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METROPOLITAN OPERA ASSOCIATION, INC.

Consolidated Financial Statements

July 31, 2023 and 2022

(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, 2023 and 2022, 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, 2023 and 2022, and the change 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.

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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
December 15, 2023

METROPOLITAN OPERA ASSOCIATION, INC.

Consolidated Balance Sheets

July 31, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Cash and cash equivalents	$	4,221	4,081
Accounts receivable		2,994	3,028
Contributions receivable, net (notes 2 and 13)		109,847	109,212
Prepaid production and telecast costs		9,948	10,179
Other assets		9,437	10,209
Right-of-use assets (note 6)		6,487	8,171
Investments (notes 4 and 10)		317,557	350,758
Interests in split-interest agreements (note 4)		9,373	8,172
Property and equipment, net (note 5)		82,534	79,509
Total assets	$	552,398	583,319
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	28,602	23,088
Borrowings under line of credit (note 7)		63,000	49,500
Deferred revenue		25,458	28,288
Other liabilities		22,231	20,880
Lease liabilities (note 6)		6,585	8,244
Long-term debt (note 7)		100,844	108,869
Unfunded accumulated benefit obligation (note 8)		40,833	65,161
Total liabilities		287,553	304,030
Net assets (accumulated deficit) (note 10):			
Net assets (accumulated deficit) without donor restrictions		(140,307)	(157,954)
Net assets with donor restrictions (note 9)		405,152	437,243
Total net assets		264,845	279,289
Total liabilities and net assets	$	552,398	583,319

See accompanying notes to consolidated financial statements.

METROPOLITAN OPERA ASSOCIATION, INC.

Consolidated Statements of Activities

Years ended July 31, 2023 and 2022

(In thousands)

		2023	2022
Changes in net assets without donor restrictions:			
Operating revenues:			
Contributions and bequests	$	138,329	134,446
Net assets released from restrictions – contributions and bequests		44,340	78,199
		182,669	212,645
Opera activities:			
Box office and tours (inclusive of in-kind ticket and ticket discount program contributions of $2.3 million and $4.1 million in 2023 and 2022, respectively)		71,395	60,361
Media revenues		16,862	15,933
Other revenues		1,816	1,529
Ballet and other presentations		5,106	5,189
Investment return – authorized spending amount (notes 4 and 10)		45,911	14,035
Net assets released from restrictions – investment income		194	1,497
Other income (note 4)		8,857	3,495
Total		332,810	314,684
Operating expenses (note 11):			
Opera activities:			
Performances		206,804	202,208
Media		26,135	26,119
New productions		18,517	15,082
Other		7,444	6,510
Ballet and other presentations		5,902	5,168
Opera House		22,934	21,957
General management (note 7)		31,679	25,165
Fund-raising expenses		14,953	12,475
Total		334,368	314,684
Operating revenues over expenses		(1,558)	—
Nonoperating:			
Investment return in excess of amount appropriated for spending (note 4)		323	1,041
Other components of net periodic pension cost (notes 8 and 11)		(802)	(3,810)
Pension-related changes other than net periodic pension cost (note 8)		19,914	58,365
Net assets released from restrictions – nonoperating		—	2,453
Other		(230)	(2,373)
Increase in net assets without donor restrictions		17,647	55,676
Changes in net assets with donor restrictions:			
Contributions and bequests for:			
Operations		40,381	55,975
Capital		2,081	1
Endowment		3,139	617
Investment return less than amount appropriated for spending (note 4)		(34,315)	(36,885)
Other		1,157	(3,555)
Net assets released from restrictions		(44,534)	(82,149)
Decrease in net assets with donor restrictions		(32,091)	(65,996)
Change in net assets		(14,444)	(10,320)
Net assets:			
Beginning of year		279,289	289,609
End of year	$	264,845	279,289

See accompanying notes to consolidated financial statements.

