
LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

LYRIC OPERA
KANSAS CITY

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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, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, 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, 2016 and 2015, 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

October 13, 2016

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	June 30,	
	2016	2015
Current Assets		
Cash and cash equivalents	\$ 1,409,335	\$ 1,694,625
Accounts receivable	133,366	88,352
Promises to give	1,421,833	1,721,986
Prepaid production costs	116,629	36,266
Other prepaid expenses	135,553	117,539
Total Current Assets	3,216,716	3,658,768
Property And Equipment		
Land, buildings, improvements and equipment	9,920,993	9,897,759
Less: Accumulated depreciation	(1,154,240)	(918,306)
Net Property And Equipment	8,766,753	8,979,453
Restricted Cash For Purchases Of Property And Equipment	—	106,768
Promises To Give - Long Term	488,942	561,883
Interest In Net Assets Of Lyric Foundation	15,212,979	14,858,990
Total Assets	\$ 27,685,390	\$ 28,165,862
Liabilities And Net Assets		
Current Liabilities		
Accounts payable	\$ 110,402	\$ 65,989
Accrued payroll and taxes	82,713	227,259
Accrued interest	62,976	62,976
Deferred income:		
Ticket sales	751,990	879,541
Other	59,604	31,895
Total Current Liabilities	1,067,685	1,267,660
Long-Term Liabilities		
Long-term debt	10,290,000	10,290,000
Net Assets		
Unrestricted	(1,023,095)	(741,486)
Temporarily restricted	10,525,112	10,524,000
Permanently restricted	6,825,688	6,825,688
Total Net Assets	16,327,705	16,608,202
Total Liabilities And Net Assets	\$ 27,685,390	\$ 28,165,862

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Earned Revenue				
Ticket sales	\$ 1,512,919	\$ —	\$ —	\$ 1,512,919
Rental income	68,625	—	—	68,625
Education	60,575	—	—	60,575
Auxiliaries	348,940	—	—	348,940
Miscellaneous	69,823	—	—	69,823
Resident artist program	10,203	—	—	10,203
Total Earned Revenue	2,071,085	—	—	2,071,085
Contributed Revenue				
Individual, corporate and foundation	911,228	2,521,462	—	3,432,690
Capital campaign	—	380,370	—	380,370
Federal, state and local	128,205	40,000	—	168,205
In-kind contributions	57,717	—	—	57,717
Lyric Opera ball	670,844	67,250	—	738,094
Net assets released from restrictions	3,361,959	(3,361,959)	—	—
Total Contributed Revenue	5,129,953	(352,877)	—	4,777,076
Total Revenue	7,201,038	(352,877)	—	6,848,161
Expenses				
Program services				
Production and artistic	2,917,931	—	—	2,917,931
Education	267,365	—	—	267,365
Total program services	3,185,296	—	—	3,185,296
Management and general				
Theatre and building	964,582	—	—	964,582
Finance and administration	839,502	—	—	839,502
Charitable contributions	801,866	—	—	801,866
Loss on disposal of property (Note 4)	19,105	—	—	19,105
Marketing	635,633	—	—	635,633
Ticket office	200,534	—	—	200,534
Total management and general	3,461,222	—	—	3,461,222
Fundraising				
Development	393,133	—	—	393,133
Auxiliaries	266,005	—	—	266,005
Lyric Opera ball	176,991	—	—	176,991
Total fundraising	836,129	—	—	836,129
Total Expenses	7,482,647	—	—	7,482,647
Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation	(281,609)	(352,877)	—	(634,486)
Change In Net Assets Of Lyric Foundation	—	353,989	—	353,989
Change In Net Assets	(281,609)	1,112	—	(280,497)
Net Assets - Beginning Of Year	(741,486)	10,524,000	6,825,688	16,608,202
Net Assets - End Of Year	\$ (1,023,095)	\$ 10,525,112	\$ 6,825,688	\$ 16,327,705

See the accompanying notes to consolidated financial statements.

