

# **Kansas City Symphony**

Auditor's Report and Financial Statements

June 30, 2013 and 2012

**Kansas City Symphony**  
**June 30, 2013 and 2012**

**Contents**

**Independent Auditor's Report..... 1**

**Financial Statements**

Statements of Financial Position ..... 3  
Statements of Activities..... 7  
Statements of Cash Flows..... 9  
Notes to Financial Statements ..... 10

**Supplementary Information**

Schedule of Unrestricted Revenues ..... 30  
Schedule of Operating Expenses ..... 31

## 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, 2013 and 2012, 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 7*.

***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, 2013 and 2012, 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Kansas City, Missouri  
November 19, 2013

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2013**

**Assets**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Current Assets</b>						
Cash and cash equivalents	\$ 4,317,542	\$ 986,278		\$ 5,303,820		\$ 5,303,820
Accounts receivable	445,798			445,798		445,798
Contributions receivable, net of allowance of \$25,000	475,285	131,410	\$ 1,106,686	1,713,381	\$ 1,225,940	\$ 1,994,397
Inventory	5,395			5,395		5,395
Prepaid assets	264,979	7,463		272,442		272,442
Amounts due from (to) other funds	111,351	(169,340)	144,591	86,602	169,714	(256,316)
<b>Total current assets</b>	<b>5,620,350</b>	<b>955,811</b>	<b>1,251,277</b>	<b>7,827,438</b>	<b>1,395,654</b>	<b>1,738,081</b>
<b>Beneficial Interest in Assets Held by Others</b>			1,065,303	1,065,303	434,340	6,371,567
<b>Contributions Receivable</b>			3,026,202	3,026,202	155,512	8,592,893
<b>Property and Equipment, At Cost</b>						
Office and computer equipment	462,654			462,654		462,654
Theatrical equipment, instruments and music	615,680			615,680		615,680
Leasehold improvements	296,314			296,314		296,314
	1,374,648	-	-	1,374,648	-	-
Less accumulated depreciation	(685,700)			(685,700)		(685,700)
	688,948	-	-	688,948	-	-
<b>Total assets</b>	<b>\$ 6,309,298</b>	<b>\$ 955,811</b>	<b>\$ 5,342,782</b>	<b>\$ 12,607,891</b>	<b>\$ 1,985,506</b>	<b>\$ 16,702,541</b>
	<b>\$ 31,295,938</b>					<b>\$ 31,295,938</b>

**Kansas City Symphony**  
**Statement of Financial Position (Continued)**  
**June 30, 2013**

**Liabilities and Net Assets**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Current Liabilities</b>						
Accounts payable	\$ 416,221			\$ 416,221		\$ 416,221
Accrued expenses	507,821	\$ 315,102		822,923		822,923
Deferred revenue	3,094,119	554,259		3,648,378		3,648,378
Notes payable	25,599			25,599		25,599
Consulting obligation	-		\$ 20,000	20,000		20,000
	<u>4,043,760</u>	<u>869,361</u>	<u>20,000</u>	<u>4,933,121</u>		<u>4,933,121</u>
<b>Long-term Liabilities</b>						
Notes payable	82,391			82,391		82,391
Consulting obligation	-		13,460	13,460		13,460
	<u>4,126,151</u>	<u>869,361</u>	<u>33,460</u>	<u>5,028,972</u>		<u>5,028,972</u>
<b>Net Assets</b>						
Unrestricted	2,183,147	86,450	5,309,322	7,578,919		7,578,919
Temporarily restricted				\$ 1,985,506		1,985,506
Permanently restricted					\$ 16,702,541	16,702,541
	<u>2,183,147</u>	<u>86,450</u>	<u>5,309,322</u>	<u>1,985,506</u>	<u>16,702,541</u>	<u>26,266,966</u>
Total net assets	<u>2,183,147</u>	<u>86,450</u>	<u>5,309,322</u>	<u>1,985,506</u>	<u>16,702,541</u>	<u>26,266,966</u>
Total liabilities and net assets	<u>\$ 6,309,298</u>	<u>\$ 955,811</u>	<u>\$ 5,342,782</u>	<u>\$ 12,607,891</u>	<u>\$ 1,985,506</u>	<u>\$ 31,295,938</u>