METROPOLITAN OPERA ASSOCIATION, INC

Consolidated Statements of Cash Flows

Years ended July 31, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	(14,444)	(10,320)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		5,021	5,052
Pension-related changes other than net periodic pension cost		(19,914)	(58,365)
Net (gains) losses on investments		(10,103)	23,353
Net losses on sale of artwork		—	40
Change in value of interests in split-interest agreements		(1,015)	1,357
Contributions of net assets with perpetual restrictions		(3,139)	(617)
Contributions restricted for investments in property and equipment		(2,081)	(1)
In-kind donations		(1,501)	—
Changes in operating assets and liabilities:			
Accounts receivable		34	7,236
Contributions receivable, net		1,666	(14,303)
Prepaid production and other assets		1,003	(34)
Right-of-use assets		3,225	3,256
Interests in split-interest agreements		(186)	(172)
Accounts payable, accrued expenses, and other liabilities		5,682	2,378
Unfunded accumulated benefit obligation		(4,414)	4,642
Deferred revenue		(2,830)	4,664
Lease liabilities		(3,200)	(3,203)
Net cash used in operating activities		(46,196)	(35,037)
Cash flows from investing activities:			
Acquisition of property and equipment		(6,615)	(7,070)
Proceeds from sale of artwork		—	75
Decrease in accounts payable for acquisitions of property and equipment		—	(2,063)
Purchases of investments		(299,717)	(171,747)
Proceeds from sale of investments		346,943	183,129
Net cash provided by investing activities		40,611	2,324
Cash flows from financing activities:			
Borrowings under line of credit		17,500	112,000
Repayments of line of credit		(4,000)	(119,500)
Borrowing of long-term debt		—	33,000
Repayments of long-term debt		(8,273)	(7,367)
Loan issuance costs		—	(816)
Cash contributions for net assets with perpetual restrictions		3,239	617
Cash received for contributions restricted for investments in property and equipment		1,181	1,685
Net cash provided by financing activities		9,647	19,619
Net increase (decrease) in cash and cash equivalents		4,062	(13,094)
Cash, cash equivalents, and restricted cash at beginning of year		5,496	18,590
Cash, cash equivalents, and restricted cash at end of year	$	9,558	5,496
Reconciliation of cash, cash equivalent, and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such accounts shown above:			
Cash and cash equivalents	$	4,221	4,081
Restricted cash included in investments		5,337	1,415
Cash, cash equivalents, and restricted cash	$	9,558	5,496
Supplemental information:			
Cash paid for interest	$	9,522	6,081
Right-of-use assets obtained in exchange for lease liabilities		1,478	513
Increase in accounts payable for acquisitions of property and equipment		1,183	—

See accompanying notes to consolidated financial statements.

(1) Organization, Business Matters, 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.

Business Matters

For the year ended July 31, 2023, net assets decreased by $14.4 million. Investments decreased by $33.2 million, while debt increased by $5.5 million. Offsetting these changes was a decrease of $24.3 million in the unfunded accumulated pension benefit obligation, primarily due to higher interest rates.

Slow recovery from the COVID-19 pandemic and continuing economic instability continued to affect the Met negatively. Box office and *Live in HD* media revenues remained well below the levels typically achieved prior to the pandemic, in line with research showing drops in audience attendance at classical music performances, theater, and movies. The Met had a slight deficit of less than 0.5% of total operating expenses in fiscal year 2023, with its second-highest level of contributions ever, but the timing of pledge payments led to a larger than planned line of credit outstanding balance at year-end. During fiscal year 2023, the Met took steps to reduce expenses while also taking an extraordinary draw from its endowment. The fiscal year 2023 initial 5% endowment draw of $16.0 million was increased by $30.0 million for an approved additional draw to provide cash resources. The Board approved an additional draw in fiscal year 2024, which is further described in Note 14. The Met continues to evaluate and implement expense reductions and seek additional fundraising resources.

Based upon the most recent information available, the Met estimates that it will have sufficient liquidity through December 2024 to support operations.

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 restriction 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.

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 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 l 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.

