KPMG

METROPOLITAN OPERA ASSOCIATION, INC.

Consolidated Financial Statements

July 31, 2018 and 2017

(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.:

We have audited the accompanying consolidated financial statements of the Metropolitan Opera Association, Inc., which comprise the consolidated balance sheets as of July 31, 2018 and 2017, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of the Metropolitan Opera Association, Inc. as of July 31, 2018 and 2017, 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.

KPMG LLP

December 13, 2018

METROPOLITAN OPERA ASSOCIATION, INC.

Consolidated Balance Sheets

July 31, 2018 and 2017

(In thousands)

Assets		**2018**	**2017**
Cash and cash equivalents	$	4,939	3,646
Accounts receivable		4,070	3,278
Contributions receivable, net (notes 2 and 10)		84,437	90,821
Prepaid production and telecast costs		16,780	9,656
Other assets		5,545	4,888
Investments (notes 3 and 8)		292,088	285,865
Interests in split-interest agreements (note 3)		23,286	21,530
Property and equipment, net (note 4)		54,980	50,395
Total assets	$	486,125	470,079
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	29,824	23,964
Borrowings under line of credit (note 5)		16,000	11,000
Deferred revenue		49,615	42,649
Other liabilities		20,072	19,471
Long-term debt (note 5)		92,065	92,788
Unfunded accumulated benefit obligation (note 6)		86,487	101,048
Total liabilities		294,063	290,920
Net assets (notes 7 and 8):			
Unrestricted (accumulated deficit)		(164,785)	(171,432)
Temporarily restricted		119,041	114,216
Permanently restricted		237,806	236,375
Total net assets		192,062	179,159
Total liabilities and net assets	$	486,125	470,079

See accompanying notes to consolidated financial statements.

METROPOLITAN OPERA ASSOCIATION, INC.

Consolidated Statements of Activities

Years ended July 31, 2018 and 2017

(In thousands)

		2018	2017
Change in unrestricted net assets:			
Operating revenues:			
Contributions and bequests	$	112,873	126,829
Net assets released from restrictions		33,312	21,638
		146,185	148,467
Opera activities:			
Box office and tours (inclusive of in-kind ticket and rush ticket discount program contributions of $3.9 million and $2.8 million in FY18 and FY17, respectively)		86,688	88,514
Media revenues		28,240	28,915
Other revenues		4,862	4,830
Ballet and other presentations		8,750	7,525
Investment return and bequest authorized spending amount (notes 3 and 8)		12,809	13,432
Other income (note 3)		6,326	9,397
Total		293,860	301,080
Operating expenses:			
Opera activities:			
Performances		183,323	188,097
Media		27,479	27,974
New productions		14,226	17,003
Other expenses		7,866	7,847
Ballet and other presentations		7,204	6,391
Opera House		21,039	21,468
General management (note 5)		22,139	18,225
Fund-raising expenses		12,538	14,075
Total		295,814	301,080
Deficiency of operating revenues over expenses		(1,954)	—
Nonoperating:			
Contributions for capital		158	1,511
Net assets released for capital		56	1,935
Investment return in excess of spending amount (note 3)		1,031	1,948
Other components of net periodic pension cost (note 6)		(8,018)	(5,952)
Pension-related changes other than net periodic pension cost (note 6)		17,197	28,245
Change in value of interests in split-interest agreements		(212)	(156)
Other		(1,611)	933
Increase in unrestricted net assets		6,647	28,464
Change in temporarily restricted net assets:			
Contributions and bequests for operations		23,043	20,410
Contributions and bequests for capital		11,533	30
Investment return, net (note 3)		1,703	10,897
Change in value of interests in split-interest agreements		1,479	1,812
Other		435	(442)
Net assets released from restrictions:			
For operations		(33,312)	(21,638)
For capital		(56)	(1,935)
Increase in temporarily restricted net assets		4,825	9,134
Change in permanently restricted net assets:			
Endowment contributions		1,583	2,910
Investment return, net (note 3)		(688)	3,680
Other		61	(2,924)
Change in value of interests in split-interest agreements		475	527
Increase in permanently restricted net assets		1,431	4,193
Change in net assets		12,903	41,791
Net assets:			
Beginning of year		179,159	137,368
End of year	$	192,062	179,159

See accompanying notes to consolidated financial statements.

