Kansas City Symphony

Accountants' Report and Financial Statements

June 30, 2009 and 2008

BKD LLP
CPAs & Advisors

Kansas City Symphony

June 30, 2009 and 2008

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Independent Accountants' Report

Board of Directors
Kansas City Symphony
Kansas City, Missouri

We have audited the accompanying statements of financial position of Kansas City Symphony as of June 30, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Symphony's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 market value of investments and the related income of the third-party foundation are set forth in *Note 7*.

In our opinion, except for the effects on the financial statements of the omission of the Symphony's beneficial interest in net assets held by a third-party foundation as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas City Symphony as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, in 2009 the Symphony changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards, No. 157.

As discussed in Note 16, in 2009 the Symphony changed its method of accounting for cash and cash equivalents by retroactively restating prior years' financial statements.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ **BKD, LLP**

October 30, 2009

Kansas City Symphony
Statements of Financial Position
June 30, 2009
(with Comparative Totals for 2008)

Assets

	Unrestricted							Comparative Totals
	Operating	Designated Auxiliaries	Designated Other	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	2008 (Restated)
Current Assets								
Cash and cash equivalents	$ 1,075,883	$ 545,079		$ 1,620,962			$ 1,620,962	$ 2,040,551
Accounts receivable, net of allowance of 2009 - $14,500 and 2008 - $15,000	229,226			229,226			229,226	546,842
Contributions receivable	1,524,870	69,140		1,594,010			1,594,010	1,436,117
Inventory	3,084			3,084			3,084	-
Prepaid assets	361,527	6,476		368,003			368,003	330,313
Amounts due from (to) other funds	(315,105)	(143,012)	$ (803,294)	(1,261,411)	$ 368,435	$ 892,976	-	-
Total current assets	2,879,485	477,683	(803,294)	2,553,874	368,435	892,976	3,815,285	4,353,823
Beneficial Interest in Assets Held by Others			387,773	387,773		2,521,767	2,909,540	3,770,099
Contributions Receivable			152,015	152,015	188,135		340,150	770,361
Property and Equipment, At Cost								
Office and computer equipment	457,926			457,926			457,926	424,881
Theatrical equipment, instruments and music	561,837			561,837			561,837	495,440
Leasehold improvements	480,831			480,831			480,831	477,783
	1,500,594	-	-	1,500,594	-	-	1,500,594	1,398,104
Less accumulated depreciation	(1,030,723)			(1,030,723)			(1,030,723)	(909,097)
	469,871	-	-	469,871	-	-	469,871	489,007
Total assets	$ 3,349,356	$ 477,683	$ (263,506)	$ 3,563,533	$ 556,570	$ 3,414,743	$ 7,534,846	$ 9,383,290

See Notes to Financial Statements

Kansas City Symphony
Statements of Financial Position
June 30, 2009
(with Comparative Totals for 2008)

Liabilities and Net Assets

	Unrestricted							Comparative Totals
	Operating	Designated Auxiliaries	Designated Other	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	2008 (Restated)
Current Liabilities								
Accounts payable	$ 291,479			$ 291,479			$ 291,479	$ 286,914
Accrued expenses	368,238	$ 308,644		676,882			676,882	845,006
Deferred revenue	1,458,741	99,487		1,558,228			1,558,228	2,008,446
Consulting obiligation	20,000		$ 40,000	60,000			60,000	60,000
Total current liabilities	2,138,458	408,131	40,000	2,586,589			2,586,589	3,200,366
Long Term Liabilities								
Consulting obligation	88,668		112,015	200,683			200,683	198,891
Total liabilities	2,227,126	408,131	152,015	2,787,272			2,787,272	3,399,257
Net Assets								
Unrestricted	1,122,230	69,552	(415,521)	776,261			776,261	1,798,371
Temporarily restricted				-	$ 556,570		556,570	781,107
Permanently restricted				-		$ 3,414,743	3,414,743	3,404,555
Total net assets	1,122,230	69,552	(415,521)	776,261	556,570	3,414,743	4,747,574	5,984,033
Total liabilities and net assets	$ 3,349,356	$ 477,683	$ (263,506)	$ 3,563,533	$ 556,570	$ 3,414,743	$ 7,534,846	$ 9,383,290

