
THE LYRIC OPERA OF KANSAS
CITY FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2021

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Independent Auditors' Report

Board of Trustees
The Lyric Opera of Kansas City Foundation
Kansas City, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of The Lyric Opera of Kansas City Foundation, which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Lyric Opera of Kansas City Foundation as of June 30, 2021 and 2020, 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.

RubinBrown LLP

November 22, 2021

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

Assets

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Current Assets		
Promises to give	\$ 500,000	\$ 1,000,000
Other Assets		
Investments	13,212,414	10,633,486
Total Assets	\$ 13,712,414	\$ 11,633,486

Net Assets

Net Assets		
Without donor restrictions	\$ 3,775,836	\$ 1,826,595
With donor restrictions	9,936,578	9,806,891
Total Net Assets	\$ 13,712,414	\$ 11,633,486

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues And Support			
Investment interest and dividends	\$ 193,204	\$ 12,372	\$ 205,576
Realized gains	831,277	53,718	884,995
Unrealized gains	1,404,894	113,387	1,518,281
Net assets released from restrictions	49,790	(49,790)	—
Total Revenues And Support	2,479,165	129,687	2,608,852
Expenses			
Grants to Lyric Opera	462,231	—	462,231
Professional services	32,715	—	32,715
Investment fees	34,978	—	34,978
Total Expenses	529,924	—	529,924
Change In Net Assets	1,949,241	129,687	2,078,928
Net Assets - Beginning Of Year	1,826,595	9,806,891	11,633,486
Net Assets - End Of Year	\$ 3,775,836	\$ 9,936,578	\$ 13,712,414

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues And Support			
Investment interest and dividends	\$ 200,287	\$ 14,329	\$ 214,616
Realized gains	271,636	18,601	290,237
Unrealized gains	1,601	2,503	4,104
Net assets released from restrictions	37,286	(37,286)	—
Total Revenues And Support	510,810	(1,853)	508,957
Expenses			
Grants to Lyric Opera	399,182	—	399,182
Professional services	32,345	—	32,345
Investment fees	31,417	—	31,417
Total Expenses	462,944	—	462,944
Change In Net Assets	47,866	(1,853)	46,013
Net Assets - Beginning Of Year	1,778,729	9,808,744	11,587,473
Net Assets - End Of Year	\$ 1,826,595	\$ 9,806,891	\$ 11,633,486

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

STATEMENT OF CASH FLOWS

	For The Years	
	Ended June 30,	
	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 2,078,928	\$ 46,013
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized gains on investments	(884,995)	(290,237)
Unrealized gains on investments	(1,518,281)	(4,104)
Net Cash Used In Operating Activities	(324,348)	(248,328)
Cash Flows From Investing Activities		
Sales of investments	1,126,925	248,328
Purchases of investments	(1,302,577)	(1,000,000)
Net Cash Used In Investing Activities	(175,652)	(751,672)
Cash Flows Provided By Financing Activities		
Contributions restricted for long-term investment	500,000	1,000,000
Change In Cash And Cash Equivalents	—	—
Cash And Cash Equivalents - Beginning Of Year	—	—
Cash And Cash Equivalents - End Of Year	\$ —	\$ —

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 And 2020

1. Organization

The Lyric Opera of Kansas City Foundation (the Foundation) is a not-for-profit public benefit corporation incorporated as a supporting organization of the Lyric Opera of Kansas City, Inc. (Lyric). The goal of the Foundation is to fund artistic advancement and enhance the quality of Lyric's productions through its permanent endowment. The Foundation's revenues and support are derived primarily from contributions and investment earnings.

These financial statements represent only the accounts and activities of the Foundation.

2. Summary Of Significant Accounting Policies

Basis Of Accounting

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

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 Foundation 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 Foundation 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.

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements *(Continued)*

Estimates And Assumptions

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

Investments

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividends, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value.

Investment return is reflected in the statement of activities as without donor restrictions unless the use is restricted by explicit donor stipulations or by law.

The Foundation maintains pooled investments for a portion of its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Promises To Give

Unconditional promises to give are recognized as support in the period the promises are received. An allowance for uncollectible promises to give is provided based upon the Foundation's estimate of amounts which will ultimately not be collected. The estimate is based on historical collection experience and a review of the current status of existing promises to give. 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 promises to give. 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 promises to give. At June 30, 2021 and 2020, management has determined that no allowance is deemed necessary.

Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met.

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (Continued)

Revenues 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 restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Foundation is exempt from income taxes as a public charity under Section 509(a)(3) of the IRC and a similar section of state law. The Foundation's tax returns for tax years 2017 and later remain subject to examination by taxing authorities.

Subsequent Events

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

3. Promises To Give

Outstanding promises to give as of June 30, 2021 and June 30, 2020 of \$500,000 and \$1,000,000, respectively, are due from one donor.

4. Investments

Investment securities and unrealized appreciation are as follows at June 30, 2021:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Pooled investments	\$ 8,923,665	\$ 12,968,197	\$ 4,044,532
Mutual funds	164,704	238,225	73,521
Money market funds	5,992	5,992	—
	<u>\$ 9,094,361</u>	<u>\$ 13,212,414</u>	<u>\$ 4,118,053</u>

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (Continued)

Investment securities and unrealized appreciation were as follows at June 30, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Pooled investments	\$ 7,862,862	\$ 10,429,829	\$ 2,566,967
Mutual funds	167,414	200,219	32,805
Money market funds	3,438	3,438	—
	<u>\$ 8,033,714</u>	<u>\$ 10,633,486</u>	<u>\$ 2,599,772</u>

Pooled investments primarily consist of marketable equity and debt securities, and are managed by the Greater Kansas City Community Foundation within its investment portfolio.

5. Endowments

The Foundation's endowment consists of several donor-restricted funds established for a variety of purposes. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetual in nature net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund is classified as either net assets with or without donor restriction based on the existence or absence of donor-imposed restrictions on the earnings of the endowment fund.

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Notes To Financial Statements (*Continued*)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds;
- (2) The purposes of the Foundation and the donor-restricted endowment funds;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

Return Objectives And Risk Parameters

The Foundation has adopted an investment policy that seeks to earn the highest possible return given the risk tolerance established by the Foundation in order to preserve the purchasing power of the Foundation assets. Under this policy, the Foundation targets an average annualized rate of return approximately 4% greater than the rate of inflation as measured by the Consumer Price Index (CPI), compounded annually. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation targets a diversified asset allocation of both equities and fixed income securities.

Equities are to represent from 60% to 80% of the market value of total fund assets, with a targeted average of approximately 70% of the market value of total fund assets. The term “equities” includes common stock, convertible bonds and convertible stock.

Fixed income obligations are to represent from 20% to 40% of the market value of total fund assets, with a targeted average of approximately 30% of the market value of total fund assets. The term “fixed income” indicates contractual payments that have a specific maturity date greater than one year.

All investment management has been delegated to the Greater Kansas City Community Foundation, aside from the Lyric Opera of Kansas City Foundation-Polsky account, which is managed by Midwest Trust.

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (Continued)

Spending Policy

The Foundation has established a distribution policy that seeks to provide appropriate, adequate and on-going current or annual support to Lyric to ensure its long-term future in continuing to provide cultural excellence and/or educational value as a civic institution within the Kansas City community. This distribution policy is applicable to all endowment funds of the Foundation that do not have specific donor restrictions on how distributions are to be made.

The annual level of support to be provided by the Foundation to the Lyric pursuant to the distribution policy for any given fiscal year is determined by 4% of the three-year rolling average of fiscal year-end balances for the Missouri Cultural Trust Fund and the Foundation endowment account.

However, in any year that the above formula results in a grant below the previous year, the previous year's grant amount should be maintained as long as it represents no more than 4.5% of the three-year rolling average of fiscal year-end balances for the Missouri Cultural Trust Fund and the Foundation endowment account.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2021, the endowment had no underwater funds. As of June 30, 2020, there was one endowment fund that was underwater which had a fair market value of \$3,113,119, a cost basis of \$3,158,000 and a deficiency of \$44,881. This deficiency, which the Foundation believed was temporary, resulted from unfavorable market fluctuations. The Board determined that continued distribution during fiscal years ended June 30, 2021 and 2020 was prudent.

