

GRAND OPERA HOUSE, INC.

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT, AND
SUPPLEMENTARY INFORMATION**

JULY 31, 2017 AND 2016

GRAND OPERA HOUSE, INC.
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Independent Auditors' Report

To the Board of Directors of
Grand Opera House, Inc.

We have audited the accompanying financial statements of Grand Opera House, Inc. (Organization) which comprise the statements of financial position as of July 31, 2017 and 2016, 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.

Auditors' 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 audit 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 auditors' 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.

To the Board of Directors of
Grand Opera House, Inc.

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 Grand Opera House, Inc. as of July 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Belfint, Lyons & Shuman, P.A.

January 31, 2018

Wilmington, Delaware

GRAND OPERA HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 275,811	\$ 241,049
Accounts Receivable	17,512	22,493
Contributions Receivable	793,632	963,508
Inventory	20,769	20,988
Prepaid Expenses	224,555	199,567
TOTAL CURRENT ASSETS	1,332,279	1,447,605
PROPERTY AND EQUIPMENT		
Land	679,600	679,600
Building and Improvements	27,004,124	26,899,758
Equipment	1,793,864	1,745,560
Construction in Progress	103,560	-
	29,581,148	29,324,918
Less: Accumulated Depreciation and Amortization	22,604,404	21,793,331
TOTAL PROPERTY AND EQUIPMENT, NET	6,976,744	7,531,587
OTHER ASSETS		
Restricted Cash - Acquisition of Property	466,440	100,000
Restricted Cash - Imagine Your Grand Tomorrow Campaign	107,870	528,718
Restricted Investments in Marketable Securities - Imagine Your Grand Tomorrow Campaign	94,357	92,162
Contributions Receivable - Restricted for Imagine Your Grand Tomorrow Campaign	15,020	26,020
Contributions Receivable - Restricted for Acquisition of Property	119,179	611,971
Contributions Receivable	-	-
Beneficial Interest in Perpetual Trusts	4,687,980	4,343,305
TOTAL OTHER ASSETS	5,490,846	5,702,176
TOTAL ASSETS	\$ 13,799,869	\$ 14,681,368

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Notes Payable	\$ 452,154	\$ 522,794
Current Portion of Capital Lease Obligation	6,400	5,212
Accounts Payable	231,233	11,266
Accrued Expenses	121,000	202,062
Advance Production, Program Book, and Subscription Income	1,193,179	1,197,468
Advance Rental Income	30,806	5,761
TOTAL CURRENT LIABILITIES	2,034,772	1,944,563
LONG-TERM LIABILITIES		
Notes Payable	172,769	131,001
Capital Lease Obligation - Net of Current Portion	17,507	24,447
TOTAL LONG-TERM LIABILITIES	190,276	155,448
TOTAL LIABILITIES	2,225,048	2,100,011
NET ASSETS		
Unrestricted	5,546,967	6,136,071
Temporarily Restricted	1,339,874	2,101,981
Permanently Restricted	4,687,980	4,343,305
TOTAL NET ASSETS	11,574,821	12,581,357
 TOTAL LIABILITIES AND NET ASSETS	 \$ 13,799,869	 \$ 14,681,368

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

GRAND OPERA HOUSE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Ticket Sales	\$ 3,887,112	\$ -	\$ -	\$ 3,887,112
Rental Income	525,244	-	-	525,244
Service Charges and Other Income	931,034	-	-	931,034
Business Contributions	389,579	36,816	-	426,395
Individual Contributions	454,378	-	-	454,378
Foundations and Grants	298,523	76,277	-	374,800
Delaware State Arts Council	-	260,700	-	260,700
Delaware Performing Arts Center	200,000	-	-	200,000
Trust Distributions	64,820	-	-	64,820
Arts Stabilization Fund	60,576	252,394	-	312,970
Fundraising	372,260	-	-	372,260
Net Assets Released from Restrictions	1,388,294	(1,388,294)	-	-
TOTAL REVENUE AND SUPPORT	8,571,820	(762,107)	-	7,809,713
EXPENSES				
Program Services	7,116,062	-	-	7,116,062
Support Activities	2,051,764	-	-	2,051,764
TOTAL EXPENSES	9,167,826	-	-	9,167,826
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(596,006)	(762,107)	-	(1,358,113)
ENDOWMENT AND OTHER NONOPERATING ACTIVITIES				
Interest and Dividends	4,707	-	-	4,707
Unrealized Gain (Loss) on Marketable Securities	2,195	-	-	2,195
Increase (Decrease) in Beneficial Interest in Perpetual Trusts	-	-	344,675	344,675
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	6,902	-	344,675	351,577
CHANGE IN NET ASSETS	(589,104)	(762,107)	344,675	(1,006,536)
NET ASSETS - Beginning of Year	6,136,071	2,101,981	4,343,305	12,581,357
NET ASSETS - End of Year	\$ 5,546,967	\$ 1,339,874	\$ 4,687,980	\$ 11,574,821

