

KANSAS CITY YOUNG AUDIENCES, INC.

FINANCIAL STATEMENTS

**Year Ended July 31, 2011
with
Report of Independent Auditors**

KANSAS CITY YOUNG AUDIENCES, INC.

FINANCIAL STATEMENTS

July 31, 2011

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Keller & Owens, LLC

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Board of Directors

Kansas City Young Audiences, Inc.

We have audited the accompanying statement of financial position of **Kansas City Young Audiences, Inc.** as of July 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated November 19, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 **Kansas City Young Audiences, Inc.**, as of July 31, 2011, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

November 30, 2011

KANSAS CITY YOUNG AUDIENCES, INC.

STATEMENT OF FINANCIAL POSITION

July 31, 2011

(With comparative totals for July 31, 2010)

<u>ASSETS</u>	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Cash and Cash Equivalents	\$ 97,689	\$ 1,178	\$ -	\$ 98,867	\$ 86,587
Accounts Receivable	25,220	-	-	25,220	34,624
Promises to Give	-	285,938	-	285,938	145,375
Prepaid Expenses	31,131	-	-	31,131	12,237
Investments	688,404	22,568	82,724	793,696	707,903
Property and Equipment	46,454	-	-	46,454	76,059
Due (to) from Temporarily Restricted	<u>(280,782)</u>	<u>280,782</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 608,116</u>	<u>\$ 590,466</u>	<u>\$ 82,724</u>	<u>\$ 1,281,306</u>	<u>\$ 1,062,785</u>
<u>LIABILITIES AND NET ASSETS</u>					
Accounts Payable	\$ 25,305	\$ -	\$ -	\$ 25,305	\$ 46,120
Accrued Liabilities	20,931	-	-	20,931	17,138
Line of Credit	50,000	-	-	50,000	-
Deferred Revenue	-	45,440	-	45,440	-
Deposits Held for Others	<u>65,637</u>	<u>-</u>	<u>-</u>	<u>65,637</u>	<u>56,527</u>
Total Liabilities	161,873	45,440	-	207,313	119,785
Net Assets	<u>446,243</u>	<u>545,026</u>	<u>82,724</u>	<u>1,073,993</u>	<u>943,000</u>
Total Liabilities and Net Assets	<u>\$ 608,116</u>	<u>\$ 590,466</u>	<u>\$ 82,724</u>	<u>\$ 1,281,306</u>	<u>\$ 1,062,785</u>

See accompanying notes

KANSAS CITY YOUNG AUDIENCES, INC.

STATEMENT OF ACTIVITIES Year Ended July 31, 2011

(With comparative totals for the year ended July 31, 2010)

	2011				2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenues:					
Contributions and support:					
Corporations and foundations	\$ 31,712	\$ 438,985	\$ -	\$ 470,697	\$ 251,700
Individuals	28,517	107,808	-	136,325	32,681
Special events	-	82,750	-	82,750	-
Other grants	-	19,608	-	19,608	37,505
Gifts in kind	34,145	-	-	34,145	11,941
Discount on promises to give	-	4,309	-	4,309	2,438
Total Contributions and Support	94,374	653,460	-	747,834	336,265
Other income:					
Special events	13,958	-	-	13,958	90,525
Less cost of direct benefits to donors	(44,259)	-	-	(44,259)	(42,020)
	(30,301)	-	-	(30,301)	48,505
Program receipts	605,415	-	-	605,415	784,961
Investment return	82,033	7,242	-	89,275	70,846
Miscellaneous income	13,642	-	-	13,642	3,999
Total Other Income	670,789	7,242	-	678,031	908,311
Net assets released from restrictions	523,796	(523,796)	-	-	-
Total Revenues	1,288,959	136,906	-	1,425,865	1,244,576
Expenses:					
Program	1,020,747	-	-	1,020,747	1,359,523
Supporting:					
Management and general	148,824	-	-	148,824	127,018
Fundraising	125,301	-	-	125,301	119,167
Total Expenses	1,294,872	-	-	1,294,872	1,605,708
Change in Net Assets	(5,913)	136,906	-	130,993	(361,132)
Net Assets at Beginning of Year	452,156	408,120	82,724	943,000	1,304,132
Net Assets at End of Year	\$ 446,243	\$ 545,026	\$ 82,724	\$ 1,073,993	\$ 943,000

