



**METROPOLITAN OPERA ASSOCIATION, INC.**

Consolidated Financial Statements

July 31, 2024 and 2023

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Managing Directors  
Metropolitan Opera Association, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Metropolitan Opera Association, Inc. (the Association), which comprise the consolidated balance sheets as of July 31, 2024 and 2023, 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of July 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association 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 opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, 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 Association's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### *Auditors' 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 auditors' 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 GAAS 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. Misstatements 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 GAAS, 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 Association'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 Association'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.

*KPMG LLP*

New York, New York  
January 10, 2025

**METROPOLITAN OPERA ASSOCIATION, INC.**

Consolidated Balance Sheets

July 31, 2024 and 2023  
(In thousands)

<b>Assets</b>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 7,292	4,221
Accounts receivable	4,211	2,994
Contributions receivable, net (notes 2 and 13)	100,021	109,847
Prepaid production and telecast costs	9,277	9,948
Other assets	8,305	9,437
Right-of-use assets (note 6)	3,610	6,487
Investments (notes 4 and 10)	285,354	317,557
Interests in split-interest agreements (note 4)	10,981	9,373
Property and equipment, net (note 5)	82,726	82,534
Total assets	\$ 511,777	552,398
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 29,755	28,602
Borrowings under line of credit (note 7)	67,000	63,000
Deferred revenue	25,093	25,458
Other liabilities	23,638	22,231
Lease liabilities (note 6)	3,643	6,585
Long-term debt (note 7)	111,906	100,844
Unfunded accumulated benefit obligation (note 8)	25,455	40,833
Total liabilities	286,490	287,553
Commitments and contingencies (notes 4 and 12)		
Net assets (accumulated deficit) (note 10):		
Without donor restrictions	(131,053)	(140,307)
With donor restrictions (note 9)	356,340	405,152
Total net assets	225,287	264,845
Total liabilities and net assets	\$ 511,777	552,398

See accompanying notes to consolidated financial statements.

**METROPOLITAN OPERA ASSOCIATION, INC.**

Consolidated Statements of Activities

Years ended July 31, 2024 and 2023  
(In thousands)

	2024	2023
Changes in net assets without donor restrictions:		
Operating revenues:		
Contributions and bequests	\$ 126,696	138,329
Net assets released from restrictions – contributions and bequests	37,859	44,340
	164,555	182,669
Opera activities:		
Box office and tours (inclusive of in-kind ticket and ticket discount program contributions of \$1.6 million and \$2.3 million in 2024 and 2023, respectively)	74,824	71,395
Media revenues	17,025	16,862
Other revenues	6,603	3,042
Ballet and other presentations	9,179	5,106
Investment return – authorized spending amount (notes 4 and 10)	56,143	45,911
Net assets released from restrictions – investment income	541	194
Other income (note 4)	3,475	7,631
Total	332,345	332,810
Operating expenses (note 11):		
Opera activities:		
Performances	196,733	206,804
Media	24,834	26,135
New productions	19,418	18,517
Other	8,605	7,444
Ballet and other presentations	8,987	5,902
Opera House	24,371	22,934
General management (note 7)	32,793	31,679
Fund-raising expenses	16,604	14,953
Total	332,345	334,368
Operating revenues over expenses	—	(1,558)
Nonoperating:		
Investment return in excess of amount appropriated for spending (note 4)	1,160	323
Other components of net periodic pension cost (notes 8 and 11)	510	(802)
Pension-related changes other than net periodic pension cost (note 8)	8,629	19,914
Inherent loss due to Guild acquisition (note 14)	(100)	—
Other	(945)	(230)
Increase in net assets without donor restrictions	9,254	17,647
Changes in net assets with donor restrictions:		
Contributions and bequests for:		
Operations	20,972	40,381
Capital	—	2,081
Endowment	104	3,139
Investment return less than amount appropriated for spending (note 4)	(33,326)	(34,315)
Inherent contribution due to Guild acquisition (note 14)	2,012	—
Other	(174)	1,157
Net assets released from restrictions	(38,400)	(44,534)
Decrease in net assets with donor restrictions	(48,812)	(32,091)
Change in net assets	(39,558)	(14,444)
Net assets:		
Beginning of year	264,845	279,289
End of year	\$ 225,287	264,845

See accompanying notes to consolidated financial statements.

**METROPOLITAN OPERA ASSOCIATION, INC.**

Consolidated Statements of Cash Flows

Years ended July 31, 2024 and 2023

(In thousands)

	<b>2024</b>	<b>2023</b>
Cash flows from operating activities:		
Change in net assets	\$ (39,558)	(14,444)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	5,347	5,021
Pension-related changes other than net periodic pension cost	(8,629)	(19,914)
Inherent contribution due to Guild acquisition	(1,912)	—
Net gains on investments	(22,283)	(10,103)
Change in value of interests in split-interest agreements	(77)	(1,015)
Contributions of net assets with perpetual restrictions	(104)	(3,139)
Contributions restricted for investments in property and equipment	—	(2,081)
In-kind donations	(381)	(1,501)
Changes in operating assets and liabilities:		
Accounts receivable	(1,217)	34
Contributions receivable, net	9,958	1,666
Prepaid production and telecast costs and other assets	1,834	1,003
Right-of-use assets	3,189	3,225
Interests in split-interest agreements	(111)	(186)
Accounts payable, accrued expenses, and other liabilities	3,039	5,682
Unfunded accumulated benefit obligation	(6,749)	(4,414)
Deferred revenue	(619)	(2,830)
Lease liabilities	(3,254)	(3,200)
Net cash used in operating activities	(61,527)	(46,196)
Cash flows from investing activities:		
Acquisition of property and equipment	(5,303)	(6,615)
Decrease in accounts payable for acquisitions of property and equipment	(1,493)	—
Cash assumed through Guild acquisition	815	—
Purchases of investments	(193,309)	(281,899)
Proceeds from sale of investments	268,181	329,125
Net cash provided by investing activities	68,891	40,611
Cash flows from financing activities:		
Borrowings under line of credit	4,000	17,500
Repayments of line of credit	—	(4,000)
Borrowing of long-term debt	20,000	—
Repayments of long-term debt	(9,174)	(8,273)
Cash contributions for net assets with perpetual restrictions	4	3,239
Cash received for contributions restricted for investments in property and equipment	349	1,181
Net cash provided by financing activities	15,179	9,647
Net increase in cash and cash equivalents	22,543	4,062
Cash, cash equivalents, and restricted cash at beginning of year	9,558	5,496
Cash, cash equivalents, and restricted cash at end of year	\$ 32,101	9,558
Reconciliation of cash, cash equivalent, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such accounts shown above:		
Cash and cash equivalents	\$ 7,292	4,221
Cash included in investments	24,809	5,337
Cash, cash equivalents, and cash included in investments	\$ 32,101	9,558

**METROPOLITAN OPERA ASSOCIATION, INC.**

Consolidated Statements of Cash Flows

Years ended July 31, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Supplemental information:		
Cash paid for interest	\$ 10,555	9,522
Right-of-use assets obtained in exchange for lease liabilities	243	1,478
Increase in accounts payable for acquisitions of property and equipment	—	1,183
Acquisition of assets and assumptions of liabilities of Guild as of October 1, 2023:		
Assets:		
Cash and cash equivalents	815	
Investments	914	
Remainder interest in trust	1,420	
Deposits, deferred expenses, and other assets	<u>31</u>	
	<u>\$ 3,180</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 1,014	
Deferred revenue	<u>254</u>	
	<u>\$ 1,268</u>	

See accompanying notes to consolidated financial statements.

