

# **Kansas City Symphony**

Independent Auditor's Report and Financial Statements

June 30, 2017 and 2016



**Kansas City Symphony**  
**June 30, 2017 and 2016**

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## Independent Auditor's Report

Board of Directors  
Kansas City Symphony  
Kansas City, Missouri

We have audited the accompanying financial statements of the Kansas City Symphony, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Qualified Opinion*

As explained in *Note 2*, the Symphony has excluded from the accompanying financial statements its beneficial interest in the net assets held by a third-party foundation. In our opinion, this practice is not in accordance with accounting principles generally accepted in the United States of America. The fair value of its beneficial interests in the net assets and the related income of the third-party foundation are set forth in *Note 6*.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas City Symphony as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents 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 audits 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, except for the effect on the supplementary information of excluding the beneficial interest of the net assets held by a third-party foundation described in the *Basis for Qualified Opinion* paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Kansas City, Missouri  
December 12, 2017

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2017**

**Assets**

	Unrestricted					Permanently Restricted				Total	Comparative Totals 2016
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted	Temporarily Restricted	Restricted Masterpiece	Restricted Other	Total Permanently Restricted		
<b>Current Assets</b>											
Cash and cash equivalents	\$ 4,046,878	\$ 1,061,592	\$ -	\$ -	\$ 5,108,470	\$ -	\$ 60,165	\$ -	\$ 60,165	\$ 5,168,635	\$ 4,138,606
Accounts receivable	166,605	-	-	-	166,605	-	-	-	-	166,605	1,466,589
Contributions receivable, net of allowance of \$53,888	298,065	207,500	-	-	505,565	826,050	2,865,459	-	2,865,459	4,197,074	4,455,088
Inventory	7,440	-	-	-	7,440	-	-	-	-	7,440	6,540
Prepaid assets	350,067	57,009	-	-	407,076	-	-	-	-	407,076	444,078
Amounts due from (to) other funds	435,921	(325,315)	281,830	(998,947)	(606,511)	777,869	(169,419)	(1,939)	(171,358)	-	-
<b>Total current assets</b>	<b>5,304,976</b>	<b>1,000,786</b>	<b>281,830</b>	<b>(998,947)</b>	<b>5,588,645</b>	<b>1,603,919</b>	<b>2,756,205</b>	<b>(1,939)</b>	<b>2,754,266</b>	<b>9,946,830</b>	<b>10,510,901</b>
<b>Beneficial Interest in Assets Held by Others</b>	-	-	5,462,499	1,165,298	6,627,797	3,250,186	23,025,596	4,648,146	27,673,742	37,551,725	29,334,778
<b>Investments</b>	2,224,799	-	-	-	2,224,799	-	-	-	-	2,224,799	1,734,863
<b>Contributions Receivable</b>	-	-	-	-	-	340,317	6,139,068	(175)	6,138,893	6,479,210	9,271,211
<b>Property and Equipment, at Cost</b>											
Office and computer equipment	452,632	-	-	-	452,632	-	-	-	-	452,632	493,294
Theatrical equipment, instruments and music	772,859	-	-	-	772,859	-	-	-	-	772,859	735,778
Leasehold improvements	640,721	-	-	-	640,721	-	-	-	-	640,721	296,314
	1,866,212	-	-	-	1,866,212	-	-	-	-	1,866,212	1,525,386
Less accumulated depreciation	(966,027)	-	-	-	(966,027)	-	-	-	-	(966,027)	(957,423)
	900,185	-	-	-	900,185	-	-	-	-	900,185	567,963
<b>Total assets</b>	<b>\$ 8,429,960</b>	<b>\$ 1,000,786</b>	<b>\$ 5,744,329</b>	<b>\$ 166,351</b>	<b>\$ 15,341,426</b>	<b>\$ 5,194,422</b>	<b>\$ 31,920,869</b>	<b>\$ 4,646,032</b>	<b>\$ 36,566,901</b>	<b>\$ 57,102,749</b>	<b>\$ 51,419,716</b>

**Kansas City Symphony**  
**Statement of Financial Position (Continued)**  
**June 30, 2017**

**Liabilities and Net Assets**

	Unrestricted					Temporarily Restricted	Permanently Restricted			Total	Comparative Totals 2016
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted		Restricted Masterpiece	Restricted Other	Total Permanently Restricted		
<b>Current Liabilities</b>											
Accounts payable	\$ 606,357	\$ -	\$ -	\$ -	\$ 606,357	\$ -	\$ -	\$ -	\$ -	\$ 606,357	\$ 194,448
Accrued expenses	621,672	487,996	-	-	1,109,668	-	-	-	-	1,109,668	1,085,918
Deferred revenue	3,061,701	521,769	-	-	3,583,470	-	-	-	-	3,583,470	3,541,171
<b>Total current liabilities</b>	<b>4,289,730</b>	<b>1,009,765</b>	<b>-</b>	<b>-</b>	<b>5,299,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,299,495</b>	<b>4,821,537</b>
<b>Net Assets</b>											
Unrestricted	4,140,230	(8,979)	5,744,329	166,351	10,041,931	-	-	-	-	10,041,931	8,690,807
Temporarily restricted	-	-	-	-	-	5,194,422	-	-	-	5,194,422	2,575,718
Permanently restricted	-	-	-	-	-	-	31,920,869	4,646,032	36,566,901	36,566,901	35,331,654
<b>Total net assets</b>	<b>4,140,230</b>	<b>(8,979)</b>	<b>5,744,329</b>	<b>166,351</b>	<b>10,041,931</b>	<b>5,194,422</b>	<b>31,920,869</b>	<b>4,646,032</b>	<b>36,566,901</b>	<b>51,803,254</b>	<b>46,598,179</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,429,960</b>	<b>\$ 1,000,786</b>	<b>\$ 5,744,329</b>	<b>\$ 166,351</b>	<b>\$ 15,341,426</b>	<b>\$ 5,194,422</b>	<b>\$ 31,920,869</b>	<b>\$ 4,646,032</b>	<b>\$ 36,566,901</b>	<b>\$ 57,102,749</b>	<b>\$ 51,419,716</b>

