

Kansas City Symphony

Accountants' Report and Financial Statements

June 30, 2010 and 2009



Kansas City Symphony

June 30, 2010 and 2009

Contents

Independent Accountants' Report	1
--	----------

Financial Statements

Statements of Financial Position	2
Statements of Activities.....	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Supplementary Information

Schedule of Operating Revenues	25
Schedule of Operating Expenses.....	26

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, 2010 and 2009 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 6*.

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, 2010 and 2009, 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.

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.

BKD, LLP

November 8, 2010

Kansas City Symphony

Statement of Financial Position

June 30, 2010

Assets

	Operating	Unrestricted			Total	Temporarily Restricted	Permanently Restricted	Total
		Designated Auxiliaries	Designated Other	Unrestricted				
Current Assets								
Cash and cash equivalents	\$ 715,008	\$ 818,529		\$ 1,533,537			\$	1,533,537
Accounts receivable	306,278			306,278				306,278
Contributions receivable, net of allowance of \$15,000	1,459,339	155,366		1,614,705				1,614,705
Inventory	3,264			3,264				3,264
Prepaid assets	450,261	6,993		457,254				457,254
Amounts due from (to) other funds	(217,935)	(158,285)	\$ (512,868)	(889,088)	\$ 286,532	\$ 602,556		-
Total current assets	2,716,215	822,603	(512,868)	3,025,950	286,532	602,556		3,915,038
Beneficial Interest in Assets Held by Others			308,569	308,569		2,983,633		3,292,202
Contributions Receivable			118,736	118,736	1,167,038	23,018		1,308,792
Property and Equipment, At Cost								
Office and computer equipment	444,329			444,329				444,329
Theatrical equipment, instruments and music	588,757			588,757				588,757
Leasehold improvements	495,496			495,496				495,496
Less accumulated depreciation	1,528,582	-	-	1,528,582	-	-		1,528,582
	(903,791)			(903,791)				(903,791)
	624,791	-	-	624,791	-	-		624,791
Total assets	\$ 3,341,006	\$ 822,603	\$ (85,563)	\$ 4,078,046	\$ 1,453,570	\$ 3,609,207	\$	9,140,823

See Notes to Financial Statements

Kansas City Symphony

Statement of Financial Position

June 30, 2010 (Continued)

Liabilities and Net Assets

	Unrestricted					
	Operating	Designated Auxiliaries	Designated Other	Total Unrestricted	Temporarily Restricted	Permanently Restricted
						Total
Current Liabilities						
Accounts payable	\$ 349,763			\$ 349,763		\$ 349,763
Accrued expenses	394,965	\$ 372,416		767,381		767,381
Deferred revenue	1,592,060	385,340		1,977,400		1,977,400
Notes payable	22,040			22,040		22,040
Consulting obligation	20,000		\$ 40,000	60,000		60,000
Total current liabilities	2,378,828	757,756	40,000	3,176,584		3,176,584
Long-term Liabilities						
Notes payable	155,510			155,510		155,510
Consulting obligation	18,868		78,736	97,604		97,604
Total liabilities	2,553,206	757,756	118,736	3,429,698		3,429,698
Net Assets						
Unrestricted	787,800	64,847	(204,299)	648,348		648,348
Temporarily restricted					\$ 1,453,570	1,453,570
Permanently restricted						\$ 3,609,207
Total net assets	787,800	64,847	(204,299)	648,348	1,453,570	5,711,125
Total liabilities and net assets	\$ 3,341,006	\$ 822,603	\$ (85,563)	\$ 4,078,046	\$ 1,453,570	\$ 9,140,823

