
LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

LYRIC OPERA
KANSAS CITY

Contents

	Page
Independent Auditors' Report	1 - 2
 Financial Statements	
Consolidated Statement Of Financial Position	3
Consolidated Statements Of Activities	4 - 5
Consolidated Statement Of Cash Flows	6
Notes To Consolidated Financial Statements	7 - 20
 Supplementary Information	
Independent Auditors' Report On Supplementary Information.....	21
Consolidating Statements Of Financial Position	22 - 23
Consolidating Statements Of Activities.....	24 - 25
Unconsolidated Schedule Of Operating Results	26



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Independent Auditors' Report

Board of Trustees
Lyric Opera of Kansas City, Inc.
Kansas City, Missouri

Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lyric Opera of Kansas City, Inc., which comprise the consolidated statement of financial position as of June 30, 2017 and 2016, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Lyric Opera of Kansas City, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 2 to the consolidated financial statements, during the year ending June 30, 2017, Lyric Opera of Kansas City, Inc. implemented new guidance within the Accounting Standards Codification which changed the presentation of debt issuance costs. Our opinion is not modified with respect to that matter.

RubinBrown LLP

October 31, 2017

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	June 30,	
	2017	2016
Current Assets		
Cash and cash equivalents	\$ 1,348,008	\$ 1,409,335
Accounts receivable	145,214	133,366
Promises to give	1,488,918	1,421,833
Prepaid production costs	66,907	116,629
Other prepaid expenses	86,683	135,553
Total Current Assets	3,135,730	3,216,716
Property And Equipment		
Land, buildings, improvements and equipment	10,040,881	9,784,115
Less: Accumulated depreciation	(1,424,056)	(1,115,451)
Net Property And Equipment	8,616,825	8,668,664
Promises To Give - Long Term	273,065	488,942
Interest In Net Assets Of Lyric Foundation	16,080,567	15,212,979
Total Assets	\$ 28,106,187	\$ 27,587,301
Liabilities And Net Assets		
Current Liabilities		
Accounts payable	\$ 65,922	\$ 110,402
Accrued payroll and taxes	78,569	82,713
Accrued interest	62,976	62,976
Current portion of capital lease payable	74,880	—
Deferred income:		
Ticket sales	704,733	751,990
Other	41,516	59,604
Total Current Liabilities	1,028,596	1,067,685
Long-Term Liabilities		
Capital lease payable	102,599	—
Long-term debt	10,290,000	10,290,000
Less: Unamortized debt issuance costs	88,964	98,089
Total Long-Term Liabilities	10,303,635	10,191,911
Net Assets		
Unrestricted	(1,870,166)	(1,023,095)
Temporarily restricted	11,818,434	10,525,112
Permanently restricted	6,825,688	6,825,688
Total Net Assets	16,773,956	16,327,705
Total Liabilities And Net Assets	\$ 28,106,187	\$ 27,587,301

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Earned Revenue				
Ticket sales (Mainstage and Explorations)	\$ 1,422,253	\$ —	\$ —	\$ 1,422,253
Rental income	212,028	—	—	212,028
Education	53,665	—	—	53,665
Auxiliaries	255,945	—	—	255,945
Miscellaneous	46,659	—	—	46,659
Resident artist program	10,138	—	—	10,138
Total Earned Revenue	2,000,688	—	—	2,000,688
Contributed Revenue				
Individual, corporate and foundation	625,884	3,140,340	—	3,766,224
Federal, state and local	78,927	96,142	—	175,069
In-kind contributions	57,385	—	—	57,385
Lyric Opera Ball	625,839	134,200	—	760,039
Net assets released from restrictions	2,944,948	(2,944,948)	—	—
Total Contributed Revenue	4,332,983	425,734	—	4,758,717
Total Revenue	6,333,671	425,734	—	6,759,405
Expenses				
Program services				
Production and artistic	3,260,327	—	—	3,260,327
Education	209,978	—	—	209,978
Total program services	3,470,305	—	—	3,470,305
Management and general				
Theatre and building	980,705	—	—	980,705
Finance and administration	827,240	—	—	827,240
Charitable contributions	360,669	—	—	360,669
Marketing	572,194	—	—	572,194
Ticket office	245,552	—	—	245,552
Total management and general	2,986,360	—	—	2,986,360
Fundraising				
Development	349,389	—	—	349,389
Auxiliaries	167,572	—	—	167,572
Lyric Opera Ball	207,116	—	—	207,116
Total fundraising	724,077	—	—	724,077
Total Expenses	7,180,742	—	—	7,180,742
Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation	(847,071)	425,734	—	(421,337)
Change In Net Assets Of Lyric Foundation	—	867,588	—	867,588
Change In Net Assets	(847,071)	1,293,322	—	446,251
Net Assets - Beginning Of Year	(1,023,095)	10,525,112	6,825,688	16,327,705
Net Assets - End Of Year	\$ (1,870,166)	\$ 11,818,434	\$ 6,825,688	\$ 16,773,956