## METROPOLITAN OPERA ASSOCIATION, INC.

Notes to Consolidated Financial Statements

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### (1) Organization, Financial Statement Presentation, and Summary of Significant Accounting Policies

#### *Organization*

Metropolitan Opera Association, Inc. (the Met) is a not-for-profit membership corporation incorporated in the State of New York, and organized for the primary purpose of sustaining, encouraging, and promoting musical art, and educating the general public about music, particularly opera.

The Met has a wholly owned for-profit subsidiary, Impresario, LLC, which has developed and licensed box office and development software to other not-for-profit organizations. The consolidated financial statements also include the Metropolitan Opera Endowment Trust (the Trust). The Trust is governed by a Trust Committee. Vacancies on the Trust Committee, which governs the Trust, are filled by the Met's appointment.

Metropolitan Opera Guild, Inc. (the Guild) transitioned from its former status as a standalone not-for-profit organization and became a supporting organization of the Met effective October 1, 2023. Accordingly, the Guild is reflected in the Met's consolidated financial statements as a result of this acquisition (see Note 14).

#### *Financial Statement Presentation*

The consolidated financial statements of the Met are presented using the accrual basis of accounting. All intercompany balances and transactions have been eliminated in consolidation.

#### **(a) Net Asset Classifications**

The Met's consolidated financial statements present information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use at the discretion of the Board of Managing Directors and/or management for general operating and non-operating purposes. The Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor-restricted endowment).

##### *Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of net assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Met reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor restrictions whose restrictions are met in the same reporting period have been reported as without donor restrictions in the consolidated statements of activities.

Some net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Met to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

## METROPOLITAN OPERA ASSOCIATION, INC.

Notes to Consolidated Financial Statements

July 31, 2024 and 2023

See Note 9 for more information on the composition of net assets with donor restrictions.

### **(b) Presentation of Revenues and Expenses**

The following is an explanation of certain revenue and expense categories presented in the consolidated statements of activities:

- Opera activities – Revenues and expenses directly related to the production and presentation of opera performances.
- Ballet and other presentations – Revenues and expenses directly related to the presentation of attractions other than opera, where the Met either presents the attractions or licenses the Metropolitan Opera House at Lincoln Center (the Opera House) to third parties.
- Opera House – Expenses directly related to managing and operating the Opera House. The majority of Opera House expenses relate to program activities.
- General management – Expenses related to the overall operation of the Met that are not related to any single program or other supporting service.
- Fund-raising – Expenses related to the solicitation of contributions to the Met.

### **(c) Measure of Operations**

The Met's excess (deficiency) of operating revenues over operating expenses (the Measure of Operations) includes all operating revenues and expenses without donor restrictions that are an integral part of its programs and supporting activities, including contributions without donor restrictions and net assets released from donor restrictions to support its operating activities. The Measure of Operations also includes distributions from the endowment made in accordance with the Met's spending policy. The Measure of Operations excludes investment return which exceeds or is less than the distribution determined by the spending policy, retirement plan adjustments, changes in the value of split-interest agreements, and nonrecurring activities.

### **(d) Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions include the allowances for uncollectible receivables, the present value of multi-year contributions receivable, the valuation of investments, actuarial assumptions, and the allocation of expenses to functional classifications.

### *Summary of Significant Accounting Policies*

The following is a summary of significant accounting policies:

#### **(a) Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to the valuation

## METROPOLITAN OPERA ASSOCIATION, INC.

### Notes to Consolidated Financial Statements

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techniques used to measure fair value are prioritized by giving the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted or published prices in active markets for identical assets or liabilities that the Met has the ability to access at the measurement date.

Level 2 Inputs other than quoted or published prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value of the Met's investments is presented in Note 4.

#### **(b) Cash Equivalents and Cash Flows**

Cash equivalents include short-term investments purchased with original maturities of three months or less, except for those cash equivalents held for long-term investment purposes. Contributions of donated financial assets that are not restricted for long-term purposes and are sold immediately are reported as operating activities in the consolidated statements of cash flows. Otherwise, such amounts are reported as investing or financing activities.

#### **(c) Investments**

Investments in marketable equity securities in managed accounts and debt securities, and exchange-traded mutual funds, are reported at fair value based on quoted or published market prices.

The fair value of the Met's interest in business trusts and other alternative investments is reported at net asset value, as a practical expedient. The Met reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The Met has a policy to convert contributed securities nearly immediately into cash after receipt and therefore these cash proceeds are classified as cash flows from operating activities on the accompanying consolidated statements of cash flows, unless the donor restricted the use for long-term purposes, which then such cash proceeds would be classified as cash flows from financing activities on the accompanying consolidated statements of cash flows.

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Notes to Consolidated Financial Statements

July 31, 2024 and 2023

### **(d) Property, Equipment, and Depreciation**

Property and equipment including leasehold improvements are carried at cost, less accumulated depreciation or amortization. Depreciation and amortization are recorded as operating expenses using the straight-line method based on estimated useful lives of 5 to 30 years.

### **(e) Leases**

The Met determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated balance sheets. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the risk-free rate of return for the lease term. The ROU asset also includes any prepaid rent, while excluding lease incentives and initial direct costs incurred, if any. Lease expense for operating minimum lease payments is recognized on a straight-line basis over the full lease term.

### **(f) Contributions and Bequests**

Contributions, grants, and unconditional promises to give are reported as revenues in the period they are received or made, respectively. Contributions with both a barrier and a right of return or release from obligation are considered conditional and are recognized when the barrier is met. Contributed securities are recorded at fair value as of the date of the contribution. Unconditional bequests (donations received under terms of a will) are reported as revenues when notification of the bequest is received and the amount is reasonably determinable and the probate court declares the will valid. Contributions to be received after one year are discounted to present value of future cash flows at a risk-adjusted rate. Amortization of the discount is recorded as other change in net assets in accordance with the donor-imposed restrictions, if any, on the contributions.

Fundraising expenses reflected in the accompanying consolidated statements of activities of \$16.6 million and \$15.0 million have been incurred to raise contributions and bequests totaling \$147.8 million and \$183.9 million in 2024 and 2023, respectively.

### **(g) Split-Interest Agreements**

The Met has received contributions in the form of charitable gift annuities, under which the Met agrees to pay the donor or the donor's designee a fixed amount for a period of time. The obligation is recorded at its present value in other liabilities. The difference between the assets received and the obligation is reported in other changes in net assets without donor restrictions.

The Met has interests in charitable remainder and other trusts, and remainder interests in a pooled income fund held by a third-party trustee. These interests are reported at their present value and, when received, are included in contribution revenue with donor restrictions. Charitable gift annuities, other charitable remainder trusts, and pooled income funds are discounted based on the rate at the time of the gift. The pooled income fund is included in investments in the consolidated financial statements.

