
LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

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 Functional Expenses..... | 6 |
| Consolidated Statement Of Cash Flows | 7 |
| Notes To Consolidated Financial Statements | 8 - 25 |
| Supplementary Information | |
| Independent Auditors' Report On Supplementary Information..... | 26 |
| Consolidating Statements Of Financial Position | 27 - 28 |
| Consolidating Statements Of Activities..... | 29 - 30 |



RubinBrown LLP
Certified Public Accountants
& Business Consultants

One Kansas City Place
1200 Main Street
Suite 1000
Kansas City, MO 64105

T 816.472.1122

W rubinbrown.com
E info@rubinbrown.com

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, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended and the related consolidated statement of functional expenses for the year ended June 30, 2019, 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, 2019 and 2018, 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 2 to the consolidated financial statements, as of July 1, 2018, the Lyric Opera of Kansas City, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

RubinBrown LLP

November 21, 2019

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Assets | |
|---|----------------------|----------------------|
| | June 30, | |
| | 2019 | 2018 |
| Current Assets | | |
| Cash and cash equivalents | \$ 338,348 | \$ 592,250 |
| Accounts receivable | 33,118 | 76,995 |
| Promises to give | 1,129,550 | 1,390,639 |
| Prepaid production costs | 37,728 | 98,432 |
| Other prepaid expenses | 93,936 | 109,719 |
| Total Current Assets | 1,632,680 | 2,268,035 |
| Property And Equipment | | |
| Land, buildings, improvements and equipment | 10,231,789 | 10,146,014 |
| Less: Accumulated depreciation | (1,921,776) | (1,723,917) |
| Net Property And Equipment | 8,310,013 | 8,422,097 |
| Funds Held In Trust By Others | 1,691,961 | 1,604,520 |
| Promises To Give - Long-Term | 915,138 | 499,000 |
| Interest In Net Assets Of Lyric Foundation | 11,587,473 | 16,293,418 |
| Total Assets | \$ 24,137,265 | \$ 29,087,070 |

| | Liabilities And Net Assets | |
|--|----------------------------|----------------------|
| Current Liabilities | | |
| Accounts payable | \$ 159,463 | \$ 138,040 |
| Accrued payroll and taxes | 104,805 | 78,369 |
| Accrued interest | — | 62,284 |
| Current portion of capital lease payable | 12,588 | 81,310 |
| Deferred income: | | |
| Ticket sales | 653,107 | 760,234 |
| Other | 25,823 | 25,559 |
| Line of credit | 632,212 | — |
| Total Current Liabilities | 1,587,998 | 1,145,796 |
| Long-Term Liabilities | | |
| Capital lease payable | 52,450 | 29,535 |
| Long-term debt | — | 10,290,000 |
| Less: Unamortized debt issuance costs | — | 79,839 |
| Total Long-Term Liabilities | 52,450 | 10,239,696 |
| Net Assets | | |
| Without donor restrictions | 6,406,821 | (2,854,624) |
| With donor restrictions | 16,089,996 | 20,556,202 |
| Total Net Assets | 22,496,817 | 17,701,578 |
| Total Liabilities And Net Assets | \$ 24,137,265 | \$ 29,087,070 |

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Earned Revenue | | | |
| Ticket sales (Mainstage and Explorations) | \$ 1,459,700 | \$ — | \$ 1,459,700 |
| Rental income | 183,990 | — | 183,990 |
| Education | 43,829 | — | 43,829 |
| Auxiliaries | 260,997 | — | 260,997 |
| Miscellaneous | 40,618 | — | 40,618 |
| Resident artist program | 8,464 | — | 8,464 |
| Total Earned Revenue | 1,997,598 | — | 1,997,598 |
| Contributed Revenue And Change In Value Of Funds Held In Trust By Others | | | |
| Individual, corporate and foundation | 930,576 | 2,824,315 | 3,754,891 |
| Contribution of note and interest receivable from the Lyric Foundation due to the QALICB unwind transaction (Note 18) | 7,896,600 | — | 7,896,600 |
| Federal, state and local | — | 108,978 | 108,978 |
| Change in value of funds held in trust by others | — | 87,441 | 87,441 |
| In-kind contributions | 49,795 | — | 49,795 |
| Lyric Opera Ball | 587,046 | 48,925 | 635,971 |
| Extinguishment of note payable (Note 18) | 2,648,100 | — | 2,648,100 |
| Net assets released from restrictions | 2,829,920 | (2,829,920) | — |
| Total Contributed Revenue And Change In Value Of Funds Held In Trust By Others | 14,942,037 | 239,739 | 15,181,776 |
| Total Revenue | 16,939,635 | 239,739 | 17,179,374 |
| Expenses | | | |
| Program services | | | |
| Production and artistic | 5,236,655 | — | 5,236,655 |
| Education and outreach (including auxiliaries) | 450,027 | — | 450,027 |
| Total program services | 5,686,682 | — | 5,686,682 |
| Supporting activities | | | |
| Management and general | 1,130,236 | — | 1,130,236 |
| Fundraising (including ball) | 861,272 | — | 861,272 |
| Total supporting activities | 1,991,508 | — | 1,991,508 |
| Total Expenses | 7,678,190 | — | 7,678,190 |
| Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation | 9,261,445 | 239,739 | 9,501,184 |
| Change In Net Assets Of Lyric Foundation | — | (4,705,945) | (4,705,945) |
| Change In Net Assets | 9,261,445 | (4,466,206) | 4,795,239 |
| Net Assets - Beginning Of Year | (2,854,624) | 20,556,202 | 17,701,578 |
| Net Assets - End Of Year | \$ 6,406,821 | \$ 16,089,996 | \$ 22,496,817 |

