

Lyric Opera of Kansas City
Management Discussion and Analysis (MD&A)
December 31, 2010

Introduction

The Management's Discussion and Analysis (MD&A) of the Lyric Opera of Kansas City's financial performance provides an overall review of the our financial activities for the period ended December 31, 2010. The intent of this discussion and analysis is to look at the our financial health and resources. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Lyric Opera's financial performance.

Financial Highlights

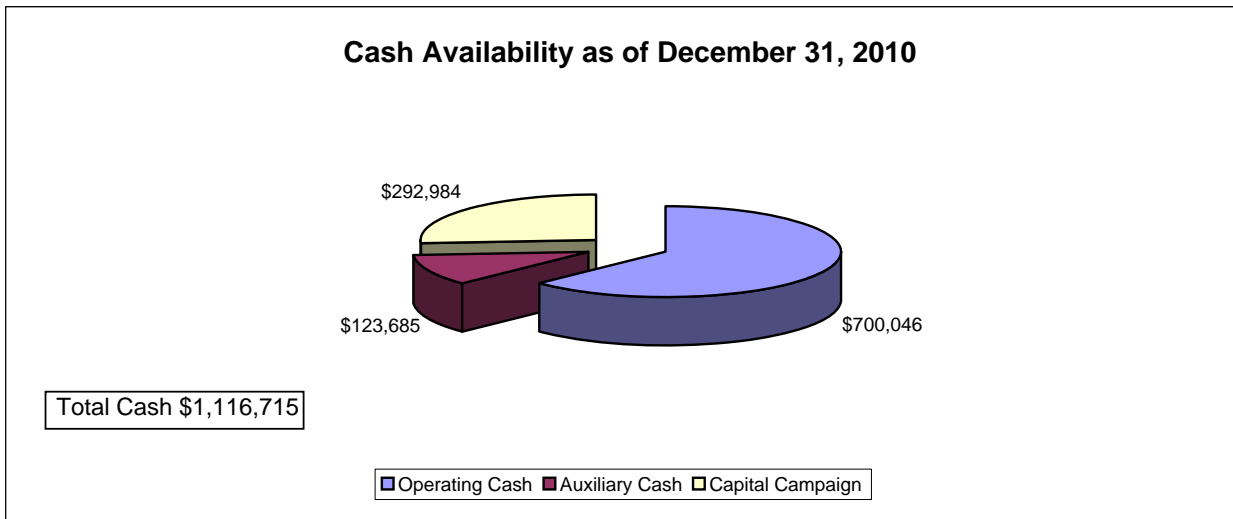
Our Marketing and Patron Services Departments have reached 99% of the subscription sales goal. By achieving this goal we have sold the highest number of subscription seats in 13 years; additionally, we have achieved record high subscription revenue.

We have received \$194,951.89 for back rent for fiscal years 2009 and 2010. 2009 has been paid in full, but there is still \$2,120 to be collected for 2010 rentals. This amount is due in December 2010.