### **(h) Revenue Recognition**

Ticket sales are recognized in the consolidated statements of activities as box office revenue on a specific performance basis. Advance ticket sales, representing the receipt of payments for ticket sales for the next opera season, are reported as deferred revenue in the consolidated balance sheets and recognized as revenue in the subsequent year. *Live in HD* program media revenue is recognized in the

## METROPOLITAN OPERA ASSOCIATION, INC.

### Notes to Consolidated Financial Statements

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year the showing takes place. Media subscription revenue is recognized over the period of the subscription. Media royalty revenue is recognized over the period of the royalty and as the products are delivered. Ballet and other presentation revenue, including payments for licensing fees and expense reimbursements, are recognized as the events occur. Revenue associated with the license of software is recognized when access to the software and code is provided to the licensee and is included in other income.

#### **(i) Operating Expenses**

Costumes and scenery costs for recurring productions are charged to expense when incurred. Production costs (labor and materials) relating to future new productions and significant improvements necessary for the production of revivals are deferred.

Marketing expenses for the Met's programs are charged to expense as incurred. Total marketing expenses recognized were \$15.2 million and \$15.1 million in 2024 and 2023, respectively. Such amounts, which represent management and general activities, are included in performance expense in the accompanying consolidated statements of activities.

The Met provides tickets for fund-raising and media purposes at no cost. The value of these tickets was approximately \$1.1 million and \$1.0 million in 2024 and 2023, respectively, and appears in both revenue and expenses in the accompanying consolidated statements of activities. The revenue is included as part of box office revenue; the expenses appear as performance, media, or fund-raising expenses.

#### **(j) Risks and Uncertainties**

The Met invests in various types of investment securities. 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 changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

#### **(k) Income Taxes**

The Met, the Guild, and the Trust are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Impresario, LLC is considered a disregarded entity for tax purposes. Management believes that the Met will continue to be exempt from taxes and that the Met has taken no significant uncertain tax positions.

The Met recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Met's exempt purposes is subject to tax. The Met did not have any material unrelated business income tax liability for the years ended July 31, 2024 and 2023.

#### **(l) Reclassifications**

Certain prior year amounts were reclassified to conform to the current year presentation.

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**(2) Contributions Receivable**

Contributions receivable as of July 31 are scheduled to be collected as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Within one year	\$ 33,860	34,527
One to five years	66,499	81,586
More than five years	<u>8,640</u>	<u>1,730</u>
Total	108,999	117,843
Less:		
Allowance for uncollectibility	(867)	(580)
Discount to present value discount rate used ranging from 1.62%–5.13%	<u>(8,111)</u>	<u>(7,416)</u>
	<u>\$ 100,021</u>	<u>109,847</u>

As of July 31, 2024 and 2023, contributions receivable included approximately \$71.8 million and \$72.9 million, respectively, due from ten donors. During the years ended July 31, 2024 and 2023, contributions revenue included approximately \$62.1 million and \$86.5 million, respectively, from ten donors.

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**(3) Liquidity and Availability of Financial Resources**

The Met has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, a line of credit, and the authorization to borrow from its board-designated endowment for operating cash purposes. See Note 7 for information about the Met's line of credit and its pledged collateral.

	<b>2024</b>	<b>2023</b>
	(In thousands)	
Financial assets available within one year:		
Cash and cash equivalents	\$ 7,292	4,221
Accounts receivable	4,211	2,994
Contributions receivable (due in one year or less)	33,860	34,527
Spending distribution from endowment funds appropriated by the Board and available in the next fiscal year	65,704	56,735
Total financial assets available within one year	111,067	98,477
Other liquidity resources:		
Bank line of credit (\$67 million outstanding at July 31, 2024)	—	4,000
Board-designated endowment	14,682	14,505
Total financial assets available within one year and other liquidity resources	\$ 125,749	116,982

For the year ended July 31, 2024, net assets decreased by \$39.6 million. Investments decreased by \$32.2 million due to spending, while debt increased by \$15.1 million. Offsetting these changes was a decrease of \$15.4 million in the unfunded accumulated pension benefit obligation.

Continuing slow recovery of earned revenues, especially *Live in HD* media revenues, as well as the impact of inflation on costs, affected the Met negatively. While box office and outside presentation revenue increased from the prior year, they remained below the levels typically achieved prior to the pandemic. Operating results were balanced due to fundraising results and an additional \$40.0 million draw from the Met's endowment, on top of the initial 5% draw of \$16.7 million in fiscal year 2024. In July 2024, the Board approved a borrowing from the endowment for fiscal year 2025 operations in an amount up to \$50.0 million, with the plan to repay it before the end of fiscal year 2025. The Met implemented certain cost cutting initiatives in fiscal years 2024 and 2025 and continues to evaluate and implement expense reductions and seek additional fundraising resources. These efforts were informed by a study of its operations by the Boston Consulting Group, which was performed on a pro-bono basis.

The Met regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Met considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities considered to be general and fundraising expenditures.

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The Met also considers all sources of revenue, including box office, media, presentations, other revenue, and donor contributions. The latter is an especially important source of liquidity, as the Met relies on significant gifts to fund operations each year.

Based upon the most recent information available, the Met estimates that it will have sufficient liquidity through December 2025 to support operations.

**(4) Investments**

Investments consist of the following as of July 31 (in thousands):

	<u>2024</u>	<u>2023</u>
Endowment investments:		
Cash equivalents and short-term investments	\$ 24,859	18,409
Receivable from the sale of investments	7,279	3,000
Fixed income	33,769	44,511
U.S. equities	12,516	2,784
Global equities (including alternative investments)	66,623	102,791
Other alternative investment strategies	130,519	137,064
	<u>275,565</u>	<u>308,559</u>
Other investments:		
Cash equivalents and short-term investments	203	202
Fixed income	5,275	4,653
U.S. equities	4,089	3,858
Global equities	222	285
	<u>9,789</u>	<u>8,998</u>
	<u>\$ 285,354</u>	<u>317,557</u>

**METROPOLITAN OPERA ASSOCIATION, INC.**

Notes to Consolidated Financial Statements

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Investment activity is summarized below for the years ended July 31 (in thousands):

	<b>2024</b>	<b>2023</b>
Investments, beginning of year	\$ 317,557	350,758
Investment return:		
Interest and dividends	2,989	2,937
Net gains	22,283	10,103
Less investment expenses paid	(1,318)	(971)
Investment return	23,954	12,069
Gifts and other additions	32,859	21,453
Amounts utilized for operations:		
Investment return authorized spending amount	(56,735)	(45,998)
Other transfers	(32,281)	(20,725)
Investments, end of year	\$ 285,354	317,557

Investment return is presented in the consolidated statements of activities as follows for the years ended July 31 (in thousands):

	<b>2024</b>	<b>2023</b>
Investment return authorized spending amount included in:		
Operating revenues without donor restrictions	\$ 56,143	45,911
Donor-restricted investment returns	592	87
	56,735	45,998
Other investment (loss) return included in other income or in other changes in net assets without donor restrictions	(624)	50
Investment return less than authorized spending amount	(32,157)	(33,979)
Investment return	\$ 23,954	12,069

Management's estimate of the remaining life of the (nonredeemable) limited partnership interests held in the Met's investment portfolio at July 31, 2024 and 2023 of \$61.1 million and \$54.6 million, respectively, is seven to ten years. At July 31, 2024 and 2023, the Met had unpaid investment consultant and custodian fees of approximately \$312,000 and \$509,000, respectively. At July 31, 2024 and 2023, the Met had unfunded outstanding commitments, net of investments already made, totaling approximately \$36 million and approximately \$32.0 million respectively.