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Earned Revenue				
Ticket sales	\$ 1,444,534	\$ —	\$ —	\$ 1,444,534
Rental income	84,739	—	—	84,739
Education	47,543	—	—	47,543
Auxiliaries	397,997	—	—	397,997
Miscellaneous	62,845	—	—	62,845
Total Earned Revenue	2,037,658	—	—	2,037,658
Contributed Revenue				
Individual, corporate and foundation	1,196,954	2,687,375	—	3,884,329
Capital campaign	—	586,150	—	586,150
Federal, state and local	93,422	65,000	—	158,422
In-kind contributions	91,403	—	—	91,403
Lyric Opera ball	566,573	61,250	—	627,823
Net assets released from restrictions	3,181,492	(3,181,492)	—	—
Total Contributed Revenue	5,129,844	218,283	—	5,348,127
Total Revenue	7,167,502	218,283	—	7,385,785
Expenses				
Program services				
Production and artistic	2,938,979	—	—	2,938,979
Education	251,755	—	—	251,755
Total program services	3,190,734	—	—	3,190,734
Management and general				
Theatre and building	957,563	—	—	957,563
Finance and administration	1,025,777	—	—	1,025,777
Charitable contributions	509,556	—	—	509,556
Marketing	611,091	—	—	611,091
Ticket office	228,057	—	—	228,057
Total management and general	3,332,044	—	—	3,332,044
Fundraising				
Development	483,702	—	—	483,702
Auxiliaries	332,108	—	—	332,108
Lyric Opera ball	219,422	—	—	219,422
Total fundraising	1,035,232	—	—	1,035,232
Total Expenses	7,558,010	—	—	7,558,010
Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation	(390,508)	218,283	—	(172,225)
Change In Net Assets Of Lyric Foundation	—	242,894	628,601	871,495
Change In Net Assets	(390,508)	461,177	628,601	699,270
Net Assets - Beginning Of Year	(350,978)	10,062,823	6,197,087	15,908,932
Net Assets - End Of Year	\$ (741,486)	\$ 10,524,000	\$ 6,825,688	\$ 16,608,202

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ (280,497)	\$ 699,270
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	265,634	230,404
Loss on disposal of property and equipment	19,105	—
Change in value of interest in net assets of Lyric Foundation	(353,989)	(871,495)
Contributions to capital campaign	(380,370)	(586,150)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and promises to give	(93,416)	51,222
(Increase) decrease in prepaid expenses and other assets	(98,377)	40,984
Increase (decrease) in accounts payable and accrued expenses	(100,133)	140,943
Decrease in deferred income	(99,842)	(126,271)
Net Cash Used In Operating Activities	(1,121,885)	(421,093)
Cash Flows From Investing Activities		
Purchases of property and equipment	(72,667)	(14,216)
Withdrawals from cash restricted for purchases of property and equipment	106,768	16,117
Net Cash Provided By Investing Activities	34,729	1,901
Cash Flows Provided By Financing Activities		
Proceeds of capital campaign	801,866	279,903
Decrease In Cash And Cash Equivalents	(285,290)	(139,289)
Cash And Cash Equivalents - Beginning Of Year	1,694,625	1,833,914
Cash And Cash Equivalents - End Of Year	\$ 1,409,335	\$ 1,694,625
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 253,288	\$ 252,596

LYRIC OPERA OF KANSAS CITY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 And 2015

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 is to hold title to property, complete construction of the Opera Center and lease said property. The property is operated in such a way that it qualifies 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). The QALICB's Board consists of three current members of the Lyric's Board.

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.

Basis Of Presentation

The consolidated financial statement presentation follows U.S. generally accepted accounting principles related to not-for-profit organizations. Under these principles, 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.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

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 Equivalents

The Lyric considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents consisted primarily of money market accounts.

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, 2016 or 2015.

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.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

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 QALICB reviews its investment in rental property for impairment whenever events or changes in circumstances indicate 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, 2016 and 2015.

Interest

Interest expense during the years ended June 30, 2016 and 2015 totaled \$253,288 \$252,596, respectively.

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.

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)*

Restricted And Unrestricted Support

Gifts of cash and other assets are reported as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. Promises to give are recorded at estimated fair value at the date each promise is received. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 2016 and 2015 was \$424,872 and \$408,669, respectively.

Income Taxes

The Lyric is exempt from income taxes under Section 501(a) of the IRC and a similar section of state law.

