

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

**Year Ended July 31, 2016
with
Independent Auditors' Report**

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2016

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kansas City Young Audiences, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of the **Kansas City Young Audiences, Inc.** and affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

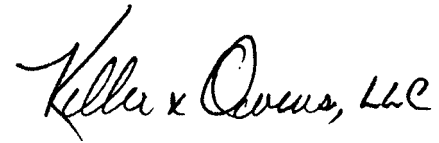
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors consider 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 the **Kansas City Young Audiences, Inc.** and affiliate as of July 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Kella x Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas

November 28, 2016

(Except for Note 4, as to which the date is April 28, 2017)

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
July 31, 2016**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|------------------|---------------------------|---------------------------|------------------|
| <u>ASSETS</u> | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 102,309 | \$ 1,247 | \$ - | \$ 103,556 |
| Accounts receivable | 30,652 | - | - | 30,652 |
| Promises to give, net | - | 129,252 | - | 129,252 |
| Prepaid expenses | 14,828 | - | - | 14,828 |
| Due (to) from temporarily restricted | 16,488 | (16,488) | - | - |
| Total Current Assets | 164,277 | 114,011 | - | 278,288 |
| Cash Restricted for the Campaign | - | 537,177 | - | 537,177 |
| Investments | 1,023,430 | 24,792 | 82,724 | 1,130,946 |
| Property and Equipment, net | 1,975,651 | - | - | 1,975,651 |
| Long-term promises to give, net | - | 55,000 | - | 55,000 |
| Other Assets: | | | | |
| Deferred financing costs, net of amortization | 17,452 | - | - | 17,452 |
| Total Other Assets | 17,452 | - | - | 17,452 |
| Total Assets | \$ 3,180,810 | \$ 730,980 | \$ 82,724 | \$ 3,994,514 |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 20,109 | \$ - | \$ - | \$ 20,109 |
| Accrued liabilities | 39,396 | - | - | 39,396 |
| Rental deposits | 1,850 | - | - | 1,850 |
| Deferred revenue and deposits held for others | 32,300 | - | - | 32,300 |
| Total Current Liabilities | 93,655 | - | - | 93,655 |
| Long-term Liabilities: | | | | |
| Long-term Debt | 1,300,000 | - | - | 1,300,000 |
| Total Long-Term Liabilities | 1,300,000 | - | - | 1,300,000 |
| Total Liabilities | 1,393,655 | - | - | 1,393,655 |
| Net Assets | 1,787,155 | 730,980 | 82,724 | 2,600,859 |
| Total Liabilities and Net Assets | \$ 3,180,810 | \$ 730,980 | \$ 82,724 | \$ 3,994,514 |

See accompanying notes

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended July 31, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| Revenues: | | | | |
| Contributions and Support: | | | | |
| Corporations and foundations | \$ 241,856 | \$ 895,510 | - | \$ 1,137,366 |
| Individuals | 110,555 | 22,250 | - | 132,805 |
| Special Events | - | 50,431 | - | 50,431 |
| Other grants | - | 11,514 | - | 11,514 |
| Gifts in kind | <u>7,865</u> | <u>557,330</u> | <u>-</u> | <u>565,195</u> |
| Total Contributions and Support | 360,276 | 1,537,035 | - | 1,897,311 |
| Other income: | | | | |
| Special Events | 113,863 | - | - | 113,863 |
| Less cost of direct benefit to donors | <u>(138,507)</u> | <u>-</u> | <u>-</u> | <u>(138,507)</u> |
| | (24,644) | - | - | (24,644) |
| Program receipts | 562,199 | - | - | 562,199 |
| Investment return | 20,470 | 1,591 | - | 22,061 |
| Miscellaneous income | 27,397 | - | - | 27,397 |
| Rental income | <u>9,000</u> | <u>-</u> | <u>-</u> | <u>9,000</u> |
| Total Other Income | 594,422 | 1,591 | - | 596,013 |
| Net assets released from restrictions | <u>1,108,003</u> | <u>(1,108,003)</u> | <u>-</u> | <u>-</u> |
| Total Revenues | 2,062,701 | 430,623 | - | 2,493,324 |
| Expenses: | | | | |
| Program | 839,068 | - | - | 839,068 |
| Supporting: | | | | |
| Management and general | 142,978 | - | - | 142,978 |
| Fundraising | 158,229 | - | - | 158,229 |
| 3731 Main Street, LLC | <u>7,651</u> | <u>-</u> | <u>-</u> | <u>7,651</u> |
| Total Expenses | <u>1,147,926</u> | <u>-</u> | <u>-</u> | <u>1,147,926</u> |
| Change in Net Assets | 914,775 | 430,623 | - | 1,345,398 |
| Net Assets, Beginning of Year | <u>872,380</u> | <u>300,357</u> | <u>82,724</u> | <u>1,255,461</u> |
| Net Assets, End of Year | <u>\$ 1,787,155</u> | <u>\$ 730,980</u> | <u>\$ 82,724</u> | <u>\$ 2,600,859</u> |