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2016**

**Assets**

	Unrestricted					Permanently Restricted				Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted	Temporarily Restricted	Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
<b>Current Assets</b>										
Cash and cash equivalents	\$ 3,079,454	\$ 1,059,152	\$ -	\$ -	\$ 4,138,606	\$ -	\$ -	\$ -	\$ -	\$ 4,138,606
Accounts receivable	1,466,589	-	-	-	1,466,589	-	-	-	-	1,466,589
Contributions receivable, net of allowance of \$40,000	232,696	79,500	-	-	312,196	668,163	3,474,729	-	3,474,729	4,455,088
Inventory	6,540	-	-	-	6,540	-	-	-	-	6,540
Prepaid assets	421,014	23,064	-	-	444,078	-	-	-	-	444,078
Amounts due from (to) other funds	(43,027)	(315,948)	31,832	1,058	(326,085)	112,845	146,385	66,855	213,240	-
<b>Total current assets</b>	<b>5,163,266</b>	<b>845,768</b>	<b>31,832</b>	<b>1,058</b>	<b>6,041,924</b>	<b>781,008</b>	<b>3,621,114</b>	<b>66,855</b>	<b>3,687,969</b>	<b>10,510,901</b>
<b>Beneficial Interest in Assets Held by Others</b>	<b>-</b>	<b>-</b>	<b>5,026,985</b>	<b>140,609</b>	<b>5,167,594</b>	<b>1,265,882</b>	<b>18,526,951</b>	<b>4,374,351</b>	<b>22,901,302</b>	<b>29,334,778</b>
<b>Certificates of Deposit</b>	<b>1,734,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,734,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,734,863</b>
<b>Contributions Receivable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>528,828</b>	<b>8,541,557</b>	<b>200,826</b>	<b>8,742,383</b>	<b>9,271,211</b>
<b>Property and Equipment, at Cost</b>										
Office and computer equipment	493,294	-	-	-	493,294	-	-	-	-	493,294
Theatrical equipment, instruments and music	735,778	-	-	-	735,778	-	-	-	-	735,778
Leasehold improvements	296,314	-	-	-	296,314	-	-	-	-	296,314
Less accumulated depreciation	(957,423)	-	-	-	(957,423)	-	-	-	-	(957,423)
	567,963	-	-	-	567,963	-	-	-	-	567,963
<b>Total assets</b>	<b>\$ 7,466,092</b>	<b>\$ 845,768</b>	<b>\$ 5,058,817</b>	<b>\$ 141,667</b>	<b>\$ 13,512,344</b>	<b>\$ 2,575,718</b>	<b>\$ 30,689,622</b>	<b>\$ 4,642,032</b>	<b>\$ 35,331,654</b>	<b>\$ 51,419,716</b>

**Kansas City Symphony**  
**Statement of Financial Position (Continued)**  
**June 30, 2016**

**Liabilities and Net Assets**

	Unrestricted					Permanently Restricted				Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted	Temporarily Restricted	Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
<b>Current Liabilities</b>										
Accounts payable	\$ 194,448	\$ -	\$ -	\$ -	\$ 194,448	\$ -	\$ -	\$ -	\$ -	\$ 194,448
Accrued expenses	690,651	395,267	-	-	1,085,918	-	-	-	-	1,085,918
Deferred revenue	3,095,176	445,995	-	-	3,541,171	-	-	-	-	3,541,171
Total current liabilities	3,980,275	841,262	-	-	4,821,537	-	-	-	-	4,821,537
<b>Net Assets</b>										
Unrestricted	3,485,817	4,506	5,058,817	141,667	8,690,807	-	-	-	-	8,690,807
Temporarily restricted	-	-	-	-	-	2,575,718	-	-	-	2,575,718
Permanently restricted	-	-	-	-	-	-	30,689,622	4,642,032	35,331,654	35,331,654
Total net assets	3,485,817	4,506	5,058,817	141,667	8,690,807	2,575,718	30,689,622	4,642,032	35,331,654	46,598,179
Total liabilities and net assets	\$ 7,466,092	\$ 845,768	\$ 5,058,817	\$ 141,667	\$ 13,512,344	\$ 2,575,718	\$ 30,689,622	\$ 4,642,032	\$ 35,331,654	\$ 51,419,716