The Lyric's tax returns for tax years 2012 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through October 13, 2016, the date which the consolidated financial statements were available for issue.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (Continued)

3. Promises To Give

Promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 1,654,400	\$ 1,943,740
Due in one to five years	<u>256,375</u>	<u>340,129</u>
	<u>\$ 1,910,775</u>	<u>\$ 2,283,869</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 at June 30, 2016 and 2015 is \$232,567 and \$221,754, respectively, 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. Property And Equipment

Property and equipment consist of:

	<u>2016</u>	<u>2015</u>
Land	\$ 470,000	\$ 470,000
Michael & Ginger Frost Production Arts Building	4,597,243	4,589,773
Beth Ingram Administration Building	4,149,059	4,149,059
Furniture and equipment	<u>704,691</u>	<u>688,927</u>
	<u>9,920,993</u>	<u>9,897,759</u>
Less: Accumulated depreciation	<u>1,154,240</u>	<u>918,306</u>
	<u>\$ 8,766,753</u>	<u>\$ 8,979,453</u>

Depreciation expense was \$265,634 and \$230,404 for 2016 and 2015, respectively.

5. 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, 2016 and 2015. 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.

6. 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 bear interest at 2.42% per annum for a term of 360 months and mature in July 2041. These notes payable are secured by a deed of trust and assignments of leases and rents. Repayment of these notes payable is guaranteed by the Lyric.

For the \$7,641,900 note payable, payments of interest are due quarterly until October 2018, when quarterly payments of \$108,956 including principal and interest are payable until maturity. Interest expense related to this note payable was \$188,105 and \$187,591 for the years ending June 30, 2016 and 2015, respectively.

For the \$2,648,100 note payable, payments of interest are due quarterly until July 2018, when a principal payment of \$315,000 is due. Beginning in October 2018, quarterly payments of \$33,265, including principal and interest, are payable until maturity. Interest expense related to this note payable was \$65,183 and \$65,005 for the years ending June 30, 2016 and 2015.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (Continued)

Scheduled annual maturities of long-term debt at June 30, 2016 are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ —
2018	—
2019	590,822
2020	333,178
2021	342,076
Thereafter	9,023,924
	<u>\$ 10,290,000</u>

7. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Future activities	\$ 7,684,105	\$ 7,952,097
Time restriction	2,841,007	2,571,903
	<u>\$ 10,525,112</u>	<u>\$ 10,524,000</u>

Future activities include 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.

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>2016</u>	<u>2015</u>
Future activities	\$ 1,702,647	\$ 1,617,579
Time restriction	1,659,312	1,563,913
	<u>\$ 3,361,959</u>	<u>\$ 3,181,492</u>

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

Permanently restricted net assets held by the Lyric Foundation totaling \$6,830,688 and \$6,825,688 at June 30, 2016 and 2015, respectively, are to be maintained in perpetuity, with the income being available for unrestricted purposes.

8. 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, 2016 and 2015.

During the years ended June 30, 2016 and 2015, the Lyric Foundation made grants totaling \$842,593 and \$834,504, respectively, to the Lyric.

The members of the Board of Trustees of the Lyric and their employers and foundations made contributions totaling \$466,212 and \$1,179,094 for the years ended June 30, 2016 and 2015, 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).

During the year ended June 30, 2016, the Lyric Foundation received contributions for purposes of paying down long-term debt of \$245,758 and \$801,866 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, 2015, the Lyric Foundation received contributions for purposes of paying down long-term debt of \$249,395 and \$509,556 from the QALICB and the Lyric, respectively.

For the years ended June 30, 2016 and 2015, the contributions from the QALICB to the Lyric Foundation are included in theatre and building expense in the accompanying consolidated statements of activities.

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 shall have 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 shall be \$1,000 plus any further amounts payable to PNC as defined in the Investment Fund Put And Call Agreement. PNC shall have 180 days to exercise its option. Provided PNC has not exercised its option, the Lyric shall have the right and option, but not the obligation, to purchase all of PNC's interest for 90 days. If the Lyric exercises its option, the purchase price for PNC's interest shall be an amount equal to the fair market value of PNC's interest as defined in the Investment Fund Put And Call Agreement.

9. 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 receives distributions of 5% from MCT matching funds. Distributions from the MCT to the Lyric for the years ended June 30, 2016 and 2015 were \$78,927.

LYRIC OPERA OF KANSAS CITY, INC.

Notes To Consolidated Financial Statements (*Continued*)

10. 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 three entities at June 30, 2016 and four entities at June 30, 2015 comprised 83% and 84%, respectively, of total promises to give from private sources.

Contribution Revenues

Contributions from two entities each comprised 41% and 26% of the total contribution revenues from private sources for the years ended June 30, 2016 and 2015, respectively.

The Lyric Opera Ball fund-raising event comprised approximately 15% and 11 % of the total contribution revenues for the years ended June 30, 2016 and 2015, respectively.