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 4,492,115	\$ -	\$ -	\$ 4,492,115
470,780	-	-	470,780
906,477	-	-	906,477
206,638	16,598	-	223,236
311,221	-	-	311,221
315,973	927,577	-	1,243,550
-	265,000	-	265,000
200,000	-	-	200,000
64,520	-	-	64,520
83,095	245,906	-	329,001
390,911	-	-	390,911
916,172	(916,172)	-	-
8,357,902	538,909	-	8,896,811
6,925,175	-	-	6,925,175
2,307,777	-	-	2,307,777
9,232,952	-	-	9,232,952
(875,050)	538,909	-	(336,141)
5,097	-	-	5,097
(3,256)	-	-	(3,256)
-	-	(351,939)	(351,939)
1,841	-	(351,939)	(350,098)
(873,209)	538,909	(351,939)	(686,239)
7,009,280	1,563,072	4,695,244	13,267,596
\$ 6,136,071	\$ 2,101,981	\$ 4,343,305	\$ 12,581,357

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

GRAND OPERA HOUSE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Ticket Sales and Events	\$ 5,163,553	\$ 6,101,228
Cash Received from Rentals	550,289	464,367
Grants and Contributions Received	2,585,341	1,720,755
Cash Paid to Suppliers and Employees	(8,216,967)	(9,071,214)
Interest Received	4,707	5,097
Interest Paid	(4,894)	(5,354)
	82,029	(785,121)
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(256,230)	(153,547)
	(256,230)	(153,547)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing on Notes Payable	289,806	246,506
Repayments of Notes Payable	(318,678)	(450,000)
Proceeds from Contributions Received for Investment in Capital	189,179	711,971
Payments of Capital Lease Obligation	(5,752)	(4,245)
	154,555	504,232
NET CASH FROM FINANCING ACTIVITIES		
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(19,646)	(434,436)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of Year	869,767	1,304,203
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of Year	\$ 850,121	\$ 869,767

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

GRAND OPERA HOUSE, INC.
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JULY 31, 2017 AND 2016

	2017	2016
CHANGE IN NET ASSETS	\$ (1,006,536)	\$ (686,239)
Adjustment to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Amortization	6,673	6,673
Depreciation	804,400	822,543
Unrealized (Gain) Loss on Marketable Securities	(2,195)	3,256
(Increase) Decrease in Beneficial Interest in Perpetual Trusts	(344,675)	351,939
Contributions Received for Investment in Capital	(189,179)	(711,971)
Bad Debt	10,000	12,139
(Increase) Decrease in		
Accounts Receivable	(5,019)	249,445
Contributions Receivable	673,668	(160,074)
Prepaid Expenses	(24,988)	(7,351)
Inventory	219	(3,150)
Increase (Decrease) in		
Accounts Payable	219,967	(266,331)
Accrued Expenses	(81,062)	(177,547)
Advance Production, Program Book, and Subscription Income	(4,289)	(212,040)
Advance Rental Income	25,045	(6,413)
	\$ 82,029	\$ (785,121)
NET CASH FROM OPERATING ACTIVITIES	\$ 82,029	\$ (785,121)

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

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2017

NOTE 1: NATURE OF BUSINESS

Grand Opera House, Inc. (Organization) was chartered by the State of Delaware on January 8, 1973, as a charitable, nonprofit corporation for the purpose of maintaining the Organization as an historic landmark and a center for the performing arts to provide the opportunity for Delawareans and regional residents to enrich their lives through the arts.