See Notes to Financial Statements

Kansas City Symphony

Statements of Activities

June 30, 2009

(with Comparative Totals for 2008)

	Unrestricted							Comparative
		Designated	Designated		Temporarily	Permanently	Total	Totals
	Operating	Auxiliaries	Other	Total	Restricted	Restricted	2009	2008
Revenues, Gains and Other Support								
Operating revenues provided by								
Concerts and fees	$ 3,313,496			$ 3,313,496			$ 3,313,496	$ 3,405,990
Contributions and grants	5,498,768		(16,540)	5,482,228	$ 152,422	$ 10,188	5,644,838	5,713,650
Auxiliary organizations		$ 2,071,702		2,071,702			2,071,702	2,145,038
Investments and other sources	1,567,541		$ (134,647)	1,432,894			1,432,894	1,517,598
	10,379,805	2,071,702	(151,187)	12,300,320	152,422	10,188	12,462,930	12,782,276
Expenses								
Artistic personnel and concert production	8,932,967			8,932,967			8,932,967	8,506,022
Education	77,199			77,199			77,199	74,264
Advertising, marketing and promotion	1,016,612			1,016,612			1,016,612	1,012,240
Development	678,091			678,091			678,091	714,615
Auxiliary organizations		921,287		921,287			921,287	958,697
General administration	1,466,734		1,510	1,468,244			1,468,244	1,334,686
	12,171,603	921,287	1,510	13,094,400			13,094,400	12,600,524
Operating gains (losses)	(1,791,798)	1,150,415	(152,697)	(794,080)	152,422	10,188	(631,470)	181,752
Net assets released from designations and restrictions	1,657,984	(1,140,881)	(140,144)	376,959	(376,959)		-	-
Change in Net Assets Before Endowment Depreciation	(133,814)	9,534	(292,841)	(417,121)	(224,537)	10,188	(631,470)	181,752
Endowment Depreciation			(573,685)	(573,685)			(573,685)	(152,279)
Change in Net Assets Before Contributions to Others	(133,814)	9,534	(866,526)	(990,806)	(224,537)	10,188	(1,205,155)	29,473
Contribution to Others		-	(31,304)	(31,304)			(31,304)	(88,755)
Change in Net Assets	(133,814)	9,534	(897,830)	(1,022,110)	(224,537)	10,188	(1,236,459)	(59,282)
Net Assets, Beginning of Year	1,256,044	60,018	482,309	1,798,371	781,107	3,404,555	5,984,033	6,043,315
Net Assets, End of Year	$ 1,122,230	$ 69,552	$ (415,521)	$ 776,261	$ 556,570	$ 3,414,743	$ 4,747,574	$ 5,984,033

See Notes to Financial Statements

Kansas City Symphony

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008 (Restated)
Operating Activities		
Change in net assets	$ (1,236,459)	$ (59,282)
Items not requiring (providing) cash		
Depreciation	136,540	106,640
Loss on disposal of fixed assets	354	7,272
Net realized and unrealized gains on investments	-	(774)
Beneficial interest in assets held by others	860,559	370,736
Changes in		
Accounts receivable	317,616	63,081
Contributions receivable	272,318	(392,794)
Prepaid expenses and other assets	(40,774)	24,975
Accounts payable and accrued expenses	(163,559)	535,341
Deferred income	(450,218)	656,335
Consulting obligation	1,792	(17,551)
Net cash provided by (used in) operating activities	(301,831)	1,293,979
Investing Activities		
Sale of investments	-	120,000
Purchase of property and equipment	(117,758)	(201,968)
Net cash used in investing activities	(117,758)	(81,968)
Increase (Decrease) in Cash and Cash Equivalents	(419,589)	1,212,011
Cash and Cash Equivalents, Beginning of Year	2,040,551	828,540
Cash and Cash Equivalents, End of Year	$ 1,620,962	$ 2,040,551

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 2009 fiscal year, the Kansas City Symphony made 240 performances of more than 40 distinct programs. 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 Assistant Conductor, there are 27 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, which can be expanded to 24 members based upon its bylaws. The Board has begun to focus on the Symphony's future move into the Kauffman Center for the Performing Arts, anticipated in 2011. A committee of the board has been appointed to examine the artistic, marketing and fund raising implications of this major change in operations and to assure that the Symphony is prepared for successful transition to and residence in its new home.

