

# **Kansas City Symphony**

Independent Auditor's Report and Financial Statements

June 30, 2015 and 2014



**Kansas City Symphony**  
**June 30, 2015 and 2014**

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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, 2015 and 2014, 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, 2015 and 2014, 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  
October 23, 2015

**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	
<b>Current Assets</b>										
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
<b>Beneficial Interest in Assets Held by Others</b>			5,102,288	147,097	5,249,385	1,484,086	11,219,781	4,134,647	15,354,428	22,087,899
<b>Certificates of Deposit</b>	1,486,235				1,486,235					1,486,235
<b>Contributions Receivable</b>					-	528,320	10,641,096	193,165	10,834,261	11,362,581
<b>Property and Equipment, at Cost</b>										
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	
<b>Current Liabilities</b>										
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
<b>Net Assets</b>										
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 Financial Position**  
**June 30, 2014**

**Assets**

	Unrestricted					Temporarily Restricted	Permanently Restricted			Total
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted		Restricted Masterpiece	Restricted Other	Total Permanently Restricted	
<b>Current Assets</b>										
Cash and cash equivalents	\$ 4,764,754	\$ 1,045,797			\$ 5,810,551					\$ 5,810,551
Accounts receivable	137,944				137,944					137,944
Contributions receivable, net of allowance of \$30,000	681,265	111,860	\$ 1,000,000	\$ 11,686	1,804,811	\$ 229,815	\$ 4,252,250	\$ 401,253	\$ 4,653,503	6,688,129
Inventory	5,767				5,767					5,767
Prepaid assets	333,884	11,963			345,847					345,847
Amounts due from (to) other funds	(47,550)	(330,947)	74,999	2,831	(300,667)	299,665	1,002		1,002	-
Total current assets	<u>5,876,064</u>	<u>838,673</u>	<u>1,074,999</u>	<u>14,517</u>	<u>7,804,253</u>	<u>529,480</u>	<u>4,253,252</u>	<u>401,253</u>	<u>4,654,505</u>	<u>12,988,238</u>
<b>Beneficial Interest in Assets Held by Others</b>			2,124,820	148,639	2,273,459	1,441,558	6,603,907	3,824,954	10,428,861	14,143,878
<b>Contributions Receivable</b>			1,906,560		1,906,560	296,727	13,166,293	395,204	13,561,497	15,764,784
<b>Property and Equipment, at Cost</b>										
Office and computer equipment	462,851				462,851					462,851
Theatrical equipment, instruments and music	621,761				621,761					621,761
Leasehold improvements	296,314				296,314					296,314
	1,380,926	-	-	-	1,380,926	-	-	-	-	1,380,926
Less accumulated depreciation	(783,944)				(783,944)					(783,944)
	<u>596,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,982</u>
Total assets	<u>\$ 6,473,046</u>	<u>\$ 838,673</u>	<u>\$ 5,106,379</u>	<u>\$ 163,156</u>	<u>\$ 12,581,254</u>	<u>\$ 2,267,765</u>	<u>\$ 24,023,452</u>	<u>\$ 4,621,411</u>	<u>\$ 28,644,863</u>	<u>\$ 43,493,882</u>

**Kansas City Symphony**  
**Statement of Financial Position (Continued)**  
**June 30, 2014**

**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	
<b>Current Liabilities</b>										
Accounts payable	\$ 348,644				\$ 348,644					\$ 348,644
Accrued expenses	536,188	\$ 425,863			962,051					962,051
Deferred revenue	2,907,914	424,705			3,332,619					3,332,619
Consulting obligation				\$ 13,460	13,460					13,460
Total current liabilities	3,792,746	850,568		13,460	4,656,774					4,656,774
<b>Net Assets</b>										
Unrestricted	2,680,300	(11,895)	\$ 5,106,379	149,696	7,924,480					7,924,480
Temporarily restricted						\$ 2,267,765				2,267,765
Permanently restricted							\$ 24,023,452	\$ 4,621,411	\$ 28,644,863	28,644,863
Total net assets	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
Total liabilities and net assets	\$ 6,473,046	\$ 838,673	\$ 5,106,379	\$ 163,156	\$ 12,581,254	\$ 2,267,765	\$ 24,023,452	\$ 4,621,411	\$ 28,644,863	\$ 43,493,882



