
**LYRIC OPERA OF
KANSAS CITY, INC.**
FINANCIAL STATEMENTS
JUNE 30, 2008



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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Lyric Opera of Kansas City, Inc. (the Lyric) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Lyric's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lyric's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lyric as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

RubinBrown LLP

October 10, 2008

LYRIC OPERA OF KANSAS CITY, INC.

STATEMENT OF FINANCIAL POSITION

	Assets	
	June 30,	
	2008	2007
Current Assets		
Cash and cash equivalents	\$ 1,620,653	\$ 887,650
Accounts receivable	144,513	55,045
Promises to give (Note 3)	92,000	368,148
Prepaid production costs	40,437	17,192
Other prepaid expenses	119,886	214,352
Total Current Assets	2,017,489	1,542,387
Property And Equipment (Note 4)		
Land, buildings, improvements and computer equipment	8,029,332	8,062,604
Less: Accumulated depreciation	(3,394,434)	(3,329,061)
Net Property And Equipment	4,634,898	4,733,543
Promises To Give (Note 3)	66,000	—
Interest In Net Assets Of Lyric Foundation (Note 9)	5,047,265	5,584,661
Beneficial Interest In Perpetual Trust (Note 5)	1,440,230	1,689,861
Total Assets	\$ 13,205,882	\$ 13,550,452

Liabilities And Net Assets		
Current Liabilities		
Accounts payable	\$ 100,943	\$ 63,589
Accrued payroll and taxes	63,289	82,311
Deferred income:		
Proceeds on sale of building (Note 7)	2,196,630	2,196,630
Ticket sales	441,348	395,354
Other	21,958	36,582
Total Current Liabilities	2,824,168	2,774,466
Net Assets		
Unrestricted	2,464,433	2,439,242
Board Restricted:		
Operating Reserve	784,200	784,200
Building Fund	461,830	198,421
Total Unrestricted	3,710,463	3,421,863
Temporarily restricted (Note 8)	166,251	62,096
Permanently restricted (Note 8)	6,505,000	7,292,027
Total Net Assets	10,381,714	10,775,986
Total Liabilities And Net Assets	\$ 13,205,882	\$ 13,550,452

LYRIC OPERA OF KANSAS CITY, INC.

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Earned Revenue				
Ticket sales	\$ 836,524	\$ —	\$ —	\$ 836,524
Rental income	265,580	—	—	265,580
Education	56,430	—	—	56,430
Auxiliaries	267,252	—	—	267,252
Miscellaneous	46,999	—	—	46,999
Total Earned Revenue	1,472,785	—	—	1,472,785
Contributed Revenue				
Individual, corporate, foundation and special projects	3,459,470	62,512	—	3,521,982
Federal, state and local	39,391	40,000	—	79,391
Lyric & leather	11,324	—	—	11,324
In-kind contributions	26,571	—	—	26,571
Auxiliaries	15,777	1,500	—	17,277
Lyric Opera Ball	1,466,040	115,000	—	1,581,040
Net assets released from restrictions (Note 8)	114,857	(114,857)	—	—
Total Contributed Revenue	5,133,430	104,155	—	5,237,585
Total Revenue	6,606,215	104,155	—	6,710,370
Expenses				
Finance and administration	765,021	—	—	765,021
Development	426,221	—	—	426,221
Auxiliaries	233,385	—	—	233,385
Communications	699,171	—	—	699,171
Ticket office	207,253	—	—	207,253
Education	243,316	—	—	243,316
Theatre and building	768,238	—	—	768,238
Production	2,764,126	—	—	2,764,126
Lyric Opera Ball	210,884	—	—	210,884
Total Expenses	6,317,615	—	—	6,317,615
Change In Net Assets Before Change In Value Of Beneficial Interest In Perpetual Trust And Net Assets Of Lyric Foundation				
	288,600	104,155	—	392,755
Change In Value Of Beneficial Interest In Perpetual Trust				
	—	—	(249,631)	(249,631)
Change In Net Assets Of Lyric Foundation				
	—	—	(537,396)	(537,396)
Change In Net Assets	288,600	104,155	(787,027)	(394,272)
Net Assets - Beginning Of Year	3,421,863	62,096	7,292,027	10,775,986
Net Assets - End Of Year	\$ 3,710,463	\$ 166,251	\$ 6,505,000	\$ 10,381,714

LYRIC OPERA OF KANSAS CITY, INC.

