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**LYRIC OPERA OF KANSAS CITY, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
*JUNE 30, 2018*

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**LYRIC OPERA**  
KANSAS CITY

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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, 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 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, 2018 and 2017, 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.

***Emphasis Of Matter***

As discussed in Note 17 to the consolidated financial statements, the 2017 consolidated statement of financial position, consolidated statement of activities and consolidated statement of cash flows have been restated by management to correct a misstatement. Our opinion is not modified with respect to this matter.

*RubinBrown LLP*

December 17, 2018

**LYRIC OPERA OF KANSAS CITY, INC.**

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Assets	June 30,	
	2018	2017 (As Restated - Note 17)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 592,250	\$ 1,348,008
Accounts receivable	76,995	145,214
Promises to give	1,390,639	1,488,918
Prepaid production costs	98,432	66,907
Other prepaid expenses	109,719	86,683
<b>Total Current Assets</b>	<b>2,268,035</b>	<b>3,135,730</b>
<b>Property And Equipment</b>		
Land, buildings, improvements and equipment	10,146,014	10,040,881
Less: Accumulated depreciation	(1,723,917)	(1,424,056)
<b>Net Property And Equipment</b>	<b>8,422,097</b>	<b>8,616,825</b>
<b>Funds Held In Trust By Others</b>	<b>1,604,520</b>	<b>1,633,329</b>
<b>Promises To Give - Long Term</b>	<b>499,000</b>	<b>273,065</b>
<b>Interest In Net Assets Of Lyric Foundation</b>	<b>16,293,418</b>	<b>16,080,567</b>
<b>Total Assets</b>	<b>\$ 29,087,070</b>	<b>\$ 29,739,516</b>
<b>Liabilities And Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 138,040	\$ 65,922
Accrued payroll and taxes	78,369	78,569
Accrued interest	62,284	62,976
Current portion of capital lease payable	81,310	74,880
Deferred income:		
Ticket sales	760,234	704,733
Other	25,559	41,516
<b>Total Current Liabilities</b>	<b>1,145,796</b>	<b>1,028,596</b>
<b>Long-Term Liabilities</b>		
Capital lease payable	29,535	102,599
Long-term debt	10,290,000	10,290,000
Less: Unamortized debt issuance costs	79,839	88,964
<b>Total Long-Term Liabilities</b>	<b>10,239,696</b>	<b>10,303,635</b>
<b>Net Assets</b>		
Unrestricted	(2,854,624)	(1,870,166)
Temporarily restricted	13,530,514	13,451,763
Permanently restricted	7,025,688	6,825,688
<b>Total Net Assets</b>	<b>17,701,578</b>	<b>18,407,285</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 29,087,070</b>	<b>\$ 29,739,516</b>

**LYRIC OPERA OF KANSAS CITY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Earned Revenue</b>				
Ticket sales (Mainstage and Explorations)	\$ 1,219,391	\$ —	\$ —	\$ 1,219,391
Rental income	154,016	—	—	154,016
Education	54,627	—	—	54,627
Auxiliaries	256,943	—	—	256,943
Miscellaneous	55,091	—	—	55,091
Resident artist program	8,606	—	—	8,606
<b>Total Earned Revenue</b>	<b>1,748,674</b>	<b>—</b>	<b>—</b>	<b>1,748,674</b>
<b>Contributed Revenue And Change In Value Of Funds Held In Trust By Others</b>				
Individual, corporate and foundation	575,728	2,758,881	200,000	3,534,609
Capital campaign	—	95,000	—	95,000
Federal, state and local	12,470	90,926	—	103,396
Change in value of funds held in trust by others	—	(28,809)	—	(28,809)
In-kind contributions	44,234	—	—	44,234
Lyric Opera Ball	506,281	265,383	—	771,664
Net assets released from restrictions	3,315,481	(3,315,481)	—	—
<b>Total Contributed Revenue</b>	<b>4,454,194</b>	<b>(134,100)</b>	<b>200,000</b>	<b>4,520,094</b>
<b>Total Revenue</b>	<b>6,202,868</b>	<b>(134,100)</b>	<b>200,000</b>	<b>6,268,768</b>
<b>Expenses</b>				
Program services				
Production and artistic	3,368,324	—	—	3,368,324
Education	218,894	—	—	218,894
<b>Total program services</b>	<b>3,587,218</b>	<b>—</b>	<b>—</b>	<b>3,587,218</b>
Management and general				
Theatre and building	1,010,014	—	—	1,010,014
Finance and administration	818,096	—	—	818,096
Charitable contributions	111,500	—	—	111,500
Marketing	565,407	—	—	565,407
Ticket office	170,890	—	—	170,890
<b>Total management and general</b>	<b>2,675,907</b>	<b>—</b>	<b>—</b>	<b>2,675,907</b>
Fundraising				
Development	525,949	—	—	525,949
Auxiliaries	199,190	—	—	199,190
Lyric Opera Ball	199,062	—	—	199,062
<b>Total fundraising</b>	<b>924,201</b>	<b>—</b>	<b>—</b>	<b>924,201</b>
<b>Total Expenses</b>	<b>7,187,326</b>	<b>—</b>	<b>—</b>	<b>7,187,326</b>
<b>Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation</b>	<b>(984,458)</b>	<b>(134,100)</b>	<b>200,000</b>	<b>(918,558)</b>
<b>Change In Net Assets Of Lyric Foundation</b>	<b>—</b>	<b>212,851</b>	<b>—</b>	<b>212,851</b>
<b>Change In Net Assets</b>	<b>(984,458)</b>	<b>78,751</b>	<b>200,000</b>	<b>(705,707)</b>
<b>Net Assets - Beginning Of Year</b>	<b>(1,870,166)</b>	<b>13,451,763</b>	<b>6,825,688</b>	<b>18,407,285</b>
<b>Net Assets - End Of Year</b>	<b>\$ (2,854,624)</b>	<b>\$ 13,530,514</b>	<b>\$ 7,025,688</b>	<b>\$ 17,701,578</b>