Cash Accounts

The Lyric and the QALICB maintain cash accounts in five 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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Cash in bank	\$ 451,437	\$ 881,570
Portion insured by the FDIC	(426,772)	(623,277)
Uninsured cash in bank	24,665	258,293
Cash in Money Market Mutual Fund	1,095,515	1,090,991
	<u>\$ 1,120,180</u>	<u>\$ 1,349,284</u>

11. Contributed Services

For the years ended June 30, 2016 and 2015, the Lyric received contributed services for legal, marketing and construction services which totaled \$57,717 and \$91,403, respectively. The value of contributed services is based on quoted market prices for those services.

12. Risks And Uncertainties

The Lyric Foundation (Note 8) 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.

13. Guarantees

As part of the financing arrangements, the Lyric and the QALICB have 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 have 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 will be up to the full amount of any recapture and/or lost credits, including interest and penalties thereon.

14. 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 \$252,457 and \$240,000, which is included in theatre and building expenses in the accompanying consolidated statement of activities for the years ended June 30, 2016 and 2015, 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 \$255,234 for the year ending June 30, 2017.

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, 2016 and 2015, and our report thereon dated October 13, 2016, 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 and the unconsolidated schedule of operating results, 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

October 13, 2016

LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2016

	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	\$ 1,294,616	\$ 114,719	\$ 189,444	\$ (189,444)	\$ 1,409,335
Accounts receivable	133,366	—	—	—	133,366
Promises to give	1,421,833	—	—	—	1,421,833
Interest receivable	—	—	43,425	(43,425)	—
Prepaid production costs	116,629	—	—	—	116,629
Other prepaid expenses	135,553	—	—	—	135,553
Total Current Assets	3,101,997	114,719	232,869	(232,869)	3,216,716
Other Assets					
Investments	—	—	7,661,685	(7,661,685)	—
Note receivable	—	—	7,641,900	(7,641,900)	—
Interest receivable	—	—	146,329	(146,329)	—
Restricted cash	—	—	—	—	—
Total Other Assets	—	—	15,449,914	(15,449,914)	—
Property And Equipment					
Land, buildings, improvements and equipment	247,080	10,470,286	—	(796,373)	9,920,993
Less: Accumulated depreciation	(136,416)	(1,089,496)	—	71,672	(1,154,240)
Net Property And Equipment	110,664	9,380,790	—	(724,701)	8,766,753
Promises To Give - Long Term	488,942	—	—	—	488,942
Interest In Net Assets Of Lyric Foundation	—	—	—	15,212,979	15,212,979
Total Assets	\$ 3,701,603	\$ 9,495,509	\$ 15,682,783	\$ (1,194,505)	\$ 27,685,390
Liabilities And Net Assets					
Current Liabilities					
Accounts payable	\$ 110,402	\$ —	\$ —	\$ —	\$ 110,402
Accrued payroll and taxes	82,713	—	—	—	82,713
Accrued interest	—	62,976	—	—	62,976
Revolving line of credit	—	—	469,804	(469,804)	—
Deferred income:					
Ticket sales	751,990	—	—	—	751,990
Other	59,604	—	—	—	59,604
Total Current Liabilities	1,004,709	62,976	469,804	(469,804)	1,067,685
Long - Term Liabilities					
Long - term debt	—	10,290,000	—	—	10,290,000
Total Liabilities	1,004,709	10,352,976	469,804	(469,804)	11,357,685
Net Assets					
Unrestricted	(796,090)	(857,467)	930,232	(299,770)	(1,023,095)
Temporarily restricted	3,265,281	—	7,684,762	(424,931)	10,525,112
Permanently restricted	227,703	—	6,597,985	—	6,825,688
Total Net Assets	2,696,894	(857,467)	15,212,979	(724,701)	16,327,705
Total Liabilities And Net Assets	\$ 3,701,603	\$ 9,495,509	\$ 15,682,783	\$ (1,194,505)	\$ 27,685,390

See the accompanying independent auditors' report on supplementary information.