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Earned Revenue				
Ticket sales (Mainstage and Explorations)	\$ 1,512,919	\$ —	\$ —	\$ 1,512,919
Rental income	68,625	—	—	68,625
Education	60,575	—	—	60,575
Auxiliaries	348,940	—	—	348,940
Miscellaneous	69,823	—	—	69,823
Resident artist program	10,203	—	—	10,203
Total Earned Revenue	2,071,085	—	—	2,071,085
Contributed Revenue				
Individual, corporate and foundation	911,228	2,521,462	—	3,432,690
Capital campaign	—	380,370	—	380,370
Federal, state and local	128,205	40,000	—	168,205
In-kind contributions	57,717	—	—	57,717
Lyric Opera Ball	670,844	67,250	—	738,094
Net assets released from restrictions	3,361,959	(3,361,959)	—	—
Total Contributed Revenue	5,129,953	(352,877)	—	4,777,076
Total Revenue	7,201,038	(352,877)	—	6,848,161
Expenses				
Program services				
Production and artistic	2,917,931	—	—	2,917,931
Education	267,365	—	—	267,365
Total program services	3,185,296	—	—	3,185,296
Management and general				
Theatre and building	964,582	—	—	964,582
Finance and administration	839,502	—	—	839,502
Charitable contributions	801,866	—	—	801,866
Loss on disposal of property (Note 4)	19,105	—	—	19,105
Marketing	635,633	—	—	635,633
Ticket office	200,534	—	—	200,534
Total management and general	3,461,222	—	—	3,461,222
Fundraising				
Development	393,133	—	—	393,133
Auxiliaries	266,005	—	—	266,005
Lyric Opera Ball	176,991	—	—	176,991
Total fundraising	836,129	—	—	836,129
Total Expenses	7,482,647	—	—	7,482,647
Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation	(281,609)	(352,877)	—	(634,486)
Change In Net Assets Of Lyric Foundation	—	353,989	—	353,989
Change In Net Assets	(281,609)	1,112	—	(280,497)
Net Assets - Beginning Of Year	(741,486)	10,524,000	6,825,688	16,608,202
Net Assets - End Of Year	\$ (1,023,095)	\$ 10,525,112	\$ 6,825,688	\$ 16,327,705

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ 446,251	\$ (280,497)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	308,604	256,509
Amortization of debt issuance costs reported as interest expense	9,125	9,125
Loss on disposal of property and equipment	—	19,105
Change in value of interest in net assets of Lyric Foundation	(867,588)	(353,989)
Contributions to capital campaign	—	(380,370)
Changes in assets and liabilities:		
Increase in accounts receivable and promises to give	(223,725)	(93,416)
(Increase) decrease in prepaid expenses and other assets	98,592	(98,377)
Decrease in accounts payable and accrued expenses	(48,624)	(100,133)
Decrease in deferred income	(65,345)	(99,842)
Net Cash Used In Operating Activities	(342,710)	(1,121,885)
Cash Flows From Investing Activities		
Purchases of property and equipment	(5,396)	(72,039)
Withdrawals from cash restricted for purchases of property and equipment	—	106,768
Net Cash Provided By (Used In) Investing Activities	(5,396)	34,729
Cash Flows From Financing Activities		
Payments on capital lease obligations	(73,890)	—
Proceeds of capital campaign	360,669	801,866
Net Cash Provided By Financing Activities	286,779	801,866
Decrease In Cash And Cash Equivalents	(61,327)	(285,290)
Cash And Cash Equivalents - Beginning Of Year	1,409,335	1,694,625
Cash And Cash Equivalents - End Of Year	\$ 1,348,008	\$ 1,409,335
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 252,596	\$ 253,288
Supplemental Disclosure Of Noncash Information		
Acquisition of property through a capital lease	\$ 251,369	\$ —

LYRIC OPERA OF KANSAS CITY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 And 2016

1. Organization

The Lyric Opera of Kansas City, Inc. (Lyric) is a not-for-profit corporation incorporated in the state of Missouri in 1958. The mission of the organization is to make Lyric Opera of Kansas City indispensable to the public through transformational opera experiences and broad service which captures the hearts and minds of our communities. The Lyric's revenues and support are derived primarily from contributions and ticket sales.

The Lyric Opera QALICB, Inc. (QALICB) was formed June 1, 2011 for the exclusive benefit of the Lyric. The QALICB's purpose is to hold title to property, complete construction of the Opera Center and lease said property. The property is operated in such a way that it qualifies as a Qualified Active Low-Income Community Business under the definition of the New Markets Tax Credit (NMTC) Program under Internal Revenue Code (IRC) §45(d). The QALICB's Board consists of three current members of the Lyric's Board.

These consolidated financial statements of the Lyric include the accounts of the QALICB. All significant intercompany transactions and account balances have been eliminated in consolidation.

2. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying consolidated financial statements of the Lyric have been prepared on the accrual basis of accounting.

Basis Of Presentation

The consolidated financial statement presentation follows U.S. generally accepted accounting principles related to not-for-profit organizations. Under these principles, the Lyric is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements *(Continued)*

Estimates And Assumptions

The preparation of 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 amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Lyric considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017 and 2016, cash equivalents consisted primarily of money market accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Recoveries of receivables previously written off are recorded when received. Management determined there was no allowance for doubtful accounts required at June 30, 2017 or 2016.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

Co-Production Agreement

During the 2016-2017 season, Lyric Opera of Kansas City entered into a co-production agreement with San Diego Opera, Opera Philadelphia and Palm Beach Opera to create sets and costumes for a new production of *The Marriage of Figaro*. The Lyric initiated this project and was the lead Company in the co-production. A co-production is the creation of a new opera production whereby one or more partners share the cost of the production. Each co-producing Company has the opportunity to mount the production at some point in the future. The co-production is jointly owned by each partner and future revenue from the rental of the sets and costumes is shared in accordance with the terms of the agreement. Participation in a co-production financially supports and brings national visibility to the Lyric and supports the local community of artists and artisans. Serving as the lead Company in a co-production enables the Lyric to hire area artists and artisans to build the sets which helps sustain the local creative community and puts money into the local economy. Additionally, it helps the Lyric maximize the utilization of the physical assets of the scenic and paint shops in the Michael and Ginger Frost Production Arts Building. As the sets built for this production will be rented and used by other Companies in other cities, the Lyric is also helping to build a national reputation for the artists and artisans who created them. In addition, being in a co-production helps the Lyric achieve a higher level of artistic excellence because it facilitates production values that would be unaffordable if the Lyric was producing the opera alone. This higher level of artistic quality also results in an enhanced national reputation and visibility as shows built in Kansas City move to other Companies across the country. Total reimbursements from the other co-producing Companies are included as a reduction of production expenses in the consolidated statement of activities.

