

Lyric Opera of Kansas City, Inc.
Statement of Financial Position
June 30, 2009

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
Current Assets		
Cash	\$ 1,590,001	\$ 1,620,654
Accounts Receivable	264,366	144,512
Promise to Give	225,485	158,000
Prepaid Production Expense	50,826	40,437
Other Prepaid Expenses	88,056	119,887
Total Current Assets	2,218,733	2,083,491
Property and Equipment		
Land, Buildings, Improvements and Computer Equipment	8,557,786	8,029,333
Less: Accumulated Depreciation	<u>(3,526,369)</u>	<u>(3,394,433)</u>
Net Property and Equipment	5,031,417	4,634,900
Non-current Assets		
Interest in Lyric Foundation	3,783,482	5,047,265
Interest in Trust	<u>1,040,535</u>	<u>1,440,230</u>
Total Non-current Assets	4,824,017	6,487,495
Total Assets	<u>\$ 12,074,168</u>	<u>\$ 13,205,885</u>
Current Liabilities		
Accounts Payable	\$ 580,126	\$ 100,943
Line of Credit	-	-
Payroll and Taxes	76,643	63,287
Deferred Income		
Proceeds from building sale	2,196,630	2,196,630
08/09 Season Ticket Sales	-	-
09/10 Season Ticket Sales	475,259	441,348
Other	<u>106,243</u>	<u>21,958</u>
Total Current Liabilities	3,434,901	2,824,166
Net Assets		
Current Year Change		
Unrestricted	1,770,534	2,464,437
Board Restricted:		
Operating Reserve	784,200	784,200
Building Fund	392,661	461,830
Temporarily Restricted	850,349	166,252
Permanently Restricted	<u>4,841,522</u>	<u>6,505,000</u>
	8,639,267	10,381,718
Total Liabilities and Net Assets	<u>\$ 12,074,168</u>	<u>\$ 13,205,885</u>

See the accompanying notes to financial statements.

Lyric Opera of Kansas City, Inc.
Statement of Activities
For the Month Ended JUNE 2009

Revenue	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Year to Date Total</u>
Earned Revenue				
Season Tickets	\$ 978,861	\$ -	\$ -	\$ 978,861
Rental Income	285,569	-	-	285,569
Education	61,171	-	-	61,171
Auxiliaries	160,902	-	-	160,902
Miscellaneous	51,549	-	-	51,549
Subtotal - Earned Income	1,538,051	-	-	1,538,051
Contributed Revenue				
Individual, Corporate, Foundation and Special Project:	\$ 1,949,774	\$ 168,000	\$ -	\$ 2,117,774
Capital Campaign Income	-	674,096	-	674,096
Federal, State and Local	86,200	-	-	86,200
Lyric & Leather	15,597	-	-	15,597
In-Kind Contributions	81,166	-	-	81,166
Auxiliaries	33,732	1,000	-	34,732
Lyric Opera Ball	842,929	-	-	842,929
Net Assets Released from Restrictions	158,999	(158,999)	-	-
Subtotal - Contributed Revenue	3,168,397	684,097	-	3,852,494
Total Revenue	\$ 4,706,448	\$ 684,097	\$ -	\$ 5,390,545
Expenses				
Finance and Administration	\$ 774,443	\$ -	\$ -	\$ 774,443
Development	381,409	-	-	381,409
Auxiliaries	138,506	-	-	138,506
Marketing	508,150	-	-	508,150
Ticket Office	237,771	-	-	237,771
Theatre and Building	826,930	-	-	826,930
Education	274,141	-	-	274,141
Production	2,130,622	-	-	2,130,622
Lyric Opera Ball	197,549	-	-	197,549
Total Expenses	\$ 5,469,520	\$ -	\$ -	\$ 5,469,520
Change in Net Assets Before Change in Value Of Beneficial Interest in Perpetual Trust And Net Assets Of Lyric Foundation	(763,072)	684,097	-	(78,975)
Change in Value Of Beneficial Interest in Perpetual Trust	-	-	(399,694)	(399,694)
Change in Net Assets Of Lyric Foundation	-	-	(1,263,783)	(1,263,783)
Change in Net Assets	(763,072)	684,097	(1,663,477)	(1,742,452)
Net Assets - Beginning of Year	3,710,467	166,252	6,505,000	10,381,718
##	\$ 2,947,395	\$ 850,349	\$ 4,841,522	\$ 8,639,267

See the accompanying notes to financial statements.

Lyric Opera of Kansas City, Inc.
Statement of Cash Flows
For the Month Ended JUNE 2009

	June 30, 2009	June 30, 2008
Cash Flows From Operating Activities		
Change in Net Assets	(1,742,452)	(394,268)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	238,731	242,858
Decrease in interest in net assets of Lyric Foundation	1,263,783	537,396
Decrease in value of beneficial interest in perpetual trust	399,694	249,631
Change in assets and liabilities:		
Decrease in accounts and promises to give receivables	(187,339)	121,555
(Increase) in due from Lyric Foundation	-	(872)
Decrease in prepaid expenses and other assets	21,442	71,220
Loss on disposal of assets	1,866	-
Increase (decrease) in accounts payable and accrued expenses	492,538	18,331
Increase in deferred income	118,196	31,370
Net Cash Provided By Operating Activities	606,461	877,220
Cash Flows From Investing Activities		
Purchase of property and equipment	(637,115)	(144,216)
Net Cash Used in Investing Activities	(637,115)	(144,216)
Net Increase (Decrease) In Cash and Cash Equivalents	(30,654)	733,004
Cash And Cash Equivalents - Beginning of Year	1,620,654	887,650
#	1,590,001	1,620,654

See the accompanying notes to financial statements.