**Kansas City Symphony**  
**Statement of Activities**  
**Year Ended June 30, 2017**

	Unrestricted				Temporarily Restricted	Permanently Restricted			Total	
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other		Total Unrestricted	Restricted Masterpiece	Restricted Other		Total Permanently Restricted
<b>Revenues, Gains and Other Support</b>										
Operating revenues provided by										
Concerts and fees	\$ 6,991,268	\$ -	\$ -	\$ -	\$ 6,991,268	\$ -	\$ -	\$ -	\$ 6,991,268	
Contributions and grants	5,684,193	-	-	-	5,684,193	889,711	1,295,638	-	7,869,542	
Auxiliary organizations	-	2,288,989	-	-	2,288,989	-	-	-	2,288,989	
Investment income	640,278	-	1,654,779	33,335	2,328,392	-	-	-	2,328,392	
Other revenue	112,225	-	-	-	112,225	-	-	-	112,225	
Net assets released from designations and restrictions	3,649,201	(1,165,806)	(882,242)	(7,334)	1,593,819	(1,533,428)	(64,391)	4,000	(60,391)	
	17,077,165	1,123,183	772,537	26,001	18,998,886	(643,717)	1,231,247	4,000	1,235,247	19,590,416
<b>Expenses</b>										
Artistic personnel and concert production	11,938,324	-	-	-	11,938,324	-	-	-	11,938,324	
Education	120,994	-	-	-	120,994	-	-	-	120,994	
Advertising, marketing and promotion	1,335,910	-	-	-	1,335,910	-	-	-	1,335,910	
Development	1,238,690	-	-	-	1,238,690	-	-	-	1,238,690	
Auxiliary organizations	-	1,136,668	-	-	1,136,668	-	-	-	1,136,668	
General administration	1,788,834	-	87,025	1,317	1,877,176	-	-	-	1,877,176	
	16,422,752	1,136,668	87,025	1,317	17,647,762	-	-	-	-	17,647,762
<b>Operating Gains (Losses)</b>	654,413	(13,485)	685,512	24,684	1,351,124	(643,717)	1,231,247	4,000	1,235,247	1,942,654
<b>Endowment Appreciation</b>	-	-	-	-	-	3,262,421	-	-	-	3,262,421
<b>Change in Net Assets</b>	654,413	(13,485)	685,512	24,684	1,351,124	2,618,704	1,231,247	4,000	1,235,247	5,205,075
<b>Net Assets, Beginning of Year</b>	3,485,817	4,506	5,058,817	141,667	8,690,807	2,575,718	30,689,622	4,642,032	35,331,654	46,598,179
<b>Net Assets, End of Year</b>	\$ 4,140,230	\$ (8,979)	\$ 5,744,329	\$ 166,351	\$ 10,041,931	\$ 5,194,422	\$ 31,920,869	\$ 4,646,032	\$ 36,566,901	\$ 51,803,254

See Notes to Financial Statements

# Kansas City Symphony

## Statement of Activities

### Year Ended June 30, 2016

	Unrestricted					Temporarily Restricted	Permanently Restricted			Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted		Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
<b>Revenues, Gains and Other Support</b>										
Operating revenues provided by										
Concerts and fees	\$ 6,409,088	\$ -	\$ -	\$ -	\$ 6,409,088	\$ -	\$ -	\$ -	\$ -	\$ 6,409,088
Contributions and grants	5,665,087	-	-	-	5,665,087	438,738	5,690,448	13,160	5,703,608	11,807,433
Auxiliary organizations	-	2,319,966	-	-	2,319,966	-	-	-	-	2,319,966
Investment income	646,976	-	1,060,970	1,143	1,709,089	-	-	-	-	1,709,089
Other revenue	74,237	-	-	-	74,237	-	-	-	-	74,237
Net assets released from designations and restrictions	3,492,334	(1,257,822)	(1,166,820)	(7,270)	1,060,422	(1,060,422)	-	-	-	-
	<u>16,287,722</u>	<u>1,062,144</u>	<u>(105,850)</u>	<u>(6,127)</u>	<u>17,237,889</u>	<u>(621,684)</u>	<u>5,690,448</u>	<u>13,160</u>	<u>5,703,608</u>	<u>22,319,813</u>
<b>Expenses</b>										
Artistic personnel and concert production	11,673,528	-	-	-	11,673,528	-	-	-	-	11,673,528
Education	112,894	-	-	-	112,894	-	-	-	-	112,894
Advertising, marketing and promotion	1,201,771	-	-	-	1,201,771	-	-	-	-	1,201,771
Development	1,127,929	-	-	-	1,127,929	-	-	-	-	1,127,929
Auxiliary organizations	-	1,054,180	-	-	1,054,180	-	-	-	-	1,054,180
General administration	1,687,411	-	12,620	359	1,700,390	-	-	-	-	1,700,390
	<u>15,803,533</u>	<u>1,054,180</u>	<u>12,620</u>	<u>359</u>	<u>16,870,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,870,692</u>
<b>Operating Gains (Losses)</b>	484,189	7,964	(118,470)	(6,486)	367,197	(621,684)	5,690,448	13,160	5,703,608	5,449,121
<b>Endowment Appreciation</b>	-	-	-	-	-	295,809	-	-	-	295,809
<b>Change in Net Assets</b>	484,189	7,964	(118,470)	(6,486)	367,197	(325,875)	5,690,448	13,160	5,703,608	5,744,930
<b>Net Assets, Beginning of Year</b>	3,001,628	(3,458)	5,177,287	148,153	8,323,610	2,901,593	24,999,174	4,628,872	29,628,046	40,853,249
<b>Net Assets, End of Year</b>	<u>\$ 3,485,817</u>	<u>\$ 4,506</u>	<u>\$ 5,058,817</u>	<u>\$ 141,667</u>	<u>\$ 8,690,807</u>	<u>\$ 2,575,718</u>	<u>\$ 30,689,622</u>	<u>\$ 4,642,032</u>	<u>\$ 35,331,654</u>	<u>\$ 46,598,179</u>

**Kansas City Symphony**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Change in net assets	\$ 5,205,075	\$ 5,744,930
Items not requiring (providing) cash		
Depreciation	127,081	122,270
Loss on disposal of fixed assets	1,711	-
Beneficial interest in assets held by others	(3,273,464)	138,221
Contributions and investment income received restricted for long-term investment	(1,295,638)	(5,690,448)
Changes in		
Accounts receivable	1,299,984	(1,291,316)
Contributions receivable	(162,745)	288,718
Prepaid expenses and other assets	36,102	56,300
Accounts payable and accrued expenses	435,659	(563,392)
Deferred revenue	42,299	(39,820)
	<u>2,416,064</u>	<u>(1,234,537)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of investments	(7,701,257)	(9,624,403)
Proceeds from sale of investments	2,267,838	1,990,675
Purchase of property and equipment	(461,014)	(113,942)
	<u>(5,894,433)</u>	<u>(7,747,670)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from contributions and investment income restricted for long-term investment	4,508,398	7,748,891
	<u>4,508,398</u>	<u>7,748,891</u>
Net cash provided by financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	1,030,029	(1,233,316)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,138,606</u>	<u>5,371,922</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,168,635</u>	<u>\$ 4,138,606</u>

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2017 and 2016**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

The Kansas City Symphony (the Symphony) was incorporated in May 1983 as a Missouri not-for-profit corporation. The Kansas City Symphony's vision is to transform hearts, minds and communities through the power of symphonic music.

