

Kansas City Symphony

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015



Kansas City Symphony
June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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
November 22, 2016

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	
Current Assets										
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	-
Total current assets	5,163,266	845,768	31,832	1,058	6,041,924	781,008	3,621,114	66,855	3,687,969	10,510,901
Beneficial Interest in Assets Held by Others	-	-	5,026,985	140,609	5,167,594	1,265,882	18,526,951	4,374,351	22,901,302	29,334,778
Certificates of Deposit	1,734,863	-	-	-	1,734,863	-	-	-	-	1,734,863
Contributions Receivable	-	-	-	-	-	528,828	8,541,557	200,826	8,742,383	9,271,211
Property and Equipment, at Cost										
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
	1,525,386	-	-	-	1,525,386	-	-	-	-	1,525,386
Less accumulated depreciation	(957,423)	-	-	-	(957,423)	-	-	-	-	(957,423)
	567,963	-	-	-	567,963	-	-	-	-	567,963
Total 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 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	
Current Liabilities										
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
Net Assets										
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 Financial Position
June 30, 2015

Assets

	Unrestricted					Permanently Restricted				Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted	Temporarily Restricted	Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
Current Assets										
Cash and cash equivalents	\$ 3,979,190	\$ 1,392,732	\$ -	\$ -	\$ 5,371,922	\$ -	\$ -	\$ -	\$ -	\$ 5,371,922
Accounts receivable	175,273	-	-	-	175,273	-	-	-	-	175,273
Contributions receivable, net of allowance of \$40,000	522,380	179,750	-	-	702,130	567,455	3,241,294	200,000	3,441,294	4,710,879
Inventory	5,641	-	-	-	5,641	-	-	-	-	5,641
Prepaid assets	478,710	22,567	-	-	501,277	-	-	-	-	501,277
Amounts due from (to) other funds	139,098	(534,948)	74,999	1,056	(319,795)	321,732	(102,997)	101,060	(1,937)	-
Total current assets	5,300,292	1,060,101	74,999	1,056	6,436,448	889,187	3,138,297	301,060	3,439,357	10,764,992
Beneficial Interest in Assets Held by Others	-	-	5,102,288	147,097	5,249,385	1,484,086	11,219,781	4,134,647	15,354,428	22,087,899
Certificates of Deposit	1,486,235	-	-	-	1,486,235	-	-	-	-	1,486,235
Contributions Receivable	-	-	-	-	-	528,320	10,641,096	193,165	10,834,261	11,362,581
Property and Equipment, at Cost										
Office and computer equipment	498,494	-	-	-	498,494	-	-	-	-	498,494
Theatrical equipment, instruments and music	646,795	-	-	-	646,795	-	-	-	-	646,795
Leasehold improvements	296,314	-	-	-	296,314	-	-	-	-	296,314
	1,441,603	-	-	-	1,441,603	-	-	-	-	1,441,603
Less accumulated depreciation	(865,312)	-	-	-	(865,312)	-	-	-	-	(865,312)
	576,291	-	-	-	576,291	-	-	-	-	576,291
Total assets	\$ 7,362,818	\$ 1,060,101	\$ 5,177,287	\$ 148,153	\$ 13,748,359	\$ 2,901,593	\$ 24,999,174	\$ 4,628,872	\$ 29,628,046	\$ 46,277,998

Kansas City Symphony
Statement of Financial Position (Continued)
June 30, 2015

Liabilities and Net Assets

	Unrestricted					Temporarily Restricted	Permanently Restricted			Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted		Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
Current Liabilities										
Accounts payable	\$ 667,142	\$ -	\$ -	\$ -	\$ 667,142	\$ -	\$ -	\$ -	\$ -	\$ 667,142
Accrued expenses	689,078	487,538	-	-	1,176,616	-	-	-	-	1,176,616
Deferred revenue	3,004,970	576,021	-	-	3,580,991	-	-	-	-	3,580,991
Total current liabilities	4,361,190	1,063,559	-	-	5,424,749	-	-	-	-	5,424,749
Net Assets										
Unrestricted	3,001,628	(3,458)	5,177,287	148,153	8,323,610	-	-	-	-	8,323,610
Temporarily restricted	-	-	-	-	-	2,901,593	-	-	-	2,901,593
Permanently restricted	-	-	-	-	-	-	24,999,174	4,628,872	29,628,046	29,628,046
Total net assets	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
Total liabilities and net assets	\$ 7,362,818	\$ 1,060,101	\$ 5,177,287	\$ 148,153	\$ 13,748,359	\$ 2,901,593	\$ 24,999,174	\$ 4,628,872	\$ 29,628,046	\$ 46,277,998