(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 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 $15.0 million and $12.5 million have been incurred to raise contributions and bequests totaling $183.9 million and $191.0 million in 2023 and 2022, 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.

(Continued)

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 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 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 $15.1 million and $14.6 million in 2023 and 2022, 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 $1.0 million and $812,000 in 2023 and 2022, 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 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.

(Continued)

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, 2023 and 2022.

(l) Reclassifications

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

(2) Contributions Receivable

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

		2023	2022
Within one year	$	34,527	31,980
One to five years		81,586	79,135
More than five years		1,730	6,350
Total		117,843	117,465
Less:			
Allowance for uncollectibility		(580)	(580)
Discount to present value discount rate used ranging from 1.62%–5.13%		(7,416)	(7,673)
	$	109,847	109,212

As of July 31, 2023 and 2022, contributions receivable included approximately $72.9 million and $65.4 million, respectively, due from ten donors**.** During the years ended July 31, 2023 and 2022, contributions revenue included approximately $86.5 million and $94.8 million, respectively, from ten donors.

(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.

	2023	2022
	(In thousands)	
Financial assets available within one year:		
Cash and cash equivalents	$ 4,221	4,081
Accounts receivable	2,994	3,028
Contributions receivable (due in one year or less)	34,527	31,980
Spending distribution from endowment funds appropriated by the Board and available in the next fiscal year	56,735	45,997
Total financial assets available within one year	98,477	85,086
Other liquidity resources:		
Bank line of credit ($63 million outstanding at July 31, 2023)	4,000	17,500
Board-designated endowment	14,505	14,374
Total financial assets available within one year and other liquidity resources	$ 116,982	116,960

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.

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.

As described in Notes 1 and 10, the Met took its approved fiscal year 2023 endowment draw of $16.0 million and took a total additional draw of $30.0 million during the fiscal year. The Board approved an additional draw in fiscal year 2024, which is further described in Note 14.

(4) Investments

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

		2023	2022
Endowment investments:			
Cash equivalents and short-term investments	$	18,409	19,379
Receivable from the sale of investments		3,000	3,250
Fixed income		44,511	27,152
U.S. equities		2,784	16,099
Commodities		—	2,851
Global equities (including alternative investments)		102,791	134,215
Other alternative investment strategies		137,064	136,644
		308,559	339,590
Other investments:			
Cash equivalents and short-term investments		202	1,426
Fixed income		4,653	5,325
U.S. equities		3,858	3,971
Global equities		285	446
		8,998	11,168
	$	317,557	350,758

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

		2023	2022
Investments, beginning of year	$	350,758	384,568
Investment return:			
Interest and dividends		2,937	3,397
Net gains (losses)		10,103	(23,489)
Less investment expenses paid		(971)	(2,915)
Investment return (loss)		12,069	(23,007)
Gifts and other additions		21,453	24,218
Amounts utilized for operations:			
Investment return authorized spending amount		(45,998)	(14,395)
Other transfers		(20,725)	(20,626)
Investments, end of year	$	317,557	350,758

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

		2023	2022
Investment return authorized spending amount included in:			
Operating revenues without donor restrictions	$	45,911	14,035
Donor restricted investment returns		87	360
		45,998	14,395
Other investment return (loss) included in other income or in other changes in net assets without donor restrictions		50	(1,545)
Investment return less than authorized spending amount		(33,979)	(35,857)
Investment return (loss)	$	12,069	(23,007)

Management's estimate of the remaining life of the (nonredeemable) limited partnerships held in the Met's investment portfolio at July 31, 2023 and 2022 of $54.6 million and $50.0 million, respectively, is seven to ten years. At July 31, 2023, the Met had unpaid investment consultant and custodian fees of approximately $509,000. At July 31, 2023, the Met had unfunded outstanding commitments, net of investments already made, totaling $31.9 million.