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Earned Revenue				
Ticket sales	\$ 718,177	\$ —	\$ —	\$ 718,177
Rental income	426,949	—	—	426,949
Education	58,135	—	—	58,135
Auxiliaries	207,559	—	—	207,559
Miscellaneous	16,374	—	—	16,374
Total Earned Revenue	1,427,194	—	—	1,427,194
Contributed Revenue				
Individual, corporate, foundation and special projects	2,781,620	24,346	—	2,805,966
Federal, state and local	55,000	—	—	55,000
Lyric & leather	—	—	—	—
In-kind contributions	33,000	—	—	33,000
Auxiliaries	67,253	1,500	—	68,753
Lyric Opera Ball	537,255	—	—	537,255
Net assets released from restrictions (Note 8)	109,441	(109,441)	—	—
Total Contributed Revenue	3,583,569	(83,595)	—	3,499,974
Total Revenue	5,010,763	(83,595)	—	4,927,168
Expenses				
Finance and administration	623,450	—	—	623,450
Development	264,591	—	—	264,591
Auxiliaries	197,374	—	—	197,374
Communications	419,608	—	—	419,608
Ticket office	187,363	—	—	187,363
Education	231,779	—	—	231,779
Theatre and building	708,074	—	—	708,074
Production	2,077,786	—	—	2,077,786
Lyric Opera Ball	169,987	—	—	169,987
Total Expenses	4,880,012	—	—	4,880,012
Change In Net Assets Before Change In Value Of Beneficial Interest In Perpetual Trust And Net Assets Of Lyric Foundation				
	130,751	(83,595)	—	47,156
Change In Value Of Beneficial Interest In Perpetual Trust				
	—	—	266,066	266,066
Change In Net Assets Of Lyric Foundation				
	28,530	—	734,911	763,441
Change In Net Assets				
	159,281	(83,595)	1,000,977	1,076,663
Net Assets - Beginning Of Year				
	3,262,582	145,691	6,291,050	9,699,323
Net Assets - End Of Year				
	\$ 3,421,863	\$ 62,096	\$ 7,292,027	\$ 10,775,986

LYRIC OPERA OF KANSAS CITY, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ (394,272)	\$ 1,076,663
Adjustments to reconcile change in net assets to to net cash provided by operating activities:		
Depreciation	242,857	238,877
Change in value of interest in net assets of Lyric Foundation	537,396	(762,137)
Change in value of beneficial interest in perpetual trust	249,631	(266,066)
Changes in assets and liabilities:		
(Increase) decrease in accounts and promises to give receivables	120,680	(15,834)
(Increase) decrease in prepaid expenses and other assets	71,221	(96,212)
Increase in accounts payable and accrued expenses	18,332	29,874
Increase in deferred income	31,370	30,057
Net Cash Provided By Operating Activities	877,215	235,222
Cash Flows Used In Investing Activities		
Purchases of property and equipment	(144,212)	(2,479,082)
Proceeds from deferred sale of property	—	2,196,630
Net Cash Used In Investing Activities	(144,212)	(282,452)
Net Increase (Decrease) In Cash And Cash Equivalents	733,003	(47,230)
Cash And Cash Equivalents - Beginning Of Year	887,650	934,880
Cash And Cash Equivalents - End Of Year	\$ 1,620,653	\$ 887,650

LYRIC OPERA OF KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 And 2007

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements of Lyric Opera of Kansas City, Inc. (the Lyric) have been prepared on the accrual basis of accounting.

Basis Of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Lyric is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use Of Estimates

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.