**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
<b>Revenues, Gains and Other Support</b>										
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	\$ 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)	-	-	-	
	15,634,747	1,249,084	80,363	(1,167)	16,963,027	139,445	975,722	7,461	983,183	18,085,655
<b>Expenses</b>										
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
	15,313,419	1,240,647	9,455	376	16,563,897	-	-	-	-	16,563,897
<b>Operating Gains (Losses)</b>	321,328	8,437	70,908	(1,543)	399,130	139,445	975,722	7,461	983,183	1,521,758
<b>Endowment Appreciation</b>					-	494,383			-	494,383
<b>Change in Net Assets</b>	321,328	8,437	70,908	(1,543)	399,130	633,828	975,722	7,461	983,183	2,016,141
<b>Net Assets, Beginning of Year</b>	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
<b>Net Assets, End of Year</b>	\$ 3,001,628	\$ (3,458)	\$ 5,177,287	\$ 148,153	\$ 8,323,610	\$ 2,901,593	\$ 24,999,174	\$ 4,628,872	\$ 29,628,046	\$ 40,853,249

**Kansas City Symphony**  
**Statement of Activities**  
**Year Ended June 30, 2014**

	Unrestricted				Permanently Restricted				Total	
	Operating	Designated Auxiliaries	Designated Masterpiece	Designated Other	Total Unrestricted	Temporarily Restricted	Restricted Masterpiece	Restricted Other		Permanently Restricted
<b>Revenues, Gains and Other Support</b>										
Operating revenues provided by										
Concerts and fees	\$ 6,027,294				\$ 6,027,294				\$ 6,027,294	
Contributions and grants	4,588,583		\$ 105,360		4,693,943	\$ 330,227	\$ 11,963,118	\$ (20,796)	\$ 11,942,322	
Auxiliary organizations		\$ 2,531,805			2,531,805				-	
Investment income	496,644		1,075,000	\$ 23,194	1,594,838				-	
Other revenue	76,786				76,786				-	
Transfers due to change in donor restrictions and designations	1,000,000		(1,142,276)	(82,724)	(225,000)	225,000			-	
Net assets released from designations and restrictions	3,192,382	(1,484,929)	(102,421)	75,160	1,680,192	(1,680,192)			-	
	<u>15,381,689</u>	<u>1,046,876</u>	<u>(64,337)</u>	<u>15,630</u>	<u>16,379,858</u>	<u>(1,124,965)</u>	<u>11,963,118</u>	<u>(20,796)</u>	<u>11,942,322</u>	<u>27,197,215</u>
<b>Expenses</b>										
Artistic personnel and concert production	11,012,561				11,012,561				-	
Education	115,863				115,863				-	
Advertising, marketing and promotion	1,069,042				1,069,042				-	
Development	973,384				973,384				-	
Auxiliary organizations		1,145,221			1,145,221				-	
General administration	1,713,686		4,178	362	1,718,226				-	
	<u>14,884,536</u>	<u>1,145,221</u>	<u>4,178</u>	<u>362</u>	<u>16,034,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,034,297</u>
<b>Operating Gains (Losses)</b>	497,153	(98,345)	(68,515)	15,268	345,561	(1,124,965)	11,963,118	(20,796)	11,942,322	11,162,918
<b>Endowment Appreciation</b>					-	1,407,224			-	1,407,224
<b>Change in Net Assets</b>	497,153	(98,345)	(68,515)	15,268	345,561	282,259	11,963,118	(20,796)	11,942,322	12,570,142
<b>Net Assets, Beginning of Year</b>	2,183,147	86,450	5,174,894	134,428	7,578,919	1,985,506	12,060,334	4,642,207	16,702,541	26,266,966
<b>Net Assets, End of Year</b>	<u>\$ 2,680,300</u>	<u>\$ (11,895)</u>	<u>\$ 5,106,379</u>	<u>\$ 149,696</u>	<u>\$ 7,924,480</u>	<u>\$ 2,267,765</u>	<u>\$ 24,023,452</u>	<u>\$ 4,621,411</u>	<u>\$ 28,644,863</u>	<u>\$ 38,837,108</u>