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Earned Revenue | | | |
| 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 |
| Total Earned Revenue | 1,748,674 | — | 1,748,674 |
| Contributed Revenue And Change In Value Of Funds Held In Trust By Others | | | |
| Individual, corporate and foundation | 575,728 | 2,958,881 | 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) | — |
| Total Contributed Revenue And Change In Value Of Funds Held In Trust By Others | 4,454,194 | 65,900 | 4,520,094 |
| Total Revenue | 6,202,868 | 65,900 | 6,268,768 |
| Expenses | | | |
| Program services | | | |
| Production and artistic | 3,368,324 | — | 3,368,324 |
| Education | 218,894 | — | 218,894 |
| Total program services | 3,587,218 | — | 3,587,218 |
| 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 |
| Total management and general | 2,675,907 | — | 2,675,907 |
| Fundraising | | | |
| Development | 525,949 | — | 525,949 |
| Auxiliaries | 199,190 | — | 199,190 |
| Lyric Opera Ball | 199,062 | — | 199,062 |
| Total fundraising | 924,201 | — | 924,201 |
| Total Expenses | 7,187,326 | — | 7,187,326 |
| Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation | (984,458) | 65,900 | (918,558) |
| Change In Net Assets Of Lyric Foundation | — | 212,851 | 212,851 |
| Change In Net Assets | (984,458) | 278,751 | (705,707) |
| Net Assets - Beginning Of Year | (1,870,166) | 20,277,451 | 18,407,285 |
| Net Assets - End Of Year | \$ (2,854,624) | \$ 20,556,202 | \$ 17,701,578 |

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2019

| | Productions And Explorations | Education And Outreach | Total Program Expenses | General And Administrative | Fundraising | Total Supporting Activities | Total |
|--|------------------------------------|------------------------------|------------------------------|-------------------------------|-------------------|-----------------------------------|---------------------|
| Salaries and wages | \$ 632,634 | \$ 97,008 | \$ 729,642 | \$ 598,356 | \$ 330,248 | \$ 928,604 | \$ 1,658,246 |
| Payroll taxes and employee benefits | 124,095 | 22,081 | 146,176 | 134,733 | 67,693 | 202,426 | 348,602 |
| Professional services | 108,845 | 6,014 | 114,859 | 90,297 | 91,690 | 181,987 | 296,846 |
| Supplies and equipment | 1,092 | 2,567 | 3,659 | — | — | — | 3,659 |
| Utilities and insurance | 81,364 | 5,872 | 87,236 | 65,755 | 5,649 | 71,404 | 158,640 |
| Depreciation and amortization | 167,548 | 10,241 | 177,789 | 115,837 | 9,602 | 125,439 | 303,228 |
| Travel, hospitality and events | 50,501 | 259,514 | 310,015 | 2,436 | 210,429 | 212,865 | 522,880 |
| Donor expenses | — | — | — | — | 75,748 | 75,748 | 75,748 |
| Interest expense | — | — | — | 20,374 | — | 20,374 | 20,374 |
| Advertising and marketing | 414,962 | 409 | 415,371 | — | 5,907 | 5,907 | 421,278 |
| Rent and occupancy | 387,476 | 7,715 | 395,191 | 9,904 | 7,236 | 17,140 | 412,331 |
| Dues, memberships and subscriptions | 2,643 | — | 2,643 | 13,216 | 529 | 13,745 | 16,388 |
| Supplies and office expenses | 56,055 | 12,309 | 68,364 | 45,795 | 31,297 | 77,092 | 145,456 |
| Production (mainstage and explorations) | 2,717,533 | 152 | 2,717,685 | — | 730 | 730 | 2,718,415 |
| Production (set rental expense) | 96,373 | — | 96,373 | — | — | — | 96,373 |
| QALICB unwind expense | 395,534 | 26,145 | 421,679 | 33,533 | 24,514 | 58,047 | 479,726 |
| | \$ 5,236,655 | \$ 450,027 | \$ 5,686,682 | \$ 1,130,236 | \$ 861,272 | \$ 1,991,508 | \$ 7,678,190 |