As of June 30, 2021, the endowment composition by net asset category consisted of the following:

	<u>With Donor Restrictions</u>			
	<u>Without Donor Restrictions</u>	<u>Endowment Earnings Available For Distribution</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Endowment funds	\$ 3,775,836	\$ 338,469	\$ 9,098,109	\$ 13,212,414

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (Continued)

As of June 30, 2020, the endowment composition by net asset category consisted of the following:

	<u>With Donor Restrictions</u>			Total
	Without Donor Restrictions	Endowment Earnings Available For Distribution	Perpetual In Nature	
Endowment funds	\$ 1,826,595	\$ 208,782	\$ 8,598,109	\$ 10,633,486

The following is a reconciliation of the beginning and ending balances of the Foundation's endowment for 2021:

	<u>With Donor Restrictions</u>			Total
	Without Donor Restrictions	Endowment Earnings Available For Distribution	Perpetual In Nature	
Balance - July 1, 2020	\$ 1,826,595	\$ 208,782	\$ 8,598,109	\$ 10,633,486
Investment return				
Investment income	193,204	12,372	—	205,576
Net appreciation	2,236,171	167,105	—	2,403,276
Investment fees	(32,488)	(2,490)	—	(34,978)
Total Investment Return	2,396,887	176,987	—	2,573,874
Contributions	—	—	500,000	500,000
Distribution of endowment assets for expenditure	(447,646)	(47,300)	—	(494,946)
Balance - June 30, 2021	\$ 3,775,836	\$ 338,469	\$ 9,098,109	\$ 13,212,414

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (Continued)

The following is a reconciliation of the beginning and ending balances of the Foundation's endowment for 2020:

	<u>With Donor Restrictions</u>			
	<u>Without Donor Restrictions</u>	<u>Endowment Earnings Available For Distribution</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Balance - July 1, 2019	\$ 1,778,729	\$ 210,635	\$ 7,598,109	\$ 9,587,473
Investment return				
Investment income	200,287	14,329	—	214,616
Net appreciation	273,237	21,104	—	294,341
Investment fees	(29,131)	(2,286)	—	(31,417)
Total Investment Return	444,393	33,147	—	477,540
Contributions	—	—	1,000,000	1,000,000
Distribution of endowment assets for expenditure	(396,527)	(35,000)	—	(431,527)
Balance - June 30, 2020	\$ 1,826,595	\$ 208,782	\$ 8,598,109	\$ 10,633,486

6. Fair Value Measurements

The Foundation follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these rules are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (*Continued*)

- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds And Mutual Funds

Valued at the net asset value (NAV) of shares held by the Foundation at year end.

Pooled Investments

Valued at the NAV, as a practical expedient, of shares held by the Foundation at year end. The unit value or NAV is determined based on the total fair value of the pooled investments divided by the number of units held by the Foundation at year end. The investments are redeemable at NAV under agreements with the Greater Kansas City Community Foundation.

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements *(Continued)*

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 5,992	\$ —	\$ —	\$ 5,992
Mutual funds				
Fixed income	59,965	—	—	59,965
Domestic equity - large cap	73,541	—	—	73,541
Domestic equity - mid cap	25,584	—	—	25,584
Domestic equity - small cap	12,937	—	—	12,937
International equity	58,831	—	—	58,831
Other	7,367	—	—	7,367
Total Assets In The Fair Value Hierarchy	\$ 244,217	\$ —	\$ —	244,217
Pooled investments				
Money market pool (a)				3,383
Fixed income pool (a)				4,855,247
Equity pool (a)				8,109,567
Total Assets At Fair Value				\$ 13,212,414

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 3,438	\$ —	\$ —	\$ 3,438
Mutual funds				
Fixed income	46,149	—	—	46,149
Domestic equity - large cap	67,664	—	—	67,664
Domestic equity - mid cap	20,948	—	—	20,948
Domestic equity - small cap	10,020	—	—	10,020
International equity	50,338	—	—	50,338
Other	5,100	—	—	5,100
Total Assets In The Fair Value Hierarchy	\$ 203,657	\$ —	\$ —	203,657
Pooled investments				
Money market pool (a)				23,006
Fixed income pool (a)				4,090,271
Equity pool (a)				6,316,552
Total Assets At Fair Value				\$ 10,633,486

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (*Continued*)

- (a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Pooled Investments At Net Asset Value

The fair values of pooled investments have been estimated using the net asset value per share as a practical expedient for the pooled investments. These investments may be redeemed with 90 days notice. Pooled investments consisted of the following at June 30, 2021 and 2020:

- Money market pool - This category includes high-quality short-term money market instruments that present minimal credit risk. The investment objective is current income while preserving assets and maintaining liquidity and investment quality.
- Fixed income pool - This category is managed on a total return basis with capital preservation and current income to help meet spending requirements as a primary objective. A secondary objective is to provide a source of diversification for donor portfolios, thus seeking to mitigate portfolio volatility. The overall performance of this category is to meet or exceed the performance of the Barclays Capital Aggregate Bond Index over a three- to five-year time period.
- Equity pool - This category's long-term investment objective is to seek competitive market returns so as to preserve the purchasing power of the funds to meet charitable needs now and those in the future, and to outperform an appropriate blended market benchmark, net of all fees, over a three- to five-year time period. The investment program of this category is designed to fully participate in strong equity markets, but more importantly, to provide protection in down and sideways equity markets.