See accompanying notes

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Year Ended July 31, 2016

| | Program | | | | Supporting | | | |
|---------------------------------------|--------------------------------------|--------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------|
| | In School & Community Services | Arts Partners | Community School of Arts | Total | Management & General | Fundraising | 3731 Main Street, LLC | Total |
| Salaries and benefits | \$ 76,260 | \$ 92,960 | \$ 108,751 | \$ 277,971 | \$ 98,540 | \$ 107,127 | \$ 834 | \$ 484,472 |
| Artists fees and expense | 67,997 | 241,953 | 97,981 | 407,931 | - | - | - | 407,931 |
| Conferences, conventions and meetings | 189 | 189 | 16 | 394 | 16 | 16 | - | 426 |
| Cooperative funding to YA, Inc. | 4,269 | 4,269 | 4,269 | 12,807 | - | - | - | 12,807 |
| Depreciation and amortization | 233 | 221 | 543 | 997 | 66 | 1,806 | 1,478 | 4,347 |
| Dues and subscriptions | 70 | 107 | 107 | 284 | 547 | 702 | - | 1,533 |
| Hospitality | 460 | 348 | 460 | 1,268 | 165 | 1,210 | 12 | 2,655 |
| Insurance | 2,486 | 3,727 | 6,128 | 12,341 | 1,309 | 1,389 | - | 15,039 |
| Interest | - | - | - | - | - | - | 4,271 | 4,271 |
| Marketing and public relations | 457 | 395 | 10,571 | 11,423 | 3 | 324 | - | 11,750 |
| Miscellaneous | 1,142 | 949 | 14,825 | 16,916 | 18,498 | 7,734 | 90 | 43,238 |
| Office supplies and equipment | 8,150 | 8,186 | 6,838 | 23,174 | 397 | 678 | 250 | 24,499 |
| Postage | 957 | 861 | 3,553 | 5,371 | 718 | 1,433 | - | 7,522 |
| Printing | 828 | 828 | 3,798 | 5,454 | - | 3,128 | - | 8,582 |
| Professional fees | 1,359 | 3,243 | 12,687 | 17,289 | 19,522 | 17,109 | 682 | 54,602 |
| Program development | 1,115 | 52 | - | 1,167 | - | - | - | 1,167 |
| Real estate taxes | - | - | - | - | - | 12,000 | - | 12,000 |
| Rent | 7,831 | 7,458 | 18,272 | 33,561 | 2,219 | 1,509 | - | 37,289 |
| Telephone | 1,246 | 1,342 | 1,328 | 3,916 | 561 | 965 | - | 5,442 |
| Travel | 1,040 | 504 | 124 | 1,668 | 47 | 785 | 34 | 2,534 |
| Utilities | 1,215 | 1,168 | 2,753 | 5,136 | 370 | 314 | - | 5,820 |
| Total Expenses | <u>\$ 177,304</u> | <u>\$ 368,760</u> | <u>\$ 293,004</u> | <u>\$ 839,068</u> | <u>\$ 142,978</u> | <u>\$ 158,229</u> | <u>\$ 7,651</u> | <u>\$ 1,147,926</u> |

See accompanying notes

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended July 31, 2016

| | |
|--|-------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ 1,345,398 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | |
| Depreciation | 2,165 |
| Contributions restricted for acquisition of new facilities | (667,665) |
| Amortization | 2,182 |
| Net gain on investments | (6,606) |
| Donated stock | (30,219) |
| Donated fixed assets | (557,330) |
| Change in operating assets and liabilities: | |
| Accounts receivable | 3,571 |
| Promises to give | (84,494) |
| Prepaid expenses | (3,333) |
| Accounts payable | (3,578) |
| Accrued liabilities | 26,721 |
| Deferred revenue and deposits held for others | (58,663) |
| Rental deposits | <u>1,850</u> |
| Net Cash Used by Operating Activities | <u>(30,001)</u> |
| Cash Flows from Investing Activities: | |
| Purchases of investments | (118,538) |
| Proceeds from sale of long-term investments | 142,411 |
| Change in assets restricted for acquisition of new facilities | (537,177) |
| Purchases of furniture and equipment | <u>(107,171)</u> |
| Net Cash Used by Investing Activities | (620,475) |
| Cash Flows from Financing Activities: | |
| Contributions restricted for acquisition of new facilities | 667,665 |
| Payment for deferred financing | <u>(19,634)</u> |
| Net Cash Provided by Financing Activities | <u>648,031</u> |
| Change in Cash and Cash Equivalents | (2,445) |
| Cash and Cash Equivalents at Beginning of Year | <u>106,001</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 103,556</u> |