METROPOLITAN OPERA ASSOCIATION, INC.

Consolidated Statements of Cash Flows

Years ended July 31, 2018 and 2017

(In thousands)

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	12,903	41,791
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		5,378	5,219
Pension-related changes other than net periodic pension cost		(17,197)	(28,245)
Net gains on investments		(13,555)	(28,415)
Net gains on sale of property and equipment		—	(3,286)
Change in value of interests in split-interest agreements		(1,756)	(2,183)
Contributions permanently restricted for endowment		(1,583)	(2,910)
Contributions restricted for investments in property and equipment		(11,533)	(30)
Changes in operating assets and liabilities:			
Accounts receivable		(792)	424
Contributions receivable, net		8,576	(3,185)
Prepaid production and other assets		(7,781)	2,180
Accounts payable, accrued expenses, and other liabilities		9,097	4,609
Deferred revenue		6,966	(3,960)
Net cash used in operating activities		(11,277)	(17,991)
Cash flows from investing activities:			
Acquisition of property and equipment		(9,931)	(3,869)
Proceeds from sale of property and equipment		—	3,298
Purchases of investments		(221,214)	(211,402)
Proceeds from sale of investments		228,546	224,161
Net cash (used in) provided by investing activities		(2,599)	12,188
Cash flows from financing activities:			
Borrowings under line of credit		36,500	26,500
Repayment of line of credit		(31,500)	(24,500)
Borrowings under long-term debt		2,162	—
Repayment of long-term debt		(2,917)	(2,160)
Cash contributions for permanently restricted endowment		5,001	4,912
Cash received for contributions restricted for investments in property and equipment		5,923	509
Net cash provided by financing activities		15,169	5,261
Net increase (decrease) in cash and cash equivalents		1,293	(542)
Cash and cash equivalents, beginning of year		3,646	4,188
Cash and cash equivalents, end of year	$	4,939	3,646
Supplemental information:			
Cash paid for interest	$	3,871	4,426

See accompanying notes to consolidated financial statements.

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

Organization

The 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, 2018, the Met had operating expenses in excess of operating revenues of approximately $2.0 million. Unrestricted net assets improved primarily due to a decrease in the unfunded accumulated pension benefit obligation as a result of a higher discount rate. As discussed in note 5, the Met's credit facility has been restructured to provide resources for operations and capital initiatives. Based upon the most recent information available and the Met's strategic planning and continued efforts to grow revenue and reduce expenses further, the Met estimates that it will have sufficient liquidity through December 2019 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 changes in net assets in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- Unrestricted – Includes all resources over which the Board of Managing Directors has discretionary control.
- Temporarily restricted – Includes net assets subject to donor-imposed restrictions that permit the Met to expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Met in accordance with those specified by the donor. Restricted contributions and investment income from endowment funds whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets. To the extent not satisfied and placed in service in the same period, the Met reports contributions that must be used to acquire property and equipment as temporarily restricted net assets. When the restriction has been satisfied and the acquired assets are placed in service, the temporarily restricted net assets are reclassified to unrestricted net assets, except as disclosed in note 7. The Met follows the provisions of Accounting Standards Codification (ASC) Topic 958, Section 205-45, *Classification of Donor Restricted Endowment Funds Subject to UPMIFA*, which requires the portion of a donor-restricted endowment

fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the New York Prudent Management of Institutional Funds Act (NYPMIFA).

- Permanently restricted – Includes net assets subject to donor-imposed restrictions that stipulate that the original contribution be maintained permanently, but permits the Met to expend part or all of the income and, in some cases, all or part of the appreciation, derived for either specified or unrestricted purposes. In addition, permanently restricted net assets include certain gifts that require the use of a spending rate.

(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 unrestricted operating revenues and expenses that are an integral part of its programs and supporting activities, including unrestricted contributions 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, capital contributions and net assets released for capital, adjustments to the discount on multi-year pledges, 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. Significant 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 I 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 3.

(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) Contributions and Bequests

Contributions and unconditional promises to give are reported as revenues in the period they are received or made, respectively. 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.