Cash Equivalents

The Lyric considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2008 and 2007, cash equivalents consisted primarily of money market accounts.

Property And Equipment

The Lyric capitalizes all expenditures for property and equipment over \$500. Property and equipment are stated at cost at the date of the acquisition or fair market value at date of donation, in 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.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Financial Statements *(Continued)*

Temporarily And Permanently Restricted Net Assets

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

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

Internally Designated Net Assets

Included in unrestricted net assets are internally designated net assets designated by the Board of the Lyric as "Operating Reserve" and "Building Fund" amounting to \$784,200 and \$461,830 at June 30, 2008 and \$784,200 and \$198,421 at June 30, 2007.

In May 2008, the Board of the Lyric designated that the 2008 change in net assets before change in net assets of the Lyric Foundation and Perpetual Trust of \$392,755, be added to the Building Fund. In addition, the Lyric expended \$129,346 out of the Building Fund in 2008.

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.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets.

Advertising

Advertising costs are expenses as incurred. Advertising expense for 2008 and 2007 was \$447,296 and \$249,761, respectively.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Financial Statements (Continued)

Reclassifications

Certain reclassifications were made to the 2007 financial statements, where appropriate, in order to conform to the presentation used in the 2008 financial statements. These reclassifications had no impact on net assets as previously reported.

2. Operations

The Lyric Opera of Kansas City, Inc. was organized in 1958 as a not-for-profit corporation to enrich the lives of people of all ages and backgrounds throughout the region by offering a broad repertoire of professional operatic experiences. The Lyric's revenues and support are derived primarily from contributions and ticket sales. The Lyric is exempt from income taxes under Section 501(a) of the Internal Revenue Code and a similar section of state law.

3. Promises To Give

Promises to give consist of the following:

	June 30, 2008		
	Unrestricted	Temporarily Restricted	Total
Due in less than one year	\$ —	\$ 92,000	\$ 92,000
Due in one to five years	—	66,000	66,000
	\$ —	\$ 158,000	\$ 158,000

	June 30, 2007		
	Unrestricted	Temporarily Restricted	Total
Due in less than one year	\$ 368,148	\$ —	\$ 368,148

At June 30, 2007, unrestricted promises to give include \$180,901 due from the Lyric Opera of Kansas City Foundation (Note 9).

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Financial Statements (Continued)

4. Property And Equipment

Property and equipment consist of:

	<u>2008</u>	<u>2007</u>
Lyric Theatre	\$ 3,062,944	\$ 3,062,944
Lyric Theatre land and building improvements	2,159,241	2,210,198
Holmes Land	190,000	190,000
Holmes building	861,006	820,313
18 th Street land	280,000	280,000
18 th Street building and improvements	1,221,304	1,132,647
Office equipment	197,772	309,437
Other	57,065	57,065
	8,029,332	8,062,604
Less: Accumulated depreciation	3,394,434	3,329,061
	\$ 4,634,898	\$ 4,733,543

Depreciation expense was \$242,857 and \$238,877 for 2008 and 2007, respectively.

The land and building on Holmes and 18th Street are being held for rehabilitation. Construction has not begun, nor have the buildings been placed in service as of June 30, 2008.

5. Beneficial Interest In Perpetual Trust

The Lyric has a beneficial interest in a perpetual trust that consists of a promise to give from a perpetual trust created by an independent donor, which is not in the possession or control of the Lyric, but is 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. The Lyric receives an annual donation in the amount equal to five percent of the average fair market value of the trust's assets. This donation is included in unrestricted contributions. At June 30, 2008 and 2007, the Lyric has recorded \$1,440,230 and \$1,689,861 as its beneficial interest in the fair value of these trust assets and classified such beneficial interest within permanently restricted net assets.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Financial Statements (Continued)

6. Line-Of-Credit Agreement

Lyric has \$500,000 available to borrow on a line of credit agreement with a bank. No advances were made during 2008 and 2007. The line of credit was terminated in May 2007 and reinstated in May 2008. The line of credit is secured by the property at 18th Street. Interest is computed at the daily prime rate. The line of credit matures in May 2009.