See Notes to Financial Statements

Kansas City Symphony

Statement of Financial Position

June 30, 2009

Assets

	Operating	Unrestricted			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		Designated Auxiliaries	Designated Other					
Current Assets								
Cash and cash equivalents	\$ 1,075,883	\$ 545,079		\$ 1,620,962			\$ 1,620,962	
Accounts receivable	243,726			243,726				243,726
Contributions receivable, net of allowance of \$14,500	1,510,370	69,140		1,579,510				1,579,510
Inventory	3,084			3,084				3,084
Prepaid assets	361,527	6,476		368,003				368,003
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
Beneficial Interest in Assets Held by Others								
			387,773	387,773		2,521,767		2,909,540
Contributions Receivable			152,015	152,015	188,135			340,150
Property and Equipment, At Cost	457,926			457,926				457,926
Office and computer equipment								
Theatrical equipment, instruments and music	561,837			561,837				561,837
Leasehold improvements	480,831			480,831				480,831
Less accumulated depreciation	1,500,594	-	-	1,500,594	-	-		1,500,594
	(1,030,723)			(1,030,723)				(1,030,723)
	469,871	-	-	469,871	-	-		469,871
Total assets	\$ 3,349,356	\$ 477,683	\$ (263,506)	\$ 3,563,533	\$ 556,570	\$ 3,414,743		\$ 7,534,846

See Notes to Financial Statements

Kansas City Symphony

Statement of Financial Position

June 30, 2009 (Continued)

Liabilities and Net Assets

	Unrestricted					Total
	Operating	Designated Auxiliaries	Designated Other	Unrestricted	Temporarily Restricted	Permanently Restricted
Current Liabilities						
Accounts payable	\$ 291,479			\$ 291,479		\$ 291,479
Accrued expenses	368,238	\$ 308,644		676,882		676,882
Deferred revenue	1,458,741	99,487		1,558,228		1,558,228
Consulting obligation	20,000		\$ 40,000	60,000		60,000
Total current liabilities	2,138,458	408,131	40,000	2,586,589		2,586,589
Long-term Liabilities						
Consulting obligation	88,668		112,015	200,683		200,683
Total liabilities	2,227,126	408,131	152,015	2,787,272		2,787,272
Net Assets						
Unrestricted	1,122,230	69,552	(415,521)	776,261		776,261
Temporarily restricted					\$ 556,570	556,570
Permanently restricted						\$ 3,414,743
Total net assets	1,122,230	69,552	(415,521)	776,261	556,570	4,747,574
Total liabilities and net assets	\$ 3,349,356	\$ 477,683	\$ (263,506)	\$ 3,563,533	\$ 556,570	\$ 7,534,846

Kansas City Symphony

Statement of Activities

June 30, 2010

	Unrestricted				
	Operating	Designated Auxiliaries	Designated Other	Total	
					Temporarily Restricted
					Permanently Restricted
					Total
Revenues, Gains and Other Support					
Operating revenues provided by					
concerts and fees	\$ 2,925,988			\$ 2,925,988	\$ 2,925,988
Contributions and grants	5,511,957			5,511,957	\$ 1,176,511
Auxiliary organizations		\$ 1,724,640		1,724,640	\$ 194,464
Investments and other sources	1,443,851		\$ 51,141	1,494,992	
	9,881,796	1,724,640	51,141	11,657,577	1,176,511
					194,464
					13,028,552
Expenses					
Artistic personnel and concert production					
Education	8,383,741			8,383,741	8,383,741
Advertising, marketing and promotion	82,254			82,254	82,254
Development	955,101			955,101	955,101
Auxiliary organizations	616,743			616,743	616,743
General administration		880,123		880,123	880,123
	1,449,636			1,449,636	1,449,636
	11,487,475	880,123	-	12,367,598	12,367,598
Net assets released from designations and restrictions					
	1,271,249	(849,222)	(142,516)	279,511	(279,511)
Operating Gains (Losses)					
Endowment Appreciation					
Change in Net Assets Before Contributions to Others	(334,430)	(4,705)	(91,375)	(430,510)	897,000
Contributions to Others			302,597	302,597	
Change in Net Assets	(334,430)	(4,705)	211,222	(127,913)	897,000
					194,464
					963,551
Change in Net Assets					
Net Assets, Beginning of Year	(334,430)	(4,705)	211,222	(127,913)	897,000
					194,464
					963,551
Net Assets, End of Year	1,122,230	69,552	(415,521)	776,261	556,570
					3,414,743
					4,747,574
	\$ 787,800	\$ 64,847	\$ (204,299)	\$ 648,348	\$ 1,453,570
					\$ 3,609,207
					\$ 5,711,125