In fiscal 2015, the Met began a new campaign. The overall campaign seeks to raise a combined $600 million, including $300 million for endowment, $137 million for the Opera Fund, $64 million for capital projects, $61 million for new productions, and $38 million for other purposes. Through July 31, 2018, the Met raised $151 million under the Opera Fund campaign of which $43 million was recognized as unrestricted revenue for the year ended July 31, 2018.

Fund-raising expenses reflected in the accompanying consolidated statements of activities of $12.5 million and $14.1 million have been incurred to raise contributions and bequests, including temporarily and permanently restricted contributions and bequests, totaling $149.2 million and $151.7 million in 2018 and 2017, respectively.

(f) Split-Interest Agreements

The Met receives 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 the change in value of interests in split-interest agreements in unrestricted net assets.

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 temporarily or permanently restricted contribution revenue, depending on 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.

(g) Box Office and Live in HD Media Revenues

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. *Live in HD* program media revenue is recognized in the year the showing takes place.

(h) 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, except for direct response marketing and other expenses incurred related to the following season when the related revenues are recognized. Such deferred costs were approximately $885,000 and $893,000 at July 31, 2018 and 2017, respectively. Total marketing expenses recognized were $15.4 million and $15.5 million in 2018 and 2017, respectively. Such amounts, which represent management and general activities, are included in performance expense in the accompanying consolidated statements of activities.

On occasion, the Met provides tickets for fund-raising and media purposes at no cost. The value of these tickets is approximately $737,000 and $832,000 in 2018 and 2017, 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.

(i) 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.

(j) 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.

The Met recognizes the effect of income tax positions only of 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, 2018 and 2017.

(k) Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* which among other things, changes how not-for-profit entities report net asset classes, expenses, and liquidity in their financial statements. The significant requirements of the ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the consolidated balance sheet. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Met is in the process of evaluating the impact of the ASU on its consolidated financial statements. The Met plans to adopt ASU No. 2016-14 for the year ending July 31, 2019.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which introduced a five-step model and related application guidance, which replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of this standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The Met plans to adopt ASU No. 2014-09 for the year ending July 31, 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities*: *Clarifying the scope and accounting guidance for contributions received and contributions made*. ASU No. 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provided). The provisions in this ASU are effective for annual periods beginning after June 15, 2018. The Met is in the process of evaluating the impact of the ASU on its consolidated financial statements. The Met plans to adopt ASU No. 2018-08 for the year ending July 31, 2019.

(l) Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements 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):

		2018	2017
Within one year	$	34,722	37,539
One to five years		51,364	53,067
More than five years		2,950	4,400
Total		89,036	95,006
Less:			
Allowance for uncollectibility		(540)	(540)
Discount to present value discount rate used ranging from 1.62% – 3.42%, for both 2018 and 2017		(4,059)	(3,645)
	$	84,437	90,821

In 2018 and 2017, contributions receivable include approximately $40.1 million and $53.5 million, respectively, due from ten donors.

(3) Investments

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

		2018	2017
Endowment investments:			
Cash equivalents and short-term investments	$	23,535	16,453
Cash pending investment		11,950	9,000
Fixed income		22,706	40,693
U.S. equities		13,644	47,468
Global equities (including alternative investments)		133,919	118,814
Other alternative investment strategies		78,083	44,638
		283,837	277,066
Other investments:			
Cash equivalents and short-term investments		201	833
Fixed income		3,928	2,960
U.S. equities		2,509	3,547
Global equities		912	538
Balanced mutual funds		667	853
Alternative investments		34	68
		8,251	8,799
	$	292,088	285,865

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

		2018	2017
Investments, beginning of year	$	285,865	270,209
Investment return:			
Interest and dividends		3,609	3,026
Net gains		13,555	28,415
Less investment expenses paid		(2,334)	(742)
Investment return		14,830	30,699
Gifts and other additions		25,427	29,257
Amounts utilized for operations:			
Investment return authorized spending amount		(12,849)	(13,615)
Save the Met Broadcast account transfers		—	(6,215)
Other transfers		(21,185)	(24,470)
Investments, end of year	$	292,088	285,865

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

		2018	2017
Investment return authorized spending amount included in:			
Unrestricted operating revenues	$	12,809	13,456
Temporarily restricted investment returns		40	159
		12,849	13,615
Other investment return included in other income or change in value of split-interest agreements		156	559
Investment return greater than (less than) authorized spending amount		2,006	16,525
Investment return	$	15,011	30,699

Management’s estimate of the remaining life of the (nonredeemable) limited partnerships held in the Met’s investment portfolio at July 31, 2018 and 2017 of $3.9 million and $3.1 million, respectively, is one to fourteen years. At July 31, 2018, the Met had unpaid investment consultant fees of $310,000. At July 31, 2018, the Met had unfunded outstanding commitments, net of investments already made, totaling $25 million.