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

| | For The Years | |
|---|-----------------------|-------------------|
| | Ended June 30, | |
| | 2019 | 2018 |
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 4,795,239 | \$ (705,707) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation and amortization | 303,228 | 300,459 |
| Amortization of debt issuance costs | 79,839 | 9,125 |
| Extinguishment of long-term debt (Note 18) | (10,290,000) | — |
| Change in value of interest in net assets of Lyric Foundation | 4,705,945 | (212,851) |
| Change in value of funds held in trust by others | (87,441) | 28,809 |
| Contributions to capital campaign | (181,600) | (95,000) |
| Changes in assets and liabilities: | | |
| Accounts receivable and promises to give | (111,172) | (75,937) |
| Prepaid costs and other assets | 76,487 | (54,561) |
| Accounts payable and accrued payroll and taxes | 47,859 | 71,918 |
| Accrued interest | (62,284) | (692) |
| Deferred income | (106,863) | 39,544 |
| Net Cash Used In Operating Activities | (830,763) | (694,893) |
| Cash Flows Used In Investing Activities | | |
| Purchases of property and equipment | (122,909) | (92,565) |
| Cash Flows From Financing Activities | | |
| Payments on capital lease obligations | (114,042) | (79,800) |
| Proceeds of capital campaign | 181,600 | 111,500 |
| Payments on line of credit | (202,835) | — |
| Proceeds from line of credit | 835,047 | — |
| Net Cash Provided By Financing Activities | 699,770 | 31,700 |
| Decrease In Cash And Cash Equivalents | (253,902) | (755,758) |
| Cash And Cash Equivalents - Beginning Of Year | 592,250 | 1,348,008 |
| Cash And Cash Equivalents - End Of Year | \$ 338,348 | \$ 592,250 |
| Supplemental Disclosure Of Cash Flow Information | | |
| Interest paid | \$ 83,045 | \$ 252,596 |
| Supplemental Disclosure Of Noncash Information | | |
| Extinguishment of long-term debt (Note 18) | 10,290,000 | — |
| Contribution of note and interest receivable from the Lyric Foundation due to QALICB unwind transaction (Note 18) | 7,896,600 | — |
| Termination of a capital lease prior to maturity | 33,278 | — |
| Acquisition of property through a capital lease | 68,235 | 13,166 |

LYRIC OPERA OF KANSAS CITY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 And 2018

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 was to hold title to property, complete construction of the Opera Center and lease said property. The property was operated in such a way that it qualified 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 was also a current member of the Lyric's board. As discussed in Note 18, the QALICB reached the end of the seven-year compliance period for the NMTC program during the fiscal year ending June 30, 2019 and the QALICB was dissolved as part of the unwind transaction.

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.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

New Accounting Principle

As of July 1, 2018, the Lyric implemented Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. In accordance with the ASU, the consolidated statement of financial position and the consolidated statement of activities presents two classes of net assets, rather than the previously required three classes. The two classes are “Net assets without donor restrictions” (previously “Unrestricted” net assets) and “Net assets with donor restrictions” (previously “Temporarily” and “Permanently” restricted net assets). The ASU also requires information concerning liquidity and presentation of expenses by both functional and natural classifications.

Basis Of Presentation

The financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity and financial flexibility. As a result, the Lyric is required to report information regarding its financial position and activities according to the following classes of net assets:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations as well as net assets designated by the Board of Trustees for specific purposes.

Net Assets With Donor Restrictions - This category includes net assets subject to donor-imposed stipulations that will be met by actions of the Lyric and/or the passage of time. Certain net assets in this category are subject to donor-imposed stipulations that they be invested in perpetuity to provide a source of income to be used for general or a specific purpose.

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 And Cash Equivalents

The Lyric considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

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, 2019 or 2018.

Co-Production Agreement

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. The Lyric did not enter into any new co-production agreements during the 2018-2019 season.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

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.

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 Lyric reviews its investment in rental property for impairment whenever events or changes in circumstances indicates 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, 2019 and 2018. As discussed in Note 18, during the fiscal year ending June 30, 2019, the NMTC program was unwound and the QALICB was dissolved. As part of the unwind transaction, the ownership of the Opera Center transferred to the Lyric.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

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, 2019 and 2018, assets held under a capital lease totaled to \$265,714 and \$264,535, respectively, and accumulated amortization totaled to \$200,276 and \$153,690, respectively. Future minimum payments under the lease terms will be \$12,588 in fiscal years ending June 30, 2020, 2021, 2022, 2023, and 2024, and \$2,098 in fiscal year ending June 30, 2025.