Promises To Give

Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Conditional promises to give, which depend upon specified future and uncertain events, are not included as support until such time as the conditions are substantially met.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements *(Continued)*

Property And Equipment

The Lyric capitalizes all expenditures for property and equipment over \$2,500. Property and equipment are stated at cost at the date of the acquisition or fair value at date of donation, in the case of a gift. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Useful lives are as follows:

Building	50 years
Furniture and equipment	5 - 20 years

The QALICB reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the rental property to the future net undiscounted cash flow expected to be generated by the rental property, including the residual value of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There was no impairment loss recognized for the years ended June 30, 2017 and 2016.

Capital Leases

Assets held under capital leases (which include three copiers, computers, lap-tops and other network equipment) are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased assets at the inception of the lease. Amortization expense is computed using the straight-line method over the term of the lease. At June 30, 2017, assets held under a capital lease totaled to \$251,369 and accumulated amortization totaled to \$73,890. Future minimum payments under the lease terms will be \$74,868 in fiscal years ending June 30, 2018 and 2019, \$11,868 in fiscal years ending June 30, 2020 and 2021 and \$4,007 in fiscal year ending June 30, 2022.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

Debt Issuance Costs

Debt issuance costs are capitalized and amortized using the straight-line method over the life of the related debt. The straight-line method is used as it is not materially different from the effective interest method. At June 30, 2017 and 2016, debt issuance costs totaled \$136,878 and the related accumulated amortization totaled \$47,914 and \$38,789, respectively. Amortization of debt issuance costs is considered interest expense and is included in theatre and building expenses on the consolidated statement of activities and amounted to \$9,125 for the years ended June 30, 2017 and 2016.

New Accounting Standard Implemented

During the year ended June 30, 2017, the Lyric implemented changes to the Accounting Standards Codification caused by Accounting Standards Update 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The objective of this change is to simplify the presentation of debt issuance costs. This amendment requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of the debt liability, consistent with the presentation of debt discounts. Previously, debt issuance costs were shown net of accumulated amortization on the statement of financial position as an asset.

The Lyric's implementation of this new accounting guidance resulted in certain presentation changes to the consolidated statement of financial position. The effect of these changes has been applied retrospectively. Land, buildings, improvements and equipment and long-term debt on the consolidated statement of financial position were reduced by \$88,964 and \$98,089 at June 30, 2017 and 2016, respectively, as a result of this change. This change had no effect on net assets or the change in net assets.

Interest

Interest expense during the years ended June 30, 2017 and 2016 totaled \$261,721 and \$262,413, respectively.

Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Lyric have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Lyric, or on behalf of the Lyric, in perpetuity.

Interest and dividends from permanently restricted investments are credited to unrestricted net assets unless donor stipulations restrict such earnings.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

Deferred Income - Ticket Sales And Prepaid Production Costs

Income from ticket sales pertaining to upcoming productions is recorded as deferred income and recognized as revenue when earned. Production costs applicable to upcoming productions are recorded as prepaid expenses and are recognized as expenses on a matching basis in the period of the applicable production.

Restricted And Unrestricted Support

Gifts of cash and other assets are reported as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. Promises to give are recorded at estimated fair value at the date each promise is received. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Rental Income

Income from renting various theater sets and accessories is recognized as income when the rental services have been rendered.

Auxiliaries

Auxiliary income consists of income from various Guild events and trips that occur throughout the year. Auxiliary income is recorded as it is earned.

Interest In Net Assets Of Lyric Foundation

Under current accounting guidance, the Lyric and the Lyric Opera of Kansas City Foundation (Lyric Foundation) are financially interrelated organizations. Accordingly, the Lyric recognizes its interest in the net assets of the Lyric Foundation and adjusts that interest for its share of the change in net assets of the Lyric Foundation.

Advertising

Advertising costs are expensed as incurred. Advertising expense for 2017 and 2016 was \$428,593 and \$424,872, respectively.

Income Taxes

The Lyric is exempt from income taxes under Section 501(a) of the IRC and a similar section of state law.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (Continued)

The Lyric's tax returns for tax years 2013 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through October 31, 2017, the date which the consolidated financial statements were available for issue.

3. Promises To Give

Promises to give consist of the following:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 1,641,983	\$ 1,654,400
Due in one to five years	<u>120,000</u>	<u>256,375</u>
	<u>\$ 1,761,983</u>	<u>\$ 1,910,775</u>

The Lyric considers these promises to give to be fully collectable. Therefore, no allowance for doubtful accounts has been recorded.

Included in promises to give due in less than one year at June 30, 2017 and 2016 is \$153,065 and \$232,567, respectively, which is restricted for the capital campaign. As a result, this amount has been classified as a noncurrent asset on the accompanying consolidated statement of financial position.