The redeemable alternative investment funds included in the Met’s investment portfolio at July 31, 2018 and 2017 are redeemable based on the following terms and conditions (in thousands):

		2018	2017
Semi-monthly redemption with 3-15 days’ notice	$	35,164	25,595
Monthly redemption with 6–62 days’ notice		25,898	24,129
Monthly redemption with 95 days’ notice		6,865	6,276
Quarterly redemption with 30 days’ notice		—	26,028
Quarterly redemption with 30 days’ notice subject to 1 year lock up		2,757	—
Quarterly redemption with 60 days' notice		8,284	8,182
Quarterly redemption with 60–90 days’ notice subject to lock ups and/or gates		35,004	8,935
Quarterly redemption with 180 days’ notice subject to 1 year lock up		3,755	—
Annual redemption with 90 days’ notice		4,684	5,064
Bi-annual redemption with 100 days' notice		32,256	5,770
Bi-annual redemption with 123 days' notice subject to 2 year lock up		14,230	12,608
	$	168,897	122,587

The following tables present the fair value hierarchy of assets that are measured at fair value on a recurring basis at July 31, 2018 and 2017 (in thousands):

	2018 Total	Level 1	Level 3	Investments at net asset value
Investments:				
Cash equivalents and short-term investments	$ 23,736	23,736	—	—
Cash pending investment	11,950	11,950	—	—
Fixed income:				
Common trust fund	394	394	—	—
Exchange traded funds	398	398	—	—
Mutual fund	22,706	22,706	—	—
U.S. government obligations	3,136	3,136	—	—
U.S. equities:				
Mutual funds	6,202	6,202	—	—
Exchange traded funds	9,124	9,124	—	—
Common trust funds	826	826	—	—
Global equities:				
Managed accounts	14,332	14,332	—	—
Mutual funds	13,749	13,749	—	—
Exchange traded funds	64,335	12,066	—	52,269
Common trust funds	42,416	26	—	42,390
Balanced mutual funds	667	667	—	—
Alternative investments:				
Long/short equity	16,240	—	—	16,240
Absolute return	17,458	—	—	17,458
Credit	40,540	—	—	40,540
Private equity	3,879	—	—	3,879
	$ 292,088	119,312	—	172,776
Interests in split-interest agreements	$ 23,286	—	23,286	—

		2017 Total	Level 1	Level 3	Investments at net asset value
Investments:					
Cash equivalents and short-term investments	$	17,286	17,286	—	—
Cash pending investment		9,000	9,000	—	—
Fixed income:					
Common trust fund		485	485	—	—
Exchange traded funds		2,408	2,408	—	—
Mutual fund		40,693	40,693	—	—
U.S. government obligations		67	67	—	—
U.S. equities:					
Managed accounts		26,339	26,339	—	—
Mutual funds		16,344	16,344	—	—
Exchange traded funds		7,299	7,299	—	—
Common trust funds		1,033	1,033	—	—
Global equities:					
Managed accounts		12,330	12,330	—	—
Mutual funds		19,451	19,451	—	—
Exchange traded funds		6,516	6,516	—	—
Limited partnerships		66,522	—	—	66,522
Common trust funds		30	30	—	—
Other		14,503	—	—	14,503
Balanced mutual funds		853	853	—	—
Alternative investments:					
Long/short equity		11,292	—	—	11,292
Absolute return		16,317	—	—	16,317
Credit		13,217	—	—	13,217
Private equity		3,880	—	—	3,880
	$	285,865	160,134	—	125,731
Interests in split-interest agreements	$	21,530	—	21,530	—

For the year ended July 31, 2018, interests in split-interest agreements increased by new agreements of $211,000, increased by net investment gains of $1,755,000, and decreased by terminations of $210,000. For the year ended July 31, 2017, interests in split-interest agreements increased by new agreements of $20,000, increased by net investment gains of $2,182,000, and decreased by terminations of $19,000.