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, debt issuance costs totaled \$136,878 and the related accumulated amortization totaled \$57,039. 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 \$79,839 and \$9,125 for the years ended June 30, 2019 and 2018, respectively. As part of the dissolution of the QALICB as discussed in Note 18, the notes payable and associated debt issuance costs were extinguished during the fiscal year ending June 30, 2019.

Interest

Interest expense during the years ended June 30, 2019 and 2018 totaled \$20,374 and \$261,029, respectively.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Lyric have been limited by donors to a specific time period or purpose or to be maintained by the Lyric, or on behalf of the Lyric, in perpetuity.

Interest and dividends from restricted investments are credited to net assets without donor restriction 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.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements *(Continued)*

Revenue And Support

Gifts of cash and other assets are reported as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction 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 2019 and 2018 was \$421,278 and \$424,956, respectively.

Functional Expense

The consolidated statement of functional expenses presents expenses by function and natural classification. Certain natural expenses have been allocated among the three categories based on a variety of cost allocations such as time expended, usage, square footage and other methods. Depreciation expense is allocated based on a building and usage analysis. Interest expense on external debt is allocated to functional categories which have benefited from the proceeds of the external debt.

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 2015 and later remain subject to examination by taxing authorities.

3. Promises To Give

Promises to give consist of the following:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|---------------------|---------------------|
| Due in less than one year | \$ 1,161,771 | \$ 1,527,639 |
| Due in one to five years | 882,917 | 362,000 |
| | <u>\$ 2,044,688</u> | <u>\$ 1,889,639</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 and in one to five years is \$915,138 which is restricted for the integrated campaign. As a result, this amount has been classified as a noncurrent asset on the accompanying consolidated statement of financial position.

Included in promises to give due in less than one year at June 30, 2018 is \$137,000, 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, 2019 and 2018, the carrying value of the trust was \$1,691,961 and \$1,604,520, respectively. For the years ended June 30, 2019 and 2018, the increase (decrease) in value of the beneficial interest of a charitable remainder unitrust was \$87,441 and (\$28,809), respectively.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

5. Property And Equipment

Property and equipment consist of:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Land | \$ 470,000 | \$ 470,000 |
| Michael & Ginger Frost Production Arts Building | 4,343,622 | 4,624,983 |
| Beth Ingram Administration Building | 4,409,415 | 4,016,187 |
| Furniture and equipment | 743,438 | 770,309 |
| Equipment under capital lease | 265,314 | 264,535 |
| | <u>10,231,789</u> | <u>10,146,014</u> |
| Less: Accumulated depreciation and amortization | 1,921,776 | 1,723,917 |
| | <u>\$ 8,310,013</u> | <u>\$ 8,422,097</u> |

Depreciation and amortization expense was \$303,228 and \$300,459 for 2019 and 2018, 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, 2019 and 2018. 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 contributions without donor restrictions.

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. These notes were extinguished as part of the wind down of the QALICB on July 30, 2018 as described in Note 18.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (Continued)

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 \$15,418 and \$187,077 for the years ending June 30, 2019 and 2018, 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 \$5,343 and \$64,827 for the years ending June 30, 2019 and 2018, respectively.

8. Line Of Credit

On July 23, 2018, the Lyric secured a line of credit agreement with a maximum borrowing capacity of \$750,000 with a maturity date of July 22, 2019. The line of credit has a variable interest rate based on the Wall Street Journal Prime Rate which was 5% at June 30, 2019. During 2019 the agreement was amended to increase the borrowing capacity to \$1,000,000 and to extend the maturity date to July 21, 2020. The agreement is secured by substantially all assets of the Lyric.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

| | <u>2019</u> | <u>2018</u> |
|---------------------|----------------------|----------------------|
| Future activities | \$ 325,567 | \$ 8,384,316 |
| Perpetual in nature | 10,249,051 | 7,025,688 |
| Time restriction | 5,515,378 | 5,146,198 |
| | <u>\$ 16,089,996</u> | <u>\$ 20,556,202</u> |

Future activities included 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.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

Net assets with donor restrictions that are perpetual in nature are held by the Lyric Foundation totaling \$10,248,927 and \$7,025,688 at June 30, 2019 and 2018, respectively, and are to be maintained in perpetuity, with the income being available for purposes without donor restrictions.

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>2019</u> | <u>2018</u> |
|-------------------|---------------------|---------------------|
| Future activities | \$ 1,479,008 | \$ 1,690,651 |
| Time restriction | 1,350,912 | 1,624,830 |
| | <u>\$ 2,829,920</u> | <u>\$ 3,315,481</u> |

10. 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.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

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.