# LYRIC OPERA OF KANSAS CITY, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES For The Year Ended June 30, 2017 (As Restated – Note 17)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Earned Revenue</b>				
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
<b>Total Earned Revenue</b>	<b>2,000,688</b>	<b>—</b>	<b>—</b>	<b>2,000,688</b>
<b>Contributed Revenue And Change In Value Of Funds Held In Trust By Others</b>				
Individual, corporate and foundation	625,884	3,140,340	—	3,766,224
Change in value of funds held in trust by others	—	65,729	—	65,729
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)	—	—
<b>Total Contributed Revenue</b>	<b>4,332,983</b>	<b>491,463</b>	<b>—</b>	<b>4,824,446</b>
<b>Total Revenue</b>	<b>6,333,671</b>	<b>491,463</b>	<b>—</b>	<b>6,825,134</b>
<b>Expenses</b>				
Program services				
Production and artistic	3,260,327	—	—	3,260,327
Education	209,978	—	—	209,978
<b>Total program services</b>	<b>3,470,305</b>	<b>—</b>	<b>—</b>	<b>3,470,305</b>
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
<b>Total management and general</b>	<b>2,986,360</b>	<b>—</b>	<b>—</b>	<b>2,986,360</b>
Fundraising				
Development	349,389	—	—	349,389
Auxiliaries	167,572	—	—	167,572
Lyric Opera Ball	207,116	—	—	207,116
<b>Total fundraising</b>	<b>724,077</b>	<b>—</b>	<b>—</b>	<b>724,077</b>
<b>Total Expenses</b>	<b>7,180,742</b>	<b>—</b>	<b>—</b>	<b>7,180,742</b>
<b>Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation</b>	<b>(847,071)</b>	<b>491,463</b>	<b>—</b>	<b>(355,608)</b>
<b>Change In Net Assets Of Lyric Foundation</b>	<b>—</b>	<b>867,588</b>	<b>—</b>	<b>867,588</b>
<b>Change In Net Assets</b>	<b>(847,071)</b>	<b>1,359,051</b>	<b>—</b>	<b>511,980</b>
<b>Net Assets - Beginning Of Year, As Originally Stated</b>	<b>(1,023,095)</b>	<b>10,525,112</b>	<b>6,825,688</b>	<b>16,327,705</b>
<b>Prior Period Restatement</b>	<b>—</b>	<b>1,567,600</b>	<b>—</b>	<b>1,567,600</b>
<b>Net Assets - Beginning Of Year, As Restated</b>	<b>(1,023,095)</b>	<b>12,092,712</b>	<b>6,825,688</b>	<b>17,895,305</b>
<b>Net Assets - End Of Year, As Restated</b>	<b>\$ (1,870,166)</b>	<b>\$ 13,451,763</b>	<b>\$ 6,825,688</b>	<b>\$ 18,407,285</b>

**LYRIC OPERA OF KANSAS CITY, INC.**

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For The Years Ended June 30,</b>	
		2017
		(As Restated -
	2018	Note 17)
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (705,707)	\$ 511,980
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	300,459	308,604
Amortization of debt issuance costs reported as interest expense	9,125	9,125
Change in value of interest in net assets of Lyric Foundation	(212,851)	(867,588)
Change in value of funds held in trust by others	28,809	(65,729)
Contributions to capital campaign	(95,000)	—
Changes in assets and liabilities:		
Increase in accounts receivable and promises to give	(75,937)	(223,725)
(Increase) decrease in prepaid expenses and other assets	(54,561)	98,592
Increase (decrease) in accounts payable and accrued expenses	71,918	(48,624)
Increase (decrease) in deferred income	39,544	(65,345)
<b>Net Cash Used In Operating Activities</b>	<b>(694,893)</b>	<b>(342,710)</b>
<b>Cash Flows Used In Investing Activities</b>		
Purchases of property and equipment	(92,565)	(5,396)
<b>Cash Flows From Financing Activities</b>		
Payments on capital lease obligations	(79,800)	(73,890)
Proceeds of capital campaign	111,500	360,669
<b>Net Cash Provided By Financing Activities</b>	<b>31,700</b>	<b>286,779</b>
<b>Decrease In Cash And Cash Equivalents</b>	<b>(755,758)</b>	<b>(61,327)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>1,348,008</b>	<b>1,409,335</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 592,250</b>	<b>\$ 1,348,008</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>		
Interest paid	\$ 252,596	\$ 252,596
<b>Supplemental Disclosure Of Noncash Information</b>		
Acquisition of property through a capital lease	13,166	251,369



# LYRIC OPERA OF KANSAS CITY, INC.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 And 2017

### 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). One of the members of the QALICB's board is also a current member 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.**

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### 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, 2018 and 2017, 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, 2018 or 2017.

