VIRGINIA OPERA ASSOCIATION, INC.
AND
VIRGINIA OPERA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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CONSOLIDATED FINANCIAL STATEMENTS
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Independent Auditor's Report

To the Board of Directors
Virginia Opera Association, Inc.
and Virginia Opera Foundation
Norfolk, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Virginia Opera Association, Inc. (the "Association") and Virginia Opera Foundation (the "Foundation") (collectively referred to as the "Organization") which comprise the consolidated statement of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued and, if such conditions or events are identified, disclose the details of the same and management's plan to mitigate their effects.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Carmody Nelson PLC

December 19, 2025

VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of June 30,	
	2025	**2024**
Assets		
Current assets:		
Cash and cash equivalents	$ 220,887	$ 267,978
Investments, at fair value	107,331	96,615
Accounts receivable	18,890	35,275
Contributions receivable, short-term	549,333	375,126
Prepaid expenses	147,383	257,553
Inventory	16,898	8,649
Operating lease right-of-use asset	7,359	21,104
Total current assets	1,068,081	1,062,300
Noncurrent assets:		
Property and equipment, net	61,388	106,539
Due from unrestricted fund	1,290,000	1,290,000
Total noncurrent assets	1,351,388	1,396,539
Total assets	2,419,469	2,458,839
Liabilities and net assets (deficit)		
Current liabilities:		
Accounts payable	490,486	124,291
Accrued payroll, payroll tax liabilities, and other expenses	26,944	55,235
Accrued vacation	31,257	39,336
Deferred revenue	319,618	422,316
Funds held for others	2,326	-
Operating lease liability	3,747	3,745
Total current liabilities	874,378	644,923
Noncurrent liabilities:		
Note payable	150,000	150,000
Operating lease liability, non-current	3,612	7,359
Due to permanently restricted fund	1,290,000	1,290,000
Total noncurrent liabilities	1,443,612	1,447,359
Total liabilities	2,317,990	2,092,282
Net assets (deficit):		
Net assets without donor restrictions	(1,775,686)	(1,657,868)
Net assets with donor restrictions	1,877,165	2,024,425
Total net assets	101,479	366,557
Total liabilities and net assets	$ 2,419,469	$ 2,458,839

The notes to consolidated financial statements
are an integral part of this statement.

VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Net Assets Without donor Restrictions	Net Assets With donor Restrictions	Total
Revenue and support			
Program revenue:			
Mainstage subscriptions	$ 486,768	$ -	$ 486,768
Mainstage single tickets	509,256	-	509,256
Mainstage touring	236,200	-	236,200
Education programs	14,410	-	14,410
Total program revenue	1,246,634	-	1,246,634
Other revenue:			
Production sales and rentals	223,805	-	223,805
Program advertising, merchandise and concessions, net	15,286	-	15,286
Fundraising special events, net	133,359	-	133,359
Other income	32,130	-	32,130
Total other revenue	404,580	-	404,580
Contributed support:			
Individual	1,589,327	17,180	1,606,507
Corporate	158,150	-	158,150
Grants	623,897	317,178	941,075
Foundations	370,190	227,000	597,190
Total contributed support	2,741,564	561,358	3,302,922
Net assets released from restrictions	708,618	(708,618)	-
Total revenue and support	5,101,396	(147,260)	4,954,136
Expenses			
Program services:			
Mainstage general	3,285,866	-	3,285,866
Education	237,532	-	237,532
Marketing and box office	277,121	-	277,121
Production marketing	158,355	-	158,355
Total program services	3,958,874	-	3,958,874
Supporting services:			
Management and general	949,338	-	949,338
Development and fundraising	311,002	-	311,002
Total supporting services	1,260,340	-	1,260,340
Total expenses	5,219,214	-	5,219,214
Change in net assets	(117,818)	(147,260)	(265,078)
Net assets (deficit), beginning of year	(1,657,868)	2,024,425	366,557
Net assets (deficit), end of year	$ (1,775,686)	$ 1,877,165	$ 101,479

The notes to consolidated financial statements
are an integral part of this statement.

VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Net Assets Without donor Restrictions	Net Assets With donor Restrictions	Total
Revenue and support			
Program revenue:			
Mainstage subscriptions	$ 518,617	$ -	$ 518,617
Mainstage single tickets	493,837	-	493,837
Mainstage touring	306,000	-	306,000
Education programs	18,303	-	18,303
Total program revenue	1,336,757	-	1,336,757
Other revenue:			
Production sales and rentals	262,506	-	262,506
Program advertising, merchandise and concessions, net	9,944	-	9,944
Fundraising special events, net	150,059	-	150,059
Other income	32,666	-	32,666
Total other revenue	455,175	-	455,175
Contributed support:			
Individual	2,254,441	256,407	2,510,848
Corporate	98,556	85,367	183,923
Grants	8,395	124,000	132,395
Foundations	183,182	200,500	383,682
Total contributed support	2,544,574	666,274	3,210,848
Net assets released from restrictions	924,155	(924,155)	-
Total revenue and support	5,260,661	(257,881)	5,002,780
Expenses			
Program services:			
Mainstage general	3,272,065	-	3,272,065
Education	241,083	-	241,083
Marketing and box office	281,263	-	281,263
Production marketing	144,177	-	144,177
Total program services	3,938,588	-	3,938,588
Supporting services:			
Management and general	1,292,687	-	1,292,687
Development and fundraising	355,374	-	355,374
Total supporting services	1,648,061	-	1,648,061
Total expenses	5,586,649	-	5,586,649
Change in net assets	(325,988)	(257,881)	(583,869)
Net assets (deficit), beginning of year	(1,331,880)	2,282,306	950,426
Net assets (deficit), end of year	$ (1,657,868)	$ 2,024,425	$ 366,557

The notes to consolidated financial statements
are an integral part of this statement.

VIRGINIA OPERA ASSOCIATION, INC. AND VIRGINIA OPERA FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the years ended June 30, 2025	2024
Cash flows from operating activities:		
Change in net assets	$ (265,078)	$ (583,869)
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Realized and unrealized gain on investments, net	(10,716)	(15,489)
Loss on disposal of property and equipment	4,809	-
Depreciation and amortization	43,879	77,145
Operating lease expense (noncash portion)	14,188	61,997
Operating lease payments	(4,188)	(61,997)
(Increase) decrease in assets:		
Accounts receivable	16,385	58,252
Contributions receivable	(174,207)	270,990
Prepaid expenses	110,170	(88,793)
Inventory	(8,249)	(2,109)
Increase (decrease) in liabilities:		
Accounts payable	366,195	(27,696)
Accrued expenses	(36,370)	14,005
Deferred revenue	(102,698)	13,391
Funds held for others	2,326	-
Net cash used for operating activities	(43,554)	(284,173)
Cash flows from investing activities:		
Sales and maturities of investments	-	10,831
Purchase of property and equipment	(3,537)	-
Net cash provided by (used for) investing activities	(3,537)	10,831
Net change in cash and cash equivalents	(47,091)	(273,342)
Cash and cash equivalents, beginning of year	267,978	541,320
Cash and cash equivalents, end of year	$ 220,887	$ 267,978
Supplementary disclosures:		
Cash paid during the year for interest	$ 10,235	$ 8,302

The notes to consolidated financial statements
are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Virginia Opera Association, Inc. (the "Association") is a nonprofit organization founded in 1974 with operations in Norfolk and Richmond, Virginia. The mission of the Association is to enrich lives by creating high quality productions of a broad range of opera, providing training to qualified persons in the production and performance of opera, and promoting appreciation and understanding of opera through performances, education and community outreach. In March of 1994, by unanimous vote of the Virginia General Assembly, the Association was named "The Official Opera Company of the Commonwealth of Virginia."

The Virginia Opera Foundation (the "Foundation") is a nonprofit organization founded in December 1992 with its sole purpose to assist the Association with fulfilling its mission.

Basis of Accounting

The accompanying consolidated financial statements include the accounts of the Virginia Opera Association, Inc. and the Virginia Opera Foundation (collectively the "Organization"). The Organization's consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Consolidation

The Association and the Foundation are under common control and management, and all intercompany balances and transactions, unless related to a restricted asset, have been eliminated in the consolidated financial statements.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities based on the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which classifies net assets into two categories based on the existence of donor-imposed restrictions – net assets without donor-imposed restrictions and net assets with donor imposed restrictions. Net assets with donor-imposed restrictions generally consist of contributions restricted for future seasons and permanently restricted contributions. When donor restrictions expire, that is, when a stipulated (or implied) time restriction ends, or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of the Organization's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with initial maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments in marketable securities are valued at their fair values in the consolidated statement of financial position. Investment income includes dividends, interest, and net realized and unrealized gains and losses and is included in other income in the accompanying consolidated statement of activities.