Kansas City Symphony

Statement of Activities

June 30, 2009

	Unrestricted					
	Operating	Designated Auxiliaries	Designated Other	Total	Temporarily Restricted	Permanently Restricted
				Total		Total
Revenues, Gains and Other Support						
Operating revenues provided by						
Concerts and fees	\$ 3,313,496			\$ 3,313,496		\$ 3,313,496
Contributions and grants	5,498,768		\$ (16,540)	5,482,228	\$ 152,422	\$ 10,188
Auxiliary organizations		\$ 2,071,702		2,071,702		2,071,702
Investments and other sources	1,567,541		(134,647)	1,432,894		1,432,894
	<u>10,379,805</u>	<u>2,071,702</u>	<u>(151,187)</u>	<u>12,300,320</u>	<u>152,422</u>	<u>10,188</u>
						<u>12,462,930</u>
Expenses						
Artistic personnel and concert production	8,932,967			8,932,967		8,932,967
Education	77,199			77,199		77,199
Advertising, marketing and promotion	1,016,612			1,016,612		1,016,612
Development	678,091			678,091		678,091
Auxiliary organizations		921,287		921,287		921,287
General administration	1,466,734		1,510	1,468,244		1,468,244
	<u>12,171,603</u>	<u>921,287</u>	<u>1,510</u>	<u>13,094,400</u>		<u>13,094,400</u>
Net assets released from designations and restrictions	1,657,984	(1,140,881)	(140,144)	376,959	(376,959)	-
Operating Gains (Losses)	(133,814)	9,534	(292,841)	(417,121)	(224,537)	10,188
Endowment Appreciation (Depreciation)			(573,685)	(573,685)		(573,685)
Change in Net Assets Before Contributions to Others	(133,814)	9,534	(866,526)	(990,806)	(224,537)	10,188
Contributions to Others			(31,304)	(31,304)		(31,304)
Change in Net Assets	(133,814)	9,534	(897,830)	(1,022,110)	(224,537)	10,188
Net Assets, Beginning of Year	1,256,044	60,018	482,309	1,798,371	781,107	3,404,555
Net Assets, End of Year	<u>\$ 1,122,230</u>	<u>\$ 69,552</u>	<u>\$ (415,521)</u>	<u>\$ 776,261</u>	<u>\$ 556,570</u>	<u>\$ 3,414,743</u>
						<u>\$ 4,747,574</u>

See Notes to Financial Statements

Kansas City Symphony
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Operating Activities		
Change in net assets	\$ 963,551	\$ (1,236,459)
Items not requiring (providing) cash		
Depreciation	144,920	136,540
Loss on disposal of fixed assets	5,202	354
Beneficial interest in assets held by others	(382,662)	860,559
Changes in		
Accounts receivable	(62,552)	303,116
Contributions receivable	(1,003,837)	286,818
Prepaid expenses and other assets	(89,431)	(40,774)
Accounts payable and accrued expenses	148,783	(163,559)
Deferred income	419,172	(450,218)
Consulting obligation	(103,079)	1,792
Net cash provided by (used in) operating activities	<u>40,067</u>	<u>(301,831)</u>
Investing Activities		
Purchase of property and equipment	<u>(125,704)</u>	<u>(117,758)</u>
Net cash used in investing activities	<u>(125,704)</u>	<u>(117,758)</u>
Financing Activities		
Principal payments on long-term debt	<u>(1,788)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,788)</u>	<u>-</u>
Decrease in Cash and Cash Equivalents	(87,425)	(419,589)
Cash and Cash Equivalents, Beginning of Year	<u>1,620,962</u>	<u>2,040,551</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,533,537</u></u>	<u><u>\$ 1,620,962</u></u>
Supplemental Cash Flows Information		
Long-term debt incurred for purchase of property and equipment	\$ 179,338	\$ -

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

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 2010 fiscal year, the Kansas City Symphony made 133 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 Associate Conductor, there are 28 full-time production, marketing, fund development and administrative staff, under the direction of Frank Byrne, Executive Director.

The Symphony has a 24-member Board of Directors, under the leadership of Shirley Bush Helzberg, president. The Board has focused on the Symphony's future move into the Kauffman Center for the Performing Arts, anticipated in 2011. A committee of the board has been examining 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.

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, 2010 and 2009

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, 2010 and 2009, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits, previously set to expire December 31, 2013, was made permanent July 21, 2010 by the Dodd-Frank Act. At June 30, 2010, the Symphony's cash accounts exceeded federally insured limits by approximately \$571,000.

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 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.

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.

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.

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.

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

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.

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, 2010 and 2009, \$228,511 and \$152,220, respectively, was received in in-kind contributions.

