnesota Opera has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Minnesota Opera must hold in perpetuity or for a donor-specified period(s) as well as Board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve purchasing power, net of spending and inflation, and to produce results that provide a long-term estimated spending of 5%. Based on an assumed annual inflation rate of 2% to 4%, the Board has adopted a long-term return objective of 7% to 9%, net of fees, and has determined that volatility in the range of 10% to 15% is acceptable.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Minnesota Opera 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). Minnesota Opera targets a diversified asset allocation of bonds, equities (U.S. and foreign), marketable alternatives, real assets and long-term equity to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Minnesota Opera has a policy of appropriating for distribution each year the sum of 70% of the previous year's draw adjusted for inflation as measured by the Consumer Price Index, not seasonally adjusted plus 30% of a target spending rate, currently 5% times the market value on March 31 of each year. In establishing this policy, Minnesota Opera considered the long-term expected return on its endowment. Accordingly, over the long-term, Minnesota Opera expects the current spending policy to allow its endowment to grow at an average of 2% to 4% annually. This is consistent with Minnesota Opera's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 10 - Employee Retirement Plan

Minnesota Opera has a retirement plan for its employees who meet certain service and age requirements. Minnesota Opera, at the discretion of its Board, may contribute to the plan. In addition, the Minnesota Opera pays into retirement accounts for both unions with which the Minnesota Opera has collective bargaining agreements. Retirement expense was $76,919 and $60,897 for the years ending June 30, 2014 and 2013, respectively. No unfunded liabilities exist to the current plan.

Note 11 - Minnesota Opera's New Works Initiative

In September 2007, Minnesota Opera Works Committee was formed to help define and support Minnesota Opera over the succeeding ten years. The goal of the program is to provide support for the creation and presentation of three newly commissioned works and the revival of four recently created commissions over seven seasons. The Committee is made up of Board members, community leaders and national funders.

The campaign has been renamed New Works Initiative.

As of June 30, 2014, the campaign has met the initial goal of raising $7,000,000 to complete the first phase of the New Works Initiative and plans are being made for a second phase. Excess funds from the first phase will be applied to the second phase. A total of $7,781,431 has been raised for the combined New Works Initiative. During the year ending June 30, 2014, $650,139 was used in support of these activities, including $475,000 for direct support to the production of *The Dream of Valentino* and $85,139 was used to prepare the video capture of *Silent Night* for airing on PBS. To date, $6,015,578 has been expended for New Works Initiative projects. In addition, $150,000 was expended on the preparation of the second phase from those funds.

As of June 30, 2013, the campaign had raised over $6,668,000 of a goal of $7,000,000. During the year ending June 30, 2013, $1,304,911 was used in support of these activities, including $776,947 for commissioning, development and direct support to the production of *Doubt* and $347,964 for the creation of a HD Video recording of that production.

Note 12 - Arts Partnership Program

In 2007, the Arts Partnership, a distinct 501(c)(3) organization, was formed for the purpose of collaborating on activities related to the Ordway Center for the Arts. The Arts Partnership is exempt from income taxes as a nonprofit organization under the applicable federal and Minnesota income tax regulations and is governed by a Board of Directors. The Board of Directors consists of the CEOs and Board representatives of Minnesota Opera, Ordway Center for the Performing Arts (Ordway), The Saint Paul Chamber Orchestra (SPCO) and The Schubert Club. The Ordway has three representatives and the other organizations each have two representatives. The Arts Partnership is considered a related party.

The partnership is built on a Master Agreement, which addresses scheduling, rental rates and other operating and financial issues with respect to the Ordway building on a long-term basis. Minnesota Opera, Ordway, SPCO and The Schubert Club are "Arts Partners" as defined in the Master Agreement. Minnesota Opera can withdraw from the agreement upon notice specifying as a withdrawal effective date June 30 of a year that is a least five years in the future. Under the terms of the agreement, Minnesota Opera has committed to a rental rate structure based on utilization. Minnesota Opera will pay the Ordway a fixed base license fee in addition to a variable facility fee and an operating fee. Base rental fees for the year ending June 30, 2015 are expected to be $608,318. Payments to the Ordway in the years ended June 30, 2014 and 2013 included base license fees of $605,245 and $659,949, respectively.

One of the initiatives of the Arts Partnership is to commence an Arts Partnership Campaign. The purpose of this campaign is to seek funding for renovations and enhancements to the Ordway building as well as to support partner utilization of the Ordway building through a subsidy of annual rental charges. For the years ended June 30, 2014 and 2013, Minnesota Opera received a contribution of $211,836 and $491,964, respectively, from the Arts Partnership. This contribution is reflected as an unrestricted contribution in the statement of activities and changes in net assets and Minnesota Opera’s participation is reflected in fundraising expenses.