During the years ended June 30, 2021 and 2020, there were no changes in the methods or assumptions utilized to derive the fair value of the Foundation's assets.

The Foundation 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 statement of financial position.

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (Continued)

7. Beneficial Interest In Perpetual Trust

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 Lyric, but was held and administered by an advisory committee consisting of at least three members, but no more than five members. This committee was required to include at least one representative from Lyric. On June 8, 2009, the advisory committee approved the transfer of the advisory committee's duties to the Foundation. As a result, the trust's assets totaling \$4,766,793 and \$3,557,172 are included within the investments of the Foundation on the accompanying statement of financial position at June 30, 2021 and 2020, respectively. Lyric receives an annual distribution in an amount equal to 5% of the average fair market value of the trust's assets.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to the following donor-imposed restrictions:

	<u>2021</u>	<u>2020</u>
Endowment earnings available for distribution	\$ 338,469	\$ 208,782
Endowment - Perpetual in nature		
Income to be used for education programs	500,000	500,000
Income to be used for operations	8,598,109	8,098,109
Promises to give - to be endowed	500,000	1,000,000
	<u>\$ 9,936,578</u>	<u>\$ 9,806,891</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes are as follows:

	<u>2021</u>	<u>2020</u>
Grants to Lyric Opera	\$ 47,300	\$ 35,000
Other	2,490	2,286
	<u>\$ 49,790</u>	<u>\$ 37,286</u>

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (*Continued*)

9. Related Party Transactions

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

The Foundation has agreed to reimburse the Lyric for certain expenses Lyric incurred on its behalf. During the years ended June 30, 2021 and 2020, the Foundation made grants totaling \$462,231 and \$399,182, respectively, to Lyric.

10. Missouri Cultural Trust Fund

Lyric has entered into a matching grant with the Missouri Cultural Trust Fund (MCT). The grant guidelines were for Lyric to raise up to \$3,700,000 (approximately \$3,158,000 was actually raised) in endowment funds from private donors by June 30, 2001, solely to support Lyric and its mission. Such funds are currently maintained by the Greater Kansas City Community Foundation on behalf of the 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 financial statements. Lyric receives distributions up to 5% from MCT matching funds. During the years ended June 30, 2021 and 2020, distributions from MCT to Lyric were \$24,783 and \$30,729, respectively.

THE LYRIC OPERA OF KANSAS CITY FOUNDATION

Notes To Financial Statements (Continued)

11. Liquidity

As of June 30, 2021, the Foundation had \$270,710 of funds available for general expenditure for the next year. This represents the anticipated endowment distribution for the year ending June 30, 2022. The Foundation has five donor restricted endowment funds. Certain donor-restricted endowment funds have restrictions on how the income can be utilized, while the income from other donor-restricted endowment funds can be utilized for general expenditures of the Foundation. Grants are approved by the Foundation board per the Foundation's distribution policy. When grants are approved, requests for disbursement are made to fund managers and disbursed per the Foundation's instructions.

12. Functional Expense

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as specific to that functional area. At June 30, 2021 and 2020, no expenses required an allocation between multiple functional or program areas.

The statement of functional expense for the year ended June 30, 2021 is as follows:

	Program Services	Management And General	Total
Grants and contributions	\$ 462,231	\$ —	\$ 462,231
Professional services	—	32,715	32,715
Bank and investment fees	—	34,978	34,978
	<u>\$ 462,231</u>	<u>\$ 67,693</u>	<u>\$ 529,924</u>

The statement of functional expense for the year ended June 30, 2020 is as follows:

	Program Services	Management And General	Total
Grants and contributions	\$ 399,182	\$ —	\$ 399,182
Professional services	—	32,345	32,345
Bank and investment fees	—	31,417	31,417
	<u>\$ 399,182</u>	<u>\$ 63,762</u>	<u>\$ 462,944</u>