Risks and Uncertainties

The Organization's investments and receivables are exposed to various risks, such as interest rate, credit, and overall market volatility. To mitigate associated risks, the Organization uses high credit quality financial intermediaries for its investments. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

Contributions Receivable

Contributions receivable are recognized as revenue in the year the promise is made by the donor. contributions to be received after one year are discounted at an appropriate discount rate commensurate with the associated risks. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history and type of contribution. Contributions of assets other than cash are recorded at their estimated fair value on the date of gift.

Conditional promises to give with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Inventory

Inventory includes items held for sale in the gift shop and are stated at the lower of cost or market.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded on the straight-line method based on the estimated useful lives of the related assets, ranging from 5 to 10 years.

Leasehold improvements are depreciated over the shorter of the useful life of the related asset or the expected lease term at commencement. Routine repairs and maintenance are charged to expense when incurred and major repairs, additions and betterments are capitalized. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss on the sale or disposal is included in income in the year disposed.

Leases

The Organization determines if an arrangement is a lease at contract inception. A lease exists when a contract conveys to a party the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The lease term at the commencement date includes any renewal options or termination options when it is reasonably certain that the Organization will exercise or not exercise those options, respectively. The Organization recognizes a lease liability at the lease commencement date, discounted using the rate implicit in the lease or using its incremental borrowing rate as a practical expedient when the implicit rate cannot be determined. A Right-of-Use lease asset is recognized based on the lease liability value and adjusted for any prepaid lease payments, initial direct costs, or lease incentive amounts.

Additionally, the Organization has elected a number of practical expedients allowed under ASU 2016-02. The Organization has elected to not separate lease and non-lease components for all asset classes. Further, any leases with an initial term of twelve months or less are not recorded on the statement of financial position but recognized as lease expense on a straight-line basis over the lease term.

Revenue and Support

Contributions are recorded as net assets with or without restrictions, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions in the consolidated statement of activities. When restrictions expire, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. As permitted by GAAP, restricted contributions received whose restrictions are satisfied within the same accounting period are presented as support without donor restrictions.

Program revenues are recorded in the period in which the performance obligation is completed. Program revenue received in advance of the upcoming year is recorded as deferred revenue and recognized as revenue in the period earned. The Organization's deferred revenue generally consists of subscription revenue received in advance of the upcoming year.

Contributions of Non-Financial Assets

The Organization receives contributions of nonfinancial assets and services which generally include the use of in-kind facilities and various professional services. The Organization records contributions of nonfinancial assets and services as both revenue and expense when received and all donated assets and services are utilized in the Organization's programs and supporting services. Contributions of nonfinancial assets are recorded at estimated fair value.

The Organization receives a significant amount of donated services from unpaid volunteers and local organizations who assist in its program services. These services have not been recognized in the consolidated statements of activities.

Functional Allocation of Expenses

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

Advertising Costs

Advertising costs are expensed as incurred.

Income Tax Status

The Association and Foundation have each been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's or the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. Both the Association and the Foundation believe they have appropriate support for any tax positions taken and, as such, are not aware of any uncertain tax positions that are material to the consolidated financial statements. Federal tax returns (Form 990 and 990-T) are generally subject to examination for three years after they are filed.

NOTE 2 - INVESTMENTS

Investments are carried at fair value and are invested in exchange-traded funds. Total investments are $107,331 and 96,615 as of June 30, 2025 and 2024, respectively.

Investment income is included in other income in the accompanying consolidated statement of activities and consists of the following for the years ended June 30:

	2025	2024
Realized and unrealized gains, net	$ 10,716	$ 15,489
Interest and dividends	1,853	1,733
Total investment income	$ 12,569	$ 17,222

NOTE 3 - FAIR VALUE MEASUREMENTS

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a three-level fair value hierarchy that describes and prioritizes the inputs of valuation techniques used to measure fair value.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded, and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1: The asset and liability fair values are based on quoted prices in active markets for identical assets or liabilities.

Level 2: The asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include debt securities with quoted prices that are traded less frequently than exchange traded instruments.