At June 30, 2019 and 2018, 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, 2019, 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 2.8% to determine the net present value of the funds ultimately to be received by the Lyric. 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.

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, 2019 and 2018:

| | |
|---|----------------------------|
| Balance - July 1, 2017 | \$ 1,633,329 |
| Change in value of funds held in trust by others | <u>(28,809)</u> |
| Balance - June 30, 2018 | 1,604,520 |
| Change in value of funds held in trust by others | <u>87,441</u> |
| Balance - June 30, 2019 | <u><u>\$ 1,691,961</u></u> |

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

Changes in fair value are presented on the Lyric's consolidated statement of activities for the years ended June 30, 2019 and 2018. During 2019 and 2018, there were no changes in the methods and/or assumptions utilized to derive the fair values of the Lyric's assets.

11. 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, 2019 or 2018.

During the years ended June 30, 2019 and 2018, the Lyric Foundation made grants totaling \$488,360 and \$981,492, respectively, to the Lyric.

The members of the Board of Trustees of the Lyric and their employers and foundations made contributions totaling \$230,921 and \$965,027 for the years ended June 30, 2019 and 2018, 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). All of these entities were considered related parties prior to the wind down of the QALICB in July of 2018 (Note 18).

During the year ended June 30, 2019, the Lyric Foundation received contributions of \$9,000 and \$136,000 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, 2018, the Lyric Foundation received contributions of \$273,219 and \$111,500 from the QALICB and the Lyric, respectively.

For the years ended June 30, 2019 and 2018, the contributions from the QALICB to the Lyric Foundation are included in theatre and building expense in the accompanying consolidated statements of activities.

Additionally, in connection with the unwind transaction of the QALICB entity, the Foundation gifted the note receivable of \$7,641,900 and a corresponding interest receivable of \$254,700 to the Lyric (Note 18).

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 had 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 had 180 days to exercise its option. PNC exercised its option on July 30, 2018. See Note 18 for details regarding the unwind transaction of the QALICB.

12. 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 year ended June 30, 2018 were \$12,470. No distributions were received during the year ending June 30, 2019.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

13. 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, 2019 and June 30, 2018 comprised 66% and 68%, respectively, of total promises to give from private sources.

At June 30, 2019 and 2018, promises to give due from board members was \$300,457 and \$235,518 respectively.

Contribution Revenues

Contributions from two entities each comprised 34% and 55% of the total contribution revenues from private sources for the years ended June 30, 2019 and 2018, respectively.

The Lyric Opera Ball fund-raising event comprised approximately 5% and 17% of the total contributed revenue for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 is as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|------------------|-------------------|
| Cash in bank | \$ 309,252 | \$ 398,718 |
| Portion insured by the FDIC | <u>(306,911)</u> | <u>(398,718)</u> |
| Uninsured cash in bank | 2,341 | — |
| Cash in Money Market Mutual Fund | <u>46,537</u> | <u>212,367</u> |
| | <u>\$ 48,878</u> | <u>\$ 212,367</u> |

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

14. Contributed Services

For the years ended June 30, 2019 and 2018, the Lyric received contributed services for legal and marketing services which totaled \$49,795 and \$44,234, respectively. The value of contributed services is based on quoted market prices for those services.

15. Risks And Uncertainties

The Lyric Foundation (Note 11) 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.

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.

16. 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. Due to the dissolution of the QALICB as described in Note 18, this guarantee has expired.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

17. 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 \$270,840 and \$263,978, which is included in theatre and building expenses in the accompanying consolidated statement of activities for the years ended June 30, 2019 and 2018, 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 \$288,040 for the year ending June 30, 2020.

18. Dissolution Of QALICB

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. As a result of this extinguishment, the Lyric recorded a noncash contribution of \$7,896,600 which appears in the consolidated statement of activities for the year ending June 30, 2019 and the Foundation recorded a contribution expense of \$7,896,600 which appears in the Lyric Foundation statement of activities for the year ending June 30, 2019. In addition, the QALICB was dissolved during the fiscal year ending June 30, 2019.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

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 was due to AltCap. To facilitate the payment of this fee, Lyric secured a line of credit with Academy Bank located in Kansas City, Missouri (Note 8). The remaining funds left over in the QALICB bank accounts were used to pay down the line of credit.

19. Liquidity

The Lyric regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Lyric has various sources of liquidity at its disposal, including endowment appropriations and a line of credit. In addition to financial assets available to meet general expenditures over the next 12 months, the Lyric operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Lyric utilizes a line of credit to manage liquidity needs. Funds can be drawn on the line of credit at the discretion of the Finance Committee and the Board Treasurer. As of June 30, 2019, the unused borrowing capacity on the line of credit was \$367,788.