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The redeemable alternative investment funds included in the Met's investment portfolio at July 31, 2024 and 2023 are redeemable based on the following terms and conditions (in thousands):

	<u>2024</u>	<u>2023</u>
Semi-monthly redemption with 3–15 days' notice	\$ 14,323	25,501
Monthly redemption with 5–62 days' notice	25,352	43,969
Quarterly redemption with 20–45 days' notice	6,622	15,188
Quarterly redemption with 60–90 days' notice (some subject to lock ups and/or gates)	50,161	52,323
Bi-annual redemption with 123 days' notice subject to 2 year lock up	<u>14,732</u>	<u>13,779</u>
	<u>\$ 111,190</u>	<u>150,760</u>

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The following tables present the fair value hierarchy of assets that are measured at fair value on a recurring basis at July 31, 2024 and 2023 (in thousands):

	<u>2024 Total</u>	<u>Level 1</u>	<u>Level 3</u>	<u>Investments at net asset value</u>
Investments:				
Cash equivalents and short-term investments	\$ 25,062	25,062	—	—
Receivable from sale of investments	7,279	7,279	—	—
Fixed income:				
Common trust fund	67	67	—	—
Exchange traded funds	22,806	22,806	—	—
Mutual funds	11,926	11,926	—	—
U.S. government obligations	4,245	4,245	—	—
U.S. equities:				
Managed accounts	876	876	—	—
Mutual funds	178	178	—	—
Exchange traded funds	15,389	15,389	—	—
Common trust funds	162	162	—	—
Global equities:				
Mutual funds	10,798	10,798	—	—
Exchange traded funds	14,167	14,167	—	—
Limited partnerships	22,180	—	—	22,180
Other	19,700	—	—	19,700
Other alternative investment strategies:				
Long/short equity	21,068	—	—	21,068
Absolute return	33,322	—	—	33,322
Commodities	4,936	—	—	4,936
Credit	6,633	—	—	6,633
Private debt	6,644	—	—	6,644
Private equity	57,916	—	—	57,916
	<u>\$ 285,354</u>	<u>112,955</u>	<u>—</u>	<u>172,399</u>
Interests in split-interest agreements	\$ 10,981	—	10,981	—

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	<b>2023 Total</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Investments at net asset value</b>
Investments:				
Cash equivalents and short-term investments	\$ 18,611	18,611	—	—
Receivable from sale of investments	3,000	3,000	—	—
Fixed income:				
Common trust fund	69	69	—	—
Exchange traded funds	28,671	28,671	—	—
Mutual funds	16,980	16,980	—	—
U.S. government obligations	3,444	3,444	—	—
U.S. equities:				
Managed accounts	277	277	—	—
Mutual funds	37	37	—	—
Exchange traded funds	6,159	6,159	—	—
Common trust funds	169	169	—	—
Global equities:				
Managed accounts	1	1	—	—
Mutual funds	11,030	11,030	—	—
Exchange traded funds	23,720	23,720	—	—
Limited partnerships	31,046	—	—	31,046
Other	37,279	—	—	37,279
Other alternative investment strategies:				
Long/short equity	28,622	—	—	28,622
Absolute return	43,971	—	—	43,971
Commodities	2,446	—	—	2,446
Credit	7,460	—	—	7,460
Private debt	2,588	—	—	2,588
Private equity	51,977	—	—	51,977
	\$ 317,557	112,168	—	205,389
Interests in split-interest agreements	\$ 9,373		9,373	

For the year ended July 31, 2024, interests in split-interest agreements increased as a result of new agreements of \$1.6 million (of which \$1.4 million was due to the acquisition of the Guild, see Note 14) and by net investment gains of \$8,000. For the year ended July 31, 2023, interests in split-interest agreements increased as a result of new agreements of \$1.0 million and by net investment gains of \$201,000.

Information with respect to investment strategies for alternative investments in 2024 is as follows:

- *Global equities limited partnerships*: Includes international investments, including funds with publicly listed equities that seek to achieve an attractive long-term rate of return and to outperform the MSCI World Index.
- *Global equities other*: Includes investments in other global equity investment managers that are not limited partnerships (e.g., Common and Group Trusts and Cayman Feeder Funds).

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- *Long/short equity*: Includes investments that take long and short positions in stocks to capitalize on opportunities in the market.
- *Absolute return*: Includes investments that seek to generate returns that are not correlated with equity markets. Typical strategies include those who underwrite and capitalize on the successful completion of mergers and acquisitions, follow a systematic and quantitative equity market neutral strategy, and multi-strategy hedge funds.
- *Commodities*: Includes investments that take long and short commodity allocations to capitalize on opportunities in the market. These asset managers may trade in either financial markets through the use of derivatives or in the physical markets where buyers and sellers exchange physical commodities for immediate delivery. The underlying assets are primarily related to oil, natural gas, agricultural products, and metals.
- *Credit*: Includes investments across the credit spectrum, including investments in residential mortgage-backed securities and bank loans.
- *Private debt*: Includes privately held investments in debt obligations across a variety of sectors and strategies including healthcare, real estate, technology, and distressed.
- *Private equity*: Includes investments in various vehicles with strategies including technology, global co-investment in middle market and large cap buyouts, distressed and turnaround opportunities, middle market industrials, financial services and funds that are in liquidation status. Also includes private real estate funds that invest and develop properties across a variety of sectors including industrials, multi-family, and office.

**(5) Property and Equipment**

Property and equipment as of July 31 are summarized by major classification as follows (in thousands):

	<b>2024</b>	<b>2023</b>
Land	\$ 80	80
Warehouses	1,604	1,604
Leasehold improvements	38,603	34,533
Furniture, fixtures, and other, including information systems equipment	50,422	48,216
Theatrical equipment	66,117	63,964
Construction in progress	41,860	44,986
	198,686	193,383
Less accumulated depreciation and amortization	(115,960)	(110,849)
	<b>\$ 82,726</b>	<b>82,534</b>

In fiscal year 2017, the City of New York (the City) spent \$1.5 million related to the Met's roof renovation and fly rigging projects. The City's investment of capital funding obligates the Met to operate the facility and/or maintain equipment for the respective bonding term as a nonprofit entity, open to and used and maintained for the benefit of the people of the City for cultural, educational, or artistic uses and/or related purposes approved by the City. Construction in progress includes costs associated with the Met Opera fly

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system equipment and elevator refurbishment. The contractual commitments remaining to complete these projects at July 31, 2024 and 2023 are approximately \$5.8 million and \$7.2 million, respectively.

**(6) Leases**

The Met's operating leases are primarily for warehouse and storage facilities, containers for set storage, and equipment. Warehouse and storage facilities lease agreements typically have initial terms of two to five years, container leases have initial terms of two to four years, and equipment leases have initial terms between one and four years. Leases with an initial term of 12 months or less (short-term leases) are not recorded in the consolidated balance sheets.

The leases include one or more options to renew at the Met's discretion, with renewals that extend the lease term from one to five years. Renewal options are assessed at the commencement date, modification date, and when a reassessment event has occurred. The renewal option is included in the lease term when it is reasonably certain to be exercised.