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2012**

**Assets**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	Operating	Designated Auxiliaries	Designated Other				Total Unrestricted
<b>Current Assets</b>							
Cash and cash equivalents	\$ 3,361,628	\$ 766,434		\$ 4,128,062		\$ 4,128,062	
Accounts receivable	450,646			450,646		450,646	
Contributions receivable, net of allowance of \$15,000	565,602	178,515	\$ 20,000	764,117	\$ 192,905	957,022	
Inventory	2,118			2,118		2,118	
Prepaid assets	330,137	12,973		343,110		343,110	
Amounts due from (to) other funds	(157,917)	(163,543)	(32,620)	(354,080)	225,980	\$ 128,100	
						-	
Total current assets	<u>4,552,214</u>	<u>794,379</u>	<u>(12,620)</u>	<u>5,333,973</u>	<u>418,885</u>	<u>128,100</u>	<u>5,880,958</u>
<b>Beneficial Interest in Assets Held by Others</b>			150,205	150,205		4,533,082	4,683,287
<b>Contributions Receivable</b>		14,151	31,686	45,837	163,587	-	209,424
<b>Property and Equipment, At Cost</b>							
Office and computer equipment	462,539			462,539			462,539
Theatrical equipment, instruments and music	607,044			607,044			607,044
Leasehold improvements	278,873			278,873			278,873
	1,348,456	-	-	1,348,456	-	-	1,348,456
Less accumulated depreciation	(595,466)			(595,466)			(595,466)
	<u>752,990</u>	<u>-</u>	<u>-</u>	<u>752,990</u>	<u>-</u>	<u>-</u>	<u>752,990</u>
Total assets	<u>\$ 5,305,204</u>	<u>\$ 808,530</u>	<u>\$ 169,271</u>	<u>\$ 6,283,005</u>	<u>\$ 582,472</u>	<u>\$ 4,661,182</u>	<u>\$ 11,526,659</u>

**Kansas City Symphony**  
**Statement of Financial Position (Continued)**  
**June 30, 2012**

**Liabilities and Net Assets**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Current Liabilities</b>						
Accounts payable	\$ 252,714			\$ 252,714		\$ 252,714
Accrued expenses	421,655	\$ 295,566		717,221		717,221
Deferred revenue	2,828,543	424,788		3,253,331		3,253,331
Notes payable	24,353			24,353		24,353
Consulting obligation	-		\$ 20,000	20,000		20,000
	<u>3,527,265</u>	<u>720,354</u>	<u>20,000</u>	<u>4,267,619</u>		<u>4,267,619</u>
Total current liabilities						
<b>Long-term Liabilities</b>						
Notes payable	107,990			107,990		107,990
Consulting obligation	-		33,460	33,460		33,460
	<u>3,635,255</u>	<u>720,354</u>	<u>53,460</u>	<u>4,409,069</u>		<u>4,409,069</u>
Total liabilities						
<b>Net Assets</b>						
Unrestricted	1,669,949	88,176	115,811	1,873,936		1,873,936
Temporarily restricted				\$ 582,472		582,472
Permanently restricted					\$ 4,661,182	4,661,182
	<u>1,669,949</u>	<u>88,176</u>	<u>115,811</u>	<u>1,873,936</u>	<u>582,472</u>	<u>4,661,182</u>
Total net assets						
Total liabilities and net assets	<u>\$ 5,305,204</u>	<u>\$ 808,530</u>	<u>\$ 169,271</u>	<u>\$ 6,283,005</u>	<u>\$ 582,472</u>	<u>\$ 4,661,182</u>
						<u>\$ 11,526,659</u>