Information with respect to investment strategies for alternative investments in 2018 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 angles 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, quantitative equity market neutral strategy, and investments in fully collateralized reinsurance contracts.

Credit: Includes investments across the credit spectrum, including investments in residential mortgage-backed securities and bank loans.

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, credit and multi-strategy hedge funds, financial services and funds that are in liquidation status.

(4) Property and Equipment

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

		2018	2017
Land	$	80	80
Warehouses		1,604	1,604
Leasehold improvements		28,430	27,855
Furniture, fixtures, and other, including information systems equipment		41,510	38,090
Theatrical equipment		58,553	57,213
Construction in progress		10,273	5,677
		140,450	130,519
Less accumulated depreciation and amortization		(85,470)	(80,124)
	$	54,980	50,395

In fiscal 2017, City of New York (the City) spent $1.483 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.

(5) Long-Term Debt and Line of Credit

As of July 31, 2018, the Met maintained a bank line of credit of $30 million (the Line of Credit). The Line of Credit was extended to expire on September 30, 2019. The Line of Credit amount was scheduled to be $30 million for the period from September 30, 2018 through June 29, 2019; $23 million from June 30, 2019 through July 30, 2019; $19 million from July 31, 2019 through August 31, 2019; and $7.5 million from September 1, 2019 to September 30, 2019. The Met pledged: (i) certain artwork to collateralize the Line of Credit and the $11.6 million standby letter of credit facility (the Letter of Credit) (see note 9); (ii) certain endowment funds totaling $23.4 million for which the respective donors have agreed to allow such funds to serve as collateral for the Line of Credit; and (iii) a warehouse to collateralize the Letter of Credit. Borrowings under the Line of Credit bear interest at LIBOR (3.45325% at July 31, 2018) plus 1.50% or the Prime Rate. The Line of Credit is charged a fee of 0.25% on the unborrowed portion of the line. Interest expense related to borrowings under the Line of Credit was approximately $714,000 and $560,000 for 2018 and 2017, respectively, and is included in general management expenses. At July 31, 2018 and 2017, the amount outstanding under the Line of Credit was $16 million and $11 million, respectively.

In November 2018, the Met terminated the Line of Credit and entered into an agreement for a Line of Credit with a different financial institution (the New Line of Credit). The New Line of Credit is in the amount of $67 million and will expire in November 2023. The outstanding amount may not exceed $50 million, $41.25 million, $32.5 million, $23.75 million, and $15 million for thirty consecutive days during each twelve consecutive month period, respectively. For the New Line of Credit and an additional $11.6 million standby letter of credit facility (with a maximum additional commitment for the Letter of Credit of $15 million) (the Letter of Credit) (see note 9) the Met 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. Borrowings under the New Line of Credit bear interest at LIBOR plus 1.25%. The New Line of Credit and the Letter of Credit are charged a fee of 0.25% on their unborrowed portion. In addition to regular reporting requirements, the Met must comply with certain financial covenants related to minimum net assets as well as an interest coverage ratio.

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 million bank loan, amounts outstanding under the $30 million Line of Credit, and terminate a related interest rate swap agreement. In addition, the proceeds fund 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, $20.355 million of fixed rate serial bonds with maturity dates commencing October 1, 2014 and annually thereafter until October 1, 2022, and $79.645 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 1.000% to 3.128% payable each April 1 and October 1 commencing October 1, 2013. The fixed rate term bonds bear interest at rates ranging from 3.728% to 4.524%, 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 and 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 each of the years ended July 31, 2018 and 2017 was $3.8 million and $3.9 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:			
2019	$ 2,235	3,787	6,022
2020	2,285	3,736	6,021
2021	2,345	3,676	6,021
2022	2,415	3,609	6,024
2023	2,485	3,535	6,020
Thereafter	79,645	40,821	120,466
	91,410	$ 59,164	150,574
Bond issuance costs	(785)		
	$ 90,625		

In September 2017, the Met entered into a promissory note agreement with a Board member in the amount of $2.2 million. The balance of the loan is due on July 31, 2020 and interest is payable on every January 31 and July 31 of each calendar year at the rate of 1.29% per annum. As of July 31, 2018, $1.44 million outstanding on the loan is included in long-term debt payable. Interest expense of approximately $20,000 for the year ended July 31, 2018 is included in general management expenses.