See accompanying notes

KANSAS CITY YOUNG AUDIENCES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2011

(With comparative totals for the year ended July 31, 2010)

	2011							
	Program				Support			
	In School & Community Services	Arts Partners	Community School of Arts	Total	Management & General	Fundraising	2011 Total	2010 Total
Salaries and benefits	\$ 70,422	\$ 130,628	\$ 114,525	\$ 315,575	\$ 110,356	\$ 106,958	\$ 532,889	\$ 574,221
Artists fees and expense	99,260	367,966	70,419	537,645	-	-	537,645	745,065
Conferences, conventions and meetings	1,048	1,048	1,048	3,144	84	355	3,583	2,403
Cooperative funding to YA, Inc.	3,315	3,316	3,315	9,946	-	-	9,946	11,799
Depreciation	6,935	6,681	13,448	27,064	1,524	1,017	29,605	44,209
Dues and subscriptions	144	136	162	442	58	659	1,159	1,402
Hospitality	179	384	230	793	129	841	1,763	2,847
Insurance	2,195	2,586	5,092	9,873	865	831	11,569	11,551
Marketing and public relations	1,580	1,519	13,346	16,445	98	232	16,775	27,926
Miscellaneous	353	1,001	4,735	6,089	12,549	1,420	20,058	36,804
Office supplies and equipment	675	867	3,614	5,156	269	2,822	8,247	12,814
Postage	960	412	3,329	4,701	686	1,249	6,636	9,358
Printing	1,000	300	3,024	4,324	-	844	5,168	17,696
Professional fees	1,761	2,705	7,742	12,208	17,569	4,133	33,910	32,706
Program development	758	758	-	1,516	-	-	1,516	3,036
Rent	14,340	13,661	33,466	61,467	4,057	2,765	68,289	66,301
Telephone	1,328	1,328	1,328	3,984	307	818	5,109	5,244
Travel	39	285	51	375	273	357	1,005	326
Total	\$ 206,292	\$ 535,581	\$ 278,874	\$ 1,020,747	\$ 148,824	\$ 125,301	\$ 1,294,872	\$ 1,605,708

See accompanying notes

KANSAS CITY YOUNG AUDIENCES, INC.

STATEMENT OF CASH FLOWS

Year Ended July 31, 2011

(With comparative totals for the year ended July 31, 2010)

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ 130,993	\$ (361,132)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	29,605	44,209
Bad debts	12,464	12,062
Net gain on investments	(78,976)	(57,988)
Discount on promises to give	(4,309)	(2,438)
Change in operating assets and liabilities:		
Accounts receivable	1,941	(4,136)
Promises to give	(141,254)	211,480
Prepaid expenses	(18,894)	(738)
Accounts payable	(20,815)	1,767
Accrued expenses	3,793	12,954
Deposits held for others	54,550	40,500
Net Cash Used by Operating Activities	(30,902)	(103,460)
Cash Flows from Investing Activities:		
Purchases of investments	(167,529)	(295,466)
Proceeds from sale of long-term investments	160,711	286,628
Purchases of furniture and equipment	-	(12,800)
Net Cash Used by Investing Activities	(6,818)	(21,638)
Cash Flows from Financing Activities:		
Proceeds from line of credit	50,000	-
Net Cash Provided by Financing Activities	50,000	-
Change in Cash and Cash Equivalents	12,280	(125,098)
Cash and Cash Equivalents at Beginning of Year	86,587	211,685
Cash and Cash Equivalents at End of Year	\$ 98,867	\$ 86,587

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Kansas City Young Audiences, Inc. (the Organization) was incorporated in 1963 as a Missouri not-for-profit corporation, and is affiliated with **Young Audiences, Inc.** (a national organization).