In order to accomplish its mission, to provide great performances for greater audiences, the Symphony has adopted the following objectives:

- Develop an uncompromising performance standard
- Advance the profile and value of the orchestra locally, nationally and internationally
- Develop the financial resources to allow the orchestra to thrive today and tomorrow
- Create an internal culture that stimulates effective relationships within and between board, staff and musicians
- Develop audiences and partnerships that allow the orchestra to thrive today and tomorrow

During the 2017 and 2016 fiscal years, the Kansas City Symphony made 197 and 195 performances of more than 63 and 62 distinct programs, respectively. Among these programs were performances of classical and pops repertoire, pit orchestra services for the Kansas City Ballet and the Lyric Opera and numerous performances geared toward children and youth.

The Symphony has an 80-member orchestra, led by Music Director Michael Stern. In addition to the Music Director and Associate Conductor, there are 28 full-time production, marketing, fund development and administrative staff, under the direction of Frank Byrne, Executive Director.

The Symphony has a 25-member Board of Directors, under the leadership of William M. Lyons, President. The 2016-17 season was performed at the Symphony's home in Helzberg Hall, in the Kauffman Center for Performing Arts. The number of tickets sold to concerts continued to be high for the Classical, Pops and Family Series, which were 58,274, 16,181 and 5,486, respectively. Also, Classics Uncorked and Happy Hour Concerts served an additional 16,851. The Symphony also served 35,223 young people in education programs and more than 50,000 people at free community events. Also, during the 2016-17 season, the Symphony offered eight special concerts that served an additional 17,875. This was the most special concerts the Symphony has offered in a single season. In total, the Symphony performed for more than 204,000 people during the 2016-17 season.

##### ***Use of Estimates***

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2017 and 2016**

#### ***Cash and Cash Equivalents***

The Symphony considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017 and 2016, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

At June 30, 2017, the Symphony's cash accounts exceeded federally insured limits by approximately \$5,160,000.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value. Certificates of deposit are carried at cost. All other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment income, gains and losses are reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Symphony maintains pooled investment accounts for its endowments. See further discussion in *Note 6*. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

#### ***Accounts Receivable***

Accounts receivable are stated at the amount billed to customers. The Symphony provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

#### ***Contributions Receivable***

Contributions receivable consist of written commitments to give from donors. Delinquent contributions are written off based on historical collections and specific circumstances of the customer.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2017 and 2016**

#### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Certain sheet music, scores and software content are accounted for as inexhaustible assets and, therefore, are not depreciated.

#### ***Long-lived Asset Impairment***

The Symphony evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2017 and 2016.

#### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Symphony has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Symphony in perpetuity.

#### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2017 and 2016**

#### ***Government Grants***

Support funded by grants is recognized as the Symphony performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

#### ***In-kind Contributions***

In addition to receiving cash contributions, the Symphony receives in-kind contributions of hotel accommodations, airfare and hall rental from various donors. It is the policy of the Symphony to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2017 and 2016, \$130,187 and \$111,393, respectively, was received in in-kind contributions.

#### ***Income Taxes***

The Symphony is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Symphony is subject to federal income tax on any unrelated business taxable income.

#### ***Deferred Revenue***

Income from ticket sales is recorded as deferred revenue and is recognized as revenue when earned. Contributions pledged to future performances and auxiliary events is recorded as deferred revenue and recognized as revenue when earned. Contributions received with contingencies are also reported within deferred revenue.

#### ***Prepaid Assets***

Prepaid assets include production and marketing costs applicable to upcoming subscription series that are recognized as expense on a matching basis in the period of the applicable production. At June 30, 2017 and 2016, prepaid marketing costs amounted to \$242,692 and \$270,472, respectively.

#### ***Auxiliary Organizations***

The Symphony has five unincorporated volunteer auxiliary organizations, which have the primary purpose of raising funds for the Symphony through special event activities. One of these organizations, the Jewel Ball, raises funds for both the Symphony and the Nelson-Atkins Museum of Art. During the years ended June 30, 2017 and 2016, the Symphony contributed \$214,000 and \$205,000, respectively, to the Nelson-Atkins Museum of Art through proceeds of the Jewel Ball. All five organizations fall under the tax-exempt status of the Symphony and are operating within its legal auspices and, therefore, have been incorporated on a gross basis within the accompanying financial statements.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***Amounts Due From (To) Other Funds***

Certain assets are required to be transferred from one fund to another fund to satisfy donor-imposed and board-imposed restrictions on net assets.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

**Note 2: Beneficial Interest in Foundation**

The Symphony receives all income earned from the investments of the Kansas City Symphony Foundation (KCSF). The Articles of Incorporation of the Foundation state that upon the Foundation's liquidation or dissolution, the KCSF's Board of Directors has the power to direct the Foundation's remaining funds to religious, charitable, scientific, literary or educational trust as specified in a plan of distribution adopted pursuant to the laws of the State of Missouri. The Articles of Incorporation do not require the KCSF to distribute its assets to the Symphony. However, the Articles of Incorporation of the KCSF limit its activities to supporting the Kansas City Symphony as long as the Symphony continues to satisfy the Symphony's mission.

Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities and Consolidation*, requires not-for-profit organizations to recognize their beneficial interests in the net assets held by such foundations as assets and to recognize subsequent changes therein as changes in their net assets. The KCSF has requested the Symphony not apply these provisions, resulting in omission of its beneficial interests in the net assets of the KCSF from its assets and omission of changes in its beneficial interests from its change in net assets. See *Note 6* for disclosures of investments at fair value and investment income received by the Symphony from the Foundation.