NONCASH INVESTING AND FINANCING ACTIVITIES

| | |
|--|---------------------|
| Land, Buildings and Equipment Acquired Using Accounts Payable | <u>\$ 5,473</u> |
| Land, Buildings and Equipment Acquired Using Debt | <u>\$ 1,300,000</u> |

See accompanying notes

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Kansas City Young Audiences, Inc. (KCYA) 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 KCYA 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 KCYA are primarily located in the Kansas City metropolitan area.

3731 Main Street, LLC (the LLC) is a Missouri Limited Liability Corporation organized in February 2016. The LLC was formed to own and manage rental commercial real estate. The property owned is currently rented to a for-profit entity.

Principles of Consolidation - The consolidated financial statements include the accounts of KCYA and the LLC, collectively referred to as the Organization. All significant intra-entity transactions and accounts have been eliminated. KCYA is the sole member of the LLC, and significant economic interests exist between the entities.

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 \$4,000 at July 31, 2016.

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 \$11,750 for 2016.

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.

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 2016

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

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.

Contributions - The Organization follows the accounting principles under Financial Accounting Standards Board (FASB) Accounting Standards Codification (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. 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 Services - Professional services, which consist of consulting, marketing and public relations services, are reflected at their fair 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 carrying amount of cash and cash equivalents, and cash held for the capital campaign approximates its fair value. The carrying value of accounts receivable, promises to give, accounts payable, debt, and accrued liabilities approximate fair value due to the short-term nature of these instruments. The fair value of investments is disclosed in Note 2. The fair value of debt is disclosed in Note 16.

Financial Statement Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in 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. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

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 - KCYA 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, KCYA 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 LLC is a for-profit entity. Income taxes will be paid when due. The amount of any income tax due is not significant to the financial statements.

The Organization has adopted the provisions of 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, 2016 and, accordingly, no liability has been accrued. However, in general, the three previous tax years remain subject to IRS examination.

Investments - Investments in marketable securities with readily determinable 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.

Interest in Assets Held by Others - The investment of a beneficial interest in a community foundation is reported in the Statement of Financial Position at its net asset value as a practical expedient for measuring fair value. As allowed, the Organization has adopted FASB Accounting Standards Update ("ASU") 2015-07, which permits the Organization to exclude investments measured using this practical expedient from the fair value hierarchy and relieves the Organization from disclosing certain information related to the hierarchy. Unrealized gains and losses are included in the change in net assets.

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 2016

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

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 forty years).

Subsequent Events - Management has evaluated events and transactions that have occurred since July 31, 2016 and reflected their effects, if any, in these consolidated financial statements through November 28, 2016, the date the financial statements were available to be issued.

Use of Estimates - 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 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.

2. FAIR VALUE MEASUREMENTS

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.

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

2. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at July 31, 2016:

| | <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 | \$ 9,052 | \$ 9,052 | \$ - | \$ - |
| Equities: | | | | |
| Domestic | 116,351 | 116,351 | - | - |
| Fixed Income: | | | | |
| Domestic | 42,835 | 42,835 | - | - |
| Donated IRA | <u>69,851</u> | <u>69,851</u> | <u>-</u> | <u>-</u> |
| Total Assets-- recurring basis | <u>\$ 238,089</u> | <u>\$ 238,089</u> | <u>\$ -</u> | <u>\$ -</u> |

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

3. INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest in a community foundation consists of the following at July 31, 2016:

| | |
|---|-----------------------|
| Money Market Pool | \$ 12,443 |
| Short-Term Fixed Income Pool | 161,317 |
| Intermediate-Term Fixed Income Pool | 109,344 |
| Equity Pool | <u>609,753</u> |
| Total Interest in Assets Held by Others | <u>\$ 892,857</u> |

Below is a description of the nature, characteristics, and risk of the various classes of investments indicated above:

Money Market Pool – The purpose of the Money Market Pool is to provide liquidity for participating charitable funds and organizations in funding grant-making and payment of fees and administrative costs while providing desired principal stability. The long-term investment objective of the Money Market Pool is to seek a competitive market return to preserve and grow the portfolio, provide cash flows to meet charitable needs now and those in the future. The performance objective of the Money Market Pool is to meet or exceed the performance of the 90-Day Treasury Bill, a truly “liquid” money market benchmark. As such, the Money Market Pool is highly liquid, which enables donors to access funds for grants in a timely manner. The Money Market Pool invests primarily in bank deposits and high-quality institutional money market funds. The money market fund's holdings include U.S. dollar denominated money market securities of domestic and foreign issuers rated in the highest category by at least two nationally recognized rating services, U.S. Government securities, and repurchase agreements.

Short-Term Fixed Income Pool – The purpose of the Short-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Short-Term Fixed Income Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Short-Term Fixed Income Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgaged-backed securities and U.S. Treasury Inflation-Protected Securities. The Short-Term Fixed Income Pool will have a lower average effective duration than broad fixed income market benchmarks such as the Barclays U.S. Aggregate Bond Index, hence limiting overall interest rate risk.

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

3. INTEREST IN ASSETS HELD BY OTHERS (continued)

Intermediate-Term Fixed Income Pool – The purpose of the Intermediate-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Intermediate-Term Fixed Income Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Intermediate-Term Fixed Income Pool is diversified across U.S. Treasuries notes and bonds, corporate bonds, bank loans, mortgage-backed securities and U.S. Treasury Inflation-Protected Securities. The average effective duration and interest rate risk of the Intermediate-Term Fixed Income Pool will be commensurate with broad fixed income benchmarks such as the Barclays U.S. Aggregate Bond Index.

Equity Pool – The long-term investment objective of the Equity Pool is to obtain broad equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future.

If the Organization were to redeem its beneficial interest in the community foundation, the community foundation would liquidate the pooled funds at the nearest month-end, wait a couple of days to ensure all earnings from the pools have been applied and credited, and disburse the entirety of the funds shortly thereafter.

4. PROMISES TO GIVE

Unconditional promises to give consist primarily of restricted gifts in support of fundraising events.

| | |
|---|-------------------|
| Promises to give expected to be collected in: | |
| Less than one year | \$ 129,252 |
| One to five years | 55,000 |
| Less discount on promises to give | - |
| Net Promises to Give | <u>\$ 184,252</u> |

A significant amount of promises to give is expected from three donors in the amount of \$160,000 at July 31, 2016. Fifty-four percent of the total pledges are due from one donor five percent are due from the second donor, and twenty-seven percent is due from the third donor.

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

5. INVESTMENTS

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

| | |
|-------------------|---------------------|
| Money market | \$ 34,888 |
| Fixed income | 344,901 |
| Equity securities | <u>751,157</u> |
| Total Investments | <u>\$ 1,130,946</u> |

Investment return is comprised of the following:

| | |
|-------------------------------|------------------|
| Interest and dividends | \$ 23,802 |
| Net realized gains | 1,984 |
| Net unrealized gains (losses) | 4,622 |
| Administrative fees | <u>(8,347)</u> |
| Total Investment Return | <u>\$ 22,061</u> |

6. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

| | |
|--------------------------------|---------------------|
| Furniture | \$ 232,231 |
| Building | 907,238 |
| Office equipment | 24,374 |
| Leasehold improvements | 77,772 |
| Software | 80,276 |
| Website | 12,800 |
| Construction in progress | 107,669 |
| Artwork | <u>5,900</u> |
| | 1,448,260 |
| Less: accumulated depreciation | <u>(379,846)</u> |
| | 1,068,414 |
| Land | <u>907,237</u> |
| Total Property and Equipment | <u>\$ 1,975,651</u> |

7. DEFERRED REVENUE AND DEPOSITS HELD FOR OTHERS

Deposits held for others consist of fees received from school districts for programs which have not been performed or scheduled with other performing venues. Deferred revenue consists of prepaid program services by individuals for summer camps and other CSA programming.