7. Sale Of Real Estate

In May 2007, the Lyric sold the real estate currently occupied for \$2,200,000 in connection with plans to move to a new location. As a condition of sale, the purchaser agreed to lease the space to the Lyric at an annual amount of \$1. This lease agreement expires at the earlier of (a) the day on which the Lyric first performs in the Kauffman Center for the Performing Arts, or (b) the end of the first regular Lyric performance season which concludes following the completion of the Kauffman Center for the Performing Arts, or (c) such earlier date as the Lyric may designate in writing. The net proceeds from the sale were used in the acquisition of real estate for the Lyric's new location.

Included in the agreement for the sale and the leasing of the property was the option for the Lyric to purchase property for \$2,200,000 under certain circumstances prior to the completion of the Kauffman Center for the Performing Arts. The option to purchase provision does not allow recording the transaction as a sale and recognizing the related gain. The funds received from the seller are recorded in a liability account on the statement of financial position.

8. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Future activities	\$ 49,091	\$ 58,941
Time restriction	115,000	—
Other	2,160	3,155
	<u>\$ 166,251</u>	<u>\$ 62,096</u>

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Financial Statements (Continued)

Future activities include education and outreach activities, general operations, the regional opera conference and apprentice artist grants.

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>2008</u>	<u>2007</u>
Future activities	\$ 112,362	\$ 50,150
Time restriction	—	48,000
Opera Camp	—	9,105
Other	<u>2,495</u>	<u>2,186</u>
	<u>\$ 114,857</u>	<u>\$ 109,441</u>

Permanently restricted net assets held by the Lyric Opera of Kansas City Foundation and amounts held in a perpetual trust totaling \$6,505,000 and \$7,292,027 at June 30, 2008 and 2007, respectively, are to be maintained in perpetuity, with the income being available for unrestricted purposes.

9. Related Party Transactions

The Lyric Opera of Kansas City Foundation (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 Directors, 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 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 Directors 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, the Lyric has recorded a receivable from the Foundation amounting to \$18,377 and \$17,505 at June 30, 2008 and 2007, respectively.

The members of the Board of Directors and their employers and foundations made contributions totaling \$2,093,664 and \$903,240 at June 30, 2008 and 2007, respectively.

10. Operating Lease Income

The Lyric leased a portion of the Lyric Theater building to an unrelated entity. The lease required monthly payments of \$19,428 for the period beginning July 1, 2005 and ended December 31, 2006. Monthly payments of \$22,500 were required commencing January 1, 2007 through the expiration of the lease. The lease expired on December 31, 2007 and was not renewed.

11. Missouri Cultural Trust Fund

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

12. Significant Estimates And Concentrations

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

Contribution Revenues

Contributions from five entities in 2008 and three entities in 2007 comprised 47% and 46% of the total contribution revenues from private sources for the years ended June 30, 2008 and 2007, respectively.

The Lyric Opera Ball fund-raising event comprised approximately 30% of the total contribution revenues for the year ended June 30, 2008.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Financial Statements (Continued)

Cash Accounts

The Lyric maintains cash accounts in three banks located in the metropolitan Kansas City area. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. 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, 2008 and 2007 is as follows.

	<u>2008</u>	<u>2007</u>
Cash in bank	\$ 671,016	\$ 354,123
Portion insured by FDIC	(209,141)	(209,277)
Uninsured cash in bank	461,875	144,846
Cash in Money Market Mutual Fund	1,217,011	533,256
	<u>\$ 1,678,886</u>	<u>\$ 678,102</u>

13. Contributed Services

For the years ended June 30, 2008 and 2007, the Lyric received contributed services for legal and marketing, which totaled \$26,571 and \$33,000, respectively. The value of contributed services is based on quoted market prices for those services

14. Risks And Uncertainties

The Lyric Foundation (Note 9) and the perpetual trust (Note 5) invest 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.