**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**Note 3: Board-Designated Assets**

Funds donated have been established as board-designated, quasi-endowments at the Greater Kansas City Community Foundation. Revenues generated from these funds support educational activities and general operations.

Also reflected as board-designated assets are the assets of the five unincorporated volunteer auxiliary organizations that provide financial support through fundraising activities to the Symphony and provide opportunities for volunteer involvement to over 500 individuals annually. These auxiliaries are: The Symphony League, the Jewel Ball, the Kansas City Symphony Alliance, the Symphony Guild and the Symphony Women’s Association.

**Note 4: Contributions Receivable**

Contributions receivable consist of the following unconditional promises to give:

	<b>2017</b>	<b>2016</b>
Due in less than one year	\$ 4,250,962	\$ 4,695,917
Due in one to five years	6,333,511	7,930,172
Due in five to ten years	903,000	1,951,000
	11,487,473	14,577,089
Less allowance for uncollectible contributions	53,888	40,000
Less unamortized discount	757,301	810,790
	\$ 10,676,284	\$ 13,726,299

During Fall 2012, the Symphony began a fundraising campaign to secure additional endowment funds. The campaign is referred to as the “Masterpiece” campaign. Masterpiece funds are being raised to support the future of the Symphony through deepening artistic excellence, strengthening commitment to education and community and building presence as a civic asset.

A discount rate of 3.25 percent was used for 2017 and 2016.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**Note 5: Investments and Beneficial Interest in Assets Held by Others**

The Symphony has certain assets being held at the Greater Kansas City Community Foundation and holds a beneficial interest in those assets. Certain beneficial interests are considered board designated, temporarily restricted and permanently restricted within the financial statements. See *Note 13*. The fair value of the retained beneficial interest included in the statements of financial position and investment income included in the statements of activities is as follows:

	<b>2017</b>	<b>2016</b>
Greater Kansas City Community Foundation pooled funds	\$ 37,551,725	\$ 29,334,778
Certificate of deposits	1,225,798	1,734,863
Money market funds	999,001	-
	2,224,799	1,734,863
Total investments and beneficial interests in assets held by others	\$ 39,776,524	\$ 29,334,778
Investment returns on the above consisted of the following:		
	<b>2017</b>	<b>2016</b>
Interest and dividend income	\$ 677,071	\$ 553,810
Net realized and unrealized gains (losses) on investments, reported at fair value	3,273,464	(138,221)
	\$ 3,950,535	\$ 415,589

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**Note 6: Interest in Assets at Kansas City Symphony Foundation and Greater Kansas City Community Foundation**

The Symphony has agreements with the Kansas City Symphony Foundation (KCSF) and the Greater Kansas City Community Foundation (GKCCF) whereby the Symphony receives all income earned from specifically designated funds at the KCSF and a 4-5 percent draw from specifically designated funds at the KCSF and GKCCF. The assets of these funds are not reflected on the Symphony's statements of financial position. At June 30, 2017 and 2016, the fair values of the investments and the income from these investments, resulting in investment income for the years then ended, are as follows:

	<b>2017</b>	<b>2016</b>
<b>Investments, at Fair Value</b>		
Kansas City Symphony Foundation	\$ 30,872,179	\$ 28,478,306
Greater Kansas City Community Foundation	20,897,186	19,430,583
	<b>2017</b>	<b>2016</b>
<b>Investment Income</b>		
Kansas City Symphony Foundation	\$ 544,341	\$ 554,476
Greater Kansas City Community Foundation	1,003,437	992,939

**Note 7: Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<b>2017</b>	<b>2016</b>
Restricted activities for use during 2018-2022	\$ 5,194,422	\$ 2,575,718

Temporarily restricted net assets totaling \$1,533,428 and \$1,060,422 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2017 and 2016, respectively. Temporarily restricted endowments totaled \$3,250,189 and \$1,107,871 at June 30, 2017 and 2016, respectively.

Permanently restricted net assets amounted to \$36,566,901 and \$35,331,654 at June 30, 2017 and 2016, respectively. See further discussion at *Note 8* and *Note 14*.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**Note 8: Government Grants**

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$104,485 and \$100,675 for the years ended June 30, 2017 and 2016, respectively.

The Missouri Cultural Trust Fund (MCT) made contributions in 2017 and 2016, in the amount of \$92,500 for both years. This contribution was pursuant to an agreement between the Symphony and the MCT as part of the Cultural Incentive Program. Future contributions from this source are not guaranteed.

**Note 9: Leases**

The Symphony entered into a noncancellable operating lease with a related party for the administrative offices in May 2010 that expires in April 2020. The lease calls for base rental payments of \$17,535 per month. Additional rent is paid each month for operating costs and taxes. Rent expense was \$266,550 and \$254,110 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments at June 30, 2017 were:

2018	\$ 210,420
2019	210,420
2020	<u>175,350</u>
Total minimum lease payments	<u><u>\$ 596,190</u></u>

The Symphony also incurred other rental expense related to rental of facilities and halls for performances totaling \$449,553 and \$441,221 during the years ended June 30, 2017 and 2016, respectively.

**Note 10: Line of Credit**

The Symphony currently has a \$1 million revolving bank line of credit. The line expires January 14, 2018. At June 30, 2017 and 2016, there were no borrowings against this line. The line is collateralized by substantially all of the Symphony's assets. Interest varies with the bank's prime rate and is payable monthly. Principal is due at maturity.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2017 and 2016**

#### **Note 11: Employee Benefit Plans**

##### ***Kansas City Symphony 403(b) Retirement Plan***

The Symphony maintains a 403(b) retirement plan covering employees. The Symphony's contributions to the Plan for administrative employees consist of a discretionary contribution of 3 percent of compensation and a matching contribution of 50 percent of the staff's 403(b) deferral up to a maximum of 4 percent of compensation paid to participants during the year. The Symphony's contributions to the Plan were \$79,742 and \$82,594 for the years ended June 30, 2017 and 2016, respectively.