The purpose of the Organization is to work in collaboration with educational and cultural institutions to improve aesthetic, academic, and cultural education through the presentation of performances, workshops, conferences, and seminars and the dissemination of information, throughout metropolitan Kansas City and surrounding areas. The Organization is primarily funded by corporate and foundation contributions, individual contributions and program revenues.

Participants in programs and supporters of the Organization are primarily located in the Kansas City metropolitan area.

Accounts Receivable - Accounts receivable consist primarily of amounts due from clients and schools for program events and are stated at the amounts management expects to collect. Amounts are considered due upon completion of services or event scheduling in the case of Arts Partners. Management does not record any additional charges on outstanding balances or require any form of collateral. Based on past experience and aging of receivables, management has established an allowance for doubtful accounts of \$6,000 at July 31, 2011.

Advertising Costs - The Organization uses advertising to promote its programs among the clients and community it serves. The costs of advertising are expensed as incurred. Marketing and public relations costs totaled \$16,775 and \$27,926 for 2011 and 2010, respectively.

Basis of Accounting - The Organization's policy is to prepare its financial statements on the accrual basis of accounting; consequently, certain support and revenue are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when cash is disbursed.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash in banks, money market accounts and cash on hand.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2010 financial statements from which the summarized information was derived.

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - The Organization follows the accounting principles under FASB ASC 958-605. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Property and Equipment - Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated Rent - The Organization used donated office space during the fiscal year. See Note 12 for additional information.

Donated Services - Professional services, which consist of consulting, marketing and public relations services, are reflected at their fair market value as support and expensed in the appropriate functional category. Other volunteer services are not recognized in the financial statements because they do not meet the criteria for recognition under FASB ASC 958-605.

Fair Value of Financial Instruments - The Organization has adopted the provisions of FASB ASC 820-10, for financial and nonfinancial assets and liabilities measured at fair value on a recurring basis and for nonfinancial assets and liabilities measured initially at fair value.

The carrying amount of cash and cash equivalents approximates its fair value. The carrying value of accounts receivable, unconditional promises to give, accounts payable, and accrued liabilities approximate fair value due to the short-term nature of these instruments. The fair value of investments and line of credit are disclosed in Note 2 and Note 14, respectively.

Financial Statement Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-210. Under FASB ASC 958-210, entities are required to report information regarding their financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are those currently available at the discretion of the Board for use in the entity's operations and those resources invested in property and equipment.

Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes, special projects, or for the acquisition or construction of land, buildings and equipment.

Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts.

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses - The cost of providing various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that are not directly identifiable with a program are allocated between programs and supporting services benefited. It is the Organization's policy to utilize campaign funds raised for directly related campaign costs, up to a fixed percentage (15%) of campaign funds raised.

Income Taxes - The Organization is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and does not incur income taxes, except on unrelated business income, if any. In addition, the Organization has been classified as a publicly supported entity which is not a private foundation within the meaning of Section 509(a) of the code.

The Organization has adopted the provisions of the *Accounting for Uncertain Income Tax Positions* FASB ASC 740-10 as it might apply to the Organization's financial transactions. The Organization's policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of July 31, 2011 and, accordingly, no liability has been accrued. However, tax years through July 31, 2011 remain subject to IRS examination.

Investments - Investments in marketable securities with readily determinable fair market values and all investments in debt securities with readily determinable market prices are stated at fair value. Fair values are based on the inputs described in Note 2. Unrealized gains and losses are included in investment return in the accompanying Statement of Activities. Nonmarketable investments are recorded at cost at date of acquisition or fair value at date of donation, in the case of gifts.