4. Property And Equipment

Property and equipment consist of:

	<u>2017</u>	<u>2016</u>
Land	\$ 470,000	\$ 470,000
Michael & Ginger Frost Production Arts Building	4,597,243	4,597,243
Beth Ingram Administration Building	4,012,181	4,012,181
Furniture and equipment	961,457	704,691
Equipment under capital lease	<u>251,369</u>	<u>—</u>
	10,040,881	9,784,115
Less: Accumulated depreciation and amortization	<u>1,424,056</u>	<u>1,115,451</u>
	<u>\$ 8,616,825</u>	<u>\$ 8,668,664</u>

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements *(Continued)*

Depreciation and amortization expense was \$308,604 and \$256,509 for 2017 and 2016, respectively.

5. Beneficial Interest In Perpetual Trust

The Lyric had a beneficial interest in a perpetual trust that consisted of a promise to give from a perpetual trust created by an independent donor, which was not in the possession or control of the Lyric, but was held and administered by an advisory committee consisting of at least three, but no more than five, members. This committee must include at least one representative from the Lyric. On June 8, 2009, the advisory committee approved the transfer of the advisory committee's duties to the Lyric Foundation. As a result, the trust's assets are included within the Lyric's interest in net assets of the Lyric Foundation on the accompanying consolidated statement of financial position at June 30, 2017 and 2016. The Lyric receives an annual donation in an amount equal to five percent of the average fair market value of the trust's assets. This donation is included in unrestricted contributions.

6. Long-Term Debt

Financing was provided to the QALICB in the form of two notes payable in the amounts of \$7,641,900 and \$2,648,100 with KCMO CDE VII, LLC. Both notes bear interest at 2.42% per annum for a term of 360 months and mature in July 2041. These notes payable are secured by a deed of trust and assignments of leases and rents. Repayment of these notes payable is guaranteed by the Lyric.

For the \$7,641,900 note payable, payments of interest are due quarterly until October 2018, when quarterly payments of \$108,956 including principal and interest are payable until maturity. Interest expense related to this note payable was \$187,591 and \$188,105 for the years ending June 30, 2017 and 2016, respectively.

For the \$2,648,100 note payable, payments of interest are due quarterly until July 2018, when a principal payment of \$315,000 is due. Beginning in October 2018, quarterly payments of \$33,265, including principal and interest, are payable until maturity. Interest expense related to this note payable was \$65,005 and \$65,183 for the years ending June 30, 2017 and 2016, respectively.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (Continued)

Scheduled annual maturities of long-term debt at June 30, 2017 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ —
2019	590,822
2020	333,178
2021	342,076
2022	350,550
Thereafter	8,673,374
	<u>\$ 10,290,000</u>

7. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Future activities	\$ 8,581,502	\$ 7,684,105
Time restriction	<u>3,236,932</u>	<u>2,841,007</u>
	<u>\$ 11,818,434</u>	<u>\$ 10,525,112</u>

Future activities include funds for repayment of long-term debt obtained in connection with the construction of the building on Holmes and 18th Street. Additionally, future activities include funds for education and outreach activities, the resident artist program, the apprentice artist program and future productions.

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2017</u>	<u>2016</u>
Future activities	\$ 1,590,198	\$ 1,702,647
Time restriction	<u>1,354,750</u>	<u>1,659,312</u>
	<u>\$ 2,944,948</u>	<u>\$ 3,361,959</u>

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

Permanently restricted net assets held by the Lyric Foundation totaling \$6,825,688 at June 30, 2017 and 2016 are to be maintained in perpetuity, with the income being available for unrestricted purposes.

8. Related Party Transactions

The Lyric Foundation was formed to benefit, perform the functions of and carry out the charitable purposes of the Lyric. At the discretion of the Lyric Foundation's Board of Trustees, it may hold and reinvest earnings, distribute its earnings to the Lyric, or use its earnings for any purpose that furthers the charitable purposes of the Lyric. Distributions of principal within endowed funds by the Lyric Foundation are prohibited by its articles of incorporation, the terms of specific bequests and by specific agreements. The Lyric Foundation is required to maintain an independent Board of Trustees and officers. The Lyric may not require distributions of the Lyric Foundation's earnings to be made to it or on its behalf.

The Lyric Foundation has agreed to reimburse the Lyric for certain expenses the Lyric incurred on its behalf. Related thereto, no receivable was due as of June 30, 2017 and 2016.

During the years ended June 30, 2017 and 2016, the Lyric Foundation made grants totaling \$867,137 and \$842,593, respectively, to the Lyric.

The members of the Board of Trustees of the Lyric and their employers and foundations made contributions totaling \$1,043,331 and \$466,212 for the years ended June 30, 2017 and 2016, respectively.

The Managing Member of the KCMO CDE VII, LLC, with a 0.01% ownership interest, is Kansas City, Missouri Community Development CDE. The Investor Member of the KCMO CDE VII, LLC, with a 99.99% ownership interest, is Lyric Opera Investment Fund, LLC (Investment Fund). The QALICB received its initial loan funding from KCMO CDE VII, LLC, whose funding was received through transactions involving the Lyric, the Foundation and the Lyric Opera Investment Fund, LLC, whose sole member is PNC New Markets Investments Partners, LLC (PNC).

During the year ended June 30, 2017, the Lyric Foundation received contributions for purposes of paying down long-term debt of \$260,042 and \$360,669 from the QALICB and the Lyric, respectively.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

During the year ended June 30, 2016, the Lyric Foundation received contributions for purposes of paying down long-term debt of \$245,758 and \$801,866 from the QALICB and the Lyric, respectively.

For the years ended June 30, 2017 and 2016, the contributions from the QALICB to the Lyric Foundation are included in theatre and building expense in the accompanying consolidated statements of activities.