## **LYRIC OPERA OF KANSAS CITY, INC.**

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### 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*. During the 2017-2018 season, Lyric Opera of Kansas City entered into a co-production agreement with Hawaii Opera Theatre, Michigan Opera Theatre, Seattle Opera and The Atlanta Opera to create sets and for a new production of *Eugene Onegin*. The Lyric initiated these projects and was the lead Company in the co-productions. 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 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.

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### 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, 2018 and 2017.

#### **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, 2018 and 2017, assets held under a capital lease totaled to \$264,535 and \$251,369, respectively, and accumulated amortization totaled to \$153,690 and \$73,890, respectively. Future minimum payments under the lease terms will be \$81,710 in fiscal year ending June 30, 2019, \$12,466 in fiscal years ending June 30, 2020 and 2021 and \$4,203 in fiscal year ending June 30, 2022.

## **LYRIC OPERA OF KANSAS CITY, INC.**

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### 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, 2018 and 2017, debt issuance costs totaled \$136,878 and the related accumulated amortization totaled \$57,039 and \$47,914, 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, 2018 and 2017.

#### **Interest**

Interest expense during the years ended June 30, 2018 and 2017 totaled \$261,029 and \$261,721, 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.

#### **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.

## LYRIC OPERA OF KANSAS CITY, INC.

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### Notes To Consolidated Financial Statements *(Continued)*

#### **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 2018 and 2017 was \$424,956 and \$428,593, respectively.

#### **Income Taxes**

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

The Lyric's tax returns for tax years 2014 and later remain subject to examination by taxing authorities.

### **3. Promises To Give**

Promises to give consist of the following:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 1,527,639	\$ 1,641,983
Due in one to five years	362,000	120,000
	<u>\$ 1,889,639</u>	<u>\$ 1,761,983</u>

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

## LYRIC OPERA OF KANSAS CITY, INC.

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### Notes To Consolidated Financial Statements *(Continued)*

Included in promises to give due in less than one year at June 30, 2018 and 2017 is \$137,000 and \$153,065, 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. Funds Held In Trust By Others

Funds held in trust by others includes a beneficial interest of a charitable remainder unitrust. This trust was established to provide the donors with a percentage of income from the assets of the trust for the remainder of their lives. The assets of the trust are held by external trustees; the Lyric has no control over how the assets are invested. The fair value of the funds held in trust by others is estimated by applying the income approach. Carrying values are adjusted annually and the adjustment is recognized as change in value of funds held in trust by others on the consolidated statement of activities. At June 30, 2018 and 2017, the carrying value of the trust was \$1,604,520 and \$1,633,329, respectively. For the years ended June 30, 2018 and 2017, the increase (decrease) in value of the beneficial interest of a charitable remainder unitrust was (\$28,809) and \$65,729, respectively.

#### 5. Property And Equipment

Property and equipment consist of:

	<u>2018</u>	<u>2017</u>
Land	\$ 470,000	\$ 470,000
Michael & Ginger Frost Production Arts Building	4,624,983	4,597,243
Beth Ingram Administration Building	4,016,187	4,012,181
Furniture and equipment	1,034,844	961,457
Equipment under capital lease	264,535	251,369
	<u>10,146,014</u>	<u>10,040,881</u>
Less: Accumulated depreciation and amortization	<u>1,723,917</u>	<u>1,424,056</u>
	<u>\$ 8,422,097</u>	<u>\$ 8,616,825</u>

Depreciation and amortization expense was \$300,459 and \$308,604 for 2018 and 2017, respectively.

**6. 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, 2018 and 2017. 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.

**7. 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 bore interest at 2.42% per annum for a term of 360 months. The maturity date of both notes was July 2041. These notes payable were secured by a deed of trust and assignments of leases and rents. Repayment of these notes payable was guaranteed by the Lyric. Per Note 18, these notes were extinguished as part of the wind down of the QALICB on July 30, 2018.

For the \$7,641,900 note payable, payments of interest were due quarterly until October 2018, when quarterly payments of \$108,956 including principal and interest were payable until maturity. Interest expense related to this note payable was \$187,077 and \$187,591 for the years ending June 30, 2018 and 2017, respectively.

For the \$2,648,100 note payable, payments of interest were due quarterly until July 2018, when a principal payment of \$315,000 was due. Beginning in October 2018, quarterly payments of \$33,265, including principal and interest, were payable until maturity. Interest expense related to this note payable was \$64,827 and \$65,005 for the years ending June 30, 2018 and 2017, respectively.



## LYRIC OPERA OF KANSAS CITY, INC.

### Notes To Consolidated Financial Statements (Continued)

Scheduled annual maturities of long-term debt at June 30, 2018 were as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 590,822
2020	333,178
2021	342,076
2022	350,550
2023	359,236
Thereafter	8,314,138
	<u>\$ 10,290,000</u>

## 8. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Future activities	\$ 8,384,316	\$ 8,581,502
Time restriction	5,146,198	4,870,261
	<u>\$ 13,530,514</u>	<u>\$ 13,451,763</u>

Future activities include funds for repayment of long-term debt obtained in connection with the construction of the building on Holmes and 18<sup>th</sup> 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>2018</u>	<u>2017</u>
Future activities	\$ 1,690,651	\$ 1,590,198
Time restriction	1,624,830	1,354,750
	<u>\$ 3,315,481</u>	<u>\$ 2,944,948</u>

Permanently restricted net assets held by the Lyric Foundation totaling \$7,025,688 and \$6,825,688 at June 30, 2018 and 2017, respectively, are to be maintained in perpetuity, with the income being available for unrestricted purposes.