Because the performing arts are an integral dimension of life and historic buildings are a valuable segment of American culture, the Organization strives to expand people's horizons by presenting a wide variety of artistically acclaimed performers and by preserving one of Delaware's architectural landmarks. The Organization features established and emerging artists whose performances take advantage of its intimate size and superb acoustics. Its programming reflects and celebrates the cultural diversity of the community and provides educational opportunities, helping to ensure culturally literate future generations of audiences. By maintaining its architectural integrity, technical excellence, and commitment to serve as the venue of choice for Delaware's performing arts organizations, the Organization exerts a continuing influence on the revitalization of downtown Wilmington, Delaware, enhances the cultural resources of the Brandywine Valley, and remains a nationally acclaimed, restored historic theater. The Organization is a nonprofit institution, committed to preserving its long-term financial strength through a responsible balance of earned income and contributed support.

In January 2015, the Organization assumed operation of another historic theater in downtown Wilmington, The DuPont Theatre (which was renamed The Playhouse on Rodney Square). The Playhouse opened in 1913 as one of the select theaters across the country to be included on the Broadway touring circuit. Now more than 100 years old, The Playhouse is the oldest, continuously operating theater on the national circuit. The Organization has supplemented the Playhouse's core schedule of six to eight musicals annually with a growing program of other performances that complement those featured in their Copeland Hall and Baby Grand venues. Although the Organization acquired the theater business and some purchased assets (database, phone number, advance ticket sales, etc.) from the DuPont Company, it operates the facility under a lease from the current owner, Chemours (Note 8).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition - The Organization reports ticket sales for future years as deferred revenue. The revenue is recognized in the year of the performance.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank accounts at high quality financial institutions. The balances, at times, exceed federally insured limits. As of July 31, 2017 and 2016, uninsured balances held at the Organization's financial institutions were \$547,721 and \$439,008, respectively.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Cash - The Organization has classified as restricted cash and cash equivalents contributions acquired from its Imagine Your Grand Tomorrow Capital Campaign to reinvest in capital infrastructure to complete deferred repairs and upgrade systems and equipment; retire residual debt and capitalized interest; and add to endowment support to enhance long-term operating support in addition to contributions received and restricted to investment in capital.

Inventory - Inventory is stated at the lower of cost or market with cost being determined on a first-in, first-out basis.

Contributions - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization reports gifts of cash or other assets as permanently restricted support if the donor uses an intermediary organization as its agent or trustee to transfer the assets, unless the donor explicitly grants the agent or trustee the unilateral power to redirect the use of the transferred assets to another beneficiary. The contribution is measured at the present value of the estimated future cash receipts from the assets held in trust, generally measured by the fair value of those assets. Annual distributions from the trust are reported as income, which increases unrestricted net assets. Adjustments to the amount reported as an asset are recognized as permanently restricted gains or losses.

Contributions Receivable - Unconditional contributions receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met and the pledges become unconditional.

Unconditional contributions receivable are reported at net realizable value if, at the time the pledge is made, payment is expected to be received in one year or less. Unconditional contributions receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Organization elected

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions Receivable - Continued - the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional contributions receivable in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those pledges were measured using historical discount rates.

Property and Equipment - Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Expenditures for maintenance and repairs are charged to expense as incurred; costs or renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in the statements of activities.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Depreciation expense was \$804,400 and \$822,543 during the years ended July 31, 2017 and 2016, respectively. No value has been assigned and recorded on the accompanying financial statements to the basic building structure, since it reverts to the grantor of the deed if the Organization ceases to be a performing arts center.

Capital Leases - The Organization leases certain equipment under various lease agreements that meet the definition of capital leases. The assets and liabilities under the capital leases are originally recorded at the present value of the minimum lease payments, which approximate the fair value of the asset. The asset is subsequently depreciated over its lease term, which is its estimated productive life. Amortization of the assets under these capital leases is included in amortization expense. Amortization expense was \$6,673 during the years ended July 31, 2017 and 2016, respectively.

Impairment of Long-Lived Assets - The Organization reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its current value. There was no impairment loss recorded during the years ended July 31, 2017 and 2016.

Advertising - Advertising costs are expensed as incurred and totaled \$884,440 and \$573,228 for the years ended July 31, 2017 and 2016, respectively.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end.

