



The Audit Committee
Lyric Opera of Chicago
Chicago, Illinois

Professional standards require that we communicate matters related to our audit of the financial statements of Lyric Opera of Chicago (“the Opera”) that we consider significant and relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process. The Audit Committee includes the persons with responsibility for overseeing the strategic direction of and obligations related to the accountability of the Opera. We cover such matters below.

AUDITOR’S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Audit Committee should understand that the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America and that the audit of the financial statements does not relieve management or the Audit Committee of their responsibilities. Refer to our engagement letter with the Opera for further information on the responsibilities of management and Crowe Horwath LLP.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate with the Audit Committee an overview of the planned scope and timing of the audit. Accordingly, we communicated the following matters regarding the planned scope and timing of the audit with the Audit Committee on April 16, 2009:

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The views and knowledge of the Audit Committee about matters they consider warrant our attention during the audit.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: The Audit Committee should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Audit Committee should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Audit Committee about such matters. To assist you in your oversight role, we also provide the following:

Accounting Statement	Impact of Adoption
<p>FASB Statement 157, Fair Value Measurements. Statement 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Statement 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.</p>	<p>Adoption of this Statement did not have a material impact on the Opera’s consolidated financial position or results of operations. Please see the financial statements for expanded disclosure of the fair value of investments.</p>
<p>FSP 117-1, Endowments of Not-for-Profit Organizations. This FASB Staff position (FSP) provides guidance on the net asset classification of <i>donor-restricted endowment funds</i> for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization’s <i>endowment funds</i> (both donor-restricted endowment funds and <i>board-designated endowment funds</i>), whether or not the organization is subject to UPMIFA.</p>	<p>Adoption of this Staff Position did not have a material impact on the Opera’s consolidated financial position or results of operations. Please see the financial statements for expanded disclosure of endowment funds.</p>

Management Judgments And Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The process used by management in formulating particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates primarily involved the following areas for this year:

Area/ Accounting Policy	Judgments and Estimates
Allowance For Uncollectible Pledges	The allowance for uncollectible pledges is determined by management using a process involving consideration of past experience, current delinquent pledge information, payment history and other information contained in donor files. We tested this accounting estimate by reviewing, on a test basis, the information listed above. We have concluded this estimate is reasonable in relation to the financial statements taken as a whole.

Area/ Accounting Policy	Judgments and Estimates
<p data-bbox="186 253 550 365">Fair Value Of Investment Securities And Other Financial Instruments</p>	<p data-bbox="550 253 1410 365">The recording of fair value of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its assets and liabilities.</p> <p data-bbox="550 398 1410 1070">The fair values of the Opera’s investments are determined by reference to published trading information as of April 30, 2009. These values are subject to market fluctuations. In addition, the Opera invests in several “alternative” investments, including absolute return and hedged equity funds. These alternative investments are not readily marketable and as a result, the estimated fair value is based on valuations provided by the external investment manager as of the date of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through April 30, 2009. We tested these valuations for alternative investments by reviewing management’s valuation roll-forward and benchmark comparisons, reviewing audited financial statements, fund statements, and cash receipts and disbursements for the period under audit. In addition, we considered and evaluated the relevant controls instituted by management to track the performance of these funds and the related due diligence performed by both management and the Opera’s investment advisor.</p> <p data-bbox="550 1104 1410 1350">As part of these procedures we noted that management had recorded amounts that differ from the valuations provided by the related external managers by approximately \$1.2 million. The amounts recorded by management were based on their best estimates of the valuation of these investments. We have tested this estimate and concluded that it falls within the range of reasonable estimates.</p> <p data-bbox="550 1384 1410 1742">The Opera has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its floating rate long-term debt. The notional amount covered by this agreement is \$40,000,000 and terminates in 2028. During the year, the Opera recognized an unrealized loss of approximately \$4,750,000 to reflect the fair value adjustment of the interest rate swap. The fair value of the instrument as of April 30, 2009 was calculated by the intermediary, and management concurs with its estimate. We have concluded this estimate is reasonable in relation to the financial statements taken as a whole.</p>

Area/ Accounting Policy	Judgments and Estimates
Estimates for Severance Obligations	Amounts reported for severance obligations require estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, termination rates and mortality rate of plan participants. We obtained the summary information regarding these calculations and reviewed the methods and assumptions utilized in estimating the related liabilities. In addition we discussed this information in detail with management and the professional actuary performing the calculations. Based on our review and discussions with management and the actuary, we have concluded that the estimated benefit obligations appear reasonable as of April 30, 2009 in relation to the financial statements taken as a whole.
Useful Lives Of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the entity. We have tested management's estimate of the economic useful lives based on past asset acquisitions and other factors that impact their economic value to the entity. We have concluded this estimate is reasonable in relation to the financial statements taken as a whole.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with the Audit Committee our comments about the following matters related to the Opera's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with the Audit Committee.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's bases for determining useful lives assigned to tangible and intangible assets.

- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform the Audit Committee of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There was one corrected adjustment for \$593,600 to decrease the severance plan liability to agree to the actuarial valuation.

Uncorrected Misstatements: We are to inform the Audit Committee of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM THE OPERA

Auditing standards generally accepted in the United States of America require independence for all audits and we confirm that we are independent auditors with respect to the Opera under the independence requirements established by the American Institute of Certified Public Accountants.