Overview of the Financial Statements

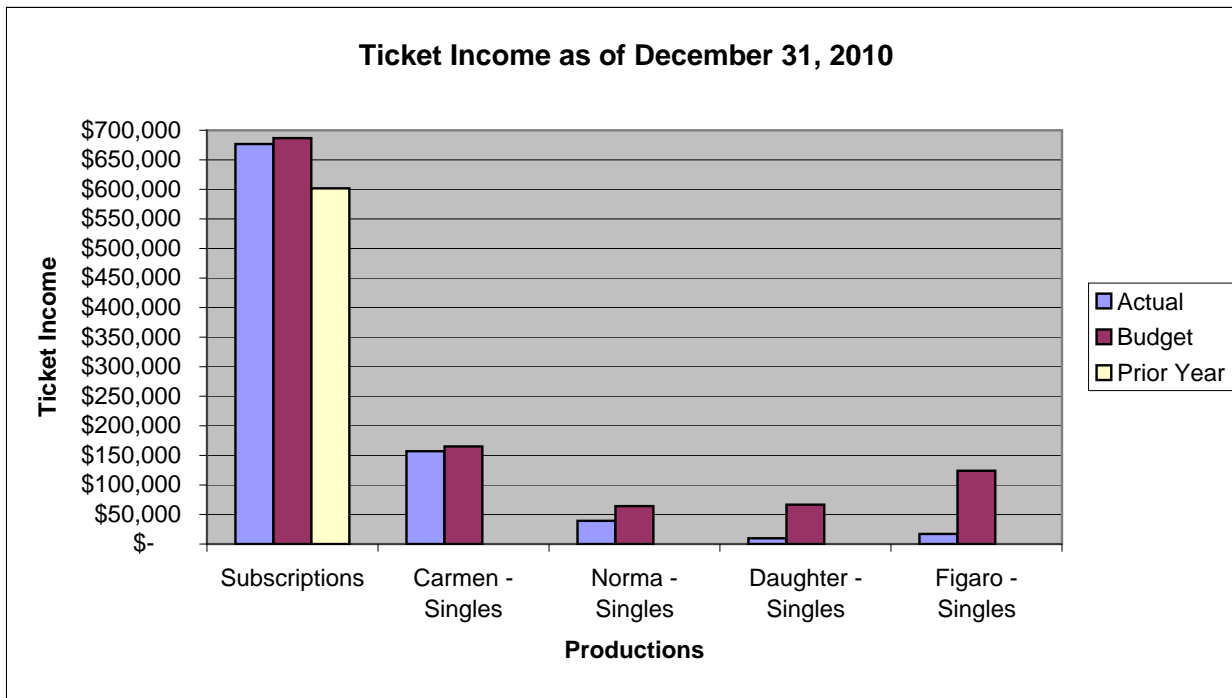
This discussion and analysis serves as an introduction to our basic monthly financial statements. These statements only include the activity of the core operations of the Lyric Opera and do not include the general operating activities of the Circle, Foundation, or Guild. These statements are inclusive of all of the activities of our core operations. We account on the accrual basis of accounting.

Statement of Financial Position - more commonly known as the balance sheet, provides listings of the our assets less liabilities, which results in net assets. Over time, the increases and decreases in net assets help determine whether our financial health is improving or declining. Since June 30, 2010, our net assets have increased by \$103,439.



Statement of Activities - more commonly known as the income statement, provides monthly views of our revenue and expenses. The statement also compares the actual activities of the company against budget and forecasts of the projected year-end profit or loss.

We are experiencing strong ticket sales, but most of this income is deferred until the show has been completed before we recognize the ticket income as revenue. Below is a chart which combines both the deferred and earned ticket income through January 10th activities.



We normally receive sizable amounts of foundation contributions early in our fiscal year, and this year is no exception. Of the \$2,275,232 of total revenue 34% was donated by three foundations.

In 2007 Opera America worked with the Lyric Opera to present regional conferences. The Lyric fundraiser to refund Opera America for the conferences, but Opera America had not invoice us until December. We still had the funds reserved for this purpose and we reimbursed them for \$32,280. The expenses for this were coded to administration.

Statement of Cash Flows - provides a listing of the uses of cash and breaks down the gain or loss of cash by its uses. This statement removes the accruals and provides a cash only perspective of operations. Between the large foundation gifts, theatre rent and the expenses paid out on Carmen and Norma we find our operating cash balances up from the beginning of the fiscal year.

Overview of the Year-End Forecast

Despite best efforts, one of the company's key foundations was not able to maintain the same level of funding as in the prior year. Therefore the foundation projection has been decreased by \$50,000.

Missouri Arts Council - The Missouri Arts Council was zero funded by the State of Missouri. As a result, we will lose two significant amounts of grant funds. First, the MAC has decreased the amount of general support to the company. This year's grant will be \$62,816 which is about half of the amount we received last year. In addition the company will not receive its matching cultural trust fund grant. This distribution was \$78,927 annually. Combined revenue lost from the MAC is \$141,743.

The marketing and patron services departments share many similar duties. During the formation of the patron services department budget items were switched around between the two departments, but this was after the adoption of the 2011 budget. Therefore these departments appear to be out of line with their respective budgets, but combined they are within expectations.