The Organization has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. Bad debt expense for the years ended July 31, 2017 and 2016 was \$10,000 and \$12,139, respectively.

Donated Services - Services received as donations are recorded at their fair values at the date of receipt. Donated services were \$0 and \$26,890 for the years ended July 31, 2017 and 2016, respectively, and are included in revenue and expenses.

Fair Value Measurements - The Organization follows fair value measurements and disclosures standards in accordance with accounting principles generally accepted in the United States of America. The standard applies to all assets and liabilities that are being measured and reported on a fair value basis. The standard establishes a framework for measuring fair value under generally accepted accounting principles, and requires disclosures about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable market based inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at July 31, 2017 and 2016.

Marketable Securities - Valued at the quoted price as reported on the active market in which the securities are traded.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued

Contributions Receivable - Fair value estimation based on present value techniques that consider estimated future cash flows.

Beneficial Interest in Perpetual Trusts - Valued at the net asset value (NAV) of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	2017			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Large Value	\$ 94,357	\$ -	\$ -	\$ 94,357
Contributions Receivable	-	-	927,831	927,831
Beneficial Interest in Perpetual Trust	-	4,687,980	-	4,687,980
Total	\$ 94,357	\$ 4,687,980	\$ 927,831	\$ 5,710,168

	2016			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Large Value	\$ 92,162	\$ -	\$ -	\$ 92,162
Contributions Receivable	-	-	1,601,499	1,601,499
Beneficial Interest in Perpetual Trust	-	4,343,305	-	4,343,305
Total	\$ 92,162	\$ 4,343,305	\$ 1,601,499	\$ 6,036,966

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued

The changes in contributions receivable measured at fair value, for which the Organization has categorized as Level 3 are as follows:

	<u>2017</u>	<u>2016</u>
Balance - Beginning of Year	\$ 1,601,499	\$ 1,441,425
Amounts Pledged	501,805	1,990,504
Cash Received	(1,175,537)	(1,819,874)
Amounts Written off	-	(10,672)
Change in Discount	<u>64</u>	<u>116</u>
Balance - End of Year	<u>\$ 927,831</u>	<u>\$ 1,601,499</u>

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consisted of the following as of July 31:

	<u>2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized</u>
Mutual Funds - Large Value	<u>\$ 100,000</u>	<u>\$ 94,357</u>	<u>\$ (5,643)</u>
Total Investments	<u>\$ 100,000</u>	<u>\$ 94,357</u>	<u>\$ (5,643)</u>
	<u>2016</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized</u>
Mutual Funds - Large Value	<u>\$ 100,000</u>	<u>\$ 92,162</u>	<u>\$ (7,838)</u>
Total Investments	<u>\$ 100,000</u>	<u>\$ 92,162</u>	<u>\$ (7,838)</u>

Interest and dividends earned on investments in marketable securities are presented in the statements of activities in the amount of \$3,960 and \$4,366 for the years ended July 31, 2017 and 2016, respectively. Investment fees of \$150 are included in bank service fees in the statements of functional expenses for the years ended July 31, 2017 and 2016.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 4: CONTRIBUTIONS RECEIVABLE

Contributions receivable are comprised of the following:

	2017	2016
Grant Awards	\$ 784,610	\$ 1,507,191
Grand Gala	1,350	4,500
Imagine Your Grand Tomorrow Campaign	15,020	26,020
Other - Individuals and Corporate	126,851	63,788
Total Contributions Receivable	\$ 927,831	\$ 1,601,499
	2017	2016
Receivable in Less Than One Year	\$ 927,831	\$ 1,595,479
Receivable in One to Five Years	-	6,084
Total Contributions Receivable	927,831	1,601,563
Discount	-	(64)
Contributions Receivable Measured at Fair Value	\$ 927,831	\$ 1,601,499

In determining fair value, multi-year contributions receivable as of July 31, 2016 were discounted at 0.65%. As of July 31, 2017, all pledges are due within a year.

NOTE 5: GRANTS AND CONTRIBUTIONS

Approximately 12% of the Organization's total revenue and support was provided by one contributor during the year ended July 31, 2016. During the year ended July 31, 2017 no single donor contributed a significant portion of the Organization's total revenue and support.