**Kansas City Symphony**  
**Statement of Activities**  
**Year Ended June 30, 2013**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Revenues, Gains and Other Support</b>						
Operating revenues provided by						
Concerts and fees	\$ 5,266,317			\$ 5,266,317		\$ 5,266,317
Contributions and grants	5,711,716		\$ 5,176,200	\$ 1,334,814	\$ 12,041,359	24,264,089
Auxiliary organizations		\$ 1,845,878		1,845,878		1,845,878
Investment income	1,419,093		26,333	1,445,426		1,445,426
Other revenue	91,830			91,830		91,830
Net assets released from designations and restrictions	1,505,405	(903,125)	(6,938)	(595,342)		-
	<u>13,994,361</u>	<u>942,753</u>	<u>5,195,595</u>	<u>739,472</u>	<u>12,041,359</u>	<u>32,913,540</u>
<b>Expenses</b>						
Artistic personnel and concert production	9,951,204			9,951,204		9,951,204
Education	109,830			109,830		109,830
Advertising, marketing and promotion	912,711			912,711		912,711
Development	869,764			869,764		869,764
Auxiliary organizations		944,479		944,479		944,479
General administration	1,637,654		2,084	1,639,738		1,639,738
	<u>13,481,163</u>	<u>944,479</u>	<u>2,084</u>	<u>14,427,726</u>	<u>-</u>	<u>14,427,726</u>
<b>Operating Gains (Losses)</b>	513,198	(1,726)	5,193,511	739,472	12,041,359	18,485,814
<b>Endowment Appreciation</b>				663,562		663,562
<b>Change in Net Assets</b>	513,198	(1,726)	5,193,511	1,403,034	12,041,359	19,149,376
<b>Net Assets, Beginning of Year</b>	1,669,949	88,176	115,811	582,472	4,661,182	7,117,590
<b>Net Assets, End of Year</b>	<u>\$ 2,183,147</u>	<u>\$ 86,450</u>	<u>\$ 5,309,322</u>	<u>\$ 1,985,506</u>	<u>\$ 16,702,541</u>	<u>\$ 26,266,966</u>

See Notes to Financial Statements

**Kansas City Symphony**  
**Statement of Activities**  
**Year Ended June 30, 2012**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Revenues, Gains and Other Support</b>						
Operating revenues provided by						
Concerts and fees	\$ 4,934,992					\$ 4,934,992
Contributions and grants	4,699,328			\$ 257,549	\$ 51,975	5,008,852
Auxiliary organizations		\$ 1,820,263				1,820,263
Investment income	1,325,607		\$ (3,580)			1,322,027
Other revenue	84,769					84,769
Net assets released from designations and restrictions	2,972,273	(869,577)	(153,675)	(1,949,021)		-
	<u>14,016,969</u>	<u>950,686</u>	<u>(157,255)</u>	<u>(1,691,472)</u>	<u>51,975</u>	<u>13,170,903</u>
<b>Expenses</b>						
Artistic personnel and concert production	9,770,713					9,770,713
Education	102,345					102,345
Advertising, marketing and promotion	957,095					957,095
Development	890,641					890,641
Auxiliary organizations		916,345				916,345
General administration	1,534,658		1,269			1,535,927
	<u>13,255,452</u>	<u>916,345</u>	<u>1,269</u>	<u>-</u>	<u>-</u>	<u>14,173,066</u>
<b>Operating Gains (Losses)</b>	761,517	34,341	(158,524)	(1,691,472)	51,975	(1,002,163)
<b>Endowment Appreciation</b>			1,597			1,597
<b>Change in Net Assets</b>	761,517	34,341	(156,927)	(1,691,472)	51,975	(1,000,566)
<b>Net Assets, Beginning of Year</b>	908,432	53,835	272,738	2,273,944	4,609,207	8,118,156
<b>Net Assets, End of Year</b>	<u>\$ 1,669,949</u>	<u>\$ 88,176</u>	<u>\$ 115,811</u>	<u>\$ 582,472</u>	<u>\$ 4,661,182</u>	<u>\$ 7,117,590</u>