(6) 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 a separate line within the change in unrestricted net assets, apart from expenses and service cost.

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

		2018	2017
Change in benefit obligation:			
Benefit obligation at beginning of year	$	301,010	313,720
Service cost		6,376	7,030
Interest cost		12,285	11,586
Actuarial (gains) losses		(10,949)	(15,409)
Benefits paid		(16,458)	(15,917)
Special termination benefits		2,357	—
Benefit obligation at end of year		294,621	301,010
Change in plan assets:			
Fair value of plan assets at beginning of year		199,962	188,564
Actual return		13,240	18,720
Employer contributions		11,759	8,845
Benefits paid and actual expenses		(16,827)	(16,167)
Fair value of plan assets at end of year		208,134	199,962
Funded status	$	86,487	101,048
Components of net periodic cost:			
Service cost	$	6,377	7,030
Interest cost		12,284	11,586
Expected return on plan assets		(15,436)	(15,734)
Other, net		8,813	10,100
Net periodic cost		12,038	12,982
Special termination benefits		2,357	—
Net periodic cost after special termination benefits	$	14,395	12,982
Items not yet recognized as a component of net periodic benefit cost:			
Unrecognized prior service cost	$	3,064	4,956
Unrecognized net loss		90,735	106,040
Total	$	93,799	110,996

	2018	2017
Weighted average assumptions used to determine net periodic benefit costs:		
Discount rate	4.09 %	3.79 %
Expected long-term return on plan assets	7.47	7.90
Weighted average assumptions used to determine benefit obligations:		
Discount rate	4.46 %	4.09 %

In September 2017, the Plan was amended to allow eligible employees to participate in the 2017 Voluntary Retirement Program and receive an enhanced pension benefit. Special termination benefits of $2.4 million are included in net periodic cost.

During the years ended July 31, 2018 and 2017, a net credit of $17.2 million and $28.2 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):

		2018	2017
Net actuarial (gain) loss	$	(8,385)	(18,144)
Amortization of prior service cost		(1,891)	(1,891)
Amortization of actuarial loss		(6,921)	(8,210)
	$	(17,197)	(28,245)

The amortization of net loss and amortization of prior service costs expected to be recognized as a component of net periodic pension cost over the next twelve months are $5,126,000 and $1,892,000, respectively.

The accumulated benefit obligation for the Plan at July 31, 2018 and 2017 was $294,621,000 and $301,010,000, respectively.

The Met expects to contribute at least the minimum required amount of approximately $12 million to the Plan in fiscal year 2019. Benefit payments, which reflect expected future service as appropriate, are expected to be paid as follows (in thousands):

		Amount
Year(s) ending July 31:		
2019	$	16,672
2020		16,867
2021		17,254
2022		17,687
2023		17,887
2024–2028		92,168

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, 2018 and 2017 by asset category are as follows:

Asset category	2018 Target policy allocation	2017 Target policy allocation	Percentage of plan assets 2018	Percentage of plan assets 2017
Fixed income, including credit and cash	0%–30%	0%–70%	14 %	23 %
Domestic and international equity	30–65	0–60	61	62
Private equity and other alternatives	0–30	0–30	25	15
Total			100 %	100 %

Management's estimate of remaining life of the (nonredeemable) limited partnerships held in the Plan's investment portfolio at July 31, 2018 is three to thirteen years. At July 31, 2018, the Plan had outstanding unfunded commitments, net of investments already made, totaling $17 million.