Following the earlier of (a) the seventh anniversary of the date of the last qualified equity investment made by the Investment Fund with respect to any qualified low-income community investment in the QALICB, and (b) the date that a Recapture Event has occurred, PNC shall have the right and option, but not the obligation, to require the Lyric to purchase all of PNC's interest in the Investment Fund. The purchase price for PNC's interest shall be \$1,000 plus any further amounts payable to PNC as defined in the Investment Fund Put And Call Agreement. PNC shall have 180 days to exercise its option. Provided PNC has not exercised its option, the Lyric shall have the right and option, but not the obligation, to purchase all of PNC's interest for 90 days. If the Lyric exercises its option, the purchase price for PNC's interest shall be an amount equal to the fair market value of PNC's interest as defined in the Investment Fund Put And Call Agreement.

9. Missouri Cultural Trust Fund

The Lyric has entered into a matching grant with the Missouri Cultural Trust Fund (MCT). The grant guidelines were for the Lyric to raise up to \$3,700,000 (approximately \$3,152,000 was actually raised) in endowment funds from private donors by June 30, 2001, solely to support the Lyric and its mission. Such funds are currently maintained by the Greater Kansas City Community Foundation on behalf of the Lyric Foundation. In return, the MCT set aside approximately \$1,576,000 or a 50% match of private funds raised, in the MCT. The MCT remains the owner of the \$1,576,000 of matching funds and, therefore, such assets are not included in the accompanying consolidated financial statements. The Lyric receives distributions of 5% from MCT matching funds. Distributions from the MCT to the Lyric for the years ended June 30, 2017 and 2016 were \$78,927.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

10. Significant Estimates And Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Promises To Give

Promises to give from two entities at June 30, 2017 and three entities at June 30, 2016 comprised 65% and 83%, respectively, of total promises to give from private sources.

Contribution Revenues

Contributions from two entities each comprised 38% and 41% of the total contribution revenues from private sources for the years ended June 30, 2017 and 2016, respectively.

The Lyric Opera Ball fund-raising event comprised approximately 16% and 15% of the total contributed revenue for the years ended June 30, 2017 and 2016, respectively.

Cash Accounts

The Lyric and the QALICB maintain cash accounts in various banks located in the metropolitan Kansas City area. The balances, at times, may have exceeded the federally insured limit of \$250,000. The insurance is for balances in banks without regard to outstanding items. In addition, a Money Market Mutual Fund is utilized by the Lyric. The balance in this account is uninsured. A summary of the insured and uninsured amounts at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash in bank	\$ 803,110	\$ 451,437
Portion insured by the FDIC	(636,447)	(426,772)
Uninsured cash in bank	166,663	24,665
Cash in Money Market Mutual Fund	700,471	1,095,515
	\$ 867,134	\$ 1,120,180

11. Contributed Services

For the years ended June 30, 2017 and 2016, the Lyric received contributed services for legal and marketing services which totaled \$57,385 and \$57,717, respectively. The value of contributed services is based on quoted market prices for those services.

12. Risks And Uncertainties

The Lyric Foundation (Note 8) invests in various 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 statement of financial position.

13. Guarantees

As part of the financing arrangements, the Lyric and the QALICB have provided certain guarantees to the KCMO CDE VII, LLC and PNC New Markets Investment Partners, LLC.

Tax Credit Delivery And Recapture Guarantees

Pursuant to the Unconditional Guaranty Agreement, the QALICB and the Lyric have agreed to guarantee against loss or recapture of NMTC arising from failure to comply with the IRC and Treasury Regulations related to the NMTC program. This guarantee will be up to the full amount of any recapture and/or lost credits, including interest and penalties thereon.

14. Commitments

The Lyric has entered into a License Agreement to use the Kauffman Center For The Performing Arts (Kauffman Center). This License Agreement has an initial term of 20 years with the right to extend that initial term for 3 subsequent ten-year terms for a total term of 50 years. The year's annual license fee for the Lyric's use of the Kauffman Center totaled \$258,356 and \$252,457, which is included in theatre and building expenses in the accompanying consolidated statement of activities for the years ended June 30, 2017 and 2016, respectively. This annual license fee is subject to adjustment for increases in the Consumer Price Index and increases in the ownership costs incurred by the Kauffman Center. The license fee may also be adjusted for changes in the amount of usage by the Lyric. The Kauffman Center reserves the right to terminate the License Agreement if the Lyric does not meet specified annual minimum usage amounts. The future minimum rental amount under the terms of the License Agreement is \$263,978 for the year ending June 30, 2018.



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Independent Auditors' Report On Supplementary Information

Board of Trustees
Lyric Opera of Kansas City, Inc.
Kansas City, Missouri

We have audited the consolidated financial statements of Lyric Opera of Kansas City, Inc. as of and for the years ended June 30, 2017 and 2016, and our report thereon dated October 31, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities and the unconsolidated schedule of operating results, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