Lyric Opera of Kansas City, Inc.
Statement of Financial Position
December 31, 2010

	<u>December 31,</u> <u>2010</u>	<u>June 30,</u> <u>2010</u>
Current Assets		
Cash	\$ 1,116,715	\$ 822,161
Accounts Receivable	25,092	352,232
Promise to Give	182,760	195,645
Prepaid Production Expense	4,127	22,915
Other Prepaid Expenses	15,797	97,975
Total Current Assets	1,344,491	1,490,928
 Property and Equipment		
Land, Buildings, Improvements and Computer Equipment	9,211,890	9,095,267
Less: Accumulated Depreciation	(3,954,373)	(3,826,228)
Net Property and Equipment	5,257,517	5,269,039
 Non-current Assets		
Interest in Lyric Foundation	5,322,443	5,322,443
Total Non-current Assets	5,322,443	5,322,443
 Total Assets	 \$ 11,924,451	 \$ 12,082,410
 Current Liabilities		
Accounts Payable	\$ 124,081	\$ 165,155
Line of Credit	-	-
Payroll and Taxes	68,526	65,247
Deferred Income		
Proceeds from building sale	2,196,630	2,196,630
10/11 Single Ticket Sales	23,488	-
10/11 Season Ticket Sales	345,130	585,717
Other	36,474	42,978
Total Current Liabilities	2,794,329	3,055,727
 Net Assets		
Current Year Change		
Unrestricted	2,480,988	2,664,140
Board Restricted:		
Operating Reserve	784,200	784,200
Temporarily Restricted	524,986	238,395
Permanently Restricted	5,339,948	5,339,948
	9,130,122	9,026,683
 Total Liabilities and Net Assets	 \$ 11,924,451	 \$ 12,082,410

See the accompanying notes to financial statements.