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.

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Organization has elected to defer the effective date of FASB Interpretation No. 45 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ended June 30, 2010. The Organization has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

Cash Equivalents

The Symphony considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009 and 2008, cash equivalents consisted primarily of money market accounts and repurchase agreements with brokers.

The financial institution holding the Symphony's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to $250,000. The increase in federally insured limits is currently set to expire December 31, 2013.

Investments

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 market value. 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.

Property and Equipment

Property and equipment are depreciated 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. Annual depreciation is computed using the straight-line method. Certain sheet music, scores and software content are accounted for as inexhaustible assets and, therefore, are not depreciated.

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.

Contributions

Individual, corporate and foundation contributions are recorded as revenue when pledged.

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

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.

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.

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.

Deferred Income and Expenses

Income from ticket sales is recorded as deferred income and is recognized as revenue when earned. Production and marketing costs applicable to upcoming subscription series are recorded as prepaid expenses and are recognized as expense on a matching basis in the period of the applicable production. At June 30, 2009 and 2008, prepaid marketing costs amounted to $307,971 and $251,731, respectively.

Auxiliaries

During 2008, the Symphony incorporated its seven auxiliaries into its financial statements reflecting gross revenues and expenses in the Symphony's Board Designated Fund. In prior years these organizations' support of the Symphony was reported net in the Unrestricted Operating Fund. Six of these unincorporated voluntary organizations 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, 2009 and 2008, the Symphony contributed $ 135,000 and $250,000, 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.

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.

Subsequent Events

Subsequent events have been evaluated through October 30, 2009, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 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. 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 the provisions of SFAS No. 136, 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 market value and investment income received by the Symphony from the Foundation.

Note 3: Board-Designated Assets

Funds that were donated in honor of William McGlaughlin, the former Music Director, have been established as a board designated quasi-endowment at the Greater Kansas City Community Foundation. Revenues generated from this fund support educational activities. Also, investment income and appreciation that is in excess of the Corpus of the Missouri Cultural Trust endowment is recorded 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 fund raising 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:

	2009	2008
Due in less than one year	$ 1,594,010	$ 1,436,117
Due in one to five years	330,826	756,943
Due in five to ten years	33,308	57,328
	1,958,144	2,250,388
Less unamortized discount	23,984	43,910
	$ 1,934,160	$ 2,206,478

A discount rate of 6% was used for 2009 and 2008.

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, 2009 and 2008, this pledge, for which payments are to be made over the next six years, is recorded at its net present value, which amounts to $152,015 and $183,411, respectively.

Note 5: Investments

Board designated investments at June 30 consist of the following:

	2009	2008
Greater Kansas City Community Foundation pooled funds	$ 387,773	$ 390,544

Investment returns on the above consisted of the following:

	2009	2008
Interest and dividend income	$ 14,140	$ 20,933
Net realized and unrealized gains on investments, reported at fair value	(145,301)	(63,926)
	$ (131,161)	$ (42,993)

Endowment investments at June 30 consist of the following:

	2009	2008
Greater Kansas City Community Foundation pooled funds	$ 2,521,767	$ 3,379,555

Investment returns on the above consisted of the following:

	2009	2008
Interest and dividend income	$ 69,854	$ 82,099
Net realized and unrealized gains on investments, reported at fair value	(643,539)	(234,378)
	$ (573,685)	$ (152,279)

Note 6: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2009	2008
Restricted activities for use during 2010-2016	$ 376,431	$ 679,781
Website project	145,022	101,326
	$ 521,453	$ 781,107

Temporarily restricted net assets totaling $376,959 and $321,255 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2009 and 2008, respectively.

Permanently restricted net assets amounted to $3,414,743 and $3,404,555 at June 30, 2009 and 2008, respectively. See further discussion at *Note 9*.