The redeemable alternative investment funds included in the Met's investment portfolio at July 31, 2023 and 2022 are redeemable based on the following terms and conditions (in thousands):

		2023	2022
Semi-monthly redemption with 3–15 days' notice	$	25,501	31,845
Monthly redemption with 5–62 days' notice		43,969	38,800
Monthly redemption with 95 days' notice		—	9,379
Quarterly redemption with 45 days' notice		15,188	11,290
Quarterly redemption with 60–90 days' notice (some subject to lock ups and/or gates)		52,323	76,463
Bi-annual redemption with 123 days' notice subject to 2 year lock up		13,779	17,541
	$	150,760	185,318

The following tables present the fair value hierarchy of assets that are measured at fair value on a recurring basis at July 31, 2023 and 2022 (in thousands):

	2023 Total	Level 1	Level 3	Investments at net asset value
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
Alternative investments:				
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	

		2022 Total	Level 1	Level 3	Investments at net asset value
Investments:					
Cash equivalents and short-term investments	$	20,805	20,805	—	—
Receivable from sale of investment:		3,250	3,250	—	—
Fixed income:					
Common trust fund		1,079	1,079	—	—
Exchange traded funds		273	273	—	—
Mutual funds		27,152	27,152	—	—
U.S. government obligations		3,973	3,973	—	—
U.S. equities:					
Managed accounts		17	17	—	—
Mutual funds		33	33	—	—
Exchange traded funds		19,744	19,744	—	—
Common trust funds		277	277	—	—
Commodities:					
Exchange traded funds		2,851	2,851	—	—
Global equities:					
Managed accounts		13,843	13,843	—	—
Mutual funds		9,956	9,956	—	—
Exchange traded funds		12,129	12,129	—	—
Limited partnerships		33,518	—	—	33,518
Other		65,214	—	—	65,214
Alternative investments:					
Long/short equity		29,911	—	—	29,911
Absolute return		49,996	—	—	49,996
Credit		6,744	—	—	6,744
Private equity		49,993	—	—	49,993
	$	350,758	115,382	—	235,376
Interests in split-interest agreements	$	8,172	—	8,172	—

For the year ended July 31, 2023, interests in split-interest agreements increased by new agreements of $1.0 million and increased by net investment gains of $201,000. For the year ended July 31, 2022, interests in split-interest agreements decreased by net investment losses of $1.0 million, and by terminations of $85,000.

Information with respect to investment strategies for alternative investments in 2023 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).
- *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 were 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 which 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):

	2023	2022
Land	$ 80	80
Warehouses	1,604	1,604
Leasehold improvements	34,533	32,039
Furniture, fixtures, and other, including information systems equipment	48,216	48,043
Theatrical equipment	63,964	62,963
Construction in progress	44,986	40,844
	193,383	185,573
Less accumulated depreciation and amortization	(110,849)	(106,064)
	$ 82,534	79,509

In fiscal year 2017, 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 system equipment and elevator refurbishment. The contractual commitments remaining to complete these projects at July 31, 2023 are approximately $7.2 million.

(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 2 to 5 years, container leases have initial terms of 2 to 4 years, and equipment leases have initial terms between 1 and 4 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 1 to 5 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:

	2023	2022
Weighted average remaining lease term (years)	2.4 years	3.0 years
Weighted average discount rate	1.19 %	0.40 %

Future minimum rental payments as of July 31, 2023 under noncancelable operating leases which expire between 2024 and 2028 are presented in the following table (in thousands):

Year ending July 31:		
2024	$	3,122
2025		2,581
2026		692
2027		226
2028		81
		6,702
Less unamortized imputed interest		(117)
Present value of minimum lease payments	$	6,585

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 $9.3 million and $8.6 million for the years ended July 31, 2023 and 2022, respectively.