NOTE 6: BENEFICIAL INTEREST IN PERPETUAL TRUSTS

On December 19, 1984, the Organization entered into an agreement with the Delaware Performing Arts Center, Inc. (DPAC), a nonprofit organization under which the Grand Opera House, Inc. made available to DPAC donated funds totaling \$2,500,000 with the understanding that DPAC would apply its best efforts and all of its assets to the exclusive public purpose of ensuring the use of the Grand Opera House, Inc. as a theater for the performing arts. In conjunction with the aforesaid agreement, the City of Wilmington and New Castle County agreed to donate \$250,000 each and the State of Delaware agreed to donate \$2,000,000 to DPAC for use until such time as the Grand Opera House, Inc. would cease operations as a center for the performing arts. The fair value of the assets held in trust by DPAC was \$3,447,228 and \$3,211,393 as of July 31, 2017 and 2016, respectively.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 6: BENEFICIAL INTEREST IN PERPETUAL TRUSTS - CONTINUED

In accordance with the terms of this agreement, the Grand Opera House, Inc. recorded revenue totaling \$200,000 from DPAC during the years ended July 31, 2017 and 2016.

The Organization is also the beneficiary of a trust agreement whereby bequeathed assets are held in trust by a bank. Income from the trust is to be paid in perpetuity to five charitable organizations, one being the Grand Opera House, Inc. The fair value of the assets held in trust for the Organization was \$1,240,752 and \$1,131,912 as of July 31, 2017 and 2016, respectively.

In accordance with the terms of the trust agreement, the Organization received distributions totaling \$64,820 and \$64,520 during the years ended July 31, 2017 and 2016, respectively.

The net assets associated with the Organization's beneficial interest in the perpetual trust are reported as permanently restricted. Management does not believe that beneficial interests in a charitable perpetual trust are within the scope of *FASB ASC 958* in regard to required disclosures for endowments, because in contrast to donor-restricted endowment funds, no ongoing decisions about the investment of the trust or distributions from the trust are within the authority of the Organization.

NOTE 7: DELAWARE ARTS STABILIZATION FUND GRANT

The Delaware Arts Stabilization Fund (DASF) resulted from an agreement, dated June 17, 1993, between the State of Delaware's Division of the Arts, eight of the primary arts organizations in Delaware (the cultural organizations), and the Delaware Community Foundation (DCF) to join together, organize, and conduct a campaign to secure the current and future financial needs of these cultural organizations. Grand Opera House, Inc. is one of the cultural organizations. The DASF raised over \$21,500,000 to meet these needs, including \$5,000,000 from the State of Delaware. The funds are administered and invested in DCF, a commingled investment fund for the benefit of the cultural organizations. These assets are excluded from the Grand Opera House, Inc.'s financial statements, since DCF holds variance power over such assets.

During the years ended July 31, 2017 and 2016, the Organization received \$312,970 and \$329,001, respectively, in grants from DASF.

NOTE 8: COMMITMENTS

As of July 31, 2017, the Organization had entered into agreements totaling \$59,060 with various artists for future performances.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 8: COMMITMENTS - CONTINUED

As of July 31, 2017, the Organization had commitments of approximately \$89,000 for repairs and maintenance, all of which is expected to be incurred during the year ending July 31, 2018.

During 2016 the Organization had an operating lease agreement for the premises of the Playhouse Theater expiring June 2017. In April 2017, the lease was amended to extend the agreement for two years and two months beginning April 2017. Future minimum lease payments for the years ending July 31, 2018 and 2019 are \$87,500 and \$53,525, respectively. Total rent expense for the years ended July 31, 2017 and 2016 totaled \$130,384 and \$172,800, respectively, of which \$48,800 and \$0, respectively, was contributed by the lessor.

During January 2016, the Organization entered an agreement for the purpose of collective bargaining with respect to rates of pay, hours, and other employment conditions for theater actors and staff. On August 31, 2016, the agreement automatically renewed through August 31, 2017. Approximately 15% and 16% of the Organization's salaries were paid under this agreement during the years ended July 31, 2017 and 2016, respectively. As of the date the financial statements were available to be issued, the agreement, which terminated on August 31, 2017, had not yet been renewed.