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

8. BOARD-DESIGNATED NET ASSETS

Board-designated net assets consist of the following at July 31, 2016:

| | |
|-----------------------------------|------------------|
| Founders' Fund | \$ 31,276 |
| Midtown Capital Campaign | <u>60,000</u> |
| Total Board-designated Net Assets | <u>\$ 91,276</u> |

9. RESTRICTED NET ASSETS

Permanently restricted net assets:

| | |
|---|------------------|
| Lighton Prize endowment | \$ 50,224 |
| Kemper memorial | 22,500 |
| Arts Partners endowment | <u>10,000</u> |
| Total Permanently Restricted Net Assets | <u>\$ 82,724</u> |

Temporarily restricted net assets:

| | |
|---|-------------------|
| Capital campaign: | |
| Midtown Capital Campaign | <u>\$ 640,723</u> |
| | 640,723 |
| Lighton Prize earnings | 24,792 |
| Shakespeare to go | 357 |
| STEAM Program | 29,480 |
| Impact KC | 25,000 |
| Time restricted and other | <u>10,628</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 730,980</u> |

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

| | |
|---|---------------------|
| Community School of Arts scholarships | \$ 11,216 |
| Community School of Arts operations | 10,489 |
| Arts Partners – regular operations | 72,136 |
| Midtown Capital Campaign | 691,772 |
| STEAM Program | 12,020 |
| Lighton Prize | 3,757 |
| Time restricted and other | <u>306,613</u> |
| Total Net Assets Released from Restrictions | <u>\$ 1,108,003</u> |

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

10. ENDOWMENTS

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

Interpretation of Relevant Law

The Board of Directors 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, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Unrestricted endowment funds | \$ 922,303 | \$ - | \$ - | \$ 922,303 |
| Board-designated endowment funds | 31,276 | - | - | 31,276 |
| Donor-restricted endowment funds | <u>-</u> | <u>24,792</u> | <u>82,724</u> | <u>107,516</u> |
| Total Funds | <u>\$ 953,579</u> | <u>\$ 24,792</u> | <u>\$ 82,724</u> | <u>\$ 1,061,095</u> |

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

10. ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Year Ended July 31, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 1,008,311 | \$ 26,959 | \$ 82,724 | \$ 1,117,994 |
| Additions to endowment | 25,000 | - | - | 25,000 |
| Investment return: | | | | |
| Investment income, including net appreciation realized and unrealized | 20,268 | 1,590 | - | 21,858 |
| Appropriation of endowment assets for expenditure | <u>(100,000)</u> | <u>(3,757)</u> | <u>-</u> | <u>(103,757)</u> |
| Endowment net assets, end of year | <u>\$ 953,579</u> | <u>\$ 24,792</u> | <u>\$ 82,724</u> | <u>\$ 1,061,095</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 at the discretion of the Organization. Generally, in regard to the permanent endowments, the available distribution is 5% of the average past three year-end balances of the fund. In regard to unrestricted endowments invested in the Kansas City Young Audiences Endowment Fund at the Greater Kansas City Community Foundation, the Organization may distribute up to 5% of the fund, if the annual rate of return was at least 5% in the preceding year. The Executive Director will present a brief proposal to the board detailing how the funds should be used for agency growth, business development or marketing purposes. If the board approves the disbursement, the funds will be withdrawn and used for the agreed-upon purpose.

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

11. 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 per bank. At July 31, 2016 and at various times throughout the year, the cash accounts exceed the FDIC limit.

12. 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 \$8,716 for the year ended July 31, 2016.

13. OPERATING LEASES

Rental payments for the year ended July 31, 2016 were \$37,289.

The Organization signed a lease extension in June 2012 that extended the office space lease to November 2015. Beginning in December 2012, the monthly payments were \$3,107 per month. The Organization signed lease extension in January 2015 that extended the office space lease to November 2016. Beginning in December 2015, the monthly payments are \$3,263.

In November 2011, the Organization entered into a lease for a copier machine, sixty-three monthly payments of \$275 are due.

Total future lease payments for both agreements are as follows:

| | |
|-----------------------------|-------------------------|
| 2017 | \$ <u>14,977</u> |
| Total Future Lease Payments | \$ <u><u>14,977</u></u> |

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

14. RELATED PARTIES

The Organization maintains an affiliate relationship with **Young Audiences, Inc.** Under terms of a cooperative fee agreement, the Organization remitted \$12,807 to the national body of **Young Audiences, Inc.**, for the year ended July 31, 2016.

15. LINE OF CREDIT

The Organization has a \$100,000 revolving line of credit with a financial institution. Interest is at prime minus three quarters of a percent with a minimum of 3.0% (3.0% at July 31, 2016). Interest must be paid monthly on the outstanding balance. Principal may be repaid at any time. There was no balance due on the line of credit at July 31, 2016. The note is secured by investments held at the financial institution. Interest incurred as expense on the line of credit totaled \$-0- for the year ended July 31, 2016.