Property and Equipment - Additions over a nominal amount are stated at cost at date of acquisition or fair value at date of donation, in the case of gifts. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis (five to seven years).

Subsequent Events - Management has evaluated events and transactions that have occurred since July 31, 2011 and reflected their effects, if any, in these financial statements through November 30, 2011, the date the financial statements were available to be issued.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

2. FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of FASB ASC 820-10, for financial and nonfinancial assets and liabilities measured at fair value on a recurring basis. In addition FASB ASC 820-10 applies to non-financial assets and liabilities measured initially at fair value such as in a business combination, non-financial assets (such as inventory or donations-in-kind) recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level with fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at July 31, 2011:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Cash and cash equivalents	\$ 10,525	\$ 2,316	\$ -	\$ 8,209
Equities:				
Domestic	446,931	78,923	-	368,008
International	11,103	11,103	-	-
Fixed Income:				
Domestic	<u>325,137</u>	<u>60,089</u>	<u>-</u>	<u>265,048</u>
Total Assets recurring basis	<u>\$ 793,696</u>	<u>\$ 152,431</u>	<u>\$ -</u>	<u>\$ 641,265</u>

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

2. FAIR VALUE MEASUREMENTS (continued)

Fair value of assets measured on a recurring basis at July 31, 2010 is as follows:

	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
	Fair Value	(Level 1)	(Level 3)
Investments with community foundation	\$ 707,903	\$ -	\$ 707,903
Total	\$ 707,903	\$ -	\$ 707,903

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include investments with a community foundation:

August 1, 2010	\$ 707,903
Total gains or losses (realized/unrealized)	76,783
Purchases, issuance and settlements	(143,421)
July 31, 2011	\$ 641,265

The amount of total gains or losses for the year ended July 31, 2011 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

\$ 63,176

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include investments with a community foundation:

August 1, 2009	\$ 641,077
Total gains or losses (realized/unrealized)	70,365
Purchases, issuance and settlements	(3,539)
July 31, 2010	\$ 707,903

The amount of total gains or losses for the year ended July 31, 2010 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

\$ 52,729

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

2. FAIR VALUE MEASUREMENTS (continued)

The amount of total gains or losses for the year ended July 31, 2011 included in net assets attributable to the change in unrealized gains or losses relating to Level 3 assets still held at the reporting date:

	<u>Investment</u>	<u>Return</u>
July 31, 2011:		
Unrestricted	\$	<u>58,334</u>
Temporarily Restricted	\$	<u>4,842</u>
July 31, 2010:		
Unrestricted	\$	<u>48,216</u>
Temporarily Restricted	\$	<u>4,513</u>

Financial assets valued using Level 3 inputs are based primarily upon the stated fair value obtained from the community foundation.

3. PROMISES TO GIVE

Unconditional promises to give consist primarily of restricted gifts for the capital campaign.

	<u>2011</u>	<u>2010</u>
Promises to give expected to be collected in:		
Less than one year	\$ 127,966	\$ 76,679
One to five years	70,000	75,000
Less discount on promises to give	<u>(1,996)</u>	<u>(6,304)</u>
Net Promises to Give	<u>\$ 195,970</u>	<u>\$ 145,375</u>

A significant amount of promises to give is expected from three donors in the amount of \$130,000 at July 31, 2011.

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

4. INVESTMENTS

Investments, stated at the values in Note 1, consist of the following:

	<u>2011</u>	<u>2010</u>
Money market	\$ 10,525	\$ 7,665
Fixed income	325,137	277,635
Equity securities	<u>458,034</u>	<u>422,603</u>
Total Investments	<u>\$ 793,696</u>	<u>\$ 707,903</u>

Investment return is comprised of the following:

Interest and dividends	\$ 17,529	\$ 18,872
Net realized gains	13,607	5,866
Net unrealized gains	65,369	52,123
Administrative fees	<u>(7,230)</u>	<u>(6,015)</u>
Total Investment Return	<u>\$ 89,275</u>	<u>\$ 70,846</u>