## **9. Fair Value Measurements**

The Lyric accounts for certain investments at fair value as required by U.S. generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- *Market approach* – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- *Cost approach* – Based on the amount that currently would be required to replace the service capacity of an asset.
- *Income approach* – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

- Level 1* Quoted prices that are readily available in active markets/exchanges for identical investments.
- Level 2* Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3* Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment.

## LYRIC OPERA OF KANSAS CITY, INC.

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### Notes To Consolidated Financial Statements *(Continued)*

At June 30, 2018 and 2017, the funds held in trust by others is categorized as a Level 3 asset and the fair value is primarily determined using techniques consistent with the income approach, based on management's estimates and assumptions in the absence of observable market data. At June 30, 2018, key assumptions in the income approach include (1) the life expectancy of other trust beneficiaries, (2) a projected annual rate of return of the invested trust assets held by others of 7.0%, and (3) a market interest rate of 3.4% to determine the net present value of the funds ultimately to be received by the Lyric. At June 30, 2017, key assumptions in the income approach include (1) the life expectancy of other trust beneficiaries, (2) a projected annual rate of return of the invested trust assets held by others of 7.0%, and (3) a market interest rate of 2.4% to determine the net present value of the funds ultimately to be received by the Lyric.

The following is a reconciliation of the beginning and ending balances for the funds held in trust by others measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2018 and 2017:

Balance - July 1, 2016	\$ 1,567,600
Change in value of funds held in trust by others	<u>65,729</u>
Balance - June 30, 2017	1,633,329
Change in value of funds held in trust by others	<u>(28,809)</u>
Balance - June 30, 2018	<u>\$ 1,604,520</u>

Changes in fair value are presented on the Lyric's consolidated statement of activities for the years ended June 30, 2018 and 2017. During 2018 and 2017, there were no changes in the methods and/or assumptions utilized to derive the fair values of the Lyric's assets.

## **LYRIC OPERA OF KANSAS CITY, INC.**

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Notes To Consolidated Financial Statements (*Continued*)

### **10. 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, 2018 or 2017.

During the years ended June 30, 2018 and 2017, the Lyric Foundation made grants totaling \$981,492 and \$867,137, respectively, to the Lyric.

The members of the Board of Trustees of the Lyric and their employers and foundations made contributions totaling \$965,027 and \$1,043,331 for the years ended June 30, 2018 and 2017, 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, 2018, the Lyric Foundation received contributions of \$273,219 and \$111,500 from the QALICB and the Lyric, respectively.

During the year ended June 30, 2017, the Lyric Foundation received contributions of \$260,042 and \$360,669 from the QALICB and the Lyric, respectively.

For the years ended June 30, 2018 and 2017, the contributions from the QALICB to the Lyric Foundation are included in theatre and building expense in the accompanying consolidated statements of activities.

## **LYRIC OPERA OF KANSAS CITY, INC.**

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### Notes To Consolidated Financial Statements (*Continued*)

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 has 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 was \$1,000 plus any further amounts payable to PNC as defined in the Investment Fund Put And Call Agreement. PNC has 180 days to exercise its option. Per Note 18, PNC exercised its option on July 30, 2018.

#### **11. 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 currently receives distributions of up to 5% from MCT matching funds. This is subject to change by MCT. Distributions from the MCT to the Lyric for the years ended June 30, 2018 and 2017 were \$12,470 and \$78,927, respectively.

#### **12. 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, 2018 and June 30, 2017 comprised 68% and 65%, respectively, of total promises to give from private sources.

##### **Contribution Revenues**

Contributions from three entities and two entities each comprised 55% and 38% of the total contribution revenues from private sources for the years ended June 30, 2018 and 2017, respectively.

## LYRIC OPERA OF KANSAS CITY, INC.

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### Notes To Consolidated Financial Statements (Continued)

The Lyric Opera Ball fund-raising event comprised approximately 17% and 16% of the total contributed revenue for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash in bank	\$ 398,718	\$ 803,110
Portion insured by the FDIC	<u>(398,718)</u>	<u>(636,447)</u>
Uninsured cash in bank	—	166,663
Cash in Money Market Mutual Fund	<u>212,367</u>	<u>700,471</u>
	<u>\$ 212,367</u>	<u>\$ 867,134</u>

#### 13. Contributed Services

For the years ended June 30, 2018 and 2017, the Lyric received contributed services for legal and marketing services which totaled \$44,234 and \$57,385, respectively. The value of contributed services is based on quoted market prices for those services.

#### 14. Risks And Uncertainties

The Lyric Foundation (Note 10) 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.

## **LYRIC OPERA OF KANSAS CITY, INC.**

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### Notes To Consolidated Financial Statements (*Continued*)

The funds held in trust by others (Note 4) are exposed to various risks such as the projected performance of invested trust assets held by others, the life expectancy of other trust beneficiaries and market interest rates. Due to the level of risk associated with funds held in trust by others, it is at least reasonably possible that changes in the value of funds held in trust by others will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

## **15. Guarantees**

As part of the financing arrangements, the Lyric and the QALICB 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 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 was up to the full amount of any recapture and/or lost credits, including interest and penalties thereon.

## **16. 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 \$263,978 and \$258,356, which is included in theatre and building expenses in the accompanying consolidated statement of activities for the years ended June 30, 2018 and 2017, 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 \$270,840 for the year ending June 30, 2019.