Note 7: Foundations

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 the KCSF and a 5% draw from specifically designated funds of the GKCCF. The assets of these funds are not reflected on the Symphony's balance sheet. At June 30, 2009 and 2008, the market values of the investments and the income from these investments, resulting in investment income for the years then ended, are as follows:

Investments, at Market Value

	2009	2008
Kansas City Symphony Foundation	$ 16,569,262	$ 16,945,032
Greater Kansas City Community Foundation	13,330,653	15,950,737

Investment Income

	2009	2008
Kansas City Symphony Foundation	$ 535,034	$ 523,820
Greater Kansas City Community Foundation	789,947	770,991

Note 8: Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased, if not donated. Contribution revenue recognized from contributed services amounted to $152,220 and $148,792 for the years ended June 30, 2009 and 2008, respectively.

Note 9: Government Grants

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of $ 216,001 and $132,296 for the years ended June 30, 2009 and 2008, 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. Each year, the Symphony has received a 5% return from MCT on these designated funds. During the years ended June 30, 2009 and 2008, the Symphony recorded income of $92,500, representing the return.

Note 10: Leases

The Symphony has a noncancellable operating lease for the administrative offices that expires in December 2011. The lease calls for base rental payments of $8,002 per month. Additional rent is paid each month for operating costs and taxes. Rent expense was $96,034 and $95,771 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments at June 30, 2009 were:

2010	$ 96,034
2011	96,034
2012	48,017
	$ 240,085

The Symphony also incurred other rental expense related to rental of facilities and halls for performances totaling $282,750 and $159,910 during the years ended June 30, 2009 and 2008, respectively.

Note 11: Employee Benefit Plans

Staff Retirement Plans

The Symphony maintains a retirement plan covering administrative employees. The Symphony's contributions to the Plan 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 was $49,630 and $37,963 for the years ended June 30, 2009 and 2008, respectively.

Musician Retirement Plans

The Symphony's full-time musicians participate in an employer-sponsored retirement plan. The employer contribution to the Plan in 2009 was 2% of compensation paid to musicians during the year. The Symphony's contribution to the Plan was $81,540 and $72,910 for the years ended June 30, 2009 and 2008, respectively.

In addition, the Symphony makes a contribution to the American Federation of Musicians Employer Pension Fund for full-time musicians. The Symphony's contribution, which consisted of 5% of compensation for June 30, 2009 and 2008, was $203,954 and $189,425, respectively.

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.

Note 13: Disclosures About Fair Value of Assets and Liabilities

Effective July 1, 2008, the Symphony adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as 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. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include beneficial interests in assets held at the Greater Kansas City Community Foundation. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At June 30, 2009 the Symphony did not have any Level 3 investments.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interests in assets held by others	$ 2,909,540	$ -	$ 2,909,540	$ -
Money market mutual funds	417,597	417,597	-	-

Note 14: Endowment

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

<u>Donor designated funds at the Greater Kansas City Community Foundation</u>

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 community foundation with approximately 60% in equities, 25% in fixed income, 10% in alternative funds and 5% in cash at June 30, 2009. Draws from two of these funds are calculated at 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 $13,330,653 and $15,950,737 as of June 30, 2009 and 2008, respectively. For one of these funds, draws are distributed on a reimbursement basis to recover costs expended based on intended purpose of the fund.

<u>Donor restricted funds at the Kansas City Symphony Foundation</u>

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 25% in equities, 70% in government and agency issues, and 5% in cash at June 30, 2009. The Symphony receives interest and dividend income from the KCSF, less the Foundation's management expenses in quarterly allotments. The market value of these funds was $16,569,262 and $16,945,032 as of June 30, 2009 and 2008, respectively.

<u>Agency funds at the Greater Kansas City Community Foundation</u>

Additionally, the Symphony has two 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 60% in equities, 25% in fixed income, 10% in alternative funds and 5% in cash at June 30, 2009. Draws from these funds are calculated at 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 $2,909,540 and $3,770,999 as of June 30, 2009 and 2008, 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, and (b) the original value of subsequent gifts to the permanent endowment. 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

The composition of net assets by type of endowment fund at June 30, 2009, was:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (603,874)	$ -	$ 3,414,743	$ 2,810,869
Board-designated endowment funds	98,671	-	-	98,671
Total endowment funds	$ (505,203)	$ -	$ 3,414,743	$ 2,909,540