LYRIC OPERA OF KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 And 2008

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

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, 2009 and 2008, 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 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.

Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Lyric has 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 \$392,661 and \$784,200 and \$392,662 and \$461,830 at June 30, 2009 and 2008, respectively.

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 \$392,760, be added to the Building Fund. In addition, the Lyric expended \$69,168 and \$129,346 out of the Building Fund in 2009 and 2008 respectively.

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 expensed as incurred. Advertising expense for 2009 and 2008 was \$290,204 and \$447,296, respectively.

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, 2009	
	Unrestricted	Temporarily Restricted Total
Due in less than one year		\$ 147,635
Due in one to five years		77,850
Less: Unamortized discount		-
		\$ 225,485

	June 30, 2008	
	Unrestricted	Temporarily Restricted Total
Due in less than one year		\$ 92,000
Due in one to five years		66,000
Less: Unamortized discount		-
		\$ 158,000

4. Property And Equipment

Property and equipment consist of:

	<u>2009</u>	<u>2008</u>
Lyric Theatre	\$ 3,062,944	\$ 3,062,944
Lyric Theatre land and building improvements	2,103,418	2,159,241
Holmes land	190,000	190,000
Holmes building	893,092	861,006
Construction in process	533,678	-
18 th Street land	280,000	280,000
18 th Street building and improvements	1,281,844	1,221,304
Office equipment	155,745	197,773
Other	57,065	57,065
	8,557,786	8,029,333
Less: Accumulated depreciation	3,526,369	3,394,433
	\$ 5,031,417	\$ 4,634,900

Depreciation expense was \$238,731 and \$242,858 for 2009 and 2008, respectively.

The land and buildings on Holmes and 18th Street are being held for rehabilitation. Construction began in June 2009, but construction had not completed as of June 30, 2009 therefore, the buildings have not been placed in service as of June 30, 2009.

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 an 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, 2009 and 2008, the Lyric has recorded \$1,040,535 and \$1,440,230 as its beneficial interest in the fair value of these trust assets and classified such beneficial interest within permanently restricted net assets.

6. Fair Value Measurements

Effective January 1, 2008, the entity has adopted Statement of Financial Accounting Standards (FAS) No. 157, *Fair Value of Measurements*, which establishes a 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 FAS 157 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- ❖ Quoted prices for similar assets or liabilities in active markets;
- ❖ 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. There have been no changes in the methodologies used at June 30, 2009 and 2008.

Common Stocks, Corporate Bonds And U.S. Government Securities

Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2009:

	Assets At Fair Value As Of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Lyric Opera Foundation Equity	\$ -	\$3,783,482	\$ -	\$3,783,482
Perpetual Trust Equity	-	1,040,535	-	1,040,535
Lyric Opera Mutual Funds	1,035,646	-	-	1,035,646
Total assets at fair value	\$1,035,646	\$4,824,017	\$-	\$5,859,663

7. Line-Of-Credit

Lyric has a \$500,000 available to borrow on a line-of-credit agreement with a bank. No advances were made during 2009 and 2008. The Line-Of-Credit was activated 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 2010.

8. 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 the 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.

9. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Future activities	\$ 781,189	\$ 49,092
Time restriction	66,000	115,000
Other	3,160	2,160
	<u>\$ 850,349</u>	<u>\$ 166,252</u>

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>2009</u>	<u>2008</u>
Future activities	\$ 109,999	\$ 112,362
Time restriction	49,000	-
Other	-	2,495
	<u>\$ 158,999</u>	<u>\$ 114,857</u>

Permanently restricted net assets held by the Lyric Opera of Kansas City Foundation and amounts held in a perpetual trust totaling \$4,841,522 and \$6,505,000 at June 30, 2009 and 2008, respectively, are to be maintained in perpetuity, with the income being available for unrestricted purposes.

10. 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 \$24,250 and \$18,377 at June 30, 2009 and 2008, respectively.

The members of the Board of Directors and their employers and foundations made contributions totaling \$1,617,613 and \$2,093,663 at June 30, 2009 and 2008, respectively.

11. Operating Lease Income

The Lyric leased a portion of the Lyric Theater building to an unrelated entity. The lease required monthly payments of \$22,500 commencing January 1, 2007 through the expiration of the lease. The lease expired on December 31, 2007 and was not renewed.

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 financial statements. The Lyric receives distributions of 5% from MCT matching funds.

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:

Contribution Revenues

Contributions from three entities comprised approximately 45% of the total contribution revenues from private sources for the year ended June 30, 2009. Contribution from five entities comprised approximately 47% of the total contribution revenues from private sources for the year ended June 30, 2008.

The Lyric Opera Ball fund-raising event comprised approximately 22% and 30% of the total contribution revenues for the years ended June 30, 2009 and 2008, respectively.

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 \$250,000 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, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Cash in Bank	\$596,957	\$671,016
Portion insured by FDIC	(329,770)	(209,141)
Uninsured cash in bank	267,187	461,874
Cash in Money Market Mutual Fund	<u>\$1,035,646</u>	<u>\$1,217,011</u>
	<u>\$1,302,833</u>	<u>\$1,678,885</u>

14. Contributed Services

In fiscal years 2009 and 2008, the Lyric received contributed services for legal and marketing, which totaled \$81,166 and \$26,571, respectively. The value of contributed services is based on quoted market prices for those services.

15. Subsequent Events

Management has evaluated subsequent events through September 4, 2009, the date which the financial statements were available for issue.