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

Furniture	\$ 184,401	\$ 184,401
Office equipment	75,252	75,252
CSA evaluation	15,000	15,000
Leasehold improvements	77,772	77,772
Software	99,595	99,595
Website	30,524	30,524
Artwork	<u>5,900</u>	<u>5,900</u>
	488,444	488,444
Less: accumulated depreciation	<u>(441,990)</u>	<u>(412,385)</u>
Total Property and Equipment	<u>\$ 46,454</u>	<u>\$ 76,059</u>

6. DEPOSITS HELD

Deposits held for others consist of fees received for programs which have not been performed or scheduled with other performing venues.

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

7. RESTRICTED NET ASSETS

	<u>2011</u>	<u>2010</u>
<u>Permanently restricted net assets</u>		
Lighton Prize endowment	\$ 50,224	\$ 50,224
Kemper memorial	22,500	22,500
Arts Partners endowment	<u>10,000</u>	<u>10,000</u>
Total Permanently Restricted Net Assets	<u>\$ 82,724</u>	<u>\$ 82,724</u>
<u>Temporarily restricted net assets</u>		
Capital campaign:		
Community School of Arts scholarships	<u>\$ 100,051</u>	<u>\$ 123,060</u>
	100,051	123,060
Lighton Prize earnings	22,568	18,806
Promises to give and other	<u>422,407</u>	<u>266,254</u>
Total Temporarily Restricted Net Assets	<u>\$ 545,026</u>	<u>\$ 408,120</u>

The sources of net assets released from donor restrictions consist of the following:

Community School of Arts scholarships	\$ 23,009
Community School of Arts operations	77,472
Arts Partners – regular operations	106,012
Time restricted and other	313,079
Shakespeare to go	<u>4,224</u>
Total Net Assets Released from Restrictions	<u>\$ 523,796</u>

8. ENDOWMENTS

The Organization's endowment consists of several individual funds, a majority of which were established for scholarships. Its endowment consists of donor-restricted endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

8. ENDOWMENTS (continued)

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Missouri enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair rate of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund to maintain its purchasing power.

The Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and subsequent gifts to the endowment.

Endowment Net Asset Composition by Type of Fund as of July 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted endowment funds	\$ 688,404	\$ -	\$ -	\$ 688,404
Donor-restricted endowment funds	-	22,568	82,724	105,292
Board-designated endowment funds	-	-	-	-
 Total Funds	 <u>\$ 688,404</u>	 <u>\$ 22,568</u>	 <u>\$ 82,724</u>	 <u>\$ 793,696</u>

Changes in Endowment Net Assets for the Year Ended July 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 606,373	\$ 18,806	\$ 82,724	\$ 707,903
Investment return:				
Investment income, including net appreciation realized and unrealized	82,031	7,241	-	89,272
Appropriation of endowment assets for expenditure	-	(3,479)	-	(3,479)
Endowment net assets, end of year	<u>\$ 688,404</u>	<u>\$ 22,568</u>	<u>\$ 82,724</u>	<u>\$ 793,696</u>

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

8. ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund as of July 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted endowment funds	\$ 277,075	\$ -	\$ -	\$ 277,075
Donor-restricted endowment funds	-	18,806	82,724	101,530
Board-designated endowment funds	<u>329,298</u>	<u>-</u>	<u>-</u>	<u>329,298</u>
 Total Funds	 <u>\$ 606,373</u>	 <u>\$ 18,806</u>	 <u>\$ 82,724</u>	 <u>\$ 707,903</u>

Changes in Endowment Net Assets for the Year Ended July 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 542,446	\$ 15,907	\$ 82,724	\$ 641,077
Investment return:				
Investment income, including net appreciation realized and unrealized	63,927	6,438	-	70,365
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(3,539)</u>	<u>-</u>	<u>(3,539)</u>
Endowment net assets, end of year	<u>\$ 606,373</u>	<u>\$ 18,806</u>	<u>\$ 82,724</u>	<u>\$ 707,903</u>

Return Objectives and Risk Parameters

The Organization has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's spending policy is established based on the donor agreement which specifies a payout of interest and dividends. Generally, in regard to the permanent endowments, the distribution is 5% of the average past three year-end balances of the fund. Unrestricted funds can be distributed at the Board's discretion.