Income Taxes

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

The Symphony files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Symphony is no longer subject to U.S. federal examinations by tax authorities for years before 2007.

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

Deferred Revenue

Income from ticket sales is recorded as deferred income and is recognized as revenue when earned.

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, 2010 and 2009, prepaid marketing costs amounted to \$395,235 and \$307,971, respectively.

Auxiliary Organizations

The Symphony has seven unincorporated volunteer auxiliary organizations, which have the primary purpose of raising funds for the Symphony through special event activities. One of these organizations, the Jewel Ball, raises funds for both the Symphony and the Nelson-Atkins Museum of Art. During the years ended June 30, 2010 and 2009, the Symphony contributed \$150,000 and \$135,000, 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.

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.

Subsequent Events

Subsequent events have been evaluated through November 8, 2010, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the change in net assets.

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

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.

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

Also reflected as board designated assets are the assets of the seven voluntary unincorporated auxiliaries that provide financial support through 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.

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

Note 4: Contributions Receivable

Contributions receivable consist of the following unconditional promises to give:

	2010	2009
Due in less than one year	\$ 2,684,451	\$ 1,594,010
Due in one to five years	276,804	330,826
Due in five to ten years	4,654	33,308
	<u>2,965,909</u>	<u>1,958,144</u>
Less allowance for uncollectible contributions	15,000	14,500
Less unamortized discount	<u>27,412</u>	<u>23,984</u>
	<u>\$ 2,923,497</u>	<u>\$ 1,919,660</u>

A discount rate of 6% was used for 2010 and 2009.

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, 2010 and 2009, this pledge, for which payments are to be made over the next six years, is recorded at its net present value, which amounts to \$118,736 and \$152,015, respectively.

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

Board designated investments at June 30 consist of the following:

	2010	2009
Greater Kansas City Community Foundation pooled funds	<u>\$ 308,569</u>	<u>\$ 387,773</u>

Investment returns on the above consisted of the following:

	2010	2009
Interest and dividend income	\$ 7,195	\$ 14,140
Net realized and unrealized gains on investments, reported at fair value	<u>43,941</u>	<u>(145,301)</u>
	<u>\$ 51,136</u>	<u>\$ (131,161)</u>

Kansas City Symphony
Notes to Financial Statements
June 30, 2010 and 2009

Endowment investments at June 30 consist of the following:

	<u>2010</u>	<u>2009</u>
Greater Kansas City Community Foundation pooled funds	\$ 2,983,633	\$ 2,521,767

Investment returns on the above consisted of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 57,058	\$ 69,854
Net realized and unrealized gains on investments, reported at fair value	245,539	(643,539)
	<u>\$ 302,597</u>	<u>\$ (573,685)</u>

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

The Symphony has agreements with the Kansas City Symphony Foundation (KCSF) and the Greater Kansas City Community Foundation (GKCCF) whereby the Symphony receives all income earned from 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, 2010 and 2009, 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

	<u>2010</u>	<u>2009</u>
Kansas City Symphony Foundation	\$ 17,198,660	\$ 16,569,262
Greater Kansas City Community Foundation	14,753,746	13,330,653

Investment Income

	<u>2010</u>	<u>2009</u>
Kansas City Symphony Foundation	\$ 521,648	\$ 535,034
Greater Kansas City Community Foundation	752,666	789,947

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

Note 7: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Restricted activities for use during 2010-2017	\$ 1,308,548	\$ 411,548
Website project	<u>145,022</u>	<u>145,022</u>
	<u>\$ 1,453,570</u>	<u>\$ 556,570</u>

Temporarily restricted net assets totaling \$279,511 and \$376,959 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2010 and 2009, respectively.

Permanently restricted net assets amounted to \$3,609,207 and \$3,414,743 at June 30, 2010 and 2009, respectively. See further discussion at *Note 8*.

Note 8: Government Grants

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$226,988 and \$216,001 for the years ended June 30, 2010 and 2009, 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. Each year, the Symphony has received a 5% return from MCT on these designated funds. During the years ended June 30, 2010 and 2009, the Symphony recorded income of \$92,500, representing the return.

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 \$115,098 and \$96,034 for the years ended June 30, 2010 and 2009, respectively.