**Kansas City Symphony**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Activities</b>		
Change in net assets	\$ 19,149,376	\$ (1,000,566)
Items not requiring (providing) cash		
Depreciation	155,418	167,390
Loss on disposal of fixed assets	7,064	2,966
Beneficial interest in assets held by others	(689,233)	3,253
Contributions and investment income received restricted for long-term investment	(12,041,359)	(51,975)
Changes in		
Accounts receivable	4,848	(158,015)
Contributions receivable	(4,954,589)	704,459
Prepaid expenses and other assets	67,391	190,710
Accounts payable and accrued expenses	269,209	(124,718)
Deferred revenue	395,047	378,032
Consulting obligation	(20,000)	(50,000)
	<u>2,343,172</u>	<u>61,536</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of investments	(3,053,049)	(70,205)
Proceeds from sale of investments	554,359	171,905
Purchase of property and equipment	(98,440)	(152,125)
	<u>(2,597,130)</u>	<u>(50,425)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from contributions and investment income restricted for long-term investment	1,454,069	51,975
Principal payments on long-term debt	(24,353)	(23,167)
	<u>1,429,716</u>	<u>28,808</u>
Net cash provided by financing activities		
<b>Increase in Cash and Cash Equivalents</b>	1,175,758	39,919
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,128,062</u>	<u>4,088,143</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,303,820</u>	<u>\$ 4,128,062</u>

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

#### **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 2013 and 2012 fiscal years, the Kansas City Symphony made 175 and 156 performances of more than 52 and 51 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 30 full-time production, marketing, fund development and administrative staff, under the direction of Frank Byrne, Executive Director.

The Symphony has a 23-member Board of Directors, under the leadership of Shirley Bush Helzberg, President. The 2012-13 Season was the second season for the symphony in Helzberg Hall at the Kauffman Center for the Performing Arts. Ticket sales revenue was at an all-time high.

Tickets sold to concerts continued to be high for the Classical, Pops and Family Series, which were 64,934, 13,771 and 15,874, respectively. Also there were three new series offered (Classics Uncorked, Organ Recitals and Happy Hour Concerts) which served an additional 13,667 patrons.

The Symphony also served 28,345 young people in education programs and 50,000 people at free community events. In total, the Symphony performed for more than 240,000 people during the 2013 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, 2013 and 2012**

#### ***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, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

At June 30, 2013, the Symphony's cash accounts exceeded federally insured limits by approximately \$4,768,600.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

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

Investments in equity securities having a readily determinable fair value and in all debt securities 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.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

#### ***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, 2013 and 2012.

#### ***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 statement 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, 2013 and 2012**

#### ***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, 2013 and 2012, \$222,620 and \$225,840, 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.

The Symphony files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Symphony is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

#### ***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, 2013 and 2012, prepaid marketing costs amounted to \$186,608 and \$115,572, respectively.

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

The Symphony has seven 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, 2013 and 2012, the Symphony contributed \$160,000 and \$155,000, respectively, to the Nelson-Atkins Museum of Art through proceeds of the Jewel Ball. All seven 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, 2013 and 2012

#### ***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 2012 financial statements to conform to the 2013 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, 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 7* 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, 2013 and 2012**

**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.

The Symphony records investment income and appreciation that is in excess of the Corpus of the Missouri Cultural Trust endowment in a board-designated fund, to be used for general operations of the Symphony to the extent of 5% of the market value of the endowment annually.