16. MORTGAGE PAYABLE

On March 31, 2016 the Organization entered into two long-term mortgage notes payable arrangements with IFF to purchase the properties at 3731 Main Street and 3732 Main Street. The loan for 3732 Main Street was for \$1,050,000 with an interest rate of 5%. Interest is billed and paid monthly. Principal payments are not due until the Organization has raised the 1.4 million dollars needed to renovate the space. Once the funds have been raised, principal payments will be paid quarterly based on ninety-five percent of the capital campaign funds collected. A lump sum payment for the remainder of the loan balance is due is April 1, 2019. The outstanding principal balance was \$1,050,000 at July 31, 2016.

The loan for 3731 Main Street totaled \$250,000. The terms are identical to the 3732 Main Street loan. The outstanding principal balance was \$250,000 at July 31, 2016.

The properties at 3731 and 3732 Main Street serve as collateral on both loans.

A summary of debt payments for the next three years is as follows:

| | |
|----------------------|---------------------|
| <u>December 31,</u> | |
| 2017 | \$ - |
| 2018 | - |
| 2019 | <u>1,300,000</u> |
| Total Long-term Debt | <u>\$ 1,300,000</u> |

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 2016

16. MORTGAGE PAYABLE (continued)

Cost incurred to obtain the mortgages are being amortized over a three-year period, the life of the mortgage loan. The mortgage note payable, net of unamortized deferred loan costs, totaled \$1,282,548 at July 31, 2016. Amortized costs were \$2,182 in 2016.

The amount of interest incurred and expensed on the notes was \$4,271 for the year ended July 31, 2016. Interest expense of \$17,937 was capitalized as part of the 3732 Main Street building remodel in fiscal year 2016. The carrying amount of the notes payable approximates the fair value due to addition to debt in the current year.

17. LONG TERM AGREEMENTS

When the LLC purchased the building at 3731 Main Street, the LLC inherited a tenant and the related lease. The revolving lease requires monthly payments of \$2,250. The tenant is also responsible for the building utilities, improvements, insurance, and real estate taxes. The lease expires October 31, 2018.

18. SPECIAL EVENTS

The Organization presents a large scale fundraising event in alternating years causing a disparity from one year to the next in the Special Events lines of both contributed revenue and other income. This is consistent with the two-year funding outlook adopted by the Board of Directors.

19. COMMITMENTS

The Organization is in the process of remodeling 3732 Main Street. The significant contracts and commitments are noted below.

In April 2016, the Organization contracted with Helix Architecture + Design, Inc. for design work. The total contract was \$91,000. Of this amount, \$10,000 was donated to the Organization as gift-in-kind. As of July 31, 2016, \$65,659 had been charged to the Organization. \$5,473 was included in accounts payable at July 31, 2016. The remaining fees totaling \$15,341 will be invoiced and paid as work is completed in fiscal year 2017.

In June 2016, the Organization entered into a contract with McCown Gordon Construction to serve as the general contractor and complete additional work for the remodel. The contract is not to exceed \$1,375,975. The contract includes amounts that the Organization will pay directly to various subcontractors to purchase materials. As of July 31, 2016, the entire amount of the contract was outstanding. The payments related to this contract will be completed in fiscal year 2017.

**KANSAS CITY YOUNG AUDIENCES, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2016

19. COMMITMENTS (continued)

In April 2016, the Organization entered into an agreement Pelofsky & Associates, Inc., for consulting services related to grant writing. The contract terms include 300-350 hours of grant writing and related services invoiced at \$150 an hour between May 1, 2016 and January 15, 2017. The total, if all 350 hours are used, will be \$52,500.

20. SUBSEQUENT EVENTS

In September 2016, the Organization entered into a contract with Service Mark Communications, Inc. to install a telephone system. The \$22,060 contract will be completed and paid during the 2017 fiscal year.

In October 2016, the Organization entered into a purchase agreement with Contract Furnishing, Inc. for furniture for the new office space at 3732 Main Street. The Organization will pay \$25,234 for the new furniture during the 2017 fiscal year.

In October 2016, the Organization entered into a \$700,000 long term notes payable agreement with IFF for the purpose of completing the remodel at 3732 Main Street. Five percent (5%) will be charged on any outstanding draws and is payable monthly. All outstanding principal and interest amounts are due in April 2019. 3731 Main, LLC has guaranteed this loan.

Subsequent to the issuance of the 2016 audited financial statements, which had a report date of November 28, 2016, it was discovered that a \$100,000 pledge was not recorded. Therefore, the financial statements were revised to include this pledge. For pledges receivable only, the date of the audit report is April 28, 2017.