October 31, 2017

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2017

	The Lyric Opera Of Kansas City, Inc.	The Lyric Opera QALICB	The Lyric Opera Of Kansas City Foundation	Elimination Entries	Consolidated The Lyric Opera Of Kansas City, Inc.
Current Assets					
Cash and cash equivalents	\$ 1,233,176	\$ 114,832	\$ 4,581	\$ (4,581)	\$ 1,348,008
Accounts receivable	145,214	—	—	—	145,214
Promises to give	1,488,918	—	—	—	1,488,918
Interest receivable	—	—	43,425	(43,425)	—
Prepaid production costs	66,907	—	—	—	66,907
Other prepaid expenses	86,683	—	—	—	86,683
Total Current Assets	3,020,898	114,832	48,006	(48,006)	3,135,730
Other Assets					
Investments	—	—	8,262,933	(8,262,933)	—
Note receivable	—	—	7,641,900	(7,641,900)	—
Interest receivable	—	—	178,375	(178,375)	—
Total Other Assets	—	—	16,083,208	(16,083,208)	—
Property And Equipment					
Land, buildings, improvements and equipment	503,846	10,333,408	—	(796,373)	10,040,881
Less: Accumulated depreciation	(245,010)	(1,266,645)	—	87,599	(1,424,056)
Net Property And Equipment	258,836	9,066,763	—	(708,774)	8,616,825
Promises To Give - Long Term	273,065	—	—	—	273,065
Interest In Net Assets Of Lyric Foundation	—	—	—	16,080,567	16,080,567
Total Assets	\$ 3,552,799	\$ 9,181,595	\$ 16,131,214	\$ (759,421)	\$ 28,106,187
Current Liabilities					
Accounts payable	\$ 65,922	\$ —	\$ 664	\$ (664)	\$ 65,922
Accrued payroll and taxes	78,569	—	—	—	78,569
Accrued interest	—	62,976	—	—	62,976
Revolving line of credit	—	—	49,983	(49,983)	—
Current portion of capital lease payable	74,880	—	—	—	74,880
Deferred income:					
Ticket sales	704,733	—	—	—	704,733
Other	41,516	—	—	—	41,516
Total Current Liabilities	965,620	62,976	50,647	(50,647)	1,028,596
Long - Term Liabilities					
Capital lease payable	102,599	—	—	—	102,599
Long - term debt	—	10,290,000	—	—	10,290,000
Less: Unamortized debt issuance costs	—	88,964	—	—	88,964
Total Long-Term Liabilities	102,599	10,201,036	—	—	10,303,635
Total Liabilities	1,068,219	10,264,012	50,647	(50,647)	11,332,231
Net Assets					
Unrestricted	(1,434,138)	(1,082,417)	1,474,949	(828,560)	(1,870,166)
Temporarily restricted	3,691,015	—	8,007,633	119,786	11,818,434
Permanently restricted	227,703	—	6,597,985	—	6,825,688
Total Net Assets	2,484,580	(1,082,417)	16,080,567	(708,774)	16,773,956
Total Liabilities And Net Assets	\$ 3,552,799	\$ 9,181,595	\$ 16,131,214	\$ (759,421)	\$ 28,106,187

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2016

	The Lyric Opera Of Kansas City, Inc.	The Lyric Opera QALICB	The Lyric Opera Of Kansas City Foundation	Elimination Entries	Consolidated The Lyric Opera Of Kansas City, Inc.
Current Assets					
Cash and cash equivalents	\$ 1,294,616	\$ 114,719	\$ 189,444	\$ (189,444)	\$ 1,409,335
Accounts receivable	133,366	—	—	—	133,366
Promises to give	1,421,833	—	—	—	1,421,833
Interest receivable	—	—	43,425	(43,425)	—
Prepaid production costs	116,629	—	—	—	116,629
Other prepaid expenses	135,553	—	—	—	135,553
Total Current Assets	3,101,997	114,719	232,869	(232,869)	3,216,716
Other Assets					
Investments	—	—	7,661,685	(7,661,685)	—
Note receivable	—	—	7,641,900	(7,641,900)	—
Interest receivable	—	—	146,329	(146,329)	—
Total Other Assets	—	—	15,449,914	(15,449,914)	—
Property And Equipment					
Land, buildings, improvements and equipment	247,080	10,333,408	—	(796,373)	9,784,115
Less: Accumulated depreciation	(136,416)	(1,050,707)	—	71,672	(1,115,451)
Net Property And Equipment	110,664	9,282,701	—	(724,701)	8,668,664
Promises To Give - Long Term	488,942	—	—	—	488,942
Interest In Net Assets Of Lyric Foundation	—	—	—	15,212,979	15,212,979
Total Assets	\$ 3,701,603	\$ 9,397,420	\$ 15,682,783	\$ (1,194,505)	\$ 27,587,301
Current Liabilities					
Accounts payable	\$ 110,402	\$ —	\$ —	\$ —	\$ 110,402
Accrued payroll and taxes	82,713	—	—	—	82,713
Accrued interest	—	62,976	—	—	62,976
Deferred income:					
Ticket sales	751,990	—	—	—	751,990
Other	59,604	—	—	—	59,604
Total Current Liabilities	1,004,709	62,976	—	—	1,067,685
Long - Term Liabilities					
Long - term debt	—	10,290,000	469,804	(469,804)	10,290,000
Less: Unamortized bond issuance costs	—	98,089	—	—	98,089
Total Long-Term Liabilities	—	10,191,911	469,804	(469,804)	10,191,911
Total Liabilities	1,004,709	10,254,887	469,804	(469,804)	11,259,596
Net Assets					
Unrestricted	(796,090)	(857,467)	930,232	(299,770)	(1,023,095)
Temporarily restricted	3,265,281	—	7,684,762	(424,931)	10,525,112
Permanently restricted	227,703	—	6,597,985	—	6,825,688
Total Net Assets	2,696,894	(857,467)	15,212,979	(724,701)	16,327,705
Total Liabilities And Net Assets	\$ 3,701,603	\$ 9,397,420	\$ 15,682,783	\$ (1,194,505)	\$ 27,587,301