The Lyric Board of Trustees created a new endowment fund in November 2018. The Lyric has plans to raise \$10,000,000 over the next five years. The Board of Directors created an investment committee to oversee the fund and has adopted an investment and distribution policy. No draws were taken from the endowment during the year ending June 30, 2019.

As of June 30, 2019, the Lyric had \$1,129,549 of promises to give which were restricted for the 2019-2020 season. Of these promises, the Lyric received \$200,000 in September 2019.

Additionally, the Lyric historically has been awarded a grant from a local private foundation in June of each year. In 2019, this grant of \$550,000 was awarded in September 2019.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements *(Continued)*

As of June 30, 2019, the following table shows the total financial assets held by the Lyric that could readily be made available within one year to meet general expenditures, after reduction of financial assets designated by the board or subject to donor-imposed restrictions:

| | | |
|---|----|------------------|
| Accounts receivable | \$ | 33,118 |
| Contributions for general expenditures due in one year or less | | 842,925 |
| Appropriation of Lyric Opera Foundation endowment for use over next 12 months | | <u>249,285</u> |
| | \$ | <u>1,125,328</u> |

20. 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.



RubinBrown LLP
Certified Public Accountants
& Business Consultants

One Kansas City Place
1200 Main Street
Suite 1000
Kansas City, MO 64105

T 816.472.1122

W rubinbrown.com
E info@rubinbrown.com

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, 2019 and 2018, and our report thereon dated November 21, 2019, 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, 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

November 21, 2019

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2019

| | 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 | \$ 338,348 | \$ — | \$ — | \$ — | \$ 338,348 |
| Accounts receivable | 33,118 | — | — | — | 33,118 |
| Promises to give | 1,129,550 | — | 2,000,000 | (2,000,000) | 1,129,550 |
| Prepaid production costs | 37,728 | — | — | — | 37,728 |
| Other prepaid expenses | 93,936 | — | — | — | 93,936 |
| Total Current Assets | 1,632,680 | — | 2,000,000 | (2,000,000) | 1,632,680 |
| Other Assets | | | | | |
| Investments | — | — | 9,587,473 | (9,587,473) | — |
| Property And Equipment | | | | | |
| Land, buildings, improvements and equipment | 10,231,789 | — | — | — | 10,231,789 |
| Less: Accumulated depreciation | (1,921,776) | — | — | — | (1,921,776) |
| Net Property And Equipment | 8,310,013 | — | — | — | 8,310,013 |
| Funds Held In Trust By Others | 1,691,961 | — | — | — | 1,691,961 |
| Promises To Give - Long-Term | 915,138 | — | — | — | 915,138 |
| Interest In Net Assets Of Lyric Foundation | — | — | — | 11,587,473 | 11,587,473 |
| Total Assets | \$ 12,549,792 | \$ — | \$ 11,587,473 | \$ — | \$ 24,137,265 |
| Current Liabilities | | | | | |
| Accounts payable | \$ 159,463 | \$ — | \$ — | \$ — | \$ 159,463 |
| Accrued payroll and taxes | 104,805 | — | — | — | 104,805 |
| Current portion of capital lease payable | 12,588 | — | — | — | 12,588 |
| Deferred income: | | | | | |
| Ticket sales | 653,107 | — | — | — | 653,107 |
| Other | 25,823 | — | — | — | 25,823 |
| Line of credit | 632,212 | — | — | — | 632,212 |
| Total Current Liabilities | 1,587,998 | — | — | — | 1,587,998 |
| Long - Term Liabilities | | | | | |
| Capital lease payable | 52,450 | — | — | — | 52,450 |
| Total Liabilities | 1,640,448 | — | — | — | 1,640,448 |
| Net Assets | | | | | |
| Without donor restrictions | 4,628,092 | — | 1,778,729 | — | 6,406,821 |
| With donor restrictions | 6,281,252 | — | 9,808,744 | — | 16,089,996 |
| Total Net Assets | 10,909,344 | — | 11,587,473 | — | 22,496,817 |
| Total Liabilities And Net Assets | \$ 12,549,792 | \$ — | \$ 11,587,473 | \$ — | \$ 24,137,265 |