Lyric Opera of Kansas City, Inc.
Statement of Activities
For the Month Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Year to Date Total</u>	<u>Year to Date Budgeted Amount</u>	<u>Year to Date Over/(Under) Budget Variance</u>	<u>FY 2010 Annual Budget</u>	<u>Year End Projection at 12/31/10</u>
Revenue								
Earned Revenue								
Season Tickets	\$ 327,979	\$ -	\$ -	\$ 327,979	\$ 363,624	\$ (35,645)	\$ 686,846	\$ 676,637
Single Tickets	196,198	-	-	196,198	229,462	(33,264)	420,069	386,874
Ticket Facility Fees	8,366	-	-	8,366	7,600	766	10,000	15,466
Theatre Rental Income	258,362	-	-	258,362	161,622	96,740	266,872	371,900
Set Rental Income	24,441	-	-	24,441	23,000	1,441	40,000	40,000
Education	22,724	-	-	22,724	17,500	5,224	44,445	48,125
Interest	57	-	-	57	500	(443)	1,000	100
Service Fees	-	-	-	-	-	-	25,000	25,000
Auxiliaries	(100)	-	-	(100)	-	(100)	-	-
Miscellaneous	9,405	-	-	9,405	3,773	5,633	6,500	15,000
Subtotal - Earned Income	847,433	-	-	847,433	807,081	40,352	1,500,731	1,579,102
Contributed Revenue								
Individual	\$ 253,698	\$ 2,200	\$ -	\$ 255,898	191,000	64,898	705,850	650,850
Corporate	97,261	-	-	97,261	85,000	12,261	156,700	130,000
Foundation	876,093	137,648	-	1,013,741	876,000	137,741	1,488,500	1,424,500
Federal, State and Local	15,704	10,000	-	25,704	10,000	15,704	147,000	83,528
In-Kind Contributions	-	-	-	-	-	-	-	-
Auxiliaries	29,760	-	-	29,760	30,000	(240)	60,000	60,000
Lyric Opera Ball	5,435	-	-	5,435	25,000	(19,565)	550,000	550,000
Lyric Opera Foundation	-	-	-	-	-	-	178,927	125,000
Net Assets Released from Restrictions	223,257	(223,257)	-	-	-	-	-	-
Subtotal - Contributed Revenue	1,501,208	(73,409)	-	1,427,799	1,217,000	210,799	3,286,977	3,023,878
Total Revenue	\$ 2,348,641	\$ (73,409)	\$ -	\$ 2,275,232	2,024,081	251,151	4,787,708	4,602,980
Expenses								
Finance and Administration	\$ 368,383	\$ -	\$ -	\$ 368,383	\$ 331,066	\$ 37,316	\$ 654,704	\$ 649,982
Development	171,547	-	-	171,547	171,759	(212)	371,928	360,046
Auxiliaries	1,022	-	-	1,022	-	1,022	160,000	160,000
Marketing	316,655	-	-	316,655	275,618	41,037	539,748	565,545
Patron Services	90,129	-	-	90,129	132,485	(42,357)	186,478	175,966
Theatre and Building	305,734	-	-	305,734	312,208	(6,474)	561,265	556,802
Education	96,545	-	-	96,545	86,661	9,884	161,998	183,292
Production - General	160,218	-	-	160,218	165,081	(4,863)	345,502	346,473
Carmen	564,982	-	-	564,982	559,234	5,748	559,182	566,518
Norma	305,915	-	-	305,915	355,499	(49,584)	424,930	388,155
Daughter of the Regiment	7,121	-	-	7,121	18,481	(11,359)	390,941	391,444
Marriage of Figaro	796	-	-	796	7,002	(6,205)	430,590	440,071
Total Expenses	\$ 2,389,046	\$ -	\$ -	\$ 2,389,046	2,415,093	(26,048)	4,787,266	4,784,295
Operating Gain/(Loss)	(40,405)	(73,409)	-	(113,814)	(391,012)		442	(181,315)
Depreciation Expense	(142,747)	-	-	(142,747)				
Capital Campaign Income	-	360,000	-	360,000				
Lyric Opera Endowment	-	-	-	-				
Change in Net Assets	(183,152)	286,591	-	103,439				
Net Assets - Beginning of Year	3,448,340	238,395	5,339,948	9,026,683				
Net Assets - December 2010	\$ 3,265,188	\$ 524,986	\$ 5,339,948	\$ 9,130,122				

See the accompanying notes to financial statements.

Unaudited Financial Statements

Lyric Opera of Kansas City, Inc.
Statement of Cash Flows
For the Month Ended December 31, 2010

	December 31, 2010	June 30, 2010
Cash Flows From Operating Activities		
Change in Net Assets	\$ 103,439	\$ 387,423
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	142,747	299,859
Decrease in interest in net assets of Lyric Foundation	-	(498,426)
Contributions to the Capital Campaign	(360,000)	(56,000)
Change in assets and liabilities:		
Decrease in accounts and promises to give receivables	340,025	(58,026)
(Increase) in due from Lyric Foundation	-	-
Decrease in prepaid expenses and other assets	100,966	17,987
Increase (decrease) in accounts payable and accrued expenses	(37,795)	107,312
Increase in deferred income	(223,603)	47,193
Net Cash Provided By Operating Activities	65,779	247,322
Cash Flows Used In Investing Activities		
Loss on the disposal of fixed assets	(14,601)	-
Purchase of property and equipment	(116,623)	(1,071,160)
Net Cash Used In Investing Activities	(131,224)	(1,071,160)
Cash Flows Provided By Financing Activities		
Proceeds from Capital Campaign	360,000	56,000
Net Increase (Decrease) In Cash and Cash Equivalents	294,555	(767,838)
Cash And Cash Equivalents - Beginning of Year	822,161	1,589,999
Cash and Cash Equivalents - December 2010	1,116,716	822,161

See the accompanying notes to financial statements.