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors

Kansas City Young Audiences, Inc. and Affiliate

Our report on our audit of the basic consolidated financial statements of **Kansas City Young Audiences, Inc.** and affiliate for the fiscal year ended July 31, 2016 appears on pages 1 – 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The supplemental information on pages 23 through 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Keller & Owens, LLC".

Overland Park, Kansas

November 28, 2016

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

July 31, 2016

| <u>ASSETS</u> | <u>Kansas City Young Audiences</u> | <u>3731 Main Street, LLC</u> | <u>Eliminations</u> | <u>Consolidated Total</u> |
|---|--|----------------------------------|---------------------|-------------------------------|
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 98,405 | \$ 5,151 | \$ - | \$ 103,556 |
| Accounts receivable | 30,652 | - | - | 30,652 |
| Due from 3731 Main Street, LLC | 7,004 | - | (7,004) | - |
| Promises to give, net | 129,252 | - | - | 129,252 |
| Prepaid expenses | <u>14,828</u> | <u>-</u> | <u>-</u> | <u>14,828</u> |
| Total Current Assets | 280,141 | 5,151 | (7,004) | 278,288 |
| Cash Restricted for the Campaign | 537,177 | - | - | 537,177 |
| Investments | 1,130,946 | - | - | 1,130,946 |
| Property and Equipment, net | 1,722,879 | 252,772 | - | 1,975,651 |
| Long-term promises to give, net | 55,000 | - | - | 55,000 |
| Other Assets: | | | | |
| Deferred financing costs, net of amortization | <u>14,096</u> | <u>3,356</u> | <u>-</u> | <u>17,452</u> |
| Total Other Assets | <u>14,096</u> | <u>3,356</u> | <u>-</u> | <u>17,452</u> |
| Total Assets | <u>\$ 3,740,239</u> | <u>\$ 261,279</u> | <u>\$ (7,004)</u> | <u>\$ 3,994,514</u> |

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (continued)

July 31, 2016

| <u>LIABILITIES AND NET ASSETS</u> | Kansas City Young Audiences | 3731 Main Street, LLC | Eliminations | Consolidated Total |
|---|-----------------------------------|--------------------------|--------------|-----------------------|
| Current Liabilities: | | | | |
| Accounts payable | \$ 20,109 | \$ - | \$ - | \$ 20,109 |
| Accrued liabilities | 38,320 | 1,076 | - | 39,396 |
| Due to Kansas City Young Audiences, Inc. | - | 7,004 | (7,004) | - |
| Rental deposits | - | 1,850 | - | 1,850 |
| Deferred revenue and deposits held for others | 32,300 | - | - | 32,300 |
| Total Current Liabilities | 90,729 | 9,930 | (7,004) | 93,655 |
| Long-term Liabilities: | | | | |
| Long-term Debt | 1,050,000 | 250,000 | - | 1,300,000 |
| Total Long-Term Liabilities | 1,050,000 | 250,000 | - | 1,300,000 |
| Total Liabilities | 1,140,729 | 259,930 | (7,004) | 1,393,655 |
| Net Assets: | | | | |
| Permanently restricted | 82,724 | - | - | 82,724 |
| Temporarily restricted: | | | | |
| Time restricted and others | 35,985 | - | - | 35,985 |
| Midtown capital campaign | 640,723 | - | - | 640,723 |
| STEAM program | 29,480 | - | - | 29,480 |
| Lighton Prize | 24,792 | - | - | 24,792 |
| Total Temporarily Restricted | 730,980 | - | - | 730,980 |
| Unrestricted: | | | | |
| Designated | 91,276 | - | - | 91,276 |
| Undesignated | 1,694,530 | 1,349 | - | 1,695,879 |
| Total Unrestricted | 1,785,806 | 1,349 | - | 1,787,155 |
| Total Net Assets | 2,599,510 | 1,349 | - | 2,600,859 |
| Total Liabilities and Net Assets | \$ 3,740,239 | \$ 261,279 | \$ (7,004) | \$ 3,994,514 |