(7) Debt

Debt consists of the following at July 31, 2023 and 2022 (in thousands):

		2023	2022
2021 Line of Credit due October 2025:			
5.19% (SOFR) + 2.25%	$	54,500	—
1.73% (LIBOR) + 2.15%		—	22,000
Prime Rate (8.25%)		8,500	—
Prime Rate (7.65%)		—	27,500
Total borrowings under line of credit	$	63,000	49,500
Long-term debt:			
2021 Term Loan due October 2025:			
5.37% (SOFR) + 2.6%	$	22,272	—
2.81 (LIBOR) +2.5%		—	28,048
Unamortized loan issuance costs		(450)	(654)
Total term loan		21,822	27,394
Series 2012 Taxable Bonds (the Bonds)		79,645	82,130
Unamortized bond issuance costs		(623)	(655)
Total of the Bonds		79,022	81,475
Total long-term debt	$	100,844	108,869

In 2018, the Met had a line of credit which was replaced with 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).

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 2025, of which $63 million and $49.5 million was outstanding at July 31, 2023 and 2022, respectively.

Term Loan

In 2021, the Met entered into a $33.0 million term loan (the 2021 Term Loan) agreement which expires in October 2025, of which $22.3 million and $28.0 million was outstanding at July 31, 2023 and 2022, respectively. Quarterly principal payments, which commenced October 31, 2021, are as follows:

Year(s) ending July 31:		
2024	$	6,600
2025		6,600
At termination October 2025		9,072
		22,272
Less unamortized loan issuance costs		(450)
	$	21,822

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, 2023 and 2022 of which $10 million serves as security with an insurance company for unpaid workers' compensation claims.

The 2021 Credit Facility includes financial covenants related to minimum net assets as well as a debt service coverage ratio. The Met was in compliance with the financial covenants at July 31, 2023.

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 2018 Line of Credit and the 2021 Credit Facility was approximately $6.0 million and $2.5 million for 2023 and 2022, respectively, and is included in general management expenses.

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, amounts outstanding under the $30.0 million Line of Credit, and terminate a related interest rate swap agreement. In addition, the proceeds funded working capital and operating expenses of the Met. Pursuant to various agreements, including an "Indenture of Trust" (the Indenture), 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, 2023 and 2022 was $3.5 million and $3.6 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):

	Principal	Interest	Total
Year(s) ending July 31:			
2024	$ 2,575	3,445	6,020
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
Thereafter	65,680	24,684	90,364
	79,645	$ 40,821	120,466
Unamortized bond issuance costs	(623)		
	$ 79,022		

(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):

	2023	2022
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 307,606	380,266
Service cost	4,704	7,479
Interest cost	13,517	10,277
Plan amendments	3,108	—
Actuarial gains	(23,546)	(69,967)
Benefits paid and expected expenses	(19,547)	(20,449)
Benefit obligation at end of year	285,842	307,606
Change in plan assets:		
Fair value of plan assets at beginning of year	242,445	261,382
Actual return	13,367	(5,124)
Employer contributions	9,921	6,646
Benefits paid and actual expenses	(20,724)	(20,459)
Fair value of plan assets at end of year	245,009	242,445
Funded status	$ (40,833)	(65,161)
Components of net periodic cost:		
Service cost	$ 4,705	7,479
Interest cost	13,517	10,277
Expected return on plan assets	(16,376)	(16,965)
Other, net	3,661	10,498
Net periodic cost	$ 5,507	11,289

		2023	2022
Items not yet recognized as a component of net periodic benefit cost:			
Unrecognized prior service cost	$	3,662	4,300
Unrecognized net loss		35,409	57,793
Total	$	39,071	62,093
Weighted average assumptions used to determine net periodic benefit costs:			
Discount rate		4.48 %	2.78 %
Expected long-term return on plan assets		7.47	7.47
Weighted average assumptions used to determine benefit obligations:			
Discount rate		5.35 %	4.48 %

During the years ended July 31, 2023 and 2022, a net credit of $19.9 million and $58.4 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):

		2023	2022
Net actuarial gain	$	(19,361)	(47,867)
Prior service		3,108	—
Amortization of prior service cost		(638)	(638)
Amortization of actuarial loss		(3,023)	(9,860)
	$	(19,914)	(58,365)

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

The accumulated benefit obligation for the Plan at July 31, 2023 and 2022 was $285.8 million and $307.6 million, respectively.