Also reflected as board-designated assets are the assets of the seven voluntary unincorporated auxiliaries that provide financial support through fundraising activities to the Symphony and provide opportunities for volunteer involvement to over 800 individuals annually. These auxiliaries are: The Symphony League, the Jewel Ball, the Kansas City Symphony Alliance, the Symphony Guild, the Symphony Women’s Association, the Friends of the Symphony and the Young Friends of the Symphony.

**Note 4: Contributions Receivable**

Contributions receivable consist of the following unconditional promises to give:

	<b>2013</b>	<b>2012</b>
Due in less than one year	\$ 4,958,718	\$ 967,041
Due in one to five years	8,751,127	230,306
Due in five to ten years	4,501,000	3,000
	18,210,845	1,200,347
Less allowance for uncollectible contributions	25,000	15,000
Less unamortized discount	1,477,520	18,901
	\$ 16,708,325	\$ 1,166,446

During 2013, the Symphony endowment 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% and 6% was used for 2013 and 2012, respectively.

Included in contributions receivable is a donor-restricted pledge to be used to fund consulting payments to certain musicians formerly employed by the Symphony (*see Note 14*). At June 30, 2013 and 2012, this pledge, for which payments are to be made over the next three years, is recorded at its net present value, which amounts to \$31,686 and \$51,686, respectively.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Note 5: Conditional Gifts**

The Symphony has received the following conditional promises to give at June 30 that are not recognized in the financial statements:

	<b>2013</b>	<b>2012</b>
Conditional promise to give upon the establishment of a Masterpiece Fund account meeting donors' satisfaction	\$ 3,525,000	\$ -

**Note 6: 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. 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:

Board designated investments at June 30 consist of the following:

	<b>2013</b>	<b>2012</b>
Greater Kansas City Community Foundation pooled funds	\$ 1,499,643	\$ 150,205

Investment returns on the above consisted of the following:

	<b>2013</b>	<b>2012</b>
Interest and dividend income	\$ 4,462	\$ 2,573
Net realized and unrealized gains on investments, reported at fair value	21,870	(6,153)
	\$ 26,332	\$ (3,580)

Endowment investments at June 30 consist of the following:

	<b>2013</b>	<b>2012</b>
Greater Kansas City Community Foundation pooled funds	\$ 6,371,567	\$ 4,533,082

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

Investment returns on the above consisted of the following:

	<b>2013</b>	<b>2012</b>
Interest and dividend income	\$ 82,583	\$ 77,972
Net realized and unrealized gains on investments, reported at fair value	580,979	(76,375)
	\$ 663,562	\$ 1,597

**Note 7: 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 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, 2013 and 2012, 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>2013</b>	<b>2012</b>
<b>Investments, at Fair Value</b>		
Kansas City Symphony Foundation	\$ 20,586,557	\$ 18,899,082
Greater Kansas City Community Foundation	18,392,426	16,788,967
	<b>2013</b>	<b>2012</b>
<b>Investment Income</b>		
Kansas City Symphony Foundation	\$ 592,123	\$ 532,742
Greater Kansas City Community Foundation	826,970	792,843

**Note 8: Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<b>2013</b>	<b>2012</b>
Restricted activities for use during 2014-2020	\$ 1,551,166	\$ 582,472

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

Temporarily restricted net assets totaling \$366,120 and \$1,949,021 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2013 and 2012, respectively.

Permanently restricted net assets amounted to \$16,702,541 and \$4,661,182 at June 30, 2013 and 2012, respectively. See further discussion at *Note 9* and *Note 17*.

**Note 9: Government Grants**

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$105,557 and \$155,250 for the years ended June 30, 2013 and 2012, 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 7*). 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 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 and therefore, the Symphony received no investment income during the years ended June 30, 2013 and 2012 related to the MCT.