NOTE 9: NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Imagine Your Grand		
Tomorrow Campaign	\$ 217,247	\$ 646,900
Capital Improvements	585,619	711,971
Subsequent Year's Operations	478,915	636,935
Program Activities	<u>58,093</u>	<u>106,175</u>
Total	<u>\$ 1,339,874</u>	<u>\$ 2,101,981</u>

Permanently restricted net assets are comprised of the following:

	<u>2017</u>	<u>2016</u>
Assets Held in Trust	<u>\$ 4,687,980</u>	<u>\$ 4,343,305</u>

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 10: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other 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.

	<u>2017</u>	<u>2016</u>
Program Services		
Production	\$ 6,837,948	\$ 6,582,430
Outreach and Education	<u>278,114</u>	<u>342,745</u>
Total Program Services Expenses	<u>7,116,062</u>	<u>6,925,175</u>
Support Activities		
Administration	922,674	910,459
Facility	539,485	548,447
Marketing	91,513	357,965
Fundraising	<u>498,092</u>	<u>490,906</u>
Total Support Activities Expenses	<u>2,051,764</u>	<u>2,307,777</u>
Total Expenses	<u><u>\$ 9,167,826</u></u>	<u><u>\$ 9,232,952</u></u>

NOTE 11: TAX STATUS

The Organization qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and its activities are not subject to income tax.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2013 due to the expiration of the statute of limitations.

NOTE 12: PENSION PLAN

The Organization provides a defined contribution pension plan for full-time employees with two years of employment and part-time employees with 1,000 or more hours per year. Prior to fiscal year 2013 the Organization contributed to the plan 2.5% of eligible annual salaries. During fiscal year 2013 employer contributions to the plan were suspended. Employees are fully vested after two years.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 13: NOTES PAYABLE

M&T Bank - As of July 31, 2013, the Organization was obligated under two notes payable to M&T Bank as follows:

Mortgage Note Payable (1201 Loan)	\$ 3,507,293
Demand Note Payable (1301 Loan)	285,884

During the year ended July 31, 2014, the Organization entered into an agreement with M&T Bank related to the two aforementioned notes payable. Under the terms of the agreement, the Organization agreed to make annual principal payments of \$200,000 through the year ended July 31, 2017 for a total aggregate sum of \$1,000,000. As security for the Organization's obligations under this agreement, the Organization pledged and collaterally assigned to M&T Bank its right, title, and interest in 1735 Del Gesu Partners, L.P. The agreement was also secured by a mortgage on certain property owned by the Organization, personal property, and an assignment of rents. In addition, the Organization paid a portion of the proceeds received from the assignment and transfer of tax credits granted for certain restoration work at its facilities. The Organization was not obligated to make payments of interest to M&T Bank; however, interest continued to accrue at a fixed rate of 5%. Upon timely receipt of the annual principal payments, there would be no further obligation with respect to the accrued interest balance. The Organization was not obligated to make payments for interest accrued prior to the execution of this agreement.

Due to the terms of the pledge and collateral assignment of the L.P. interest described above, the asset was derecognized during the year ended July 31, 2014. As a result, the Organization recognized a gain totaling \$1,879,365 in the statement of activities for the year ended July 31, 2014.

During the years ended July 31, 2017 and 2016, principal payments totaling \$200,000 were paid in accordance with the agreement. As of July 31, 2017, there were no outstanding principal payments. Settlement of the agreement will occur upon the sale of the partnership interest by M&T Bank.

BankDirect Capital Finance - During the year ended July 31, 2017, the Organization entered into an agreement with BankDirect Capital Finance to finance insurance premiums. Under the terms of the agreement the Organization financed \$89,806 and agreed to make 10 monthly payments of \$9,236, including interest at 6.17%, beginning April 1, 2017. The debt is collateralized by a security interest in each policy.

Delaware Community Foundation (DCF) - In March 2016 the Organization received a working capital loan from DCF in the amount of \$250,000. The loan bears interest at .63% and is unsecured. The loan was satisfied in March 2017. In March 2017, the Organization received a working capital loan from DCF in the amount of \$250,000. The loan bears interest at 1.0%, is unsecured, and is payable in full in March 2018.