Lyric Opera of Kansas City, Inc.
Notes to the Financial Statements
December 31, 2010

Statement of Financial Position

Assets

Cash - The following is a breakout of our cash restrictions:

	June 2010	Dec 2010	Increase/(Decrease)
Available Operating Cash	\$ 606,045	\$ 700,046	\$ 94,000
Restricted Auxiliary Cash	123,711	123,685	(26)
Restricted Building Cash	<u>92,405</u>	<u>292,984</u>	<u>200,579</u>
	<u>\$ 822,161</u>	<u>\$1,116,715</u>	<u>\$ 294,554</u>

Promises to Give - The 2008 Circle's Lyric Opera Ball gave the Anniversary Angels the option of paying their gifts over time. We have 3 individuals whose outstanding pledges total \$36,000. Additionally the capital campaign has received pledges which extend over the next six years and total \$146,920.

Property and Equipment - The Lyric Theatre is still shown on the Property and Equipment ledger. Please see the note on Proceeds on Building Sale for additional information.

Liabilities

Proceeds on Building Sale - There is a provision in the sales contract of the Lyric Theatre to DST, that allows the Lyric to repurchase the building at the sales price, if the Kauffman Performing Arts Center (PAC) is not completed. Per accounting rules, this clause means that the transaction has not been completed, therefore we must show the sale's proceeds as a deferred liability and we must maintain the Lyric Theatre in our Property and Equipment detail, until we move out of the theater and the PAC is open. Once the PAC opens, the repurchase clause in the sales contract closes and we will recognize the income as well as write-off the Lyric Theatre from Property and Equipment.

Deferred Ticket Income

It is the company's policy to deferred the recognition of ticket income until the performance has been completed, therefore all ticket income currently deferred.

Statement of Activities

Theatre Rental Income - The campaign to help fund the cost of maintaining the Lyric Theatre has been completed. With the help of several donors on behalf of the Lyric, Symphony and Ballet the campaign reached \$285,000. Grant requests for each organization are being made and final payment to reimburse the Lyric for previous years' theatre expenses should be received early October.

Finance and Administration - The company installed a new phone system. The previous phone system was being depreciated over 20 years and still had 8 years of depreciation left. The company wrote-off the remaining value of the phone system, this is a non-cash transaction and was not budgeted. This \$14,000 transaction makes the Finance and Administration department appear over budget.

Lyric Theatre - Of the \$243,523 of Theatre and Building Expenses, \$129,007 directly relate to the operations and renting of the Lyric Theatre. These expenses are eligible for reimbursement by the Symphony and Ballet.

Lyric Theatre Rental Expenses	\$ 261,116
Lyric Theatre Rental Income	(54,852)
Facility Fee	<u>(8,366)</u>
Current Unfunded Expense	\$ 197,898

Carmen - Expenses for Carmen have exceed budget expectations by approximately \$7,000 for the following reasons: The company had to utilize overtime orchestra services that were unexpected and the dancers were originally budgeted to be local so the housing and transportation charges were unbudgeted.

Norma - Expenses for Norma are expected to fall under budget. The company experienced cost savings in the cost of modifying and repairing the set and costumes. The company is projecting an \$36,000 savings from the budget.

Budget Forecast

Despite best efforts, one of the company's key foundations was not able to maintain the same level of funding as in the prior year. Therefore the foundation projection has been decreased by \$50,000.

Missouri Arts Council - The Missouri Arts Council funding has received a significant decrease from the State of Missouri. As a result, the amount of funding that the Lyric will receive is about half of what was received last fiscal year. Last year the company received \$122,942, this year it will receive \$62,816.

Lyric Opera Foundation - The Missouri Arts Council (MAC) provides matching funds for assets held by the Lyric Foundation. Per our contract with the MAC the company receives \$78,927. The state zero funded the MAC for the current fiscal year, this event triggered a clause that allows the MAC to not make this distribution.

Administration - Opera America and the Lyric Opera produced conferences. The costs occurred years earlier but bill in December. The funds had been raised and restricted for this purpose, but the expense was not budgeted. An budgeted amount of \$32,280 was expended.

Patron Services - The budget was originally adopted under the assumption that the expenses would be that of our previous box office model. With the creation of the Patron Services model the budget was revised and components of the Marketing and Development budgets have been shifted to Patron Services. This has caused the respective increases and decreases the these departments forecasted budgets.