**Note 10: 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 \$226,806 and \$218,852 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments at June 30, 2013 were:

2014	\$ 210,420
2015	210,420
2016	210,420
2017	210,420
2018	210,420
Thereafter	<u>385,770</u>
Total minimum lease payments	<u><u>\$ 1,437,870</u></u>

The Symphony also incurred other rental expense related to rental of facilities and halls for performances totaling \$369,939 and \$371,237 during the years ended June 30, 2013 and 2012, respectively.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Note 11: Line of Credit**

The Symphony currently has a \$1 million revolving bank line of credit. The line expires December 14, 2013. At June 30, 2013 and 2012, 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. During 2012, the Symphony had an additional \$250,000 revolving bank line of credit; however that revolving line of credit expired November 1, 2011.

**Note 12: Long-term Debt**

Long-term debt consists of the following note:

	<b>2013</b>	<b>2012</b>
Note payable, Sobel Properties, LLC	\$ 107,990	\$ 132,343
Less current maturities	25,599	24,353
	<b>\$ 82,391</b>	<b>\$ 107,990</b>

Due May 31, 2017; payable \$2,535 monthly to a related party, including interest at 5%; secured by office furniture.

Aggregate annual maturities of long-term debt at June 30, 2013 are:

2014	\$ 25,599
2015	26,909
2016	28,285
2017	27,197
	<b>\$ 107,990</b>

**Note 13: 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 \$61,208 and \$50,672 for the years ended June 30, 2013 and 2012, respectively.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

The Symphony's full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2013 and 2012 was 2% of compensation paid to musicians during the year. The Symphony's contribution to the Plan was \$84,335 and \$86,833 for the years ended June 30, 2013 and 2012, 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 \$242,794 and \$244,760, respectively, for June 30, 2013 and 2012.

#### ***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 \$14,128 and \$16,602 for the years ended June 30, 2013 and 2012, 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 is 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, 2013 and 2012**

The Symphony’s participation in these plans for the annual period ended June 30, 2013, 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 2013 and 2012 is for the plan’s year end at March 31, 2013 and 2012, 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 5 percent from 2013 and 2012, affecting the period-to-period comparability of the contributions for years 2013 and 2012. The significant reduction in covered employees corresponded to a reduction in overall business. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

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
		2013	2012		2013	2012	2011		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 242,794	\$ 244,760	\$ 214,445	Yes	6/30/2014
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 14,128	\$ 16,602	\$ 26,618	N/A	7/31/2014

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

**Note 14: Consulting Obligation**

The Symphony has entered into consulting agreements with several musicians formerly employed by the Symphony. The agreements provide for payments of \$10,000 per year to each individual (or in the case of death, their surviving spouse) for a period of ten years. The related liability is accrued on the accompanying statements of financial position as a consulting obligation.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Note 15: 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 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 16: 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, 2013 and 2012**

**Recurring Measurements**

The following tables present 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, 2013 and 2012:

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>June 30, 2013</b>				
Beneficial interests in assets held by others	\$ 7,871,210	\$ -	\$ 7,871,210	\$ -
<b>June 30, 2012</b>				
Beneficial interests in assets held by others	\$ 4,683,287	\$ -	\$ 4,683,287	\$ -

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, 2013.

**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, 2013 and 2012

#### **Note 17: 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). Three 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 64% in equities, 25% in fixed income, 10% in alternative funds and 1% in cash at June 30, 2013 and 2012. 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. The fair value of these funds was \$18,392,426 and \$16,788,967 as of June 30, 2013 and 2012, respectively. For one of these funds, draws are distributed on a reimbursement basis to recover costs expended based on intended purpose of the fund.