## **LYRIC OPERA OF KANSAS CITY, INC.**

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### Notes To Consolidated Financial Statements (*Continued*)

#### **17. Restatement**

The Lyric has restated the consolidated financial statements for the year ended June 30, 2017 to correct the accounting to include the beneficial interest of a charitable remainder unitrust in which the Lyric is named a beneficiary.

During the fiscal year ended June 30, 2018, it was identified by management that a charitable remainder unitrust (CRUT) agreement, which was established in 1997, had not been previously recorded on the Lyric's consolidated financial statements. In researching the background of the CRUT agreement, it was determined that the Lyric had only received part of the original CRUT agreement document. In July 2018, the Lyric received the CRUT agreement document in its entirety, which included language that states the CRUT is irrevocable. Management believes this is the first time that the Lyric received confirmation that the CRUT is irrevocable. However, it is undetermined if prior management had attempted to obtain this information from the donor, as there was no documentation in the donor's file to indicate such attempts had been made. Given the lack of documentation from the original gift date, accounting principles generally accepted in the United States, indicates the proper treatment of the CRUT is to include it as a prior period restatement. As the Lyric's consolidated financial statements include a prior year comparison, it was determined that the adjustment would be dated as of July 1, 2016.

The impact of the restatement due to the correction has been reflected in the consolidated financial statements. At July 1, 2016, temporarily restricted net assets increased by the present value of the CRUT of \$1,567,600. For the fiscal year ended June 30, 2017, change in value of funds held in trust by others increased by \$65,729, resulting in a total increase in the change in net assets of \$65,729 for the year ended June 30, 2017. On the consolidated statement of financial position, the correction increased funds held in trust by others and temporarily restricted net assets by \$1,633,329 at June 30, 2017. The correction impacted the consolidated statement of cash flows by increasing change in net assets and change in value of funds held in trust by others by \$65,729. Disclosures for funds held in trust by others and related to fair value measurements as of and for the year ended June 30, 2017 were also added to Notes 4 and 9.

#### **18. Subsequent Events**

Management has evaluated subsequent events through the date the consolidated financial statements were available for issue, which is the date of the Independent Auditors' Report.



## **LYRIC OPERA OF KANSAS CITY, INC.**

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### Notes To Consolidated Financial Statements (*Continued*)

On July 27, 2018, the Lyric, QALICB, and the Lyric Foundation reached the end of the seven-year compliance period for its federal New Market Tax Credit program. Under this program, \$3 million of federal income tax credits were contributed to incentivize investment in low income communities and thus, the Richard J. Stern Opera Center was created. On July 30, 2018, these partners, along with partners PNC Bank and AltCap, unwound the tax credit project, thereby transferring ownership of the Richard J. Stern Opera Center wholly to Lyric. The 0.01% minority interest in the KCMO CDE VII (Sub-CDE) was eliminated by an amendment to the Sub CDE's operating agreement. The amendment resulted in the Investment Fund possessing a 100% ownership interest in the Sub-CDE, and the Lyric possessing a 100% ownership interest in the Investment Fund, the QALICB, and the Sub-CDE. The amended ownership structure resulted in the Lyric controlling the debtor and creditor relationship on the \$7,641,900 and \$2,648,100 notes payable disclosed in Note 7. The remaining balances due on the notes payable were effectively extinguished with no payments due on the remaining outstanding principal or interest. The unwind transaction, including the transfer of ownership of the Opera Center from the QALICB to the Lyric, will appear in the consolidated financial statements of the fiscal year ending June 30, 2019. In addition, it is anticipated that the QALICB will be dissolved during the fiscal year ending June 30, 2019.

One key element of the QALICB unwind transaction mentioned in the preceding paragraph was an exit or "success" fee in the amount of \$315,000, which is due to AltCap. To facilitate the payment of this fee, Lyric secured a line of credit with Academy Bank located in Kansas City, Missouri. Any remaining funds left over in the QALICB bank accounts will be used to pay down the line of credit. The line of credit has a maturity date of July 22, 2019.

In August 2018, Lyric received a \$250,000 grant from a local private foundation for capital improvements to the Michael and Ginger Frost Production Arts Building and the Beth Ingram Administration Building. This contribution had originally been included in the Lyric's budget for the fiscal year ending June 30, 2018. However, due to the timing of the award, it was recorded subsequent to the fiscal year ending June 30, 2018.

On September 24, 2018, a local private foundation awarded a \$3 million endowment gift to the Lyric.



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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, 2018 and 2017, and our report thereon dated December 17, 2018, 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*