Kansas City Symphony

Statement of Activities

Year Ended June 30, 2016

	Unrestricted					Permanently Restricted				Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted	Temporarily Restricted	Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
Revenues, Gains and Other Support										
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>
Expenses										
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>
Operating Gains (Losses)	484,189	7,964	(118,470)	(6,486)	367,197	(621,684)	5,690,448	13,160	5,703,608	5,449,121
Endowment Appreciation	-	-	-	-	-	295,809	-	-	-	295,809
Change in Net Assets	484,189	7,964	(118,470)	(6,486)	367,197	(325,875)	5,690,448	13,160	5,703,608	5,744,930
Net Assets, Beginning of Year	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
Net Assets, End of Year	<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>

See Notes to Financial Statements

Kansas City Symphony
Statement of Activities
Year Ended June 30, 2015

	Unrestricted					Temporarily Restricted	Permanently Restricted			Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted		Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
Revenues, Gains and Other Support										
Operating revenues provided by										
Concerts and fees	\$ 5,798,278	\$ -	\$ -	\$ -	\$ 5,798,278	\$ -	\$ -	\$ -	\$ -	\$ 5,798,278
Contributions and grants	5,945,192	-	93,440	-	6,038,632	1,052,998	975,722	7,461	983,183	8,074,813
Auxiliary organizations	-	2,427,993	-	-	2,427,993	-	-	-	-	2,427,993
Investment income	634,190	-	1,049,109	5,883	1,689,182	-	-	-	-	1,689,182
Other revenue	95,389	-	-	-	95,389	-	-	-	-	95,389
Net assets released from designations and restrictions	3,161,698	(1,178,909)	(1,062,186)	(7,050)	913,553	(913,553)	-	-	-	-
	<u>15,634,747</u>	<u>1,249,084</u>	<u>80,363</u>	<u>(1,167)</u>	<u>16,963,027</u>	<u>139,445</u>	<u>975,722</u>	<u>7,461</u>	<u>983,183</u>	<u>18,085,655</u>
Expenses										
Artistic personnel and concert production	11,263,591	-	-	-	11,263,591	-	-	-	-	11,263,591
Education	119,280	-	-	-	119,280	-	-	-	-	119,280
Advertising, marketing and promotion	1,158,006	-	-	-	1,158,006	-	-	-	-	1,158,006
Development	1,062,985	-	-	-	1,062,985	-	-	-	-	1,062,985
Auxiliary organizations	-	1,240,647	-	-	1,240,647	-	-	-	-	1,240,647
General administration	1,709,557	-	9,455	376	1,719,388	-	-	-	-	1,719,388
	<u>15,313,419</u>	<u>1,240,647</u>	<u>9,455</u>	<u>376</u>	<u>16,563,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,563,897</u>
Operating Gains (Losses)	321,328	8,437	70,908	(1,543)	399,130	139,445	975,722	7,461	983,183	1,521,758
Endowment Appreciation	-	-	-	-	-	494,383	-	-	-	494,383
Change in Net Assets	321,328	8,437	70,908	(1,543)	399,130	633,828	975,722	7,461	983,183	2,016,141
Net Assets, Beginning of Year	2,680,300	(11,895)	5,106,379	149,696	7,924,480	2,267,765	24,023,452	4,621,411	28,644,863	38,837,108
Net Assets, End of Year	<u>\$ 3,001,628</u>	<u>\$ (3,458)</u>	<u>\$ 5,177,287</u>	<u>\$ 148,153</u>	<u>\$ 8,323,610</u>	<u>\$ 2,901,593</u>	<u>\$ 24,999,174</u>	<u>\$ 4,628,872</u>	<u>\$ 29,628,046</u>	<u>\$ 40,853,249</u>

Kansas City Symphony
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Change in net assets	\$ 5,744,930	\$ 2,016,141
Items not requiring (providing) cash		
Depreciation	122,270	109,076
Loss on disposal of fixed assets	-	75
Beneficial interest in assets held by others	138,221	(582,712)
Contributions and investment income received restricted for long-term investment	(5,690,448)	(975,722)
Changes in		
Accounts receivable	(1,291,316)	(37,329)
Contributions receivable	288,718	2,440,008
Prepaid expenses and other assets	56,300	(155,304)
Accounts payable and accrued expenses	(563,392)	533,063
Deferred revenue	(39,820)	248,372
Consulting obligation	-	(13,460)
	<u>(1,234,537)</u>	<u>3,582,208</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of investments	(9,624,403)	(10,598,878)
Proceeds from sale of investments	1,990,675	1,751,334
Purchase of property and equipment	(113,942)	(88,460)
	<u>(7,747,670)</u>	<u>(8,936,004)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	<u>7,748,891</u>	<u>4,915,167</u>
Net cash provided by financing activities	<u>7,748,891</u>	<u>4,915,167</u>
Decrease in Cash and Cash Equivalents	(1,233,316)	(438,629)
Cash and Cash Equivalents, Beginning of Year	<u>5,371,922</u>	<u>5,810,551</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,138,606</u>	<u>\$ 5,371,922</u>