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. |
|---|--|------------------------------|---|------------------------|---|
| Current Assets | | | | | |
| 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 |
| Total Current Assets | 2,153,099 | 114,936 | 46,553 | (46,553) | 2,268,035 |
| Other Assets | | | | | |
| Investments | — | — | 8,454,827 | (8,454,827) | — |
| Note receivable | — | — | 7,641,900 | (7,641,900) | — |
| Interest receivable | — | — | 211,275 | (211,275) | — |
| Total Other Assets | — | — | 16,308,002 | (16,308,002) | — |
| Property And Equipment | | | | | |
| 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) |
| Net Property And Equipment | 263,537 | 8,851,407 | — | (692,847) | 8,422,097 |
| Funds Held In Trust By Others | 1,604,520 | — | — | — | 1,604,520 |
| Promises To Give - Long-Term | 499,000 | — | — | — | 499,000 |
| Interest In Net Assets Of Lyric Foundation | — | — | — | 16,293,418 | 16,293,418 |
| Total Assets | \$ 4,520,156 | \$ 8,966,343 | \$ 16,354,555 | \$ (753,984) | \$ 29,087,070 |
| Current Liabilities | | | | | |
| 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 |
| Total Current Liabilities | 1,077,211 | 68,585 | 61,137 | (61,137) | 1,145,796 |
| Long-Term Liabilities | | | | | |
| Capital lease payable | 29,535 | — | — | — | 29,535 |
| Long-term debt | — | 10,290,000 | — | — | 10,290,000 |
| Less: Unamortized bond issuance costs | — | 79,839 | — | — | 79,839 |
| Total Long-Term Liabilities | 29,535 | 10,210,161 | — | — | 10,239,696 |
| Total Liabilities | 1,106,746 | 10,278,746 | 61,137 | (61,137) | 11,385,492 |
| Net Assets | | | | | |
| Without donor restrictions | (2,204,537) | (1,312,403) | 1,652,039 | (989,723) | (2,854,624) |
| With donor restrictions | 5,617,947 | — | 14,641,379 | 296,876 | 20,556,202 |
| Total Net Assets | 3,413,410 | (1,312,403) | 16,293,418 | (692,847) | 17,701,578 |
| Total Liabilities And Net Assets | \$ 4,520,156 | \$ 8,966,343 | \$ 16,354,555 | \$ (753,984) | \$ 29,087,070 |

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

| | 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. | Without Donor Restrictions | With Donor Restrictions |
|---|--|------------------------------|---|---|---|-------------------------------|----------------------------|
| Earned Revenue | | | | | | | |
| Ticket sales (Mainstage and Explorations) | \$ 1,459,700 | \$ — | \$ — | \$ — | \$ 1,459,700 | \$ 1,459,700 | \$ — |
| Rental income | 183,990 | 141,750 | — | (141,750) | 183,990 | 183,990 | — |
| Education | 43,829 | — | — | — | 43,829 | 43,829 | — |
| Auxiliaries | 260,997 | — | — | — | 260,997 | 260,997 | — |
| Miscellaneous | 40,612 | 6 | — | — | 40,618 | 40,618 | — |
| Resident artist program | 8,464 | — | — | — | 8,464 | 8,464 | — |
| Realized gains | — | — | 165,255 | (165,255) | — | — | — |
| Unrealized gains | — | — | 167,463 | (167,463) | — | — | — |
| Interest and dividends | — | — | 210,021 | (210,021) | — | — | — |
| Interest on note receivable | — | — | 56,210 | (56,210) | — | — | — |
| Total Earned Revenue | 1,997,592 | 141,756 | 598,949 | (740,699) | 1,997,598 | 1,997,598 | — |
| Contributed Revenue And Change In Value Of Funds Held In Trust By Others | | | | | | | |
| Contributions from Lyric Opera | — | — | 3,000,124 | (3,000,124) | — | — | — |
| Contributions from Lyric Opera QALICB | — | — | 9,000 | (9,000) | — | — | — |
| Individual, corporate and foundation | 3,754,891 | — | 136,000 | (136,000) | 3,754,891 | 930,576 | 2,824,315 |
| Contribution of note and interest receivable from the Lyric Foundation due to the QALICB unwind transaction (Note 18) | 7,896,600 | — | — | — | 7,896,600 | 7,896,600 | — |
| Federal, state and local | 108,978 | — | — | — | 108,978 | — | 108,978 |
| Change in value of funds held in trust by others | 87,441 | — | — | — | 87,441 | — | 87,441 |
| In-kind contributions | 49,795 | — | — | — | 49,795 | 49,795 | — |
| Extinguishment of note payable (Note 18) | — | 2,963,100 | — | (315,000) | 2,648,100 | 2,648,100 | — |
| Lyric Opera Ball | 635,971 | — | — | — | 635,971 | 587,046 | 48,925 |
| Net assets released from restrictions | — | — | — | — | — | 2,829,920 | (2,829,920) |
| Total Contributed Revenue And Change In Value Of Funds Held In Trust By Others | 12,533,676 | 2,963,100 | 3,145,124 | (3,460,124) | 15,181,776 | 14,942,037 | 239,739 |
| Total Revenue | 14,531,268 | 3,104,856 | 3,744,073 | (4,200,823) | 17,179,374 | 16,939,635 | 239,739 |
| Expenses | | | | | | | |
| Program services: | | | | | | | |
| Production and artistic | 5,236,655 | — | — | — | 5,236,655 | 5,236,655 | — |
| Education (including auxiliaries) | 450,027 | — | — | — | 450,027 | 450,027 | — |
| Professional services | — | — | 35,611 | (35,611) | — | — | — |
| Investment fees | — | — | 29,118 | (29,118) | — | — | — |
| Interest expense | — | — | 329 | (329) | — | — | — |
| Contribution to Lyric Opera | — | — | 8,384,960 | (8,384,960) | — | — | — |
| Total program services | 5,686,682 | — | 8,450,018 | (8,450,018) | 5,686,682 | 5,686,682 | — |
| Supporting activities: | | | | | | | |
| Management and general | 987,419 | 521,814 | — | (378,997) | 1,130,236 | 1,130,236 | — |
| Fundraising (including ball) | 861,272 | — | — | — | 861,272 | 861,272 | — |
| Total supporting activities | 1,848,691 | 521,814 | — | (378,997) | 1,991,508 | 1,991,508 | — |
| Total Expenses | 7,535,373 | 521,814 | 8,450,018 | (8,829,015) | 7,678,190 | 7,678,190 | — |
| Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation | | | | | | | |
| | 6,995,895 | 2,583,042 | (4,705,945) | 4,628,192 | 9,501,184 | 9,261,445 | 239,739 |
| Change In Net Assets Of Lyric Foundation | — | — | — | (4,705,945) | (4,705,945) | — | (4,705,945) |
| Change In Net Assets | 6,995,895 | 2,583,042 | (4,705,945) | (77,753) | 4,795,239 | 9,261,445 | (4,466,206) |
| Transfer Of Assets From QALICB To Lyric | 500,039 | (1,270,639) | — | 770,600 | — | — | — |
| Net Assets - Beginning Of Year | 3,413,410 | (1,312,403) | 16,293,418 | (692,847) | 17,701,578 | (2,854,624) | 20,556,202 |
| Net Assets - End Of Year | \$ 10,909,344 | \$ — | \$ 11,587,473 | \$ — | \$ 22,496,817 | \$ 6,406,821 | \$ 16,089,996 |