When leases include rental escalation clauses, they are factored into the Met's determination of lease expense when appropriate. Escalations based on an index, such as the Consumer Price Index, are estimated at the commencement date, and differences to the initial estimate are treated as variable lease payments. The lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

The weighted average lease terms and discount rates for operating leases at July 31 are presented in the following table:

	<b>2024</b>	<b>2023</b>
Weighted average remaining lease term (years)	2.0 years	2.4 years
Weighted average discount rate	1.36 %	1.19 %

Future minimum rental payments as of July 31, 2024 under noncancelable operating leases which expire between 2025 and 2029 are presented in the following table (in thousands):

Year ending July 31:		
2025	\$	2,818
2026		799
2027		291
2028		129
2029		17
		4,054
Less unamortized imputed interest		(411)
Present value of minimum lease payments	\$	3,643

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The Met has variable and short-term leases for storage space, auto rental, theatrical and office equipment rentals, and data storage.

Lease expense under operating leases, including short-term leases, was approximately \$9.7 million and \$9.3 million for the years ended July 31, 2024 and 2023, respectively.

The Opera House is leased, under an operating lease agreement, from Lincoln Center for the Performing Arts, Inc. On January 30, 2014, the Met exercised its option to renew the lease for the period from June 1, 2016 until May 31, 2041. The Met has an additional option to renew for a further 25-year period after 2041. Under the terms of the lease, the Met is obligated to pay the expenses of maintaining and operating the Opera House and the Met's portion of the expenses for the common facilities of Lincoln Center, which are variable payments.

**(7) Debt**

Debt consists of the following at July 31, 2024 and 2023 (in thousands):

	<b>2024</b>	<b>2023</b>
2021 Line of Credit due October 2026:		
5.35% (SOFR) + 2.25%	\$ 58,500	—
5.33% (SOFR) + 2.25%	8,500	—
5.19% (SOFR) + 2.25%	—	54,500
Prime Rate (8.25%)	—	8,500
Total borrowings under line of credit	\$ 67,000	63,000
Long-term debt:		
2021 Term Loan due October 2026:		
5.37% (SOFR) + 2.6%	\$ 15,672	—
5.25% (SOFR) + 2.6%	—	22,272
Unamortized loan issuance costs	(246)	(450)
Total term loan	15,426	21,822
Series 2012 Taxable Bonds (the Bonds)	77,070	79,645
Unamortized bond issuance costs	(590)	(623)
Total of the Bonds	76,480	79,022
2024 Promissory Note due February 2027	20,000	—
Total long-term debt	\$ 111,906	100,844

In 2021, the Met entered into a new syndicated Credit Facility with two financial institutions, which comprised the 2021 Line of Credit, the 2021 Term Loan, and the 2021 Letter of Credit (collectively, the 2021 Credit Facility).

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### Notes to Consolidated Financial Statements

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The 2021 Credit Facility includes financial covenants related to the endowment as well as a debt service coverage ratio. The Met was in compliance with the financial covenants at July 31, 2024. On December 24, 2024, Citibank extended the deadline for certain reporting covenants with an original deadline of December 28, 2024 to January 27, 2025.

The Met has pledged: (i) certain artwork; (ii) certain endowment funds for which the respective donors have agreed to allow such funds to serve as collateral and (iii) pledged receivables of the Met to serve as collateral.

Interest expense related to borrowings under the 2021 Credit Facility was approximately \$6.8 million and \$6.0 million for 2024 and 2023, respectively, and is included in general management expenses.

#### *Line of Credit*

In 2021, the Met entered into a \$67 million line of credit (the 2021 Line of Credit) agreement, which expires in October 2026, of which \$67 million and \$63 million was outstanding at July 31, 2024 and 2023, respectively.

#### *Term Loan*

In 2021, the Met entered into a \$33.0 million term loan (the 2021 Term Loan) agreement which expires in October 2026, of which approximately \$15.7 million and \$22.3 million was outstanding at July 31, 2024 and 2023, respectively. Quarterly principal payments, which commenced October 31, 2021, are as follows:

Year(s) ending July 31:		
2025	\$	7,838
2026		<u>7,834</u>
		15,672
Less unamortized loan issuance costs		<u>(246)</u>
	\$	<u><u>15,426</u></u>

In connection with the issuance of the 2021 Credit Facility, loan issuance costs of \$816,000 have been deferred and are being amortized over the life of the facility.

#### *Letter of Credit*

The Met maintained a committed letter of credit (the 2021 Letter of Credit) in the amount of \$13.5 million as of July 31, 2024 and 2023 of which \$10 million serves as security with an insurance company for unpaid workers' compensation claims.

#### *Long-term Debt*

In December 2012, the Met issued The Metropolitan Opera Taxable Bonds, Series 2012 (the Bonds) in the amount of \$100 million. The proceeds were used to repay \$33.2 million outstanding on a \$35.0 million bank loan and amounts outstanding under a \$30.0 million line of credit, and to terminate a related interest rate swap agreement. In addition, the proceeds funded working capital and operating expenses of the Met.

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Pursuant to various agreements, including an Indenture of Trust, the Met is obligated to make required payments of principal, sinking fund installments, and interest on the Bonds. No collateral is required under the Bonds.

The Bonds comprise, at par, \$20.4 million of fixed rate serial bonds with maturity dates commencing October 1, 2014 and annually thereafter until October 1, 2022, and \$79.6 million of fixed rate term bonds with mandatory sinking fund requirements commencing October 1, 2023 and annually thereafter until final maturity on October 1, 2042. The fixed rate serial bonds bear interest at rates ranging from 1.00% to 3.13% payable each April 1 and October 1, commencing October 1, 2013. The fixed rate term bonds bear interest at rates ranging from 3.73% to 4.52%, payable each April 1 and October 1, commencing October 1, 2013. The Bonds are subject to optional redemption by the Met prior to maturity on any business day. The Bonds are also subject to mandatory redemption pursuant to sinking fund installments at the redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest. The Bonds may also be redeemed prior to maturity at the election of the Met at a price equal to the greater of 100% of the principal to be redeemed or the sum of the discounted present value of the remaining scheduled payments, plus accrued interest. The discount rate is a treasury rate plus, in the case of the bonds maturing October 1, 2014 through October 1, 2022, 20 basis points, and plus, in the case of the bonds maturing October 1, 2027, October 1, 2032, and October 1, 2042, 30 basis points.

In connection with the issuance of the Bonds, bond issuance costs of \$968,000 have been deferred and included as a reduction to the bond liability and are being amortized over the life of the Bonds. Interest expense for the Bonds for the years ended July 31, 2024 and 2023 was approximately \$3.4 million and \$3.5 million, respectively, and is included in general management expenses.

The minimum annual payments for principal and interest related to long-term debt are as follows (in thousands):

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending July 31:			
2025	\$ 2,680	3,340	6,020
2026	2,790	3,232	6,022
2027	2,900	3,119	6,019
2028	3,020	3,001	6,021
2029	3,145	2,873	6,018
Thereafter	62,535	21,811	84,346
	77,070	\$ 37,376	114,446
Unamortized bond issuance costs	(590)		
	\$ 76,480		

*Promissory Note*

In fiscal year 2024, the Met received an unsecured loan of \$20 million from a member of the Met's Board of Managing Directors to provide cash resources to support funding of the Met's operations. The loan is

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memorialized by a promissory note and bears interest at a rate equal to 4.63%, with respect to the initial installment of \$5 million lent in February 2024, and 4.66%, with respect to the final installment of \$15 million lent in March 2024. Interest is payable every six months from the receipt of each installment. Interest expense related to the promissory note was approximately \$389,000 for the year ended July 31, 2024. The loan matures in February 2027 (see Note 13).