Kansas City Symphony

Notes to Financial Statements

June 30, 2016 and 2015

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 2016 and 2015 fiscal years, the Kansas City Symphony made 195 and 185 performances of more than 78 and 65 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 24-member Board of Directors, under the leadership of William M. Lyons, President. The 2015-16 Season was the fifth season for the Symphony in Helzberg Hall at the Kauffman Center for the Performing Arts. Tickets sold to concerts continued to be high for the Classical, Pops and Family Series, which were 61,338, 16,464 and 5,756, respectively. Also Classics Uncorked, Organ Recitals and Happy Hour Concerts served an additional 11,942 patrons. The Symphony also served 34,746 young people in education programs and 45,000 people at free community events. In total, the Symphony performed for more than 190,000 people during the 2016 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, 2016 and 2015

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, 2016 and 2015, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

At June 30, 2016, the Symphony's cash accounts exceeded federally insured limits by approximately \$4,105,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value, all debt securities and certificates of deposit are carried at fair value. 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, 2016 and 2015

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, 2016 and 2015.

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

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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, 2016 and 2015, \$111,393 and \$168,226, 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, 2016 and 2015, prepaid marketing costs amounted to \$270,472 and \$292,911, 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, 2016 and 2015, the Symphony contributed \$205,000 and \$285,000, 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.

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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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net assets.

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.

Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, issued by the Financial Accounting Standards Board, was effective for the Symphony in 2001. SFAS 136 has since been codified within the accounting standards in Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities and Consolidation*. This Statement changed accounting principles generally accepted in the United States of America to require 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.

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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:

	2016	2015
Due in less than one year	\$ 4,695,917	\$ 4,750,879
Due in one to five years	7,930,172	9,411,132
Due in five to ten years	1,951,000	3,061,000
	14,577,089	17,223,011
Less allowance for uncollectible contributions	40,000	40,000
Less unamortized discount	810,790	1,109,551
	\$ 13,726,299	\$ 16,073,460

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% was used for 2016 and 2015.

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Note 5: 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:

	<u>2016</u>	<u>2015</u>
Greater Kansas City Community Foundation pooled funds	\$ 29,334,778	\$ 22,087,899

Investment returns on the above consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 553,810	\$ 339,426
Net realized and unrealized gains (losses) on investments, reported at fair value	(138,221)	290,379
	<u>\$ 415,589</u>	<u>\$ 629,805</u>

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% 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, 2016 and 2015, the fair values of the investments and the income from these investments, resulting in investment income for the years then ended, are as follows:

	<u>2016</u>	<u>2015</u>
Investments, at Fair Value		
Kansas City Symphony Foundation	\$ 28,929,350	\$ 27,370,451
Greater Kansas City Community Foundation	19,430,583	20,321,863
	<u>2016</u>	<u>2015</u>
Investment Income		
Kansas City Symphony Foundation	\$ 554,476	\$ 541,696
Greater Kansas City Community Foundation	992,939	956,832

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Note 7: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Restricted activities for use during 2016-2021	\$ 2,575,718	\$ 2,901,593

Temporarily restricted net assets totaling \$1,060,422 and \$913,553 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2016 and 2015, respectively. Temporarily restricted endowments totaled \$1,107,871 and \$1,484,086 at June 30, 2016 and 2015, respectively.

Permanently restricted net assets amounted to \$35,331,654 and \$29,628,046 at June 30, 2016 and 2015, respectively. See further discussion at *Note 8* and *Note 14*.

Note 8: Government Grants

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$100,675 and \$112,375 for the years ended June 30, 2016 and 2015, respectively.

During 2001, the Symphony entered into a matching grant with the Missouri Cultural Trust Fund (MCT). The grant guidelines were for the Symphony to raise \$3,700,000 in endowment funds from private donors by June 30, 2001, solely to support the Symphony and its mission. Such funds are currently held by the KCSF and GKCCF (see *Note 6*). In return, the MCT set aside \$1,850,000, or a 50% match of private funds raised, in the MCT. The MCT remains the owner of the \$1,850,000 of matching funds and, therefore, such assets are not included in the accompanying financial statements. Through 2009, the Symphony had received a 5% return from the MCT on these designated funds. In fall 2010, the Symphony was notified that the MCT would not be making contributions for an indefinite period of time. In 2016 and 2015, the Symphony received a contribution from the MCT in the amount of \$92,500 for both years.