The redeemable alternative investment funds included in the Plan's investment portfolio at July 31, 2018 and 2017 are redeemable based on the following terms and conditions (in thousands):

		2018	2017
Semi-monthly redemption with 3 -15 days' notice	$	34,771	39,769
Monthly redemption with 6–62 days' notice		36,221	28,662
Monthly redemption with 95 days' notice		4,577	4,184
Quarterly redemption with 30 days' notice subject to 1 year lock up		2,757	—
Quarterly redemption with 60 days' notice		6,129	6,054
Quarterly redemption with 60-90 days' notice subject to lock ups and/or gates		30,949	7,404
Quarterly redemption with 180 days' notice subject to 1 year lock up		2,816	—
Annual redemption with 90 days' notice		4,684	5,064
Bi-annual redemption with 123 days' notice subject to 2 year lock up		11,345	10,056
Total	$	134,249	101,193

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, 2018 and 2017 (in thousands):

		2018 Total	Level 1	Investments at net asset value
Cash equivalents and short-term investments	$	2,277	2,277	—
Cash pending investment		7,110	7,110	—
Fixed income – mutual fund		18,840	18,840	—
U.S. equities:				
Managed accounts		8,102	8,102	—
Exchange traded fund		13,288	13,288	—
Global equities:				
Mutual fund		10,549	10,549	—
Exchange traded fund		10,702	10,702	—
Limited partnerships		48,373	—	48,373
Other		36,471	—	36,471
Alternative investments:				
Long/short equity		15,605	—	15,605
Absolute return		15,130	—	15,130
Credit		20,798	—	20,798
Private equity		889	—	889
Total pension assets	$	208,134	70,868	137,266

		2017 Total	Level 1	Investments at net asset value
Cash equivalents and short-term investments	$	12,204	12,204	—
Cash pending investment		21,000	21,000	—
Fixed income – mutual fund		13,297	13,297	—
U.S. equities:				
Managed accounts		26,016	26,016	—
Mutual fund		7,900	7,900	—
Global equities:				
Mutual fund		13,378	13,378	—
Exchange traded fund		4,974	4,974	—
Limited partnerships		57,259	—	57,259
Other		13,498	—	13,498
Alternative investments:				
Long/short equity		3,062	—	3,062
Absolute return		9,248	—	9,248
Credit		18,126	—	18,126
Total pension assets	$	199,962	98,769	101,193

Information with respect to investment strategies and redemption terms for alternative investments in 2018 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.

Long/short equity: Includes investments that take long and short positions in stocks to capitalize on changes in the market including investments in U.S. based downstream and midstream energy companies.

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, those who follow a systematic, quantitative equity market neutral strategy, and investments in fully collateralized reinsurance contracts.

Credit: Includes investments across the credit spectrum, including investments in residential mortgage-backed securities and bank loans.

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, and middle market industrials.

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 $11,713,000 and $11,795,000 in 2018 and 2017, 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, 2017 valuation, the plan's funded percentage is 96.5% which is in the green zone. The collective bargaining agreement requiring contributions to the plan expired July 31, 2014. A memorandum of agreement is in place for the period from August 1, 2014 to July 31, 2020. The contributions by the Met to the union pension fund were approximately $2,860,000 and $2,936,000 for the years ended July 31, 2018 and 2017, respectively. The contributions by the Met to the annuity fund were approximately $5,537,000 and $5,663,000 for the years ended July 31, 2018 and 2017, 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, 2017 valuation, the plan's funded percentage is 107.0% which is in the green zone. The collective bargaining agreement requiring contributions to the plan expired July 31, 2018. A memorandum of agreement is in place for the period from August 1, 2018 to July 31, 2022. The contributions by the Met to the union pension fund were approximately $508,000 and $509,000 for the years ended July 31, 2018 and 2017, respectively. The contributions by the Met to the annuity fund were approximately $395,000 and $376,000 for the years ended July 31, 2018 and 2017, respectively.
- The Met participates in a multi-employer union pension plan, the Pension Fund of Local 829. As of the January 1, 2017 valuation, the plan's funded percentage is 104.2% which is in the green zone. A collective bargaining agreement requiring contributions is in place for the period from August 1, 2014 to July 31, 2020. The contributions by the Met to the union pension fund were approximately $377,000 and $370,000 for the years ended July 31, 2018 and 2017, respectively. The contributions by the Met to the annuity fund were approximately $268,000 and $271,000 for the years ended July 31, 2018 and 2017, 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, 2017 valuation, the plan's funded percentage is 64.5%; however, the plan is considered to be in critical status because (i) 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 ending March 31, 2018 and (ii) 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 is in place for the period from August 1, 2018 to July 31, 2021. The contributions by the Met to the union pension fund were approximately $600,000 and $532,000 for the years ended July 31, 2018 and 2017, respectively.