Changes in endowment net assets for the years ended June 30, 2009, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 365,544	$ -	$ 3,404,555	$ 3,770,099
Investment return				
Investment income	83,994	-	-	83,994
Net appreciation (depreciation)	(788,932)	-	-	(788,932)
Total investment return	(704,938)	-	-	(704,938)
Contributions	20,962	-	10,188	31,150
Appropriation of endowment assets for expenditure	(186,771)	-	-	(186,771)
Endowment net assets, end of year	$ (505,203)	$ -	$ 3,414,743	$ 2,909,540

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2009, consisted of:

	2009
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 3,414,743
Temporarily restricted net assets	
Term endowment funds	-
Portion of perpetual endowment funds subject to a time restriction under SPMIFA	
With purpose restrictions	-
Without purpose restrictions	-

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 amount of such deficiencies was $603,874 at June 30, 2009. 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.

Note 15: Significant Estimates and Concentrations

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

Labor Agreement

Substantially all of the Symphony's stagehands and musicians are covered by collective bargaining agreements. The stagehands agreement expires in 2011 and the musicians in 2014.

Contributions

During 2009, five of the Symphony's donors represented 62% of the total contribution and grant revenue.

Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, governmental support, grant revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Symphony.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue, governmental support, and grant revenue could have an adverse impact on the Symphony's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, allowances for contributions receivable and the valuation of intangibles that could negatively impact the Symphony's ability to meet debt covenants or maintain sufficient liquidity.

Note 16: Restatement of 2008 Financial Statements

During 2009, the Symphony changed its policy for defining cash and cash equivalents. Internally designated cash and cash equivalents historically excluded from the cash and cash equivalents caption on the Statement of Cash Flows are now included. The Symphony believes the current year presentation is preferable compared with the previous presentation within the financial statements because the previously restricted cash was internally segregated for specific operational needs. Reclassification from restricted cash to cash and cash equivalents results in improved presentation of cash flows from operating activities within the Symphony's Statement of Cash Flows. As a result in this policy change, the Symphony changed its presentation of the Statement of Cash Flows to more discreetly present individual cash flow items previously presented as net investing activities. As such, the previously issued 2008 financial statements have been restated to comparably present cash and cash equivalents on the Statement of Financial Position and the Cash Flow Statement, as well as to present the Statement of Cash Flows for the revised presentation. The following financial statement line items for the year ended June 30, 2008 were affected by the restatement:

	2008 As Previously Reported	Adjustment	2008 As Restated
Statement of Financial Position			
Current Assets			
Cash and cash equivalents	$ 852,917	$ 1,187,634	$ 2,040,551
Cash and cash equivalents - Designated Auxiliaries	881,232	(881,232)	-
Cash and cash equivalents - Designated	87,245	(87,245)	-
Total current assets	4,134,666	219,157	4,353,823
Assets Limited as to Use			
Externally designated			
Temporarily Restricted			
Cash and cash equivalents	219,157	(219,157)	-
Statement of Cash Flows			
Operating Activities			
Items not requiring (providing) cash			
Depreciation	108,403	(1,763)	106,640
Changes In			
Beneficial interest in assets held by others	-	370,736	370,736
Contributions receivable	94,087	(486,881)	(392,794)
Accounts payable and accrued expenses	47,127	488,214	535,341
Deferred income	66,815	589,520	656,335
Consulting obligation	80,000	(97,551)	(17,551)
Net cash provided by operating activities	431,704	862,275	1,293,979
Investing Activities			
Purchase of property and equipment	(203,731)	1,763	(201,968)
Change in internally designated assets	1,253,075	(1,253,075)	-
Change in externally designated assets	(240,457)	240,457	-
Net cash used in investing activities	928,887	(1,010,855)	(81,968)
Increase in Cash and Cash Equivalents	1,360,591	(148,580)	1,212,011
Cash and Cash Equivalents, Beginning of Year	717,323	111,217	828,540
Cash and Cash Equivalents, End of Year	852,917	1,187,634	2,040,551