Level 3: The asset and liability fair values are based on unobservable inputs that are supported by little or no market activity. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

As of June 30, 2025 and 2024, all of the Organization's investments are categorized as Level 1 assets in the fair value hierarchy.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. In the normal course of operations, the Organization from time to time may have amounts on deposit in excess of federally insured limits.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, consist of the following:

	2025	2024
Receivable in less than one year	$ 549,333	$ 375,126
Receivable in one to five years	-	-
Total contributions receivable	$ 549,333	$ 375,126

NOTE 6 - PROPERTY AND EQUIPMENT

Property, plant and equipment as of June 30, consists of the following:

	2025	2024
Leasehold improvements	$ 4,713,920	$ 4,713,920
Equipment and software	1,233,394	1,273,367
	5,947,314	5,987,287
Less: Accumulated depreciation	5,885,926	5,880,748
Property and equipment, net	$ 61,388	$ 106,539

Depreciation expense for the years ended June 30, 2025 and 2024 was $43,879 and $75,216, respectively.

NOTE 7 - NOTE PAYABLE

Note payable consists of the following as of June 30:

	2025	2024
Small Business Administration (SBA), under Section 7(b) of the Small Business Act, payable in monthly installments of $641 that began December 21, 2022, including interest at 2.75%, due in full November 2052.	$ 150,000	$ 150,000

Scheduled future principal payments on the note payable as of June 30, are as follows:

2026	$ 2,841
2027	3,691
2028	3,794
2029	3,900
2030	4,008
Thereafter	131,766
	$ 150,000

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, consist of the following:

	2025	2024
Contributions for future seasons	$ 557,333	$ 606,626
Commission of Loving v. Virginia	-	97,967
Endowment funds	1,319,832	1,319,832
Total	$ 1,877,165	$ 2,024,425

The Organization has an endowment which consists of individual investment funds established from donor-restricted gifts for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported in net assets based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the 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, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

During the year ended June 30, 2013, the Boards of the Association and the Foundation approved the loan of certain net assets with donor restrictions to satisfy the Association's outstanding debts and to pay the operating deficit incurred during the year. Accordingly, on the accompanying consolidated statement of financial position the restricted funds have a receivable from the unrestricted funds with a corresponding unrestricted funds payable to restricted funds.

Endowment fund net assets and activity consist of the following as of and for the years ended June 30:

	2025	**2024**
Activity for the year ended June 30:		
Beginning endowment funds	$ 1,319,832	$ 1,319,832
Transfers from unrestricted	-	-
Ending endowment funds	$ 1,319,832	$ 1,319,832
Endowment assets at June 30:		
Cash and cash equivalents	$ 29,832	$ 29,832
Receivable from unrestricted funds	1,290,000	1,290,000
Total	$ 1,319,832	$ 1,319,832

NOTE 9 - FUNDRAISING SPECIAL EVENTS

Fundraising activity for special events for the years ended June 30 consisted of the following:

June 30, 2025	**Revenue**	**Expense**	**Net**
Norfolk Gala	$ 117,110	$ 54,467	$ 62,643
Richmond Gala	104,585	42,263	62,322
Norfolk Beer Event and other	11,791	3,397	8,394
Total	$ 233,486	$ 100,127	$ 133,359

June 30, 2024	**Revenue**	**Expense**	**Net**
Norfolk Gala	$ 115,174	$ 41,366	$ 73,808
Richmond Gala	118,283	41,923	76,360
NOVA Gala	17,081	18,726	(1,645)
Norfolk Beer Event and other	4,844	3,308	1,536
Total	$ 255,382	$ 105,323	$ 150,059

NOTE 10 - DONATED ASSETS AND SERVICES

Donated materials, services and rent are reflected in the consolidated financial statements at estimated fair value. For the years ended June 30, 2025 and 2024, the Organization recorded $0 and $95,000, respectively, in donated assets and services.