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LYRIC OPERA OF KANSAS CITY, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2015

	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	\$ 1,582,396	\$ 112,229	\$ 308,301	\$ (308,301)	\$ 1,694,625
Accounts receivable	88,352	—	—	—	88,352
Promises to give	1,721,986	—	—	—	1,721,986
Interest receivable	—	—	43,425	(43,425)	—
Prepaid production costs	36,266	—	—	—	36,266
Other prepaid expenses	117,539	—	—	—	117,539
Total Current Assets	3,546,539	112,229	351,726	(351,726)	3,658,768
Other Assets					
Investments	—	—	7,982,888	(7,982,888)	—
Note receivable	—	—	7,641,900	(7,641,900)	—
Interest receivable	—	—	115,033	(115,033)	—
Restricted cash	—	—	500,000	(500,000)	—
Total Other Assets	—	—	16,239,821	(16,239,821)	—
Property And Equipment					
Land, buildings, improvements and equipment	223,846	10,470,286	—	(796,373)	9,897,759
Less: Accumulated depreciation	(126,937)	(847,114)	—	55,745	(918,306)
Net Property And Equipment	96,909	9,623,172	—	(740,628)	8,979,453
Restricted Cash For Purchases Of					
Property And Equipment	106,768	—	—	—	106,768
Promises To Give	561,883	—	—	—	561,883
Interest In Net Assets Of Lyric Foundation					
	—	—	—	14,858,990	14,858,990
Total Assets	\$ 4,312,099	\$ 9,735,401	\$ 16,591,547	\$ (2,473,185)	\$ 28,165,862
Liabilities And Net Assets					
Current Liabilities					
Accounts payable	\$ 65,989	\$ —	\$ —	\$ —	\$ 65,989
Accrued payroll and taxes	227,259	—	—	—	227,259
Accrued interest	—	62,976	—	—	62,976
Deferred income:					
Ticket sales	879,541	—	—	—	879,541
Other	31,895	—	—	—	31,895
Total Current Liabilities	1,204,684	62,976	—	—	1,267,660
Long - Term Liabilities					
Long - term debt	—	10,290,000	1,732,557	(1,732,557)	10,290,000
Total Liabilities	1,204,684	10,352,976	1,732,557	(1,732,557)	11,557,660
Net Assets					
Unrestricted	(738,446)	(617,575)	1,257,578	(643,043)	(741,486)
Temporarily restricted	3,618,158	—	7,003,427	(97,585)	10,524,000
Permanently restricted	227,703	—	6,597,985	—	6,825,688
Total Net Assets	3,107,415	(617,575)	14,858,990	(740,628)	16,608,202
Total Liabilities And Net Assets	\$ 4,312,099	\$ 9,735,401	\$ 16,591,547	\$ (2,473,185)	\$ 28,165,862

See the accompanying independent auditors' report on supplementary information.

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LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