(Continued)

The Met expects to contribute at least the minimum required amount of approximately $10.5 million to the Plan in fiscal year 2024. Benefit payments, which reflect expected future service as appropriate, are expected to be paid as follows (in thousands):

		Amount
Year(s) ending July 31:		
2024	$	20,399
2025		20,456
2026		20,503
2027		20,505
2028		20,341
2029 - 2033		98,063

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, 2023 and 2022 by asset category are as follows:

Asset category	2023 Target policy allocation	Percentage of plan assets 2023	Percentage of plan assets 2022
Fixed income, including cash	0%-30%	14 %	7 %
Domestic and international equity	30-65	33	44
Alternative investments:			
Liquid alternatives (absolute return, long/short equity)	0-30	25	25
Private equity	0-25	16	15
Inflation hedges/real assets/other	0-25	12	9
Total		100 %	100 %

Management's estimate of remaining life of the (nonredeemable) private debt and private equity held in the Plan's investment portfolio at July 31, 2023 and 2022 of $63.4 million and $56.4 million, respectively, is one to twelve years, and three to eleven, respectively. At July 31, 2023, the Plan had outstanding unfunded commitments, net of investments already made, totaling $32.8 million.

The redeemable alternative investment funds (including global equities measured at NAV) included in the Plan's investment portfolio at July 31, 2023 and 2022 are redeemable based on the following terms and conditions (in thousands):

		2023	2022
Semi-monthly redemption with 3–15 days' notice	$	—	18,868
Monthly redemption with 5–62 days' notice		33,632	30,225
Quarterly redemption with 45 days' notice		12,002	11,101
Quarterly redemption with 60–90 days' notice (some subject to lock ups and/or gates)		42,893	55,107
Bi-annual redemption with 123 days' notice subject to 2 year lock up		10,954	13,077
Total	$	99,481	128,378

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, 2023 and 2022 (in thousands):

		2023 Total	Level 1	Investments at net asset value
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
Alternative investments:				
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

		2022 Total	Level 1	Investments at net asset value
Cash equivalents and short-term investments	$	7,896	7,896	—
Cash pending investment		2,250	2,250	—
Receivable from sale of investment		2,978	2,978	—
U.S. equities – exchange traded fund		15,464	15,464	—
Global equities:				
Mutual fund		15,623	15,623	—
Exchange traded fund		15,720	15,720	—
Limited partnerships		29,916	—	29,916
Other		30,140	—	30,140
Alternative investments:				
Long/short equity		26,993	—	26,993
Absolute return		34,262	—	34,262
Credit		4,817	—	4,817
Private debt		15,979	—	15,979
Private equity		40,407	—	40,407
Total pension assets	$	242,445	59,931	182,514

Information with respect to investment strategies and redemption terms for alternative investments in 2023 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).
- *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 were 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 which invest and develop properties across a variety of sectors including industrials, multi-family, and office.

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 $11.1 million and $10.5 million in 2023 and 2022, 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, 2022 valuation, the Plan's funded percentage is 100.0%. 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 expired July 31, 2020. A memorandum of agreement is in place for the period from August 1, 2021 to July 31, 2025. The contributions by the Met to the union pension fund were approximately $3.0 million and $2.9 million for the years ended July 31, 2023 and 2022, respectively. The contributions by the Met to the annuity fund were approximately $4.0 million and $3.9 million for the years ended July 31, 2023 and 2022, 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, 2022 valuation, the Plan's funded percentage is 106.9%. The plan was not in endangered, critical, or critical and declining status during the Plan year. The collective bargaining agreement requiring contributions to the Plan expired July 31, 2023. A memorandum of agreement is in place for the period from August 1, 2022 to July 31, 2026. The contributions by the Met to the union pension fund were approximately $555,000 and $557,000 for the years ended July 31, 2023 and 2022, respectively. The contributions by the Met to the annuity fund were approximately $449,000 and $499,000 for the years ended July 31, 2023 and 2022, respectively.
- The Met participates in a multi-employer union pension plan, the Pension Fund of Local 829. As of the January 1, 2022 valuation, the Plan's funded percentage is 101.8%. The plan was not in endangered, critical, or critical and declining status in the Plan year. A collective bargaining agreement requiring contributions to the Plan expired July 31, 2020. A memorandum of agreement is in place for the period from August 1, 2020 to July 31, 2025. The contributions by the Met to the union pension fund were approximately $400,000 and $339,000 for the years ended July 31, 2023 and 2022, respectively. The contributions by the Met to the annuity fund were approximately $260,000 and $228,000 for the years ended July 31, 2023 and 2022, respectively.