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 13: NOTES PAYABLE - CONTINUED

CIT Bank - During the year ended July 31, 2016, the Organization entered into an installment purchase agreement to purchase certain equipment. Under the terms of the agreement the Organization financed \$169,346 and agreed to make 60 monthly payments of \$3,192, including interest at 4.9%, beginning June 2016. The debt is collateralized by a security interest in the equipment.

Related Party - During the year ended July 31, 2017, a related party advanced the Organization \$200,000. The loan bears no interest and requires a \$50,000 payment in September 2017 with subsequent quarterly payments of \$25,000 beginning December 2017.

Maturities of notes payable are as follows as of July 31:

	2018	\$	452,154
	2019		109,110
	2020		35,819
	2021		27,840
	Total	\$	624,923

NOTE 14: CAPITAL LEASE OBLIGATION

The Organization is a party to a capital lease obligation relating to equipment. The capital lease has an imputed interest rate of 20.7%.

Future minimum payments under the capital leases as of July 31, 2017 are as follows:

	2018	\$	10,764
	2019		10,764
	2020		10,764
	Total Minimum Lease Payments		32,292
	Less: Amount Representing Interest and Maintenance Expenses		8,385
	Present Value of Minimum Lease Payments		23,907
	Less: Current Maturities		6,400
	Long-Term Portion	\$	17,507

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 14: CAPITAL LEASE OBLIGATION - CONTINUED

Total equipment under the capital lease obligations as of July 31, 2017 and 2016 have a cost of \$33,364, and accumulated amortization of \$13,346 and \$6,673, respectively.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated all events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 16: RELATED PARTIES

A board member of the Organization advanced the Organization \$200,000 during the year ended July 31, 2017 (Note 13).

A board member of the Organization serves as the Vice President of Card Services at the financial institution in which the Organization maintains company credit cards and cash and cash equivalent accounts.

A board member of the Organization also serves on the board of DPAC. DPAC is the trustee of a perpetual trust in which the Organization has a beneficial interest (Note 6).

NOTE 17: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 275,811	\$ 241,049
Restricted Cash - Acquisition of Property	466,440	100,000
Restricted Cash - Imagine Your Grand Tomorrow Campaign	<u>107,870</u>	<u>528,718</u>
 Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows	 <u>\$ 850,121</u>	 <u>\$ 869,767</u>

GRAND OPERA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2017

NOTE 18: RESTATEMENT AND RECLASSIFICATION

The Organization has restated its 2016 financial statements to more adequately reflect net asset designations as of August 1, 2015 and July 31, 2016. The restatement has no effect on previously reported changes in net assets or total net assets. The following summarizes the restatement:

	<u>As Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
As of August 1, 2015			
Unrestricted Net Assets	\$ 6,566,211	\$ 443,069	\$ 7,009,280
Temporarily Restricted	2,006,141	(443,069)	1,563,072
Permanently Restricted	4,695,244	-	4,695,244
As of July 31, 2016			
Unrestricted Net Assets	5,693,002	443,069	6,136,071
Temporarily Restricted	2,545,050	(443,069)	2,101,981
Permanently Restricted	4,343,305	-	4,343,305

Additionally, certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassification of these accounts has no effect on previously reported changes in net assets or total net assets.

SUPPLEMENTARY INFORMATION

GRAND OPERA HOUSE, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED JULY 31, 2017 AND 2016