	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.	Unrestricted	Temporarily Restricted	Permanently Restricted
Earned Revenue								
Ticket sales	\$ 1,512,919	\$ —	\$ —	\$ —	\$ 1,512,919	\$ 1,512,919	\$ —	\$ —
Rental income	68,625	540,000	—	(540,000)	68,625	68,625	—	—
Education	60,575	—	—	—	60,575	60,575	—	—
Auxiliaries	348,940	—	—	—	348,940	348,940	—	—
Miscellaneous	69,694	129	—	—	69,823	69,823	—	—
Resident artist program	10,203	—	—	—	10,203	10,203	—	—
Realized gains	—	—	16,797	(16,797)	—	—	—	—
Unrealized losses	—	—	(136,754)	136,754	—	—	—	—
Interest and dividends	—	—	157,012	(157,012)	—	—	—	—
Interest on note receivable	—	—	205,646	(205,646)	—	—	—	—
Total Earned Revenue	2,070,956	540,129	242,701	(782,701)	2,071,085	2,071,085	—	—
Contributed Revenue								
Contributions from Lyric Opera	—	—	801,866	(801,866)	—	—	—	—
Contributions from Lyric Opera QALICB	—	—	245,758	(245,758)	—	—	—	—
Contributions	—	—	5,000	(5,000)	—	—	—	—
Individual, corporate and foundation	3,432,690	—	—	—	3,432,690	911,228	2,521,462	—
Capital campaign	380,370	—	—	—	380,370	—	380,370	—
Federal, state and local	168,205	—	—	—	168,205	128,205	40,000	—
In-kind contributions	57,717	16,000	—	(16,000)	57,717	57,717	—	—
Lyric Opera ball	738,094	—	—	—	738,094	670,844	67,250	—
Net assets released from restrictions	—	—	—	—	—	3,361,959	(3,361,959)	—
Total Contributed Revenue	4,777,076	16,000	1,052,624	(1,068,624)	4,777,076	5,129,953	(352,877)	—
Total Revenue	6,848,032	556,129	1,295,325	(1,851,325)	6,848,161	7,201,038	(352,877)	—
Expenses								
Program services:								
Production and artistic	2,917,931	—	—	—	2,917,931	2,917,931	—	—
Education	267,365	—	—	—	267,365	267,365	—	—
Professional services	—	—	32,350	(32,350)	—	—	—	—
Investment fees	—	—	30,001	(30,001)	—	—	—	—
Interest expense	—	—	36,392	(36,392)	—	—	—	—
Contribution to Lyric Opera	—	—	842,593	(842,593)	—	—	—	—
Total program services	3,185,296	—	941,336	(941,336)	3,185,296	3,185,296	—	—
Management and general:								
Theatre and building	724,488	796,021	—	(555,927)	964,582	964,582	—	—
Finance and administration	855,502	—	—	(16,000)	839,502	839,502	—	—
Charitable contributions to Lyric Foundation	801,866	—	—	—	801,866	801,866	—	—
Loss on disposal of property (Note 4)	19,105	—	—	—	19,105	19,105	—	—
Marketing	635,633	—	—	—	635,633	635,633	—	—
Ticket office	200,534	—	—	—	200,534	200,534	—	—
Total management and general	3,237,128	796,021	—	(571,927)	3,461,222	3,461,222	—	—
Fundraising:								
Development	393,133	—	—	—	393,133	393,133	—	—
Auxiliaries	266,005	—	—	—	266,005	266,005	—	—
Lyric Opera ball	176,991	—	—	—	176,991	176,991	—	—
Total fundraising	836,129	—	—	—	836,129	836,129	—	—
Total Expenses	7,258,553	796,021	941,336	(1,513,263)	7,482,647	7,482,647	—	—
Change In Net Assets Before Change In								
Value Of Net Assets Of Lyric Foundation	(410,521)	(239,892)	353,989	(338,062)	(634,486)	(281,609)	(352,877)	—
Change In Net Assets Of Lyric Foundation	—	—	—	353,989	353,989	—	353,989	—
Change In Net Assets	(410,521)	(239,892)	353,989	15,927	(280,497)	(281,609)	1,112	—
Net Assets - Beginning Of Year	3,107,415	(617,575)	14,858,990	(740,628)	16,608,202	(741,486)	10,524,000	6,825,688
Net Assets - End Of Year	\$ 2,696,894	\$ (857,467)	\$ 15,212,979	\$ (724,701)	\$ 16,327,705	\$ (1,023,095)	\$ 10,525,112	\$ 6,825,688

LYRIC OPERA OF KANSAS CITY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015