#### ***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 52% in equities, 42% in government and agency issues and 6% in cash at June 30, 2013 and 2012. The Symphony receives interest and dividend income from the KCSF for one fund, less the Foundation's management expenses in quarterly allotments. For the other 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 \$20,586,557 and \$18,899,082 as of June 30, 2013 and 2012, respectively.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

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

Additionally, the Symphony has two donor-restricted and three 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 56% in equities, 21% in fixed income, 9% in alternative funds and 14% in cash at June 30, 2013 and 2012. Draws from 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. The market value of these funds was \$7,871,211 and \$4,683,287 as of June 30, 2013 and 2012, 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

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

The composition of net assets by type of endowment fund at June 30, 2013 and 2012 was:

		<b>2013</b>			
		<b>Unrestricted</b>			
		<b>Board</b>	<b>Temporarily</b>	<b>Permanently</b>	<b>Total</b>
		<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	
Donor-restricted	endowment funds	\$ (33,912)	\$ 434,340	\$ 6,265,251	\$ 6,665,679
Board-designated	endowment funds	1,205,531	-	-	1,205,531
Total endowment funds		\$ 1,171,619	\$ 434,340	\$ 6,265,251	\$ 7,871,210
		<b>2012</b>			
		<b>Unrestricted</b>			
		<b>Board</b>	<b>Temporarily</b>	<b>Permanently</b>	<b>Total</b>
		<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	
Donor-restricted	endowment funds	\$ (101,506)	\$ -	\$ 4,661,182	\$ 4,559,676
Board-designated	endowment funds	123,611	-	-	123,611
Total endowment funds		\$ 22,105	\$ -	\$ 4,661,182	\$ 4,683,287

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

Changes in endowment net assets for the years ended June 30, 2013 and 2012 were:

	<b>2013</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 22,105	\$ -	\$ 4,661,182	\$ 4,683,287
Investment return				
Investment income	3,802	82,582	-	86,384
Net appreciation	21,870	580,980	-	602,850
Total investment return	25,672	663,562	-	689,234
Contributions	1,448,979	-	1,604,069	3,053,048
Appropriation of endowment assets for expenditure	(6,938)	(229,222)	-	(236,160)
Transfers	(318,199)	-	-	(318,199)
Endowment net assets, end of year	<u>\$ 1,171,619</u>	<u>\$ 434,340</u>	<u>\$ 6,265,251</u>	<u>\$ 7,871,210</u>
	<b>2012</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 179,033	\$ -	\$ 4,609,207	\$ 4,788,240
Investment return				
Investment income	79,275	-	-	79,275
Net depreciation	(82,528)	-	-	(82,528)
Total investment return	(3,253)	-	-	(3,253)
Contributions	18,230	-	51,975	70,205
Appropriation of endowment assets for expenditure	(171,905)	-	-	(171,905)
Endowment net assets, end of year	<u>\$ 22,105</u>	<u>\$ -</u>	<u>\$ 4,661,182</u>	<u>\$ 4,683,287</u>

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2013 and 2012, consisted of:

	<b>2013</b>	<b>2012</b>
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 6,265,251	\$ 4,661,182

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. There was no cash deficiency, in total, at June 30, 2013. The amount of such deficiency was \$101,506 at June 30, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred after investment.

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 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.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Note 18: 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, 2013 and 2012 were approximately \$24,579,000 and \$1,052,000, respectively.

At June 30, 2013 and 2012, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements was approximately \$19,773,000 and \$1,052,000, 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 conditional pledges (see *Note 5*), 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 19: 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 and musicians agreements expire in 2014.

***Contributions***

During 2013, two of the Symphony's donors represented 61% and in 2012 five of the Symphony's donors represented 43% of the total contribution and grant revenue.

***Beneficial Interest in Assets Held by Others***

The Symphony invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

**Note 20: 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, 2013 and 2012**

<b>Revenues</b>	<u><b>2013</b></u>	<u><b>2012</b></u>
Ticket sales	\$ 4,296,227	\$ 3,845,652
Performance fees	970,090	1,089,340
Investments and other sources	1,537,256	1,406,796
Individual, corporate and foundation donations	10,712,847	4,501,712
Government grants	175,069	197,616
Auxiliary contributions	1,845,878	1,820,263
Net assets released from designations and restrictions	<u>595,342</u>	<u>1,949,021</u>
	<u><u>\$ 20,132,709</u></u>	<u><u>\$ 14,810,400</u></u>