December 17, 2018

# LYRIC OPERA OF KANSAS CITY, INC.

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2018

	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.
<b>Current Assets</b>					
Cash and cash equivalents	\$ 477,314	\$ 114,936	\$ 3,128	\$ (3,128)	\$ 592,250
Accounts receivable	76,995	—	—	—	76,995
Promises to give	1,390,639	—	—	—	1,390,639
Interest receivable	—	—	43,425	(43,425)	—
Prepaid production costs	98,432	—	—	—	98,432
Other prepaid expenses	109,719	—	—	—	109,719
<b>Total Current Assets</b>	<b>2,153,099</b>	<b>114,936</b>	<b>46,553</b>	<b>(46,553)</b>	<b>2,268,035</b>
<b>Other Assets</b>					
Investments	—	—	8,454,827	(8,454,827)	—
Note receivable	—	—	7,641,900	(7,641,900)	—
Interest receivable	—	—	211,275	(211,275)	—
<b>Total Other Assets</b>	<b>—</b>	<b>—</b>	<b>16,308,002</b>	<b>(16,308,002)</b>	<b>—</b>
<b>Property And Equipment</b>					
Land, buildings, improvements and equipment	608,979	10,333,408	—	(796,373)	10,146,014
Less: Accumulated depreciation	(345,442)	(1,482,001)	—	103,526	(1,723,917)
<b>Net Property And Equipment</b>	<b>263,537</b>	<b>8,851,407</b>	<b>—</b>	<b>(692,847)</b>	<b>8,422,097</b>
<b>Funds Held In Trust By Others</b>	<b>1,604,520</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,604,520</b>
<b>Promises To Give - Long Term</b>	<b>499,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>499,000</b>
<b>Interest In Net Assets Of Lyric Foundation</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>16,293,418</b>	<b>16,293,418</b>
<b>Total Assets</b>	<b>\$ 4,520,156</b>	<b>\$ 8,966,343</b>	<b>\$ 16,354,555</b>	<b>\$ (753,984)</b>	<b>\$ 29,087,070</b>
<b>Current Liabilities</b>					
Accounts payable	\$ 131,739	\$ 6,301	\$ —	\$ —	\$ 138,040
Accrued payroll and taxes	78,369	—	—	—	78,369
Accrued interest	—	62,284	—	—	62,284
Revolving line of credit	—	—	61,137	(61,137)	—
Current portion of capital lease payable	81,310	—	—	—	81,310
Deferred income:					
Ticket sales	760,234	—	—	—	760,234
Other	25,559	—	—	—	25,559
<b>Total Current Liabilities</b>	<b>1,077,211</b>	<b>68,585</b>	<b>61,137</b>	<b>(61,137)</b>	<b>1,145,796</b>
<b>Long - Term Liabilities</b>					
Capital lease payable	29,535	—	—	—	29,535
Long - term debt	—	10,290,000	—	—	10,290,000
Less: Unamortized debt issuance costs	—	79,839	—	—	79,839
<b>Total Long-Term Liabilities</b>	<b>29,535</b>	<b>10,210,161</b>	<b>—</b>	<b>—</b>	<b>10,239,696</b>
<b>Total Liabilities</b>	<b>1,106,746</b>	<b>10,278,746</b>	<b>61,137</b>	<b>(61,137)</b>	<b>11,385,492</b>
<b>Net Assets</b>					
Unrestricted	(2,204,537)	(1,312,403)	1,652,039	(989,723)	(2,854,624)
Temporarily restricted	5,190,244	—	8,043,394	296,876	13,530,514
Permanently restricted	427,703	—	6,597,985	—	7,025,688
<b>Total Net Assets</b>	<b>3,413,410</b>	<b>(1,312,403)</b>	<b>16,293,418</b>	<b>(692,847)</b>	<b>17,701,578</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 4,520,156</b>	<b>\$ 8,966,343</b>	<b>\$ 16,354,555</b>	<b>\$ (753,984)</b>	<b>\$ 29,087,070</b>

# LYRIC OPERA OF KANSAS CITY, INC.

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION June 30, 2017 (As Restated)

	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.
<b>Current Assets</b>					
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
<b>Total Current Assets</b>	<b>3,020,898</b>	<b>114,832</b>	<b>48,006</b>	<b>(48,006)</b>	<b>3,135,730</b>
<b>Other Assets</b>					
Investments	—	—	8,262,933	(8,262,933)	—
Note receivable	—	—	7,641,900	(7,641,900)	—
Interest receivable	—	—	178,375	(178,375)	—
<b>Total Other Assets</b>	<b>—</b>	<b>—</b>	<b>16,083,208</b>	<b>(16,083,208)</b>	<b>—</b>
<b>Property And Equipment</b>					
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)
<b>Net Property And Equipment</b>	<b>258,836</b>	<b>9,066,763</b>	<b>—</b>	<b>(708,774)</b>	<b>8,616,825</b>
<b>Funds Held In Trust By Others</b>	<b>1,633,329</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,633,329</b>
<b>Promises To Give - Long Term</b>	<b>273,065</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>273,065</b>
<b>Interest In Net Assets Of Lyric Foundation</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>16,080,567</b>	<b>16,080,567</b>
<b>Total Assets</b>	<b>\$ 5,186,128</b>	<b>\$ 9,181,595</b>	<b>\$ 16,131,214</b>	<b>\$ (759,421)</b>	<b>\$ 29,739,516</b>
<b>Current Liabilities</b>					
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
<b>Total Current Liabilities</b>	<b>965,620</b>	<b>62,976</b>	<b>50,647</b>	<b>(50,647)</b>	<b>1,028,596</b>
<b>Long - Term Liabilities</b>					
Capital lease payable	102,599	—	—	—	102,599
Long - term debt	—	10,290,000	—	—	10,290,000
Less: Unamortized bond issuance costs	—	88,964	—	—	88,964
<b>Total Long-Term Liabilities</b>	<b>102,599</b>	<b>10,201,036</b>	<b>—</b>	<b>—</b>	<b>10,303,635</b>
<b>Total Liabilities</b>	<b>1,068,219</b>	<b>10,264,012</b>	<b>50,647</b>	<b>(50,647)</b>	<b>11,332,231</b>
<b>Net Assets</b>					
Unrestricted	(1,434,138)	(1,082,417)	1,474,949	(828,560)	(1,870,166)
Temporarily restricted	5,324,344	—	8,007,633	119,786	13,451,763
Permanently restricted	227,703	—	6,597,985	—	6,825,688
<b>Total Net Assets</b>	<b>4,117,909</b>	<b>(1,082,417)</b>	<b>16,080,567</b>	<b>(708,774)</b>	<b>18,407,285</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 5,186,128</b>	<b>\$ 9,181,595</b>	<b>\$ 16,131,214</b>	<b>\$ (759,421)</b>	<b>\$ 29,739,516</b>