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017

	The Lyric Opera Of Kansas City, Inc.	The Lyric Opera QALICB	The Lyric Opera Of Kansas City Foundation	Elimination/ Reclassification Entries	Consolidated The Lyric Opera Of Kansas City, Inc.	Unrestricted	Temporarily Restricted	Permanently Restricted
Earned Revenue								
Ticket sales (Mainstage and Explorations)	\$ 1,422,253	\$ —	\$ —	\$ —	\$ 1,422,253	\$ 1,422,253	\$ —	\$ —
Rental income	212,028	553,500	—	(553,500)	212,028	212,028	—	—
Education	53,665	—	—	—	53,665	53,665	—	—
Auxiliaries	255,945	—	—	—	255,945	255,945	—	—
Miscellaneous	46,533	126	—	—	46,659	46,659	—	—
Resident artist program	10,138	—	—	—	10,138	10,138	—	—
Realized gains	—	—	104,070	(104,070)	—	—	—	—
Unrealized gains	—	—	704,778	(704,778)	—	—	—	—
Interest and dividends	—	—	170,813	(170,813)	—	—	—	—
Interest on note receivable	—	—	206,463	(206,463)	—	—	—	—
Total Earned Revenue	2,000,562	553,626	1,186,124	(1,739,624)	2,000,688	2,000,688	—	—
Contributed Revenue								
Contributions from Lyric Opera	—	—	360,669	(360,669)	—	—	—	—
Contributions from Lyric Opera QALICB	—	—	260,042	(260,042)	—	—	—	—
Individual, corporate and foundation	3,766,224	—	—	—	3,766,224	625,884	3,140,340	—
Federal, state and local	175,069	—	—	—	175,069	78,927	96,142	—
In-kind contributions	57,385	16,000	—	(16,000)	57,385	57,385	—	—
Lyric Opera Ball	760,039	—	—	—	760,039	625,839	134,200	—
Net assets released from restrictions	—	—	—	—	—	2,944,948	(2,944,948)	—
Total Contributed Revenue	4,758,717	16,000	620,711	(636,711)	4,758,717	4,332,983	425,734	—
Total Revenue	6,759,279	569,626	1,806,835	(2,376,335)	6,759,405	6,333,671	425,734	—
Expenses								
Program services:								
Production and artistic	3,260,327	—	—	—	3,260,327	3,260,327	—	—
Education	209,978	—	—	—	209,978	209,978	—	—
Professional services	—	—	37,210	(37,210)	—	—	—	—
Investment fees	—	—	29,322	(29,322)	—	—	—	—
Interest expense	—	—	5,578	(5,578)	—	—	—	—
Contribution to Lyric Opera	—	—	867,137	(867,137)	—	—	—	—
Total program services	3,470,305	—	939,247	(939,247)	3,470,305	3,470,305	—	—
Management and general:								
Theatre and building	755,556	794,576	—	(569,427)	980,705	980,705	—	—
Finance and administration	843,240	—	—	(16,000)	827,240	827,240	—	—
Charitable contributions to Lyric Foundation	360,669	—	—	—	360,669	360,669	—	—
Marketing	572,194	—	—	—	572,194	572,194	—	—
Ticket office	245,552	—	—	—	245,552	245,552	—	—
Total management and general	2,777,211	794,576	—	(585,427)	2,986,360	2,986,360	—	—
Fundraising:								
Development	349,389	—	—	—	349,389	349,389	—	—
Auxiliaries	167,572	—	—	—	167,572	167,572	—	—
Lyric Opera Ball	207,116	—	—	—	207,116	207,116	—	—
Total fundraising	724,077	—	—	—	724,077	724,077	—	—
Total Expenses	6,971,593	794,576	939,247	(1,524,674)	7,180,742	7,180,742	—	—
Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation	(212,314)	(224,950)	867,588	(851,661)	(421,337)	(847,071)	425,734	—
Change In Net Assets Of Lyric Foundation	—	—	—	867,588	867,588	—	867,588	—
Change In Net Assets	(212,314)	(224,950)	867,588	15,927	446,251	(847,071)	1,293,322	—
Net Assets - Beginning Of Year	2,696,894	(857,467)	15,212,979	(724,701)	16,327,705	(1,023,095)	10,525,112	6,825,688
Net Assets - End Of Year	\$ 2,484,580	\$ (1,082,417)	\$ 16,080,567	\$ (708,774)	\$ 16,773,966	\$ (1,870,166)	\$ 11,818,434	\$ 6,825,688