	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.	Unrestricted	Temporarily Restricted	Permanently Restricted
Earned Revenue								
Ticket sales	\$ 1,444,534	\$ —	\$ —	\$ —	\$ 1,444,534	\$ 1,444,534	\$ —	\$ —
Rental income	84,739	540,000	—	(540,000)	84,739	84,739	—	—
Education	47,543	—	—	—	47,543	47,543	—	—
Auxiliaries	397,997	—	—	—	397,997	397,997	—	—
Miscellaneous	62,695	150	—	—	62,845	62,845	—	—
Realized gains	—	—	45,116	(45,116)	—	—	—	—
Unrealized gains	—	—	41,492	(41,492)	—	—	—	—
Interest and dividends	—	—	165,467	(165,467)	—	—	—	—
Interest on note receivable	—	—	204,812	(204,812)	—	—	—	—
Total Earned Revenue	2,037,508	540,150	456,887	(996,887)	2,037,658	2,037,658	—	—
Contributed Revenue								
Contributions from Lyric Opera	—	—	509,556	(509,556)	—	—	—	—
Contributions from Lyric Opera QALICB	—	—	249,395	(249,395)	—	—	—	—
Individual, corporate and foundation	3,884,329	—	628,601	(628,601)	3,884,329	1,196,954	2,687,375	—
Capital campaign	586,150	—	—	—	586,150	—	586,150	—
Federal, state and local	158,422	—	—	—	158,422	93,422	65,000	—
In-kind contributions	91,403	16,000	—	(16,000)	91,403	91,403	—	—
Lyric Opera ball	627,823	—	—	—	627,823	566,573	61,250	—
Net assets released from restrictions	—	—	—	—	—	3,181,492	(3,181,492)	—
Total Contributed Revenue	5,348,127	16,000	1,387,552	(1,403,552)	5,348,127	5,129,844	218,283	—
Total Revenue	7,385,635	556,150	1,844,439	(2,400,439)	7,385,785	7,167,502	218,283	—
Expenses								
Program services:								
Production and artistic	2,938,979	—	—	—	2,938,979	2,938,979	—	—
Education	251,755	—	—	—	251,755	251,755	—	—
Professional services	—	—	27,850	(27,850)	—	—	—	—
Investment fees	—	—	31,439	(31,439)	—	—	—	—
Interest expense	—	—	79,151	(79,151)	—	—	—	—
Contribution to Lyric Opera	—	—	834,504	(834,504)	—	—	—	—
Total program services	3,190,734	—	972,944	(972,944)	3,190,734	3,190,734	—	—
Management and general:								
Theatre and building	739,348	805,996	—	(587,781)	957,563	957,563	—	—
Finance and administration	1,041,777	—	—	(16,000)	1,025,777	1,025,777	—	—
Charitable contributions to Lyric Foundation	509,556	—	—	—	509,556	509,556	—	—
Marketing	611,091	—	—	—	611,091	611,091	—	—
Ticket office	228,057	—	—	—	228,057	228,057	—	—
Total management and general	3,129,829	805,996	—	(603,781)	3,332,044	3,332,044	—	—
Fundraising:								
Development	483,702	—	—	—	483,702	483,702	—	—
Auxiliaries	332,108	—	—	—	332,108	332,108	—	—
Lyric Opera ball	219,422	—	—	—	219,422	219,422	—	—
Total fundraising	1,035,232	—	—	—	1,035,232	1,035,232	—	—
Total Expenses	7,355,795	805,996	972,944	(1,576,725)	7,558,010	7,558,010	—	—
Change In Net Assets Before Change In Value Of Net Assets Of Lyric Foundation	29,840	(249,846)	871,495	(823,714)	(172,225)	(390,508)	218,283	—
Change In Net Assets Of Lyric Foundation	—	—	—	871,495	871,495	—	242,894	628,601
Change In Net Assets	29,840	(249,846)	871,495	47,781	699,270	(390,508)	461,177	628,601
Net Assets - Beginning Of Year	3,077,575	(367,729)	13,987,495	(788,409)	15,908,932	(350,978)	10,062,823	6,197,087
Net Assets - End Of Year	\$ 3,107,415	\$ (617,575)	\$ 14,858,990	\$ (740,628)	\$ 16,608,202	\$ (741,486)	\$ 10,524,000	\$ 6,825,688

LYRIC OPERA OF KANSAS CITY, INC.

UNCONSOLIDATED SCHEDULE OF OPERATING RESULTS

For The Year Ended June 30, 2016

Change in net assets	\$ (410,521)
Adjustment for net capital campaign activity	421,496
Operating results prior to depreciation expense and loss on disposal of assets	10,975
Less: LOKC depreciation expense	(39,178)
Less: Loss on disposal of assets	(19,105)
Net LOKC Operating Results	\$ 69,258

Note:

In order to provide a clearer understanding of what management considers to be the normal results of operations of the Lyric Opera of Kansas City (LOKC) as noted in the Consolidating Statement of Activities for the year ended June 30, 2016, this schedule has been provided to adjust for non-operating activity included in the LOKC's change in net assets located on page 22.

In 2008 the LOKC began a capital campaign totaling \$13,696,000 to fund the \$10,000,000 construction of the new Richard J. Stern Opera Center located in the East Crossroads of Kansas City, Missouri and to establish a maintenance fund of \$3,196,000 for that facility. The capital campaign is in the final stages of completion. Capital campaign pledges and contributions are made to LOKC. All receipts from the capital campaign are paid to LOKC and then transferred to Lyric Opera of Kansas City Foundation (LOKCF). Current year capital campaign pledges and contributions appear as capital campaign revenues in the Consolidated Statement of Activities. Transfers of the capital campaign proceeds from the LOKC to the LOKCF appear in the Consolidated Statement of Activities as Charitable Contributions to Lyric Foundation. It is the view of LOKC management that capital campaign activity should not be considered as part of the normal LOKC operating activity. The net of the current year reported capital campaign revenue and charitable contribution expense is reflected above as Adjustment for net capital campaign activity.

LOKC management also feels that the annual depreciation expense and the one-time loss on disposal of assets should not be considered as part of normal LOKC operating activity.