**Kansas City Symphony**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating Activities</b>		
Change in net assets	\$ 2,016,141	\$ 12,570,142
Items not requiring (providing) cash		
Depreciation	109,076	140,219
Loss on disposal of fixed assets	75	6,197
Beneficial interest in assets held by others	(582,712)	(1,673,758)
Contributions and investment income received restricted for long-term investment	(975,722)	(11,942,322)
Changes in		
Accounts receivable	(37,329)	307,854
Contributions receivable	2,440,008	1,883,122
Prepaid expenses and other assets	(155,304)	(73,777)
Accounts payable and accrued expenses	533,063	71,551
Deferred revenue	248,372	(315,759)
Consulting obligation	(13,460)	(20,000)
	<u>3,582,208</u>	<u>953,469</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of investments	(10,598,878)	(9,092,381)
Proceeds from sale of investments	1,751,334	4,493,471
Purchase of property and equipment	(88,460)	(54,450)
	<u>(8,936,004)</u>	<u>(4,653,360)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from contributions and investment income restricted for long-term investment	4,915,167	4,314,612
Principal payments on long-term debt	-	(107,990)
	<u>4,915,167</u>	<u>4,206,622</u>
Net cash provided by financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(438,629)	506,731
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,810,551</u>	<u>5,303,820</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,371,922</u>	<u>\$ 5,810,551</u>

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2015 and 2014**

#### **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 2015 and 2014 fiscal years, the Kansas City Symphony made 185 performances of more than 65 and 61 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 35 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 2014-15 Season was the fourth 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 63,232, 13,236 and 12,853, respectively. Also Classics Uncorked, Organ Recitals and Happy Hour Concerts served an additional 18,655 patrons. The Symphony also served 41,867 young people in education programs and 15,000 people at free community events. In total, the Symphony performed for more than 200,000 people during the 2015 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, 2015 and 2014**

#### ***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, 2015 and 2014, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

At June 30, 2015, the Symphony's cash accounts exceeded federally insured limits by approximately \$4,400,000.

#### ***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, individual credit evaluations and specific circumstances of the customer.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

***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, 2015 and 2014.

***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, 2015 and 2014**

#### ***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, 2015 and 2014, \$168,226 and \$165,677, 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, 2015 and 2014, prepaid marketing costs amounted to \$292,911 and \$228,757, 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, 2015 and 2014, the Symphony contributed \$285,000 and \$200,000, respectively, to the Nelson-Atkins Museum of Art through proceeds of the Jewel Ball. All five organizations fall under the tax-exempt status of the Symphony and are operating within its legal auspices and, therefore, have been incorporated on a gross basis within the accompanying financial statements.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2015 and 2014

#### ***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 2014 financial statements to conform to the 2015 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 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:

	<b>2015</b>	<b>2014</b>
Due in less than one year	\$ 4,750,879	\$ 6,718,129
Due in one to five years	9,411,132	13,276,000
Due in five to ten years	3,061,000	4,132,449
	17,223,011	24,126,578
Less allowance for uncollectible contributions	40,000	30,000
Less unamortized discount	1,109,551	1,643,665
	\$ 16,073,460	\$ 22,452,913

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 2015 and 2014.

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 12*). At June 30, 2015 and 2014, this pledge, for which payments are to be made over the next year, is recorded at its net present value, which amounts to \$0 and \$11,686, respectively.

**Kansas City Symphony**  
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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 15*. The fair value of the retained beneficial interest included in the statements of financial position and investment income included in the statements of activities is as follows:

	<b>2015</b>	<b>2014</b>
Greater Kansas City Community Foundation pooled funds	\$ 22,087,899	\$ 14,143,878

Investment returns on the above consisted of the following:

	<b>2015</b>	<b>2014</b>
Interest and dividend income	\$ 339,426	\$ 240,796
Net realized and unrealized gains on investments, reported at fair value	290,379	1,401,293
	\$ 629,805	\$ 1,642,089

**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, 2015 and 2014, 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>2015</b>	<b>2014</b>
<b>Investments, at Fair Value</b>		
Kansas City Symphony Foundation	\$ 27,370,451	\$ 24,271,160
Greater Kansas City Community Foundation	20,321,863	20,420,794
	<b>2015</b>	<b>2014</b>
<b>Investment Income</b>		
Kansas City Symphony Foundation	\$ 541,696	\$ 496,650
Greater Kansas City Community Foundation	956,832	887,122

**Kansas City Symphony**  
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**Note 7: Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<b>2015</b>	<b>2014</b>
Restricted activities for use during 2016-2021	\$ 2,901,593	\$ 2,267,765

Temporarily restricted net assets totaling \$913,553 and \$1,680,192 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2015 and 2014, respectively.