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended July 31, 2016

| | Kansas City Young Audiences, Inc. | 3731 Main Street, LLC | Eliminations | Consolidated Total |
|---------------------------------------|---|--------------------------|--------------|-----------------------|
| Revenues: | | | | |
| Contributions and Support: | | | | |
| Corporations and foundations | \$ 1,137,366 | \$ - | \$ - | \$ 1,137,366 |
| Individuals | 132,805 | - | - | 132,805 |
| Special Events | 50,431 | - | - | 50,431 |
| Other grants | 11,514 | - | - | 11,514 |
| Gifts in kind | 565,195 | - | - | 565,195 |
| Total Contributions and Support | 1,897,311 | - | - | 1,897,311 |
| Other income: | | | | |
| Special Events | 113,863 | - | - | 113,863 |
| Less cost of direct benefit to donors | (138,507) | - | - | (138,507) |
| | (24,644) | - | - | (24,644) |
| Program receipts | 562,199 | - | - | 562,199 |
| Investment return | 22,061 | - | - | 22,061 |
| Miscellaneous income | 27,397 | - | - | 27,397 |
| Rental income | - | 9,000 | - | 9,000 |
| Total Other Income | 587,013 | 9,000 | - | 596,013 |
| Total Revenues | 2,484,324 | 9,000 | - | 2,493,324 |
| Expenses: | | | | |
| Program | 839,068 | - | - | 839,068 |
| Supporting: | | | | |
| Management and general | 142,978 | - | - | 142,978 |
| Fundraising | 158,229 | - | - | 158,229 |
| 3731 Main Street, LLC | - | 7,651 | - | 7,651 |
| Total Expenses | 1,140,275 | 7,651 | - | 1,147,926 |
| Change in Net Assets | \$ 1,344,049 | \$ 1,349 | \$ - | \$ 1,345,398 |

KANSAS CITY YOUNG AUDIENCES, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended July 31, 2016

| | Kansas City Young Audiences | 3731 Main Street, LLC | Eliminations | Consolidated Total |
|--|-----------------------------------|--------------------------|--------------|-----------------------|
| Cash Flows from Operating Activities: | | | | |
| Change in net assets | \$ 1,344,049 | \$ 1,349 | \$ - | \$ 1,345,398 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | | | |
| Depreciation | 1,107 | 1,058 | - | 2,165 |
| Contributions restricted for acquisition of new facilities | (667,665) | - | - | (667,665) |
| Amortization | 1,762 | 420 | - | 2,182 |
| Net gain on investments | (6,606) | - | - | (6,606) |
| Donated stock | (30,219) | - | - | (30,219) |
| Donated fixed assets | (557,330) | - | - | (557,330) |
| Change in operating assets and liabilities: | | | | |
| Accounts receivable | 3,571 | - | - | 3,571 |
| Due from 3731 Main Street, LLC | (7,004) | - | 7,004 | - |
| Promises to give | (84,494) | - | - | (84,494) |
| Prepaid expenses | (3,333) | - | - | (3,333) |
| Accounts payable | (3,578) | - | - | (3,578) |
| Accrued liabilities | 25,645 | 1,076 | - | 26,721 |
| Deferred revenue and deposits held for others | (58,663) | - | - | (58,663) |
| Rental deposits | - | 1,850 | - | 1,850 |
| Due to KCYA | - | 7,004 | (7,004) | - |
| | (42,758) | 12,757 | - | (30,001) |
| Net Cash (Used) Provided by Operating Activities | | | | |
| Cash Flows from Investing Activities: | | | | |
| Purchases of investments | (118,538) | - | - | (118,538) |
| Proceeds from sale of long-term investments | 142,411 | - | - | 142,411 |
| Change in assets restricted for acquisition of new facilities | (537,177) | - | - | (537,177) |
| Purchases of furniture and equipment | (103,341) | (3,830) | - | (107,171) |
| | (616,645) | (3,830) | - | (620,475) |
| Net Cash Used by Investing Activities | | | | |
| Cash Flows from Financing Activities: | | | | |
| Contributions restricted for acquisition of new facilities | 667,665 | - | - | 667,665 |
| Payment for deferred financing | (15,858) | (3,776) | - | (19,634) |
| | 651,807 | (3,776) | - | 648,031 |
| Net Cash Provided (Used) by Financing Activities | | | | |
| Change in Cash and Cash Equivalents | (7,596) | 5,151 | - | (2,445) |
| Cash and Cash Equivalents at Beginning of Year | 106,001 | - | - | 106,001 |
| Cash and Cash Equivalents at End of Year | \$ 98,405 | \$ 5,151 | \$ - | \$ 103,556 |

NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | | |
|--|--------------|------------|------|--------------|
| Land, Buildings and Equipment Acquired Using Accounts Payable | \$ 5,473 | \$ - | \$ - | \$ 5,473 |
| Land, Buildings and Equipment Acquired Using Debt | \$ 1,050,000 | \$ 250,000 | \$ - | \$ 1,300,000 |