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 \$254,110 and \$243,180 for the years ended June 30, 2016 and 2015, respectively.

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Future minimum lease payments at June 30, 2016 were:

2017		\$ 210,420
2018		210,420
2019		210,420
2020		<u>175,350</u>
Total minimum lease payments		<u>\$ 806,610</u>

The Symphony also incurred other rental expense related to rental of facilities and halls for performances totaling \$441,221 and \$448,165 during the years ended June 30, 2016 and 2015, respectively.

Note 10: Line of Credit

The Symphony currently has a \$1 million revolving bank line of credit. The line expires January 14, 2017. At June 30, 2016 and 2015, 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.

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% of compensation and a matching contribution of 50% of the staff's 403(b) deferral up to a maximum of 4% of compensation paid to participants during the year. The Symphony's contributions to the Plan were \$82,594 and \$72,590 for the years ended June 30, 2016 and 2015, respectively.

The Symphony's full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2016 and 2015 was 2% of compensation paid to musicians during the year. The Symphony's contribution to the Plan was \$101,144 and \$95,938 for the years ended June 30, 2016 and 2015, 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% of compensation, was \$310,950 and \$315,117, respectively, for June 30, 2016 and 2015.

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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% of compensation. The Symphony's contribution to the Plan was \$16,655 and \$17,358 for the years ended June 30, 2016 and 2015, 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.

The Symphony's participation in these plans for the annual period ended June 30, 2016, 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 2016 and 2015 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. Finally, the number of employees covered by the Symphony's multiemployer plans decreased by 17 percent from 2016 and 2015, affecting the period-to-period comparability of the contributions for years 2016 and 2015. The decrease is predominantly due to less payments made for musicians no longer employed by the Symphony for previous recording sessions. The number of employees covered by the Symphony's multiemployer plans increased by 7% from 2015 and 2014, affecting the period-to-period comparability of the contributions for years 2015 and 2014. The increase is predominantly due to payments made for musicians no longer employed by the Symphony for previous recording sessions.

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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
		2016	2015		2016	2015	2014		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 310,950	\$ 315,117	\$ 264,737	Yes	6/30/2017
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 16,655	\$ 17,358	\$ 18,212	N/A	7/31/2017

The contributions above did not exceed 5% 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 \$441,221 and \$448,165 for the years ended June 30, 2016 and 2015, respectively.

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% 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

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- 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

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, 2016 and 2015:

	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)
June 30, 2016				
Certificates of deposits	\$ 1,734,863	\$ -	\$ 1,734,863	\$ -
Beneficial interests in assets held by others	29,334,778	-	29,334,778	-
June 30, 2015				
Certificates of deposits	\$ 1,486,235	\$ -	\$ 1,486,235	\$ -
Beneficial interests in assets held by others	22,087,899	-	22,087,899	-

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, 2016.

Beneficial Interest in Assets Held by Others and Certificates of Deposit

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,

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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.

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% in equities and 30% in fixed income at June 30, 2016 and 2015. Draws from two of these funds are calculated annually to be 5% 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% of the three-year average market value of the fund not to invade corpus. The fair value of these funds was \$19,430,583 and \$20,321,863 as of June 30, 2016 and 2015, respectively.

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% in equities, 41% in government and agency issues and 3% in cash and other investments at June 30, 2016. The Symphony Foundation's funds had approximately 59% in equities, 32% in government and agency issues and 9% in cash and other investments at June 30, 2015. 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% of the past 12-month average market value of the fund. The fair value of these funds was \$28,929,350 and \$27,370,451 as of June 30, 2016 and 2015, respectively.

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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% in equities and 30% in fixed income at June 30, 2016 and 2015. Draws from one of these donor-restricted funds are calculated annually to be 5% 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% 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% or 4% of the 12-quarter average market value of the funds. The market value of these funds was \$29,334,778 and \$22,087,899 as of June 30, 2016 and 2015, respectively. It is the goal that these funds earn an average of 8% 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

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The composition of net assets by type of endowment fund at June 30, 2016 and 2015 was:

	2016				
	Unrestricted		Temporarily	Permanently	
	Board		Restricted	Restricted	Total
	Designated				
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	
	2015				
	Unrestricted		Temporarily	Permanently	
	Board		Restricted	Restricted	Total
	Designated				
Donor-restricted endowment funds	\$ -	\$ 1,484,086	\$ 15,354,428	\$ 16,838,514	
Board-designated endowment funds	5,249,385	-	-	5,249,385	
Total endowment funds	\$ 5,249,385	\$ 1,484,086	\$ 15,354,428	\$ 22,087,899	