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. | Without Donor Restrictions | With Donor Restrictions |
|---|--|------------------------------|---|---|---|-------------------------------|----------------------------|
| Earned Revenue | | | | | | | |
| 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) | — | — | — |
| Total Earned Revenue | 1,748,546 | 567,128 | 879,084 | (1,446,084) | 1,748,674 | 1,748,674 | — |
| Contributed Revenue And Change In Value | | | | | | | |
| Of Funds Held In Trust By Others | | | | | | | |
| 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 | 2,958,881 |
| 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) |
| Total Contributed Revenue And Change In Value Of Funds Held In Trust By Others | 4,520,094 | 16,000 | 384,719 | (400,719) | 4,520,094 | 4,454,194 | 65,900 |
| Total Revenue | 6,268,640 | 583,128 | 1,263,803 | (1,846,803) | 6,268,768 | 6,202,868 | 65,900 |
| Expenses | | | | | | | |
| Program services: | | | | | | | |
| 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) | — | — | — |
| Total program services | 3,587,218 | — | 1,050,952 | (1,050,952) | 3,587,218 | 3,587,218 | — |
| Management and general: | | | | | | | |
| 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 | — |
| Total management and general | 2,461,720 | 813,114 | — | (598,927) | 2,675,907 | 2,675,907 | — |
| Fundraising: | | | | | | | |
| Development | 525,949 | — | — | — | 525,949 | 525,949 | — |
| Auxiliaries | 199,190 | — | — | — | 199,190 | 199,190 | — |
| Lyric Opera Ball | 199,062 | — | — | — | 199,062 | 199,062 | — |
| Total fundraising | 924,201 | — | — | — | 924,201 | 924,201 | — |
| Total Expenses | 6,973,139 | 813,114 | 1,050,952 | (1,649,879) | 7,187,326 | 7,187,326 | — |
| Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation | | | | | | | |
| Change In Net Assets Of Lyric Foundation | — | — | — | 212,851 | 212,851 | — | 212,851 |
| Change In Net Assets | (704,499) | (229,986) | 212,851 | 15,927 | (705,707) | (984,458) | 278,751 |
| Net Assets - Beginning Of Year | 4,117,909 | (1,082,417) | 16,080,567 | (708,774) | 18,407,285 | (1,870,166) | 20,277,451 |
| Net Assets - End Of Year | \$ 3,413,410 | \$ (1,312,403) | \$ 16,293,418 | \$ (692,847) | \$ 17,701,578 | \$ (2,854,624) | \$ 20,556,202 |