**LYRIC OPERA OF KANSAS CITY, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2018**

	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
<b>Earned Revenue</b>								
Ticket sales (Mainstage and Explorations)	\$ 1,219,391	\$ —	\$ —	\$ —	\$ 1,219,391	\$ 1,219,391	\$ —	\$ —
Rental income	154,016	567,000	—	(567,000)	154,016	154,016	—	—
Education	54,627	—	—	—	54,627	54,627	—	—
Auxiliaries	256,943	—	—	—	256,943	256,943	—	—
Miscellaneous	54,963	128	—	—	55,091	55,091	—	—
Resident artist program	8,606	—	—	—	8,606	8,606	—	—
Realized gains	—	—	182,464	(182,464)	—	—	—	—
Unrealized gains	—	—	304,638	(304,638)	—	—	—	—
Interest and dividends	—	—	183,136	(183,136)	—	—	—	—
Interest on note receivable	—	—	208,846	(208,846)	—	—	—	—
<b>Total Earned Revenue</b>	<b>1,748,546</b>	<b>567,128</b>	<b>879,084</b>	<b>(1,446,084)</b>	<b>1,748,674</b>	<b>1,748,674</b>	<b>—</b>	<b>—</b>
<b>Contributed Revenue And Change In Value</b>								
<b>Of Funds Held In Trust By Others</b>								
Contributions from Lyric Opera	—	—	111,500	(111,500)	—	—	—	—
Contributions from Lyric Opera QALICB	—	—	273,219	(273,219)	—	—	—	—
Individual, corporate and foundation	3,534,609	—	—	—	3,534,609	575,728	2,758,881	200,000
Capital campaign	95,000	—	—	—	95,000	—	95,000	—
Federal, state and local	103,396	—	—	—	103,396	12,470	90,926	—
Change in value of funds held in trust by others	(28,809)	—	—	—	(28,809)	—	(28,809)	—
In-kind contributions	44,234	16,000	—	(16,000)	44,234	44,234	—	—
Lyric Opera Ball	771,664	—	—	—	771,664	506,281	265,383	—
Net assets released from restrictions	—	—	—	—	—	3,315,481	(3,315,481)	—
<b>Total Contributed Revenue</b>	<b>4,520,094</b>	<b>16,000</b>	<b>384,719</b>	<b>(400,719)</b>	<b>4,520,094</b>	<b>4,454,194</b>	<b>(134,100)</b>	<b>200,000</b>
<b>Total Revenue</b>	<b>6,268,640</b>	<b>583,128</b>	<b>1,263,803</b>	<b>(1,846,803)</b>	<b>6,268,768</b>	<b>6,202,868</b>	<b>(134,100)</b>	<b>200,000</b>
<b>Expenses</b>								
<b>Program services:</b>								
Production and artistic	3,368,324	—	—	—	3,368,324	3,368,324	—	—
Education	218,894	—	—	—	218,894	218,894	—	—
Professional services	—	—	35,500	(35,500)	—	—	—	—
Investment fees	—	—	30,165	(30,165)	—	—	—	—
Interest expense	—	—	3,795	(3,795)	—	—	—	—
Contribution to Lyric Opera	—	—	981,492	(981,492)	—	—	—	—
<b>Total program services</b>	<b>3,587,218</b>	<b>—</b>	<b>1,050,952</b>	<b>(1,050,952)</b>	<b>3,587,218</b>	<b>3,587,218</b>	<b>—</b>	<b>—</b>
<b>Management and general:</b>								
Theatre and building	779,827	813,114	—	(582,927)	1,010,014	1,010,014	—	—
Finance and administration	834,096	—	—	(16,000)	818,096	818,096	—	—
Charitable contributions to Lyric Foundation	111,500	—	—	—	111,500	111,500	—	—
Marketing	565,407	—	—	—	565,407	565,407	—	—
Ticket office	170,890	—	—	—	170,890	170,890	—	—
<b>Total management and general</b>	<b>2,461,720</b>	<b>813,114</b>	<b>—</b>	<b>(598,927)</b>	<b>2,675,907</b>	<b>2,675,907</b>	<b>—</b>	<b>—</b>
<b>Fundraising:</b>								
Development	525,949	—	—	—	525,949	525,949	—	—
Auxiliaries	199,190	—	—	—	199,190	199,190	—	—
Lyric Opera Ball	199,062	—	—	—	199,062	199,062	—	—
<b>Total fundraising</b>	<b>924,201</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>924,201</b>	<b>924,201</b>	<b>—</b>	<b>—</b>
<b>Total Expenses</b>	<b>6,973,139</b>	<b>813,114</b>	<b>1,050,952</b>	<b>(1,649,879)</b>	<b>7,187,326</b>	<b>7,187,326</b>	<b>—</b>	<b>—</b>
<b>Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation</b>								
<b>Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation</b>	<b>(704,499)</b>	<b>(229,986)</b>	<b>212,851</b>	<b>(196,924)</b>	<b>(918,558)</b>	<b>(984,458)</b>	<b>(134,100)</b>	<b>200,000</b>
<b>Change In Net Assets Of Lyric Foundation</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>212,851</b>	<b>212,851</b>	<b>—</b>	<b>212,851</b>	<b>—</b>
<b>Change In Net Assets</b>	<b>(704,499)</b>	<b>(229,986)</b>	<b>212,851</b>	<b>15,927</b>	<b>(705,707)</b>	<b>(984,458)</b>	<b>78,751</b>	<b>200,000</b>
<b>Net Assets - Beginning Of Year</b>	<b>4,117,909</b>	<b>(1,082,417)</b>	<b>16,080,567</b>	<b>(708,774)</b>	<b>18,407,285</b>	<b>(1,870,166)</b>	<b>13,451,763</b>	<b>6,825,688</b>
<b>Net Assets - End Of Year</b>	<b>\$ 3,413,410</b>	<b>\$ (1,312,403)</b>	<b>\$ 16,293,418</b>	<b>\$ (692,847)</b>	<b>\$ 17,701,578</b>	<b>\$ (2,854,624)</b>	<b>\$ 13,530,514</b>	<b>\$ 7,025,688</b>