The Symphony's full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2017 and 2016 was 2 percent of compensation paid to musicians during the year and there was a matching component for musicians which is a maximum Symphony contribution of 1/5 percent if the musician defers 0.75 percent. The Symphony's contribution to the Plan was \$110,390 and \$101,144 for the years ended June 30, 2017 and 2016, respectively.

##### ***Musician Retirement Plan***

The Symphony also makes a contribution to the American Federation of Musicians Employer Pension Fund for musicians. The Symphony's contribution, which consisted of 5.45 percent of compensation, was \$298,403 and \$310,950, respectively, for June 30, 2017 and 2016.

##### ***Stagehand Retirement Plan***

The Symphony makes a contribution to the International Alliance of Theatrical Stage Employees Local 31 Retirement Trust for full-time theater and stagehand employees. The employer contribution is calculated at 10 percent of compensation. The Symphony's contribution to the Plan was \$20,656 and \$16,655 for the years ended June 30, 2017 and 2016, respectively.

##### ***Multiemployer Pension Plans***

The Symphony contributes to a multiemployer defined benefit pension plan and a multiemployer defined contribution pension plan under the terms of the collective-bargaining agreement that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Symphony chooses to stop participating in some of its multiemployer plans, the Symphony may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

The Symphony’s participation in these plans for the annual period ended June 30, 2017, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2017 and 2016 is for the plan’s year end at March 31, 2016 and 2015, respectively. The zone status is based on information the Symphony received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

Although annual compensation for musicians increased over the three years reflected, pension contributions decreased because there were recording made in 2015 and 2016, and not in 2017, and because the contribution rate for recording projects is 12 percent, rather than the normal negotiated contribution of 5.45 percent.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of Company			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2017	2016		2017	2016	2015		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 298,403	\$ 310,950	\$ 315,117	Yes	6/30/2021
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 20,656	\$ 16,655	\$ 17,358	N/A	7/31/2021

The contributions above did not exceed 5 percent of total contributions to the Funds in any of the years listed above.

**Note 12: Licensing Agreement**

The Symphony has entered into a Licensing Agreement with the Kauffman Center for the Performing Arts. The initial license term is 20 years with the right to extend that initial term for three subsequent 10-year terms. Under the Licensing Agreement, the Symphony is required to pay to the Kauffman Center a license fee for each performance held in the Concert Hall or Theatre. Licensing expense was \$449,553 and \$441,221 for the years ended June 30, 2017 and 2016, respectively.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2017 and 2016

Licensing fees are predicated upon maintaining “Resident Arts Organization” (RAO) status. In order to be considered an RAO, the Symphony has agreed to use the facility for at least 90 days per year, including performances and rehearsals. The licensing fee will be subjected to an annual increase by the percentage the Consumer Price Index (CPI) has increased during the preceding season. Also, following the third year of operations in the Kauffman Center, and each five years subsequently, the fee may also be increased by Operating Period Adjustments to capture increases in operating costs in excess of the CPI adjustment, but capped at 5 percent for each operating period.

#### **Note 13: Disclosures About Fair Value of Assets**

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2017</b>				
Beneficial interests in assets held by others	\$ 37,551,725	\$ -	\$ 37,551,725	\$ -
Money market funds	999,001	999,001	-	-
<b>June 30, 2016</b>				
Beneficial interests in assets held by others	\$ 29,334,778	\$ -	\$ 29,334,778	\$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2017.

**Beneficial Interest in Assets Held by Others**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.



# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2017 and 2016

#### **Note 14: Endowment**

The Symphony's endowment consists of various funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### ***Donor Designated Funds at the Greater Kansas City Community Foundation***

The Symphony has various donor-restricted endowment funds that are under the investment management of the Greater Kansas City Community Foundation (GKCCF). Four of these funds are donor-designated funds that are not recorded in the Symphony's financial statements because the Board of Directors of GKCCF holds variance power over these funds. The Symphony's Board of Directors has recommended the asset allocation for these funds, consistent with one of the recommended allocation models of the investment committee of the GKCCF. These funds are invested in various pooled funds at the GKCCF with approximately 70 percent in equities and 30 percent in fixed income at June 30, 2017 and 2016. Draws from two of these funds are calculated annually to be 5 percent of the three-year average market value of the fund at June 30, and are distributed to the Symphony in quarterly allotments. For one of these funds, draws are distributed on a reimbursement basis to recover costs expended based on intended purpose of the fund. Draws from the fourth fund are calculated annually to be 4 percent of the three-year average market value of the fund not to invade corpus. The fair value of these funds was \$20,897,186 and \$19,430,583 as of June 30, 2017 and 2016, respectively, as further discussed in *Note 6*.

#### ***Donor Restricted Funds at the Kansas City Symphony Foundation***

The Symphony also has donor-restricted endowment funds that are managed by the Kansas City Symphony Foundation's (KCSF) Board of Trustees. While these funds are for the sole purpose of supporting the Symphony, they have not been recorded in the financial statements (see *Note 2*). These funds are invested in common stocks and U.S. government securities with approximately 56 percent in equities, 42 percent in government and agency issues and 2 percent in cash and other investments at June 30, 2017. The Symphony Foundation's funds had approximately 56 percent in equities, 41 percent in government and agency issues and 3 percent in cash and other investments at June 30, 2016. The Symphony receives interest and dividend income from the KCSF for two funds, less the Foundation's management expenses in quarterly allotments. For another fund, the Symphony receives annually a distribution based on 5 percent of the past 12-month average market value of the fund. The fair value of these funds was \$30,872,179 and \$28,929,350 as of June 30, 2017 and 2016, respectively, as further discussed in *Note 6*.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2017 and 2016