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Changes in endowment net assets for the years ended June 30, 2016 and 2015 were:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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	-	490,227
Net appreciation	(40,330)	(97,892)	-	(138,221)
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>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,273,459	\$ 1,441,558	\$ 10,428,861	\$ 14,143,878
Investment return				
Investment income	103,364	188,972	-	292,336
Net appreciation	96,140	194,239	-	290,379
Total investment return	199,504	383,211	-	582,715
Contributions	4,000,000	187,079	4,925,567	9,112,646
Appropriation of endowment assets for expenditure	(1,223,578)	(527,762)	-	(1,751,340)
Endowment net assets, end of year	<u>\$ 5,249,385</u>	<u>\$ 1,484,086</u>	<u>\$ 15,354,428</u>	<u>\$ 22,087,899</u>

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Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2016 and 2015, consisted of:

	2016	2015
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 23,109,914	\$ 15,354,428

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 at June 30, 2016 and 2015 were \$0 and (\$79,001), respectively. 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% 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% or 5% 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% 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.

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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, 2016 and 2015 were approximately \$52,255,000 and \$44,948,000, respectively.

During June 30, 2016 and 2015, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements were approximately \$7,800,000 and \$976,000, 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 2017. Musicians entered into a new collective-bargaining agreement during 2016 and is set to expire in 2021.

Contributions

During 2016, four of the Symphony's donors represented 46% and, in 2015, four of the Symphony's donors represented 57% of the total contribution and grant revenue.

During 2016, two of the Symphony's donors represented 31% and, in 2015, two of the Symphony's donors represented 24% 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, 2016 and 2015

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 the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Supplementary Information

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

Revenues	<u>2016</u>	<u>2015</u>
Ticket sales	\$ 5,148,501	\$ 4,748,481
Performance fees	1,260,587	1,049,797
Investments and other sources	1,783,326	1,784,571
Individual, corporate and foundation donations	5,473,321	5,816,157
Government grants	191,766	222,475
Auxiliary contributions	2,319,966	2,427,993
Net assets released from designations and restrictions	<u>1,060,422</u>	<u>913,553</u>
	<u><u>\$ 17,237,889</u></u>	<u><u>\$ 16,963,027</u></u>

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

	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliary Organizations	General Administration	Total Operating Expenses
Symphony Operations							
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
Total	\$ 11,673,528	\$ 112,894	\$ 1,201,771	\$ 1,127,929	\$ 1,054,180	\$ 1,700,390	\$ 16,870,692

Kansas City Symphony
Schedule of Operating Expenses
Year Ended June 30, 2015

	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliary Organizations	General Administration	Total Operating Expenses
Symphony Operations							
Artistic personnel, salaries and benefits	\$ 7,882,524	\$ -	\$ -	\$ 5,806	\$ -	\$ -	\$ 7,888,330
Staff, salaries and benefits	944,726	92,591	312,562	579,951	-	689,586	2,619,416
Guest artists, conductors and composers	692,176	-	-	-	-	-	692,176
Stagehands, salaries and benefits	119,964	-	-	-	-	-	119,964
Concert production expenses	1,026,871	120	-	-	-	-	1,026,991
Professional fees	199,355	-	46,866	194,883	-	197,717	638,821
Office rent, utilities and maintenance	-	-	-	-	-	262,880	262,880
Office supplies and other expenses	70,804	13,366	27,772	198,899	-	63,561	374,402
Printing, art and photography	15,502	6,653	152,461	40,829	-	-	215,445
Advertising and promotion	7,872	-	454,213	851	-	-	462,936
Postage	15,354	1,686	125,892	17,252	-	4,268	164,452
Telephone	21,587	845	2,818	5,918	-	6,882	38,050
Travel and per diem	252,626	1,772	2,961	14,457	-	49,650	321,466
Insurance	-	-	-	-	-	75,426	75,426
Depreciation and loss or disposal	-	-	-	-	-	109,151	109,151
Interest, bank fees and credit card fees	-	-	-	-	4,540	196,682	201,222
Other expenses	14,230	2,247	32,461	4,139	-	63,585	116,662
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	285,000	-	285,000
Auxiliary expenses	-	-	-	-	951,107	-	951,107
Total	\$ 11,263,591	\$ 119,280	\$ 1,158,006	\$ 1,062,985	\$ 1,240,647	\$ 1,719,388	\$ 16,563,897