**(8) Retirement Plans**

The Met has a defined benefit pension plan (the Plan), which covers many of its employees. Benefits are based on years of service and employees' compensation. The Met uses a July 31 measurement date.

The Met's policy is to fund amounts not less than the minimum statutory funding requirements. The Met recognizes the Plan's funded status as an asset or a liability and recognizes the changes in its funded status in the year in which the changes occur through separate lines within the change in net assets without donor restrictions, apart from expenses and service cost.

Financial information regarding the Plan as of July 31 as is follows (in thousands):

	<b>2024</b>	<b>2023</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 285,842	307,606
Service cost	4,435	4,704
Interest cost	14,826	13,517
Plan amendments	—	3,108
Actuarial losses (gains)	1,102	(23,546)
Benefits paid and expected expenses	(19,787)	(19,547)
Benefit obligation at end of year	286,418	285,842
Change in plan assets:		
Fair value of plan assets at beginning of year	245,009	242,445
Actual return	26,418	13,367
Employer contributions	10,674	9,921
Benefits paid and actual expenses	(21,138)	(20,724)
Fair value of plan assets at end of year	260,963	245,009
Funded status	\$ (25,455)	(40,833)
Components of net periodic cost:		
Service cost	\$ 4,435	4,705
Interest cost	14,826	13,517
Expected return on plan assets	(16,815)	(16,376)
Other, net	1,479	3,661
Net periodic cost	\$ 3,925	5,507

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	<u>2024</u>	<u>2023</u>
Items not yet recognized as a component of net periodic benefit cost:		
Unrecognized prior service cost	\$ 5,848	6,770
Unrecognized net loss	<u>27,701</u>	<u>35,408</u>
Total	<u>\$ 33,549</u>	<u>42,178</u>
Weighted average assumptions used to determine net periodic benefit costs:		
Discount rate	5.35 %	4.48 %
Expected long-term return on plan assets	7.47	7.47
Weighted average assumptions used to determine benefit obligations:		
Discount rate	5.37 %	5.35 %

During the years ended July 31, 2024 and 2023, a net credit of \$8.6 million and \$19.9 million, respectively was reported as pension-related changes other than net period pension cost. The components of the net change are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Net actuarial gain	\$ (7,150)	(19,361)
Prior service	—	3,108
Amortization of prior service cost	(922)	(638)
Amortization of actuarial loss	<u>(557)</u>	<u>(3,023)</u>
	<u>\$ (8,629)</u>	<u>(19,914)</u>

The change in the actuarial gain is primarily attributed to the change in the discount rate from the prior year.

The accumulated benefit obligation for the Plan at July 31, 2024 and 2023 was \$286.4 million and \$285.8 million, respectively.

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The Met expects to contribute at least the minimum required amount of approximately \$10.5 million to the Plan in fiscal year 2025. Benefit payments, which reflect expected future service as appropriate, are expected to be paid as follows (in thousands):

	<b>Amount</b>
Year(s) ending July 31:	
2025	\$ 20,791
2026	20,869
2027	20,867
2028	20,854
2029	20,671
2030 - 2034	101,208

The expected long-term rate of return for the Plan's total assets is based on the Plan's investment policy. The primary long-term investment objectives are to hold, protect, and invest the assets as directed and determined by the Investment Committee. Consistent with prudent standards for preservation of capital and maintenance of liquidity, the goal is to earn the highest possible total rate of return consistent with the Plan's tolerance for risk. The asset allocation should reflect the proper balance of the Plan's need for liquidity, preservation of purchasing power, risk tolerance and meeting the short and long term obligations of the Plan.

The Plan's weighted average asset allocations at July 31, 2024 and 2023 by asset category are as follows:

<b>Asset category</b>	<b>Target policy allocation</b>	<b>Percentage of plan assets</b>	
		<b>2024</b>	<b>2023</b>
Fixed income, including cash	0%-30%	15 %	14 %
Domestic and international equity	30-65	33	33
Alternative investments:			
Liquid alternatives (absolute return, long/short equity)	0-30	22	25
Private equity	0-25	17	16
Inflation hedges/real assets/other	0-25	13	12
Total		100 %	100 %

Management's estimate of the remaining life of the (nonredeemable) private debt and private equity held in the Plan's investment portfolio at July 31, 2024 and 2023 of approximately \$65.2 million and \$63.4 million, respectively, is one to twelve years, and three to eleven years, respectively. At July 31, 2024 and 2023, the Plan had outstanding unfunded commitments, net of investments already made, totaling approximately \$42.4 million and \$32.8 million, respectively.

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The redeemable alternative investment funds (including global equities measured at net asset value) included in the Plan's investment portfolio at July 31, 2024 and 2023 are redeemable based on the following terms and conditions (in thousands):

	<u>2024</u>	<u>2023</u>
Semi-monthly redemption with 3–15 days' notice	\$ 13,735	—
Monthly redemption with 5–62 days' notice	29,259	33,632
Quarterly redemption with 20–45 days' notice	6,379	12,002
Quarterly redemption with 60–90 days' notice (some subject to lock ups and/or gates)	47,792	42,893
Bi-annual redemption with 123 days' notice subject to 2 year lock up	<u>11,711</u>	<u>10,954</u>
Total	\$ <u>108,876</u>	<u>99,481</u>

The following tables present the fair value hierarchy of the Plan's assets that are measured at fair value on a recurring basis at July 31, 2024 and 2023 (in thousands):

	<u>2024 Total</u>	<u>Level 1</u>	<u>Investments at net asset value</u>
Cash equivalents and short-term investments	\$ 6,483	6,483	—
Receivable from sale of investment	2,991	2,991	—
Fixed income			
Mutual fund	8,551	8,551	—
Exchange traded fund	19,998	19,998	—
U.S. equities – exchange traded fund	15,202	15,202	—
Global equities:			
Mutual fund	14,861	14,861	—
Exchange traded fund	18,813	18,813	—
Limited partnerships	16,994	—	16,994
Other	21,584	—	21,584
Other alternative investment strategies:			
Long/short equity	17,288	—	17,288
Absolute return	39,960	—	39,960
Commodities	4,551	—	4,551
Credit	5,111	—	5,111
Private debt	18,006	—	18,006
Private equity	<u>50,570</u>	<u>—</u>	<u>50,570</u>
Total pension assets	\$ <u>260,963</u>	<u>86,899</u>	<u>174,064</u>

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	<b>2023 Total</b>	<b>Level 1</b>	<b>Investments at net asset value</b>
Cash equivalents and short-term investments	\$ 3,320	3,320	—
Receivable from sale of investment	2,500	2,500	—
Fixed income			
Mutual fund	6,868	6,868	—
Exchange traded fund	21,859	21,859	—
U.S. equities – exchange traded fund	7,678	7,678	—
Global equities:			
Mutual fund	16,509	16,509	—
Exchange traded fund	23,426	23,426	—
Limited partnerships	16,229	—	16,229
Other	15,998	—	15,998
Other alternative investment strategies:			
Long/short equity	21,189	—	21,189
Absolute return	40,736	—	40,736
Commodities	2,055	—	2,055
Credit	5,329	—	5,329
Private debt	15,941	—	15,941
Private equity	45,372	—	45,372
Total pension assets	\$ 245,009	82,160	162,849

For information with respect to investment strategies and redemption terms for alternative investments in 2024, refer to Note 4.