Permanently restricted net assets amounted to \$29,628,046 and \$28,644,863 at June 30, 2015 and 2014, respectively. See further discussion at *Note 8* and *Note 15*.

**Note 8: Government Grants**

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$112,375 and \$119,939 for the years ended June 30, 2015 and 2014, 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 2015, the Symphony received a contribution from the MCT in the amount of \$92,500.

**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 \$243,180 and \$243,129 for the years ended June 30, 2015 and 2014, respectively.

**Kansas City Symphony**  
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Future minimum lease payments at June 30, 2015 were:

2016	\$	210,420
2017		210,420
2018		210,420
2019		210,420
2020		175,350
Total minimum lease payments	\$	1,017,030

The Symphony also incurred other rental expense related to rental of facilities and halls for performances totaling \$448,165 and \$438,883 during the years ended June 30, 2015 and 2014, respectively.

**Note 10: Line of Credit**

The Symphony currently has a \$1 million revolving bank line of credit. The line expires January 14, 2016. At June 30, 2015 and 2014, 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 \$72,590 and \$69,659 for the years ended June 30, 2015 and 2014, respectively.

The Symphony's full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2015 and 2014 was 2% of compensation paid to musicians during the year. The Symphony's contribution to the Plan was \$95,938 and \$92,887 for the years ended June 30, 2015 and 2014, 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 \$315,117 and \$264,737, respectively, for June 30, 2015 and 2014.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2015 and 2014**

#### ***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 \$17,358 and \$18,212 for the years ended June 30, 2015 and 2014, 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, 2015, 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 2015 and 2014 is for the plan's year end at March 31, 2014 and 2013, 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 increased by 7 percent 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. The number of employees covered by the Symphony's multiemployer plans decreased by 5% from 2014 and 2013, affecting the period-to-period comparability of the contributions for years 2014 and 2013. The reduction in covered employees correspond to a reduction in overall business.

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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
		2015	2014		2015	2014	2013		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 315,117	\$ 264,737	\$ 242,794	Yes	6/30/2017
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 17,358	\$ 18,212	\$ 14,128	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: 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. The Symphony's liability related to this consulting agreement was \$0 and \$13,460 at June 30, 2015 and 2014, respectively.

**Note 13: 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.

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**Note 14: 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

***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, 2015 and 2014:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2015</b>				
Certificates of deposits	\$ 1,486,235	\$ -	\$ 1,486,235	\$ -
Beneficial interests in assets held by others	22,087,899	-	22,087,899	-
<b>June 30, 2014</b>				
Beneficial interests in assets held by others	\$ 14,143,878	\$ -	\$ 14,143,878	\$ -

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, 2015.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2015 and 2014

#### ***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, 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 15: 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, 2015 and 65% in equities, 25% in fixed income and 10% in alternative funds at June 30, 2014. 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. The fair value of these funds was \$20,321,863 and \$20,420,794 as of June 30, 2015 and 2014, 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 59% in equities, 32% in government and agency issues and 9% in cash and other investments at June 30, 2015. The Symphony Foundation's funds had approximately 53% in equities, 40% in government and agency issues and 7% in cash at June 30, 2014. The Symphony receives interest



# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2015 and 2014**

and dividend income from the KCSF for one fund, less the Foundation's management expenses in quarterly allotments. For the other three funds, 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 \$27,370,451 and \$24,271,160 as of June 30, 2015 and 2014, respectively.

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

Additionally, the Symphony has four 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, 2015 and 65% in equities, 25% in fixed income and 10% in alternative funds at June 30, 2014. 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 three donor-restricted funds are calculated annually to be 4% of the 8-quarter average market value of the fund at March 31 and are distributable to the Symphony in quarterly allotments. The market value of these funds was \$22,087,899 and \$14,143,878 as of June 30, 2015 and 2014, 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, 2015 and 2014 was:

	<b>2015</b>				
	<b>Unrestricted</b>		<b>Temporarily</b>	<b>Permanently</b>	
	<b>Board</b>	<b>Temporarily</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
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	
	<b>2014</b>				
	<b>Unrestricted</b>		<b>Temporarily</b>	<b>Permanently</b>	
	<b>Board</b>	<b>Temporarily</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,441,558	\$ 10,428,861	\$ 11,870,419	
Board-designated endowment funds	2,273,459	-	-	2,273,459	
Total endowment funds	\$ 2,273,459	\$ 1,441,558	\$ 10,428,861	\$ 14,143,878	