- The Met participates in a multi-employer union pension plan, the American Federation of Musicians and Employers' Pension Fund. As of the April 1, 2022 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, 2022 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 expired July 31, 2018. A memorandum of agreement was in place for the period from August 1, 2018 to July 31, 2021. A new memorandum of agreement is in place for the period from August 1, 2021 to July 31, 2025. The contributions by the Met to the union pension fund were approximately $859,000 and $683,000 for the years ended July 31, 2023 and 2022, respectively.
- Amounts contributed to the other eleven union plans amounted to $1.6 million and $1.5 million for the years ended July 31, 2023 and 2022, respectively. The status of these agreements are summarized in the table below:

Agreements	**Status**
Collective bargaining agreements	Expired July 31, 2020*
	Expired July 31, 2022*
	In place for the period from August 1, 2022 to July 31, 2025
	In place for the period from August 1, 2020 to July 31, 2026
	In place for the period from August 1, 2021 to July 31, 2029
Memorandum of agreements	In place for the period from August 1, 2020 to July 31, 2025
	In place for the period from August 1, 2021 to July 31, 2025
	In place for the period from August 1, 2022 to July 31, 2025
	In place for the period from August 1, 2022 to July 31, 2025
	In place for the period from August 1, 2023 to July 31, 2025
	In place for the period from January 1, 2023 to July 31, 2028

*Negotiations for a successor agreement are ongoing.

(9) Net Assets

Net assets with donor restrictions comprised the following at July 31, 2023 and 2022 (in thousands):

		2023	2022
Net assets with time or purpose restrictions:			
Subject to expenditure when a specified event occurs:			
Future operating activities (time restricted)	$	24,761	28,962
New productions		25,570	33,314
Capital		28,638	27,362
Interests in charitable trusts and pooled income funds		6,264	5,109
Telecast and other media activities		3,359	4,459
Save the Met Broadcast		16,085	4,611
Other program activities		1,719	3,254
Endowment draw appropriation restricted for program		862	969
		107,258	108,040
Endowment returns subject to future appropriation:			
Future operating activities (time restricted)		21,650	42,959
New productions		3,758	7,542
Telecast and other media activities		938	2,437
Save the Met Broadcast		653	694
Other program activities		26,759	14,429
Underwater endowments		(15,107)	(33)
		38,651	68,028
Total net assets restricted by time or purpose		145,909	176,068
Net assets with perpetual restrictions – income for:			
New York Season		148,635	149,967
New productions		72,620	74,089
Telecasts and other media		16,518	15,438
Young artists		13,096	13,139
Other specified activities		8,374	8,542
Total net assets with perpetual restrictions		259,243	261,175
Total net assets with donor restrictions	$	405,152	437,243

Included in net assets with donor restrictions in fiscal 2023 and 2022 is approximately $307,000 and $363,000, respectively, expended for capital appropriations funded by the City relating to the Met’s fly rigging system.

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 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, 2023 and 2022, the value of such funds included in net assets with donor restrictions to be held in perpetuity was $65.4 million and $68.7 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 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, 2023 and 2022. In November 2022, the Board of Managing Directors approved an additional draw of $30.0 million increasing the approved draw of $16.0 million to $46.0 million. The Board approved an additional draw in fiscal year 2024 which is further described in Note 14.