KANSAS CITY YOUNG AUDIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2011

9. CONCENTRATIONS OF RISK

The Organization's financial instruments that are exposed to a concentration of risk consist primarily of cash and cash equivalents, investments and accounts receivable. The Organization places a majority of its cash and other investments with financial institutions in the greater Kansas City, Missouri area. It routinely assesses the financial strength of its receivables and, as a consequence, believes its credit risk exposure is limited.

Generally, the balances in the Organization's cash accounts are insured by the FDIC up to \$250,000. There is unlimited FDIC coverage on the Organization's non-interest-bearing checking account to December 31, 2012. At July 31, 2011, the Organization's cash and money markets were not in excess of the FDIC limit.

10. RETIREMENT PLAN

In 1996, the Organization established a retirement plan, whereby employees are eligible to contribute up to 20% of compensation (not to exceed applicable limits) to a 403(b) tax-sheltered annuity. After employees reach the age of 21 and the completion of one year of service, the Organization matches 50% of the employee's contribution (not to exceed 4% of employee compensation). Employee contributions are fully vested immediately and employer contributions are fully vested after three years of service. The Organization's contributions to the retirement plan totaled \$7,996 and \$6,890 for the years ended July 31, 2011 and 2010, respectively.

11. COMMITMENTS

Rental payments for the years ended July 31, 2011 and 2010 were \$34,145 and \$66,301, respectively.

The Organization signed a lease addendum in 2008 that extends through November of 2012. The lease was amended on July 13, 2010. The monthly rent payment was reduced by fifty percent. The rental value of the office space remained the same. The difference between rental value and the rent paid by the Organization was considered donated and recorded at its fair market value of \$34,145 and \$-0- for July 31, 2011 and 2010, respectively. Future rental payments are as follows:

2012	\$ 35,169
2013	<u>11,837</u>
Total Future Lease Payments	<u>\$ 47,006</u>

In February 2010, the Organization entered into an agreement with the Lintecum Group to provide event consultation and coordination of the Organization's 50th Anniversary Celebration. The Organization paid the Lintecum Group \$35,000 in twenty-one monthly installments of \$1,666. The remaining \$4,998 will be paid in fiscal 2012.

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11. COMMITMENTS (continued)

In April, 2011, the Organization entered into an agreement with AEG Live Events to assist the Organization with booking talent for and producing the Organization's 50th Anniversary Celebration. The Organization will pay \$5,688 as part of this agreement in the 2012 fiscal year.

12. RELATED PARTIES

The Organization maintains an affiliate relationship with **Young Audiences, Inc.** Under terms of a cooperative fee agreement, the Organization remitted \$9,946 and \$11,799, respectively, to the national body of **Young Audiences, Inc.**, for the years ended July 31, 2011 and 2010.

13. LINE OF CREDIT

The Organization has a \$100,000 revolving line of credit with interest at prime minus one-half percent (3.25% at July 31, 2011). The minimum interest rate is 3.25%. Interest must be paid monthly on the outstanding balance. Principal may be repaid at anytime. The balance at July 31, 2011 was \$50,000. The note is secured by investments held at UMB Bank. Interest incurred as expense on the line of credit totaled \$248 and \$-0- for the years ended July 31, 2011 and 2010, respectively.

The fair market value of the line of credit approximated the carrying amounts based on its short-term nature and similar available terms.

The line of credit was paid in full on October 20, 2011.