Certain employees not covered by the Plan are covered by multi-employer plans as part of collective bargaining agreements. Amounts contributed to these union plans were approximately \$10.8 million and \$11.1 million in 2024 and 2023, respectively. The zone status of the multi-employer plans is based on information from the respective unions and, as required by the Pension Protection Act (PPA), is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. A summary of these plans follows:

- The Met participates in a multi-employer union pension plan, the Pension Fund of Local No. 1 of I.A.T.S.E. As of the January 1, 2023 valuation, the Plan's funded percentage is 102.9%. The plan was not in endangered, critical, or critical and declining status in the Plan Year. The collective bargaining agreement requiring contributions to the Plan is in place through July 31, 2025. The contributions by the Met to the union pension fund were approximately \$3.0 million for each of the years ended July 31, 2024 and 2023, respectively. The contributions by the Met to the annuity fund were approximately \$4.0 million for each of the years ended July 31, 2024 and 2023, respectively.
- The Met participates in a multi-employer union pension plan, the Pension Fund of Local 764 I.A.T.S.E. As of the January 1, 2023 valuation, the Plan's funded percentage is 106.7%. The plan was not in

## METROPOLITAN OPERA ASSOCIATION, INC.

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endangered, critical, or critical and declining status during the Plan year. The collective bargaining agreement requiring contributions to the Plan is in place through July 31, 2026. The contributions by the Met to the union pension fund were approximately \$495,000 and \$555,000 for the years ended July 31, 2024 and 2023, respectively. The contributions by the Met to the annuity fund were approximately \$370,000 and \$449,000 for the years ended July 31, 2024 and 2023, respectively.

- The Met participates in a multi-employer union pension plan, the Pension Fund of Local 829. As of the January 1, 2023 valuation, the Plan's funded percentage is 98.7%. The plan was not in endangered, critical, or critical and declining status in the Plan year. The collective bargaining agreement requiring contributions to the Plan is in place through July 31, 2025. The contributions by the Met to the union pension fund were approximately \$437,000 and \$400,000 for the years ended July 31, 2024 and 2023, respectively. The contributions by the Met to the annuity fund were approximately \$261,000 and \$260,000 for the years ended July 31, 2024 and 2023, respectively.
- The Met participates in a multi-employer union pension plan, the American Federation of Musicians and Employers' Pension Fund. As of the January 1, 2023 valuation, the Plan's funded percentage is 49.4%. The plan is considered to be in critical and declining status because the Plan's actuary determined that (i) the Plan was projected to become insolvent during the Plan year ending December 31, 2034, (ii) the Plan was in critical status last year and, over the next nine years, it is projected to have an accumulated funding deficiency for the Plan year ended December 31, 2023 and (iii) the sum of the Plan's normal cost and interest on the unfunded benefits for the current plan year exceeds the present value of all expected contributions for the year, the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants and over the next four plan years, the Plan is projected to have an accumulated funding deficiency in the Plan year noted above. The collective bargaining agreement requiring contributions to the Plan is in place through July 31, 2025. The contributions by the Met to the union pension fund were approximately \$818,000 and \$859,000 for the years ended July 31, 2024 and 2023, respectively.
- Amounts contributed to the other eleven union plans amounted to \$1.4 million and \$1.6 million for the years ended July 31, 2024 and 2023, respectively. These agreements are in place until July 31, 2025 through July 31, 2029.

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**(9) Net Assets**

Net assets with donor restrictions comprised the following at July 31, 2024 and 2023 (in thousands):

	<b>2024</b>	<b>2023</b>
Net assets with time or purpose restrictions:		
Subject to expenditure when a specified event occurs:		
Future operating activities (time restricted)	\$ 26,250	24,761
New productions	14,735	25,570
Capital	27,552	28,638
Interests in charitable trusts and pooled income funds	5,196	6,264
Telecast and other media activities	2,364	3,359
Save the Met Broadcast	12,022	16,085
Other program activities	2,159	1,719
Endowment draw appropriation restricted for program	913	862
	91,191	107,258
Endowment returns subject to future appropriation:		
Future operating activities (time restricted)	33,484	34,919
New productions	2,696	3,970
Telecast and other media activities	744	1,745
Save the Met Broadcast	999	666
Other program activities	12,631	12,458
Underwater endowments	(47,037)	(15,107)
	3,517	38,651
Total net assets restricted by time or purpose	94,708	145,909
Net assets with perpetual restrictions – income for:		
New York Season	149,089	148,635
New productions	74,120	72,620
Telecasts and other media	16,623	16,518
Young artists	13,124	13,096
Other specified activities	8,676	8,374
	261,632	259,243
Total net assets with perpetual restrictions	261,632	259,243
Total net assets with donor restrictions	\$ 356,340	405,152

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Included in net assets with perpetual restrictions are two donor-restricted gifts that require the use of a spending rate to be applied to such funds. Investment income greater than the spending rate is required to be reinvested in the fund and, accordingly, is classified as net assets with donor restrictions to be held in perpetuity. In addition, net assets with donor restrictions to be held in perpetuity include other funds that allow only interest and dividends to be spent and for which net appreciation is required to be reinvested in the fund and, accordingly, is classified as net assets with donor restrictions to be held in perpetuity. At July 31, 2024 and 2023, the value of such funds included in net assets with donor restrictions to be held in perpetuity was \$67.0 million and \$65.4 million, respectively.

#### **(10) Endowment Funds**

The Met's endowment consists of approximately 300 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Met to function as endowment funds, and related net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

The Met is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA) and, in the case of the Trust, the New York State trust laws. The Met has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument and absent explicit donor stipulations to the contrary.

The investment objective of the Met's endowment investment portfolio is to attain an average annual total return that exceeds inflation within acceptable levels of risk over a full market cycle. Prudent investment risks are taken with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent committee acting in a similar capacity and familiar with the endowment investment matters would use in investing fund assets. The assets are managed on a total return basis. The Investment Committee of the Board of Managing Directors has adopted long term asset allocation range targets for equities, fixed income, real estate, private equity and other alternative investments, and cash equivalents.

The Met's Board of Managing Directors approved a spending policy under which an annually approved portion of investment return is authorized to fund current operations. This spending amount represents the Met's determination of a prudent amount of the fair value of the endowment investments available as needed for current operations. This determination is made in accordance with NYPMIFA and New York State trust laws. The Board of Managing Directors approved an overall spending rate of 5% for both of the years ended July 31, 2024 and 2023. In November 2023, the Board of Managing Directors approved an additional draw of \$40.0 million, increasing the approved draw for fiscal year 2024 operations of approximately \$16.7 million to approximately \$56.7 million. In July 2024, the Board also approved a borrowing from the endowment for fiscal year 2025 operations in an amount up to \$50 million, with the plan to repay it before the end of the fiscal year 2025.

The Met considers donor restrictions and follows the guidelines of applicable law in determining spending amounts. When permissible, the Met will appropriate funding from underwater funds using various rates dependent on the percentage of market value to book value. The rate decreases as the percentage of market value relative to book value decreases. The fair value of assets associated with donor-restricted endowment funds may fall below the historic dollar amount of the fund. Deficiencies of this nature that are reported in net assets with donor restrictions totaled approximately \$47 million as of July 31, 2024. The

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original book value of these 112 funds with deficiencies was \$160 million. Deficiencies of this nature that are reported in net assets with donor restrictions totaled approximately \$15 million as of July 31, 2023. The original book value of these 97 funds with deficiencies was \$136 million.