#### ***Agency Funds at the Greater Kansas City Community Foundation***

Additionally, the Symphony has five donor-restricted and two board-designated endowment funds at the GKCCF which are considered agency funds by the GKCCF. As the GKCCF does not retain variance power for these funds, they are recorded in the financial statements of the Symphony. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Each of these funds is invested in various pooled funds at the GKCCF with approximately 70 percent in equities and 30 percent in fixed income at June 30, 2017 and 2016. Draws from one of these donor-restricted funds are calculated annually to be 5 percent of the 12-quarter average market value of the fund at March 31, and are distributed to the Symphony in quarterly allotments. The other four donor-restricted funds are calculated annually to be 4 percent of the 12-quarter average market value of the fund at March 31 and are distributable to the Symphony in quarterly allotments. The board-designated funds are calculated annually to be 5 percent or 4 percent of the 12-quarter average market value of the funds. The market value of these funds was \$37,547,742 and \$29,334,778 as of June 30, 2017 and 2016, respectively, as further discussed in *Note 5*. It is the goal that these funds earn an average of 8 percent per year in order to allow for the preservation of the fund, while enabling the support of annual operations through the draw.

The Symphony's Board of Directors has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Symphony classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) 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. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Symphony and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Symphony

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

The composition of the endowment investments included in the net asset types at June 30, 2017 and 2016 was:

	<b>2017</b>			
	<b>Unrestricted</b>	<b>Temporarily</b>	<b>Permanently</b>	<b>Total</b>
	<b>Board</b>	<b>Restricted</b>	<b>Restricted</b>	
	<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 3,250,189	\$ 27,733,904	\$ 30,984,093
Board-designated endowment funds	5,613,748	-	-	5,613,748
Total endowment funds	\$ 5,613,748	\$ 3,250,189	\$ 27,733,904	\$ 36,597,841
	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily</b>	<b>Permanently</b>	<b>Total</b>
	<b>Board</b>	<b>Restricted</b>	<b>Restricted</b>	
	<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,107,871	\$ 23,109,914	\$ 24,217,785
Board-designated endowment funds	5,116,993	-	-	5,116,993
Total endowment funds	\$ 5,116,993	\$ 1,107,871	\$ 23,109,914	\$ 29,334,778

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

Changes in endowment funds for the years ended June 30, 2017 and 2016 were:

	<b>2017</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 5,116,993	\$ 1,107,871	\$ 23,109,914	29,334,778
Investment return				
Investment income	159,973	486,827	-	646,800
Net appreciation	550,098	2,715,019	-	3,265,117
Total investment return	710,071	3,201,846	-	3,911,917
Contributions	1,000,000	386,780	4,539,401	5,926,181
Appropriation of endowment assets for expenditure	(1,213,316)	(1,361,719)	-	(2,575,035)
Transfers	-	(84,589)	84,589	-
Endowment net assets, end of year	<u>\$ 5,613,748</u>	<u>\$ 3,250,189</u>	<u>\$ 27,733,904</u>	<u>\$ 36,597,841</u>
	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 5,249,385	\$ 1,484,086	\$ 15,354,428	\$ 22,087,899
Investment return				
Investment income	45,922	444,306	-	490,228
Net depreciation	(40,330)	(97,892)	-	(138,222)
Total investment return	5,592	346,414	-	352,006
Contributions	1,000,000	58,769	7,755,486	8,814,255
Appropriation of endowment assets for expenditure	(1,137,984)	(781,398)	-	(1,919,382)
Endowment net assets, end of year	<u>\$ 5,116,993</u>	<u>\$ 1,107,871</u>	<u>\$ 23,109,914</u>	<u>\$ 29,334,778</u>

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2017 and 2016, consisted of:

	<b>2017</b>	<b>2016</b>
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 27,733,904	\$ 23,109,914

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Symphony is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in temporarily restricted and unrestricted net assets and aggregated. The total cash deficiencies were \$0 at June 30, 2017 and 2016. These deficiencies resulted from unfavorable market fluctuations that occurred after invested.

The Symphony has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Symphony must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Symphony’s policies, endowment assets are invested in a manner that is intended to produce results that exceed its spending while assuming a reasonable level of investment risk. The Symphony expects its endowment funds to provide an average rate of return of approximately 8 percent annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Symphony relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Symphony targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Symphony has a spending policy which allows it to draw up to 4 percent or 5 percent of its endowment fund’s average fair value over the prior three years through the year end preceding the year in which expenditure is planned. In establishing this policy, the Symphony considered the long-term expected return on its endowment. Accordingly, over the long term, the Symphony expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Symphony’s objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2017 and 2016

#### **Note 15: Masterpiece Campaign**

In 2012, the Symphony commenced a campaign to increase the Symphony's endowment. The Masterpiece Campaign will solidify the future of the Symphony through deepening artistic excellence, strengthening commitment to education and community, and building a presence as a civic asset. The Board has determined the total funds committed towards the campaign at June 30, 2017 and 2016 were approximately \$52,934,000 and \$52,255,000, respectively.

During June 30, 2017 and 2016, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements were approximately \$1,200,000 and \$7,800,000, respectively. These contributions were recorded at fair value, less the related discount. The difference between the total funds committed and those contributions included in the accompanying financial statements relate to verbal commitments and amounts held at the Kansas City Symphony Foundation, all of which are not recorded in the Symphony's accompanying financial statements (see *Note 2*).

#### **Note 16: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

##### ***Labor Agreement***

Substantially all of the Symphony's stagehands and musicians are covered by collective-bargaining agreements. The stagehands agreement is set to expire in 2021. Musicians entered into a new collective-bargaining agreement during 2016 and is set to expire in 2021.

##### ***Contributions***

During 2017, four of the Symphony's donors represented 27 percent and, in 2016, four of the Symphony's donors represented 46 percent of the total contribution and grant revenue.