**LYRIC OPERA OF KANSAS CITY, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2017 (As Restated)**

	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
<b>Earned Revenue</b>								
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)	—	—	—	—
<b>Total Earned Revenue</b>	<b>2,000,562</b>	<b>553,626</b>	<b>1,186,124</b>	<b>(1,739,624)</b>	<b>2,000,688</b>	<b>2,000,688</b>	<b>—</b>	<b>—</b>
<b>Contributed Revenue And Change In Value</b>								
<b>Of Funds Held In Trust By Others</b>								
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	—
Change in value of funds held in trust by others	65,729	—	—	—	65,729	—	65,729	—
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)	—
<b>Total Contributed Revenue</b>	<b>4,824,446</b>	<b>16,000</b>	<b>620,711</b>	<b>(636,711)</b>	<b>4,824,446</b>	<b>4,332,983</b>	<b>491,463</b>	<b>—</b>
<b>Total Revenue</b>	<b>6,825,008</b>	<b>569,626</b>	<b>1,806,835</b>	<b>(2,376,335)</b>	<b>6,825,134</b>	<b>6,333,671</b>	<b>491,463</b>	<b>—</b>
<b>Expenses</b>								
<b>Program services:</b>								
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)	—	—	—	—
<b>Total program services</b>	<b>3,470,305</b>	<b>—</b>	<b>939,247</b>	<b>(939,247)</b>	<b>3,470,305</b>	<b>3,470,305</b>	<b>—</b>	<b>—</b>
<b>Management and general:</b>								
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	—	—
<b>Total management and general</b>	<b>2,777,211</b>	<b>794,576</b>	<b>—</b>	<b>(585,427)</b>	<b>2,986,360</b>	<b>2,986,360</b>	<b>—</b>	<b>—</b>
<b>Fundraising:</b>								
Development	349,389	—	—	—	349,389	349,389	—	—
Auxiliaries	167,572	—	—	—	167,572	167,572	—	—
Lyric Opera Ball	207,116	—	—	—	207,116	207,116	—	—
<b>Total fundraising</b>	<b>724,077</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>724,077</b>	<b>724,077</b>	<b>—</b>	<b>—</b>
<b>Total Expenses</b>	<b>6,971,593</b>	<b>794,576</b>	<b>939,247</b>	<b>(1,524,674)</b>	<b>7,180,742</b>	<b>7,180,742</b>	<b>—</b>	<b>—</b>
<b>Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation</b>								
	(146,585)	(224,950)	867,588	(851,661)	(355,608)	(847,071)	491,463	—
<b>Change In Net Assets Of Lyric Foundation</b>								
	—	—	—	867,588	867,588	—	867,588	—
<b>Change In Net Assets</b>								
	(146,585)	(224,950)	867,588	15,927	511,980	(847,071)	1,359,051	—
<b>Net Assets - Beginning Of Year,</b>								
As Originally Stated	2,696,894	(857,467)	15,212,979	(724,701)	16,327,705	(1,023,095)	10,525,112	6,825,688
Prior Period Restatement	1,567,600	—	—	—	1,567,600	—	1,567,600	—
<b>Net Assets - Beginning Of Year,</b>								
As Restated	4,264,494	(857,467)	15,212,979	(724,701)	17,895,305	(1,023,095)	12,092,712	6,825,688
<b>Net Assets - End Of Year, As Restated</b>	<b>\$ 4,117,909</b>	<b>\$ (1,082,417)</b>	<b>\$ 16,080,567</b>	<b>\$ (708,774)</b>	<b>\$ 18,407,285</b>	<b>\$ (1,870,196)</b>	<b>\$ 13,451,763</b>	<b>\$ 6,825,688</b>

# LYRIC OPERA OF KANSAS CITY, INC.

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## UNCONSOLIDATED SCHEDULE OF OPERATING RESULTS

### For The Year Ended June 30, 2018

Change in net assets	\$ (704,499)
Adjustment for net capital campaign activity	16,500
Adjustment for change in value of funds held in trust by others	28,809
Operating results prior to depreciation expense	<u>(659,190)</u>
Plus: LOKC depreciation expense	<u>21,230</u>
 Net LOKC Operating Results	 <u><u>\$ (637,960)</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, 2018, this schedule has been provided to adjust for non-operating activity included in the LOKC's change in net assets located on page 27.

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 \$3,696,000 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). 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 \$79,800, which relates to the capital leases as discussed in footnote two.