NOTE 11 - NATURAL AND FUNCTIONAL CLASSIFICATION OF EXPENSES

The Organization's expenses are presented in the consolidated statement of activities on a functional basis. The Organization's natural expenses contain certain categories of expenses that are attributable to one or more program or supporting functions and, accordingly, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits, depreciation and occupancy, and software support among others. Expenses by function, disaggregated to show the natural expense classifications, consist of the following for the years ended June 30:

June 30, 2025:	**Program**	**Management and General**	**Development**	**Total**
Salaries	$ 1,352,507	$ 500,512	$ 193,029	$ 2,046,048
Payroll taxes and employee benefits	166,079	59,444	25,285	250,808
Contracted services	1,174,352	-	-	1,174,352
Travel	326,755	12,761	786	340,302
Scenery, props, and costumes	147,409	-	-	147,409
Advertising and promotion	178,698	-	20,658	199,356
Rent	181,694	66,244	-	247,938
Information technology	-	18,548	-	18,548
Insurance	-	77,729	-	77,729
Interest	-	10,235	-	10,235
Depreciation and amortization	43,879	-	-	43,879
Production and other expenses	309,772	281,594	71,244	662,610
	$ 3,881,145	$ 1,027,067	$ 311,002	$ 5,219,214

June 30, 2024:	**Program**	**Management and General**	**Development**	**Total**
Salaries	$ 1,254,491	$ 583,590	$ 212,906	$ 2,050,987
Payroll taxes and employee benefits	161,512	100,749	34,135	296,396
Contracted services	1,262,913	-	-	1,262,913
Travel	385,000	16,969	3,163	405,132
Scenery, props, and costumes	140,007	-	-	140,007
Advertising and promotion	161,734	-	14,799	176,533
Rent	180,055	122,647	-	302,702
Information technology	-	21,043	-	21,043
Insurance	-	86,230	-	86,230
Interest	-	8,302	-	8,302
Depreciation and amortization	77,145	-	-	77,145
Production and other expenses	315,731	353,157	90,371	759,259
	$ 3,938,588	$ 1,292,687	$ 355,374	$ 5,586,649

NOTE 12 – ADVERTISING COSTS

Advertising and promotion cost was $223,862 and $189,329 for the years ended June 30, 2025 and 2024, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Contract commitments

The Organization has certain contractual obligations with artists, directors, and musicians in advance of the upcoming season based on the Organization's planned opera repertoire. Such conditional commitments are expected to be expensed during the forthcoming season.

Lease commitments

The Organization was a lessee under a non-cancelable operating lease for storage space in Portsmouth, Virginia that ended in August 2025 and was not renewed. In addition, the Organization is a lessee under an office equipment operating lease. In the accompanying statement of consolidated financial position, the Organization's right-of-use asset and lease liability related to its operating lease is $7,359 and $7,359, respectively, as of June 30, 2025. Rent expense related to the Organization's operating leases for the years ended June 30, 2025 and 2024, was $14,188 and $61,997, respectively. In the accompanying consolidated statement of activities, the Organization recognizes lease expense for its operating leases on the straight-line basis over the lease term.

The Organization's future minimum lease payments under non-cancelable operating leases are as follows for the years ended June 30:

2026	$ 3,839
2027	3,520
Total	$ 7,359

As of June 30, 2025, the weighted average remaining lease term for the Organization's operating leases is 1.8 years and the weighted average discount rate was 5.0%.

Additionally, the Organization has a short-term lease with the City of Norfolk for its administrative and performance facilities that expires June 30, 2026. The lease renews annually for an additional year if agreed to by both parties.

NOTE 14 - BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS

The Organization has an interest in certain funds held by a local community foundation. These funds are invested on behalf of the community foundation donors who have designated the Organization as a conditional beneficiary of these funds. The Organization receives periodic distributions from the funds, which are recorded as contributions when received.

NOTE 15 - LIQUIDITY

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Management and board members routinely compare actual results to budget in order to ensure cash on hand is sufficient to meet upcoming budgeted operating expenses. The Organization's unencumbered financial assets available to meet anticipated cash needs for general expenditures within one year of the balance sheet date consisted of the following as of June 30:

	2025	2024
Financial assets		
Cash	$ 220,887	$ 267,978
Investments	107,331	96,615
Accounts receivable	18,890	35,275
Contributions receivable	549,333	375,126
Due from unrestricted fund	1,290,000	1,290,000
Total financial assets	2,186,441	2,064,994
Less:		
Net assets with donor restrictions	1,877,165	2,024,425
	$ 309,276	$ 40,569

NOTE 16 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events and transactions through December 19, 2025, the date the Organization's consolidated financial statements were available to be issued for purposes of determining whether any such events required recordation or disclosure in the accompanying consolidated financial statements.