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

	The Lyric Opera Of Kansas City, Inc.	The Lyric Opera QALICB	The Lyric Opera Of Kansas City Foundation	Elimination/ Reclassification Entries	Consolidated The Lyric Opera Of Kansas City, Inc.	Unrestricted	Temporarily Restricted	Permanently Restricted
Earned Revenue								
Ticket sales (Mainstage and Explorations)	\$ 1,512,919	\$ —	\$ —	\$ —	\$ 1,512,919	\$ 1,512,919	\$ —	\$ —
Rental income	68,625	540,000	—	(540,000)	68,625	68,625	—	—
Education	60,575	—	—	—	60,575	60,575	—	—
Auxiliaries	348,940	—	—	—	348,940	348,940	—	—
Miscellaneous	69,694	129	—	—	69,823	69,823	—	—
Resident artist program	10,203	—	—	—	10,203	10,203	—	—
Realized gains	—	—	16,797	(16,797)	—	—	—	—
Unrealized losses	—	—	(136,754)	136,754	—	—	—	—
Interest and dividends	—	—	157,012	(157,012)	—	—	—	—
Interest on note receivable	—	—	205,646	(205,646)	—	—	—	—
Total Earned Revenue	2,070,956	540,129	242,701	(782,701)	2,071,085	2,071,085	—	—
Contributed Revenue								
Contributions from Lyric Opera	—	—	801,866	(801,866)	—	—	—	—
Contributions from Lyric Opera QALICB	—	—	245,758	(245,758)	—	—	—	—
Contributions	—	—	5,000	(5,000)	—	—	—	—
Individual, corporate and foundation	3,432,690	—	—	—	3,432,690	911,228	2,521,462	—
Capital campaign	380,370	—	—	—	380,370	—	380,370	—
Federal, state and local	168,205	—	—	—	168,205	128,205	40,000	—
In-kind contributions	57,717	16,000	—	(16,000)	57,717	57,717	—	—
Lyric Opera Ball	738,094	—	—	—	738,094	670,844	67,250	—
Net assets released from restrictions	—	—	—	—	—	3,361,959	(3,361,959)	—
Total Contributed Revenue	4,777,076	16,000	1,052,624	(1,068,624)	4,777,076	5,129,953	(352,877)	—
Total Revenue	6,848,032	556,129	1,295,325	(1,851,325)	6,848,161	7,201,038	(352,877)	—
Expenses								
Program services:								
Production and artistic	2,917,931	—	—	—	2,917,931	2,917,931	—	—
Education	267,365	—	—	—	267,365	267,365	—	—
Professional services	—	—	32,350	(32,350)	—	—	—	—
Investment fees	—	—	30,001	(30,001)	—	—	—	—
Interest expense	—	—	36,392	(36,392)	—	—	—	—
Contribution to Lyric Opera	—	—	842,593	(842,593)	—	—	—	—
Total program services	3,185,296	—	941,336	(941,336)	3,185,296	3,185,296	—	—
Management and general:								
Theatre and building	724,488	796,021	—	(555,927)	964,582	964,582	—	—
Finance and administration	855,502	—	—	(16,000)	839,502	839,502	—	—
Charitable contributions to Lyric Foundation	801,866	—	—	—	801,866	801,866	—	—
Loss on disposal of property (Note 4)	19,105	—	—	—	19,105	19,105	—	—
Marketing	635,633	—	—	—	635,633	635,633	—	—
Ticket office	200,534	—	—	—	200,534	200,534	—	—
Total management and general	3,237,128	796,021	—	(571,927)	3,461,222	3,461,222	—	—
Fundraising:								
Development	393,133	—	—	—	393,133	393,133	—	—
Auxiliaries	266,005	—	—	—	266,005	266,005	—	—
Lyric Opera Ball	176,991	—	—	—	176,991	176,991	—	—
Total fundraising	836,129	—	—	—	836,129	836,129	—	—
Total Expenses	7,258,553	796,021	941,336	(1,513,263)	7,482,647	7,482,647	—	—
Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation								
	(410,521)	(239,892)	353,989	(338,062)	(634,486)	(281,609)	(352,877)	—
Change In Net Assets Of Lyric Foundation								
	—	—	—	353,989	353,989	—	353,989	—
Change In Net Assets	(410,521)	(239,892)	353,989	15,927	(280,497)	(281,609)	1,112	—
Net Assets - Beginning Of Year	3,107,415	(617,575)	14,858,990	(740,628)	16,608,202	(741,486)	10,524,000	6,825,688
Net Assets - End Of Year	\$ 2,696,894	\$ (857,467)	\$ 15,212,979	\$ (724,701)	\$ 16,327,705	\$ (1,023,095)	\$ 10,525,112	\$ 6,825,688

LYRIC OPERA OF KANSAS CITY, INC.

UNCONSOLIDATED SCHEDULE OF OPERATING RESULTS For The Year Ended June 30, 2017

Change in net assets	\$ (212,314)
Adjustment for net capital campaign activity	360,669
Operating results prior to depreciation expense	<u>148,355</u>
Plus: LOKC depreciation expense	<u>34,745</u>
 Net LOKC Operating Results	 <u><u>\$ 183,100</u></u>

Note:

In order to provide a clearer understanding of what management considers to be the normal results of operations of the Lyric Opera of Kansas City (LOKC) as noted in the Consolidating Statement of Activities for the year ended June 30, 2017, this schedule has been provided to adjust for non-operating activity included in the LOKC's change in net assets located on page 24.

In 2008 the LOKC began a capital campaign totaling \$13,696,000 to fund the \$10,000,000 construction of the new Richard J. Stern Opera Center located in the East Crossroads of Kansas City, Missouri and to establish a maintenance fund of \$3,196,000 for that facility. The capital campaign is in the final stages of completion. Capital campaign pledges and contributions are made to LOKC. All receipts from the capital campaign are paid to LOKC and then transferred to Lyric Opera of Kansas City Foundation (LOKCF). Prior year capital campaign pledges and contributions appear as capital campaign revenues in the June 30, 2016 Consolidated Statement of Activities. Transfers of the capital campaign proceeds from the LOKC to the LOKCF appear in the Consolidated Statement of Activities as Charitable Contributions to Lyric Foundation. It is the view of LOKC management that capital campaign activity should not be considered as part of the normal LOKC operating activity. The net of the current year reported capital campaign revenue and charitable contribution expense is reflected above as Adjustment for net capital campaign activity.

LOKC management also feels that the annual depreciation expense should not be considered as part of normal LOKC operating activity with the exception of depreciation expense of \$73,890, which relates to the capital leases as discussed in footnote two.