	<u>Program Services</u>			<u>Supporting</u>
	<u>Production</u>	<u>Outreach and Education</u>	<u>Total</u>	<u>Administration</u>
SALARIES AND RELATED EXPENSES				
Salaries	\$ 1,041,671	\$ 151,477	\$ 1,193,148	\$ 554,590
Payroll Taxes	78,322	10,776	89,098	75,652
Employee Benefits	75,899	28,199	104,098	91,260
TOTAL SALARIES AND RELATED EXPENSES	1,195,892	190,452	1,386,344	721,502
EXPENSES				
Advertising	868,322	16,118	884,440	-
Amortization	-	-	-	-
Artists' Fees	2,916,575	-	2,916,575	-
Bad Debts	-	-	-	10,000
Bank Service Fees	129,858	-	129,858	6,714
Complimentary Show Tickets	-	6,974	6,974	-
Concessions	-	-	-	-
Conferences and Staff	251	75	326	829
Consultants' Fees	31,516	-	31,516	15,738
Depreciation	-	-	-	-
Dues and Subscriptions	3,549	-	3,549	6,739
Equipment Maintenance Contracts	-	-	-	-
Equipment Rental	53,757	14,366	68,123	6,770
Fees and Commissions	83,205	2,341	85,546	4,908
Graphic Design	-	-	-	-
Insurance	-	-	-	38,566
Interest Expense	-	-	-	4,894
Miscellaneous	25,264	5,935	31,199	-
Office Services	-	-	-	15,357
Postage	4,754	-	4,754	18,791
Printing	-	-	-	7,494
Professional Fees	-	-	-	1,775
Rent Expense	-	-	-	-
Repairs and Maintenance	1,185	1,125	2,310	-
Scholarships	-	8,823	8,823	-
Security Services	240	5,150	5,390	-
Special Events	-	-	-	-
Supplies	6,268	-	6,268	13,656
Taxes and Licenses	35,368	-	35,368	1,292
Telephone	-	-	-	46,019
Temporary Employment Services	-	25,165	25,165	-
Travel and Entertainment	9,227	1,590	10,817	1,630
Utilities	-	-	-	-
TOTAL EXPENSES	5,365,231	278,114	5,643,345	922,674
ALLOCATION OF EXPENSES				
Facility and Marketing	1,472,717	-	1,472,717	-
TOTAL YEAR ENDED JULY 31, 2017	<u>\$ 6,837,948</u>	<u>\$ 278,114</u>	<u>\$ 7,116,062</u>	<u>\$ 922,674</u>
TOTAL YEAR ENDED JULY 31, 2016	<u>\$ 6,582,430</u>	<u>\$ 342,745</u>	<u>\$ 6,925,175</u>	<u>\$ 910,459</u>

Services

Facility	Marketing	Fund- Raising	Total	Year Ended July 31	
				2017	2016
\$ 283,351	\$ 206,077	\$ 191,888	\$ 1,235,906	\$ 2,429,054	\$ 2,386,631
21,598	16,136	15,168	128,554	217,652	224,224
47,335	32,466	26,665	197,726	301,824	274,810
352,284	254,679	233,721	1,562,186	2,948,530	2,885,665
-	-	-	-	884,440	573,228
6,673	-	-	6,673	6,673	6,673
-	-	-	-	2,916,575	3,100,385
-	-	-	10,000	10,000	12,139
-	-	-	6,714	136,572	161,587
-	-	-	-	6,974	10,083
59,363	-	-	59,363	59,363	78,636
50	3,928	712	5,519	5,845	17,872
-	28,314	-	44,052	75,568	67,053
804,400	-	-	804,400	804,400	822,543
-	-	-	6,739	10,288	4,144
23,368	-	-	23,368	23,368	110,738
6,211	-	-	12,981	81,104	139,816
-	-	-	4,908	90,454	77,003
-	-	-	-	-	11,420
77,707	-	-	116,273	116,273	108,130
-	-	-	4,894	4,894	5,354
1,648	12,531	8,466	22,645	53,844	57,280
-	-	-	15,357	15,357	12,269
-	-	14	18,805	23,559	25,440
-	-	-	7,494	7,494	27,331
-	-	-	1,775	1,775	21,050
130,384	-	-	130,384	130,384	172,800
29,947	5,546	-	35,493	37,803	131,188
-	-	-	-	8,823	9,640
-	-	-	-	5,390	11,510
-	-	234,341	234,341	234,341	243,707
26,579	-	-	40,235	46,503	49,698
6,917	-	20,838	29,047	64,415	25,547
-	-	-	46,019	46,019	43,565
-	-	-	-	25,165	24,477
323	47	-	2,000	12,817	7,486
272,816	-	-	272,816	272,816	177,495
1,798,670	305,045	498,092	3,524,481	9,167,826	\$ 9,232,952
(1,259,185)	(213,532)	-	(1,472,717)	-	-
\$ 539,485	\$ 91,513	\$ 498,092	\$ 2,051,764	\$ 9,167,826	
\$ 548,447	\$ 357,965	\$ 490,906	\$ 2,307,777	\$ 9,232,952	