The Met's endowment funds consist of the following at July 31, 2024 and 2023 (in thousands):

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>		<b>Total funds as of July 31, 2024</b>
		<b>Original gift</b>	<b>Accumulated gains/gift</b>	
Donor-restricted funds	\$ —	257,465	3,518	260,983
Board-designated funds	14,582	—	—	14,582
<b>Total endowment net assets</b>	<b>\$ 14,582</b>	<b>257,465</b>	<b>3,518</b>	<b>275,565</b>

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>		<b>Total funds as of July 31, 2023</b>
		<b>Original gift</b>	<b>Accumulated gains/gift</b>	
Donor-restricted funds	\$ —	255,403	38,651	294,054
Board-designated funds	14,505	—	—	14,505
<b>Total endowment net assets</b>	<b>\$ 14,505</b>	<b>255,403</b>	<b>38,651</b>	<b>308,559</b>

Changes in endowment funds for the year ended July 31, 2024 (in thousands):

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, July 31, 2023	\$ 14,505	294,054	308,559
Investment return, net	77	23,019	23,096
Contributions	—	645	645
Appropriation for expenditure	—	(56,735)	(56,735)
<b>Endowment net assets, July 31, 2024</b>	<b>\$ 14,582</b>	<b>260,983</b>	<b>275,565</b>

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Changes in endowment funds for the year ended July 31, 2023 (in thousands):

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, July 31, 2022	\$ 14,374	325,216	339,590
Investment return, net	131	11,597	11,728
Contributions	—	3,239	3,239
Appropriation for expenditure	—	(45,998)	(45,998)
Endowment net assets, July 31, 2023	<u>\$ 14,505</u>	<u>294,054</u>	<u>308,559</u>

**(11) Functional Classification of Expenses**

The Met's program services include Opera activities, Ballet and other presentations, and management of the Opera House.

Expenses by functional classification are allocated based on time, effort, and usage and have been distributed for the years ended July 31, 2024 and 2023 as follows (in thousands):

	<b>Compensation and benefits</b>	<b>Supplies, services and other</b>	<b>Interest</b>	<b>Depreciation and amortization</b>	<b>Total operating expenses</b>	<b>Other components of net periodic pension cost</b>	<b>2024 Total expenses</b>
Opera activities:							
Performances	\$ 174,927	21,806	—	—	196,733	(373)	196,360
Media	15,923	8,911	—	—	24,834	(34)	24,800
New productions	8,367	11,051	—	—	19,418	(18)	19,400
Other	4,268	4,337	—	—	8,605	(9)	8,596
Ballet and other presentations	5,640	3,342	5	—	8,987	(12)	8,975
Opera house	<u>10,308</u>	<u>8,952</u>	<u>—</u>	<u>5,111</u>	<u>24,371</u>	<u>(22)</u>	<u>24,349</u>
Total program expenses	219,433	58,399	5	5,111	282,948	(468)	282,480
General management	13,910	8,097	10,550	236	32,793	(30)	32,763
Fundraising	<u>5,794</u>	<u>10,810</u>	<u>—</u>	<u>—</u>	<u>16,604</u>	<u>(12)</u>	<u>16,592</u>
Total expenses	<u>\$ 239,137</u>	<u>77,306</u>	<u>10,555</u>	<u>5,347</u>	<u>332,345</u>	<u>(510)</u>	<u>331,835</u>

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	<u>Compensation and benefits</u>	<u>Supplies, services and other</u>	<u>Interest</u>	<u>Depreciation and amortization</u>	<u>Total operating expenses</u>	<u>Other components of net periodic pension cost</u>	<u>2023 Total expenses</u>
Opera activities:							
Performances	\$ 184,483	22,321	—	—	206,804	601	207,405
Media	17,042	9,093	—	—	26,135	56	26,191
New productions	8,231	10,286	—	—	18,517	27	18,544
Other	3,808	3,636	—	—	7,444	12	7,456
Ballet and other presentations	3,624	2,274	4	—	5,902	12	5,914
Opera house	10,367	7,782	—	4,785	22,934	34	22,968
	<u>227,555</u>	<u>55,392</u>	<u>4</u>	<u>4,785</u>	<u>287,736</u>	<u>742</u>	<u>288,478</u>
Total program expenses							
General management	13,245	8,679	9,519	236	31,679	44	31,723
Fundraising	5,261	9,692	—	—	14,953	16	14,969
	<u>246,061</u>	<u>73,763</u>	<u>9,523</u>	<u>5,021</u>	<u>334,368</u>	<u>802</u>	<u>335,170</u>
Total expenses							

**(12) Commitments and Contingencies**

The Met is a defendant in various legal actions and claims arising from the ordinary course of operations. Management believes that the settlement, if any, of such matters is either subject to insurance coverage or not expected to have a material adverse effect on the consolidated financial statements of the Met.

**(13) Related Parties**

During fiscal year 2024, a member of the Met's Board of Managing Directors extended an unsecured loan to the Met in the aggregate amount of \$20 million to provide cash resources to support funding of the Met's operations. The Met's Board approved the loan, which has a maturity date of February 2027, as fair, reasonable and in the Met's best interest and in accordance with the procedures set forth in the Met's Conflict of Interest Policy and the applicable provisions of the New York Not-for-Profit Corporation Law (see Note 7).

The Met receives contributions from its Board members and their affiliated foundations and corporations, and as of July 31, 2024 and 2023, \$63.8 million and \$63.1 million, respectively, are included in contribution receivables in the accompanying consolidated balance sheets. Contributions received from the Met's Board members and their affiliated foundations and corporations for the years ended July 31, 2024 and 2023 of \$35.9 million and \$67.0 million, respectively, are recognized in the accompanying consolidated statements of activities.

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**(14) Acquisition of the Guild**

On October 1, 2023, the Guild transitioned from its former status as a standalone not-for-profit organization and became a supporting organization of the Met whose operations are reflected in the Met's consolidated financial statements starting in fiscal year 2024. Certain directors and officers of the Guild are members of the Met's Board of Managing Directors. The acquisition of the Guild resulted in the following opening balance sheet fair value of assets acquired and liabilities assumed whose donor restrictions continue under the Met's stewardship (table in thousands). The Met transferred no consideration as part of this acquisition and recognized an inherent loss in without donor restricted net assets and an inherent contribution in with donor restricted net assets in the 2024 consolidated statement of activities, which represents the net assets of the Guild at October 1, 2023.

<b>Assets Acquired</b>	
Cash and cash equivalents	\$ 815
Investments	914
Interests in split-interest agreements	1,420
Deposits, deferred expenses and other assets	<u>31</u>
Total assets acquired	<u>3,180</u>
<b>Liabilities Assumed</b>	
Accounts payable and accrued expenses	1,014
Deferred revenue	<u>254</u>
Total liabilities assumed	<u>1,268</u>
Total inherent contribution	<u>\$ 1,912</u>

**(15) Subsequent Events**

In connection with the preparation of the consolidated financial statements, the Met evaluated events after the consolidated balance sheet date of July 31, 2024 through January 10, 2025, which was the date the consolidated financial statements were issued, and noted no matters that would require recognition or disclosure in the consolidated financial statements other than what is disclosed in Note 7.