During 2017, two of the Symphony's donors represented 28 percent and, in 2016, two of the Symphony's donors represented 31 percent of the unrestricted operating contributions and grant revenue.

##### ***Litigation***

The Symphony is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Symphony. Events could occur that would change this estimate materially in the near term.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***Beneficial Interests in Assets Held by Others***

Estimates related to valuation of beneficial interests in assets held by others are described in *Note 5* and *Note 13*.

***Contributions Receivable***

Significant estimates relating to the allowance of contributions receivable are described in *Note 1*.

**Note 17: Subsequent Events**

Subsequent events have been evaluated through December 12, 2017, which is the date the financial statements were issued.

## **Supplementary Information**



**Kansas City Symphony**  
**Schedule of Unrestricted Revenues**  
**Years Ended June 30, 2017 and 2016**

<b>Revenues</b>	<u><b>2017</b></u>	<u><b>2016</b></u>
Ticket sales	\$ 5,884,151	\$ 5,148,501
Performance fees	1,107,117	1,260,587
Investments and other sources	2,440,617	1,715,295
Individual, corporate and foundation donations	5,467,810	5,541,352
Government grants	216,383	191,766
Auxiliary contributions	2,288,989	2,319,966
Net assets released from designations and restrictions	<u>1,593,819</u>	<u>1,060,422</u>
	<u><u>\$ 18,998,886</u></u>	<u><u>\$ 17,237,889</u></u>

**Kansas City Symphony**  
**Schedule of Operating Expenses**  
**Year Ended June 30, 2017**

	<b>Artistic Personnel and Concert Production</b>	<b>Education</b>	<b>Advertising, Marketing and Promotion</b>	<b>Development</b>	<b>Auxiliary Organizations</b>	<b>General Administration</b>	<b>Total Operating Expenses</b>
<b>Symphony Operations</b>							
Artistic personnel, salaries and benefits	\$ 8,113,290	\$ -	\$ -	\$ 10,978	\$ -	\$ -	\$ 8,124,268
Staff, salaries and benefits	966,531	98,092	321,616	579,686	-	716,830	2,682,755
Guest artists, conductors and composers	996,350	-	-	-	-	-	996,350
Stagehands, salaries and benefits	135,888	-	-	-	-	-	135,888
Concert production expenses	1,090,620	357	-	-	-	-	1,090,977
Professional fees	232,927	1,500	62,737	248,544	-	169,162	714,870
Office rent, utilities and maintenance	-	-	-	-	-	293,552	293,552
Office supplies and other expenses	73,171	8,728	29,628	250,920	-	78,380	440,827
Printing, art and photography	2,975	4,526	188,769	63,271	-	-	259,541
Advertising and promotion	7,916	-	585,264	6,550	-	-	599,730
Postage	20,162	2,099	116,089	24,036	-	5,016	167,402
Telephone	21,832	889	2,962	6,721	-	6,871	39,275
Travel and per diem	257,746	2,532	4,065	31,069	-	56,824	352,236
Insurance	-	-	-	-	-	80,740	80,740
Depreciation and loss or disposal	-	-	-	-	-	128,792	128,792
Interest, bank fees and credit card fees	-	-	-	-	6,427	228,989	235,416
Other expenses	18,916	2,271	24,780	16,915	-	112,020	174,902
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	214,000	-	214,000
Auxiliary expenses	-	-	-	-	916,241	-	916,241
<b>Total</b>	<b>\$ 11,938,324</b>	<b>\$ 120,994</b>	<b>\$ 1,335,910</b>	<b>\$ 1,238,690</b>	<b>\$ 1,136,668</b>	<b>\$ 1,877,176</b>	<b>\$ 17,647,762</b>

**Kansas City Symphony**  
**Schedule of Operating Expenses**  
**Year Ended June 30, 2016**

	<b>Artistic Personnel and Concert Production</b>	<b>Education</b>	<b>Advertising, Marketing and Promotion</b>	<b>Development</b>	<b>Auxiliary Organizations</b>	<b>General Administration</b>	<b>Total Operating Expenses</b>
<b>Symphony Operations</b>							
Artistic personnel, salaries and benefits	\$ 8,043,932	\$ -	\$ -	\$ 7,270	\$ -	\$ -	\$ 8,051,202
Staff, salaries and benefits	1,015,245	95,917	327,415	614,956	-	679,764	2,733,297
Guest artists, conductors and composers	754,835	-	-	-	-	-	754,835
Stagehands, salaries and benefits	117,221	-	-	-	-	-	117,221
Concert production expenses	1,098,940	-	-	-	-	-	1,098,940
Professional fees	271,461	2,261	53,360	149,105	-	167,398	643,585
Office rent, utilities and maintenance	-	-	-	-	-	277,306	277,306
Office supplies and other expenses	71,924	3,611	26,925	249,619	-	79,714	431,793
Printing, art and photography	3,780	4,500	149,937	37,904	-	46	196,167
Advertising and promotion	3,080	-	511,769	340	-	-	515,189
Postage	24,893	2,076	112,624	17,156	-	5,070	161,819
Telephone	21,495	823	2,745	6,264	-	6,467	37,794
Travel and per diem	230,891	1,391	2,903	30,767	-	44,603	310,555
Insurance	-	-	-	-	-	77,254	77,254
Depreciation and loss or disposal	-	-	-	-	-	122,270	122,270
Interest, bank fees and credit card fees	-	-	-	-	4,532	204,800	209,332
Other expenses	15,831	2,315	14,093	14,548	-	35,698	82,485
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	205,000	-	205,000
Auxiliary expenses	-	-	-	-	844,648	-	844,648
<b>Total</b>	<b>\$ 11,673,528</b>	<b>\$ 112,894</b>	<b>\$ 1,201,771</b>	<b>\$ 1,127,929</b>	<b>\$ 1,054,180</b>	<b>\$ 1,700,390</b>	<b>\$ 16,870,692</b>