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Changes in endowment net assets for the years ended June 30, 2015 and 2014 were:

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
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>
	<b>2014</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 1,171,619	\$ 434,340	\$ 6,265,251	\$ 7,871,210
Investment return				
Investment income	88,850	123,615	-	212,465
Net appreciation	626,087	775,205	-	1,401,292
Total investment return	714,937	898,820	-	1,613,757
Contributions	2,004,063	475,024	4,163,610	6,642,697
Appropriation of endowment assets for expenditure	(1,617,160)	(366,626)	-	(1,983,786)
Endowment net assets, end of year	<u>\$ 2,273,459</u>	<u>\$ 1,441,558</u>	<u>\$ 10,428,861</u>	<u>\$ 14,143,878</u>

**Kansas City Symphony**  
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Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2015 and 2014, consisted of:

	<b>2015</b>	<b>2014</b>
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 15,354,428	\$ 10,428,861

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, 2015 and 2014 were (\$79,001) and \$0, 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.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2015 and 2014

#### **Note 16: 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, 2015 and 2014 were approximately \$44,948,000 and \$40,633,000, respectively.

During June 30, 2015 and 2014, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements were approximately \$976,000 and \$11,963,000, 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 17: 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 2017.

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

During 2015, four of the Symphony's donors represented 31% and, in 2014, four of the Symphony's donors represented 57% of the total contribution and grant revenue.

During 2015, two of the Symphony's donors represented 24% and, in 2014, two of the Symphony's donors represented 14% 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, 2015 and 2014**

***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 14*.

***Contributions Receivable***

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

**Note 18: 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, 2015 and 2014**

<b>Revenues</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Ticket sales	\$ 4,748,481	\$ 4,953,254
Performance fees	1,049,797	1,074,040
Investments and other sources	1,784,571	1,671,624
Individual, corporate and foundation donations	5,816,157	4,481,459
Government grants	222,475	212,484
Auxiliary contributions	2,427,993	2,531,805
Transfers of net assets	-	(225,000)
Net assets released from designations and restrictions	913,553	1,680,192
	<u><u>\$ 16,963,027</u></u>	<u><u>\$ 16,379,858</u></u>



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

	<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	\$ 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
<b>Total</b>	<b>\$ 11,263,591</b>	<b>\$ 119,280</b>	<b>\$ 1,158,006</b>	<b>\$ 1,062,985</b>	<b>\$ 1,240,647</b>	<b>\$ 1,719,388</b>	<b>\$ 16,563,897</b>

**Kansas City Symphony**  
**Schedule of Operating Expenses**  
**Year Ended June 30, 2014**

	<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	\$ 7,355,926	\$ -	\$ -	\$ 4,886	\$ -	\$ -	\$ 7,360,812
Staff, salaries and benefits	881,674	88,414	280,812	575,427	-	647,715	2,474,042
Guest artists, conductors and composers	964,737	-	-	-	-	-	964,737
Stagehands, salaries and benefits	132,565	-	-	-	-	-	132,565
Concert production expenses	980,634	-	-	-	-	-	980,634
Professional fees	317,959	2,000	40,934	155,991	-	199,377	716,261
Office rent, utilities and maintenance	-	-	-	-	-	262,663	262,663
Office supplies and other expenses	70,936	9,245	37,407	177,681	-	56,757	352,026
Printing, art and photography	3,117	8,569	137,187	30,472	-	-	179,345
Advertising and promotion	5,402	-	435,109	36	-	-	440,547
Postage	18,842	2,083	107,379	13,518	-	4,125	145,947
Telephone	19,624	749	2,496	5,741	-	5,935	34,545
Travel and per diem	241,355	2,397	3,418	7,572	-	53,370	308,112
Insurance	-	-	-	-	-	74,704	74,704
Depreciation and loss or disposal	-	-	-	-	-	146,416	146,416
Interest, bank fees and credit card fees	-	-	-	-	3,543	183,596	187,139
Other expenses	19,790	2,406	24,300	2,060	-	83,568	132,124
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	200,000	-	200,000
Auxiliary expenses	-	-	-	-	941,678	-	941,678
<b>Total</b>	<b>\$ 11,012,561</b>	<b>\$ 115,863</b>	<b>\$ 1,069,042</b>	<b>\$ 973,384</b>	<b>\$ 1,145,221</b>	<b>\$ 1,718,226</b>	<b>\$ 16,034,297</b>