Supplementary Information

Kansas City Symphony

Schedule of Operating Revenues

Years Ended June 30, 2009 and 2008

	2009	2008
Revenues		
Ticket sales	$ 2,617,278	$ 2,394,543
Performance fees	696,218	1,011,447
Investments and other sources	1,432,894	1,517,598
Individual, corporate and foundation donations	5,225,727	4,972,271
Government grants	256,501	167,296
Auxiliary contributions	2,071,702	2,145,038
	$ 12,300,320	$ 12,208,193

Kansas City Symphony

Schedule of Operating Expenses

Year Ended June 30, 2009

	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliaries	General Administration	Total Operating Expenses
Symphony Operations							
Artistic personnel, salaries and benefits	$ 5,981,453	$ -	$ -	$ 2,688	$ -	$ -	$ 5,984,141
Staff, salaries and benefits	684,544	63,595	198,580	490,891	-	653,373	2,090,983
Guest artists, conductors and composers	614,063	-	-	-	-	-	614,063
Stagehands, salaries and benefits	231,354	-	-	323	-	38	231,715
Concert production expenses	796,145	926	-	-	-	-	797,071
Professional fees	290,820	2,509	105,651	65,555	-	204,423	668,958
Office rent, utilities and maintenance	19,451	-	-	-	-	109,643	129,094
Office supplies and other expenses	47,106	1,320	7,374	72,550	-	87,440	215,790
Printing, art and photography	17,966	4,301	160,062	13,523	-	170	196,022
Advertising and promotion	5,188	-	428,206	5,537	-	-	438,931
Postage	11,807	599	88,984	8,800	-	4,840	115,030
Telephone	27,155	951	3,118	7,627	-	7,998	46,849
Travel and per diem	168,667	606	937	8,925	-	27,580	206,715
Insurance	-	-	-	-	-	57,679	57,679
Sales tax and users' fees on tickets sold	450	-	3,121	-	-	-	3,571
Depreciation	-	-	-	-	-	136,540	136,540
Interest, bank fees and credit card fees	-	-	-	-	2,924	111,465	114,389
Other expenses	36,798	2,392	20,579	1,672	-	67,055	128,496
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	135,000	-	135,000
Auxiliary expenses	-	-	-	-	783,363	-	783,363
Total	$ 8,932,967	$ 77,199	$ 1,016,612	$ 678,091	$ 921,287	$ 1,468,244	$ 13,094,400

Kansas City Symphony
Schedule of Operating Expenses
Year Ended June 30, 2008

	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliaries	General Administration	Total Operating Expenses
Symphony Operations							
Artistic personnel, salaries and benefits	$ 5,889,670	$ 2,008	$ -	$ 2,694	$ -	$ -	$ 5,894,372
Staff, salaries and benefits	683,532	54,960	171,922	414,457	-	546,701	1,871,572
Guest artists, conductors and composers	529,395	-	-	-	-	-	529,395
Stagehands, salaries and benefits	219,092	-	-	-	-	-	219,092
Concert production expenses	576,873	116	-	-	-	-	576,989
Professional fees	283,714	1,343	101,447	99,307	-	163,109	648,920
Office rent, utilities and maintenance	20,532	-	-	-	-	109,965	130,497
Office supplies and other expenses	47,255	2,012	18,090	130,843	-	83,038	281,238
Printing, art and photography	2,454	4,797	151,389	24,335	-	156	183,131
Advertising and promotion	10,221	-	403,421	6,283	-	756	420,681
Postage	12,802	1,344	92,864	12,369	-	5,143	124,522
Telephone	30,668	562	3,680	7,235	-	7,441	49,586
Travel and per diem	168,240	2,561	2,871	11,737	-	44,110	229,519
Insurance	-	-	-	-	-	51,458	51,458
Sales tax and users' fees on tickets sold	150	-	45,198	-	-	-	45,348
Depreciation	-	-	-	-	-	106,640	106,640
Interest, bank fees and credit card fees	-	-	-	-	2,363	116,958	119,321
Other expenses	31,424	4,561	21,358	5,355	37	99,211	161,946
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	250,000	-	250,000
Auxiliary expenses	-	-	-	-	706,297	-	706,297
Total	$ 8,506,022	$ 74,264	$ 1,012,240	$ 714,615	$ 958,697	$ 1,334,686	$ 12,600,524