- Amounts contributed to nine other union plans amounted to $1,167,000 and $1,139,000 for the years ended July 31, 2018 and 2017, respectively. Two collective bargaining agreements are in place for the period from August 1, 2014 to July 31, 2019. (30 & 1456) Two memorandums of agreement are in place for the period from August 1, 2014 to July 31, 2020. (794 & 817) One memorandum of agreement is in place for the period from August 1, 2018 to July 31, 2021. (AGMA). One collective bargaining agreement is in place for the period from August 1, 2006 to July 31, 2021. (DGA). Three unions, whose agreements expired July 31, 2018, are currently being negotiated with (210,751,798).

(7) Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for specified purposes or are time restricted as of July 31 as follows (in thousands):

		2018	2017
Program activities:			
Future operating activities (time restricted)	$	33,497	39,218
New productions		22,914	22,157
Telecast and other media activities		6,462	7,307
Save the Met Broadcast		3,055	6,283
Other program activities		12,858	12,006
Endowment draw appropriation restricted for program		185	337
Capital		21,726	10,248
Other time restrictions including interests in charitable trusts and pooled income funds		18,344	16,660
	$	119,041	114,216

Included in temporarily restricted net assets in fiscal 2018 and 2017 is approximately $586,000 and $642,000, respectively, expended for capital appropriations funded by the City relating to the Met’s fly rigging system.

(b) Permanently Restricted Net Assets

Permanently restricted net assets as of July 31 consist of endowment contributions and interests in charitable trusts from which investment income is or will be available to support unrestricted or donor-specified activities, as follows (in thousands):

		2018	2017
Income for:			
New York Season	$	128,821	125,959
New productions		67,485	67,942
Telecasts and other media		15,401	15,445
Young artists		17,060	18,261
Other specified activities		9,039	8,768
	$	237,806	236,375

Included in permanently restricted net assets 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 permanently restricted. In addition, permanently restricted net assets 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 permanently restricted. At July 31, 2018 and 2017, the value of such funds included in permanently restricted net assets was $69.1 million and $69.8 million, respectively.

(8) 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 absent explicit donor stipulations to the contrary.

The investment objective of the Met’s 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.

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 5.0% and 5.5% for the years ended July 31, 2018 and 2017, respectively.

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 unrestricted net assets totaled approximately $240,000 and $295,000 as of July 31, 2018 and 2017, respectively. This deficiency results from the combination of unfavorable market fluctuations and spending subsequent to the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets.

The Met's endowment fund consists of the following at July 31, 2018 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	(240)	37,954	231,632	269,346
Board-designated		14,491	—	—	14,491
Total endowment net assets	$	14,251	37,954	231,632	283,837

The Met's endowment fund consists of the following at July 31, 2017 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	(295)	36,283	227,319	263,307
Board-designated		13,759	—	—	13,759
Total endowment net assets	$	13,464	36,283	227,319	277,066

(Continued)

Changes in endowment funds for the year ended July 31, 2018 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 31, 2017	$	13,464	36,283	227,319	277,066
Investment return, net		13,636	1,335	(688)	14,283
Contributions		—	336	5,001	5,337
Appropriation for expenditure		(12,849)	—	—	(12,849)
Endowment net assets, July 31, 2018	$	14,251	37,954	231,632	283,837

Changes in endowment funds for the year ended July 31, 2017 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 31, 2016	$	10,719	25,865	218,727	255,311
Investment return, net		16,201	10,577	3,680	30,458
Contributions		—	—	4,912	4,912
Appropriation for expenditure		(13,456)	(159)	—	(13,615)
Endowment net assets, July 31, 2017	$	13,464	36,283	227,319	277,066

(9) Commitments and Contingencies

The Met has a letter of credit with a bank in the amount of $11.6 million, which serves as security with an insurance company for unpaid workers' compensation claims.

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.

(10) Related Party

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 $464,000 and $586,000 due from the Guild at July 31, 2018 and 2017, respectively. Revenues from the Guild were $6.1 million and $7.2 million for the years ended July 31, 2018 and 2017, respectively.

(11) 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, 2018 through December 13, 2018, which was the date the consolidated financial statements were available to be issued and has concluded that, other than what is disclosed in note 5, there are no subsequent events requiring disclosure.