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. From time to time, 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 $15.0 million as of July 31, 2023. The original book value of these 97 funds with deficiencies was $136.0 million. Deficiencies of this nature that are reported in net assets with donor restrictions totaled approximately $33,000 as of July 31, 2022. The original book value of these three funds with deficiencies was $373,000.

The Met's endowment funds consist of the following at July 31, 2023 and 2022 (in thousands):

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

		Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: Accumulated gains/gift	Total funds as of July 31, 2022
Donor-restricted funds	$	—	257,288	67,928	325,216
Board-designated funds		14,374	—	—	14,374
Total endowment net assets	$	14,374	257,288	67,928	339,590

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

		Without donor restrictions	With donor restrictions	Total
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	$	14,505	294,054	308,559

Changes in endowment funds for the year ended July 31, 2022 (in thousands):

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 31, 2021	$	14,362	361,587	375,949
Investment return (loss), net		12	(22,793)	(22,781)
Contributions		—	817	817
Appropriation for expenditure		—	(14,395)	(14,395)
Endowment net assets, July 31, 2022	$	14,374	325,216	339,590

(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, 2023 and 2022 as follows (in thousands):

		Compensation and benefits	Supplies, services and other	Interest	Depreciation and amortization	Total operating expenses	Other components of net periodic pension cost	2023 Total expenses
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
Total program expenses		227,555	55,392	4	4,785	287,736	742	288,478
General management		13,245	8,679	9,519	236	31,679	44	31,723
Fundraising		5,261	9,692	—	—	14,953	16	14,969
Total expenses	$	246,061	73,763	9,523	5,021	334,368	802	335,170

	Compensation and benefits	Supplies, services and other	Interest	Depreciation and amortization	Total operating expenses	Other components of net periodic pension cost	2022 Total expenses
Opera activities:							
Performances	$ 178,710	23,498	—	—	202,208	2,886	205,094
Media	17,060	9,059	—	—	26,119	275	26,394
New productions	6,115	8,967	—	—	15,082	99	15,181
Other	3,188	3,322	—	—	6,510	51	6,561
Ballet and other presentations	3,569	1,598	1	—	5,168	58	5,226
Opera house	9,731	7,368	—	4,858	21,957	157	22,114
Total program expenses	218,373	53,812	1	4,858	277,044	3,526	280,570
General management	12,440	6,456	6,075	194	25,165	201	25,366
Fundraising	5,148	7,327	—	—	12,475	83	12,558
Total expenses	$ 235,961	67,595	6,076	5,052	314,684	3,810	318,494

(12) Commitments and Contingencies

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.

(13) Related Parties

The Metropolitan Opera Guild (the Guild) is an independent not-for-profit organization that, in addition to carrying out its own educational program activities, makes contributions to the Met. Certain officers of the Guild are members of the Met's Board of Managing Directors. The Met also maintains the membership records of the Guild and the Guild remits to the Met its membership revenues less the operating expenses of its magazine. Included in contributions receivable is approximately $563,022 and $483,000 due from the Guild at July 31, 2023 and 2022, respectively. Revenues from the Guild were $5.2 million and $5.8 million for the years ended July 31, 2023 and 2022, respectively.

The Met receives contributions from its Board members, and as of July 31, 2023 and 2022, $42.2 million and $44.6 million, respectively, are included in contribution receivables in the accompanying consolidated balance sheets. In addition, Board members contribute to the Met through their affiliated foundations and corporations.

(14) 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, 2023 through December 15, 2023, which was the date the consolidated financial statements were issued. The fiscal year 2024 initial 5% endowment draw of $16.7 million was increased by an additional amount of up to $40 million, which was approved by the Board to provide cash resources as needed. To the extent that additional fundraising or other developments during fiscal year 2024 diminish the need to expend this additional draw, it will be retained in the endowment. The Met continues to evaluate and implement expense reductions and seek additional fundraising resources.

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 will be reflected in the Met's consolidated financial statements starting in fiscal year 2024. As of July 31, 2023, the Guild's net assets were approximately $5.0 million.