We have no relationships with the Opera that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information In Documents Containing Audited Financial Statements The Audit Committee often considers information prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared such information to accompany the audited financial statements.</p>
<p>Significant Difficulties Encountered During the Audit We are to inform the Audit Committee of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements With Management We are to discuss with the Audit Committee any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Opera's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p>Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform the Audit Committee of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>
<p>Representations The Auditor Is Requesting From Management We are to provide the Audit Committee with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>

Communication Item	Results
<p>Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate with the Audit Committee any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>As discussed in the "Management's Judgments and Accounting Estimates" section of this letter we discussed in detail management's conclusions regarding the fair value of investments where amounts recorded by management differed from information provided by the external manager.</p>
<p>Other Findings or Issues We Find Relevant or Significant We are to communicate to the Audit Committee other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to the Audit Committee regarding their oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to the Audit Committee regarding their oversight of the financial reporting process.</p>

We were pleased to serve the Opera as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Audit Committee and, if appropriate, management and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Chicago, Illinois
 July 13, 2009

July 13, 2009

Crowe Horwath LLP
70 West Madison Street, Suite 700
Chicago, Illinois 60602

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the financial statements of Lyric Opera of Chicago (the Opera) as of April 30, 2009 and 2008 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

Some representations in this letter are specifically limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits:

1. We are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States, and we believe the financial statements are fairly presented.
2. We are responsible for maintaining internal control that will, among other things, help assure the preparation of the financial statements in conformity with accounting principles generally accepted in the United States. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
3. We have made available to you all:
 - a. Financial records and related data.

- b. Minutes of the directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Sales agreement terms and conditions, including right of return or price adjustment.
 - d. Regulatory examination reports and correspondence to and from regulatory agencies, including communications concerning compliance with laws and regulations or supervisory actions.
4. We have no plans or intentions that might materially affect the carrying value or classification of assets and liabilities.
 5. We have identified all accounting estimates that materially affect recorded amounts and disclosures in the financial statements, and the key factors and significant assumptions underlying those estimates. We believe the estimates are reasonable in the circumstances.

These estimates include:

Allowance for doubtful pledges

- a. Classification and valuation of investments and other financial instruments.
 - b. Valuation of long lived assets.
 - c. Classification and valuation of debt and equity securities.
 - d. Disclosure of pension plans or other post retirement benefits.
 - e. Disclosure of fair value of financial instruments.
6. Adequate consideration and provision has been made, when necessary, for any material losses likely to be sustained from:
 - a. Sales commitments.
 - b. Impairment of long-lived assets when the carrying amount may not be recoverable.
 - c. Collection of receivables.
 - d. Environmental remediation liabilities.
 7. Except as disclosed in the financial statements, or directly to you, there are or have been no material:
 - a. Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees.

- b. Oral or written agreements to repurchase assets previously sold.
- c. Arrangements, either written or oral, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
- d. Oral or written guarantees or warranties, agreements to repurchase items sold.
- e. Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which the Opera is a party.
- f. Asserted or unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.
- g. Concentrations that make the Opera vulnerable to the risk of a severe impact within one year from the balance sheet date (including, for example, individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, operating areas or markets).
- h. Significant accounting estimates that are susceptible to changing materially as a result of an event or change in conditions that is reasonably possible of occurrence within one year from the balance sheet date.
- i. Liens, encumbrances or other title impairments, such as pledges as collateral, on Opera assets at the balance sheet date.
- j. Restrictions under borrowing agreements.
- k. Unrecorded transactions.
- l. Significant events that have occurred subsequent to the balance sheet date through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- m. Expenditures deferred to future periods that are not recoverable.
- n. Sales of loans or other items with recourse provisions.
- o. Derivative financial instruments such as futures, forwards, swaps or options, or other financial instruments.
- p. Commitments to originate, purchase or sell loans or securities, or other financial instruments with off- balance sheet risk.
- q. Financial instruments, such as loans and securities, with significant individual or group concentration of credit risk.

8. Except as disclosed to you, we have no knowledge of any fraud or suspected fraud affecting the Opera involving:
 - a. Management, whether material or not.
 - b. Employees who have significant roles in internal control, whether material or not.
 - c. Others where the fraud could have a material effect on the financial statements.
9. Except as disclosed to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the Opera received in communications from employees, former employees, regulators, or others.
10. Except as disclosed to you, there have been no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
12. We understand that during the course of your audit, you have relied on work performed by the following specialists. We confirm that we have no relationships with those specialists that may bear on their objectivity, such as the ability through employment, ownership, contractual right, family relationship or otherwise to directly or indirectly control or significantly influence the specialist.
 - Watson Wyatt Worldwide
13. During the course of your audit, we have provided to you physical or electronic copies of various original documents. We understand that you are relying on such copies as audit evidence in your audit and represent that copies provide are an accurate and completed representation of the original documentation and that the copies have not been modified from their original version.
14. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes establishing and

maintaining internal controls to record contributions and to comply with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

15. The Opera is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax under IRC Sec. 501(a), as evidenced by a determination letter. Any activities of which we are aware that would jeopardize the Opera's tax-exempt status, and all activities subject to tax on unrelated business income or excise tax, have been disclosed to you. All required filings with tax authorities have been filed on a timely basis and are up to date.
16. The internal controls over the receipt and recording of contributions received is adequate.
17. Classifications of net assets are proper in accordance with restricted, temporarily restricted and unrestricted.
18. All suggested adjusting journal entries, as discussed and approved, will be recorded in the accounting records.

William Mason
General Director

Richard Dowsek
Director of Finance and Administration

Brent Fisher
Controller