**Kansas City Symphony**  
**Schedule of Operating Expenses**  
**Year Ended June 30, 2013**

	<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	\$ 6,946,236	\$ -	\$ -	\$ 1,763	\$ -	\$ -	\$ 6,947,999
Staff, salaries and benefits	852,479	79,217	249,511	493,866	-	617,144	2,292,217
Guest artists, conductors and composers	623,447	-	-	-	-	-	623,447
Stagehands, salaries and benefits	110,830	-	-	-	-	-	110,830
Concert production expenses	793,425	499	-	-	-	-	793,924
Professional fees	253,924	550	42,346	187,577	-	197,179	681,576
Office rent, utilities and maintenance	-	-	-	-	-	246,076	246,076
Office supplies and other expenses	61,368	18,692	26,880	127,163	-	61,870	295,973
Printing, art and photography	2,590	5,647	147,502	27,411	-	469	183,619
Advertising and promotion	5,392	-	315,656	106	-	-	321,154
Postage	18,374	1,811	88,420	10,913	-	5,541	125,059
Telephone	21,060	853	2,836	5,977	-	7,250	37,976
Travel and per diem	232,401	299	7,783	12,198	-	40,755	293,436
Insurance	-	-	-	-	-	73,282	73,282
Depreciation and loss or disposal	-	-	-	-	-	162,482	162,482
Interest, bank fees and credit card fees	-	-	-	-	2,098	164,684	166,782
Other expenses	29,678	2,262	31,777	2,790	-	63,006	129,513
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	160,000	-	160,000
Auxiliary expenses	-	-	-	-	782,381	-	782,381
<b>Total</b>	<b>\$ 9,951,204</b>	<b>\$ 109,830</b>	<b>\$ 912,711</b>	<b>\$ 869,764</b>	<b>\$ 944,479</b>	<b>\$ 1,639,738</b>	<b>\$ 14,427,726</b>

**Kansas City Symphony**  
**Schedule of Operating Expenses**  
**Year Ended June 30, 2012**

	<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	\$ 6,725,959	\$ -	\$ -	\$ 2,013	\$ -	\$ -	\$ 6,727,972
Staff, salaries and benefits	789,795	76,379	267,204	462,286	-	578,761	2,174,425
Guest artists, conductors and composers	750,882	-	-	-	-	-	750,882
Stagehands, salaries and benefits	122,140	-	-	-	-	-	122,140
Concert production expenses	749,564	-	-	-	-	-	749,564
Professional fees	254,462	600	79,932	240,750	-	132,530	708,274
Office rent, utilities and maintenance	1,364	-	-	-	-	238,181	239,545
Office supplies and other expenses	47,173	16,953	12,861	127,271	-	73,936	278,194
Printing, art and photography	2,694	3,205	151,770	27,285	-	-	184,954
Advertising and promotion	5,707	-	360,388	1,107	-	-	367,202
Postage	20,344	1,184	65,434	12,213	-	5,251	104,426
Telephone	21,143	839	2,715	5,699	-	6,693	37,089
Travel and per diem	249,445	130	2,498	10,560	-	41,062	303,695
Insurance	-	-	-	-	-	74,374	74,374
Depreciation and loss or disposal	-	-	-	-	-	170,356	170,356
Interest, bank fees and credit card fees	-	-	-	-	2,571	165,186	167,757
Other expenses	30,041	3,055	14,293	1,457	-	49,597	98,443
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	155,000	-	155,000
Auxiliary expenses	-	-	-	-	758,774	-	758,774
	<u>\$ 9,770,713</u>	<u>\$ 102,345</u>	<u>\$ 957,095</u>	<u>\$ 890,641</u>	<u>\$ 916,345</u>	<u>\$ 1,535,927</u>	<u>\$ 14,173,066</u>