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

Future minimum lease payments at June 30, 2010 were:

2011	\$ 210,420
2012	210,420
2013	210,420
2014	210,420
2015	210,420
Thereafter	<u>1,017,030</u>
Total minimum lease payments	<u><u>\$ 2,069,130</u></u>

The Symphony also incurred other rental expense related to rental of facilities and halls for performances totaling \$266,249 and \$282,750 during the years ended June 30, 2010 and 2009, respectively.

Note 10: Long-term Debt

Long-term debt consists of the following note:

	<u>2010</u>	<u>2009</u>
Note payable, Sobel Properties, LLC	\$ 177,550	\$ -
Less current maturities	<u>22,040</u>	<u>-</u>
	<u><u>\$ 155,510</u></u>	<u><u>\$ -</u></u>

Due May 31, 2017; payable \$1,788 monthly to a related party, including interest at 5%; secured by office furniture.

Aggregate annual maturities of long-term debt at June 30, 2010, are:

2011	\$ 22,040
2012	23,168
2013	24,353
2014	25,599
2015	26,909
Thereafter	<u>55,481</u>
	<u><u>\$ 177,550</u></u>

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

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 were \$55,723 and \$49,630 for the years ended June 30, 2010 and 2009, respectively.

Musician Retirement Plans

The Symphony's full-time musicians participate in an employer-sponsored retirement plan. The employer contribution to the Plan in 2010 was 2% of compensation paid to musicians during the year. The Symphony's contribution to the Plan was \$77,698 and \$81,540 for the years ended June 30, 2010 and 2009, 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 through May 31, 2010 and increased to 5.2% on June 1, 2010, was \$194,901 and \$203,954, respectively, for June 30, 2010 and 2009.

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

ASC Topic 820, *Fair Value Measurements*, 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. Topic 820 also specifies 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

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

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 statements 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, 2010 and 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 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, 2010 and 2009:

		2010			
		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)	
	Fair Value				
Beneficial interests in assets held by others	\$ 3,292,202	\$ -	\$ 3,292,202	\$ -	
Money market mutual funds	122,354	122,354	-	-	
		2009			
		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)	
	Fair Value				
Beneficial interests in assets held by others	\$ 2,909,540	\$ -	\$ 2,909,540	\$ -	
Money market mutual funds	417,597	417,597	-	-	

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

Note 14: Endowment

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

Donor Designated Funds at the Greater Kansas City Community Foundation

The Symphony has various donor restricted endowment funds that are under the investment management of the Greater Kansas City Community Foundation (GKCCF). 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, 2010 and 2009. Draws from two of these funds are calculated annually to be 5% of the three-year average market value of the fund at June 30, and are distributed to the Symphony in quarterly allotments. The market value of these funds was \$14,753,746 and \$13,330,653 as of June 30, 2010 and 2009, respectively. For one of these funds, draws are distributed on a reimbursement basis to recover costs expended based on intended purpose of the fund.

Donor Restricted Funds at the Kansas City Symphony Foundation

The Symphony also has donor restricted endowment funds that are managed by the Kansas City Symphony Foundation's (KCSF) Board of Trustees. While these funds are for the sole purpose of supporting the Symphony, they have not been recorded in the financial statements (*see Note 2*). These funds are invested in common stocks and U.S. government securities with approximately 25% in equities, 70% in government and agency issues, and 5% in cash at June 30, 2010 and 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 \$17,198,660 and \$16,569,262 as of June 30, 2010 and 2009, respectively.

Agency Funds at the Greater Kansas City Community Foundation

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.

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

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, 2010 and 2009. Draws from these funds are calculated annually to be 5% of the three year average market value of the fund at June 30, and are distributed to the Symphony in quarterly allotments. The market value of these funds was \$3,292,202 and \$2,909,540 as of June 30, 2010 and 2009, 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 Organization 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 Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization 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 Organization 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 Organization

The composition of net assets by type of endowment fund at June 30, 2010 and 2009 was:

	2010			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (427,133)	\$ -	\$ 3,609,207	\$ 3,182,074
Board-designated endowment funds	110,128	-	-	110,128
Total endowment funds	\$ (317,005)	\$ -	\$ 3,609,207	\$ 3,292,202

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

	2009			
	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, 2010 and 2009 were:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (505,203)	\$ -	\$ 3,414,743	\$ 2,909,540
Investment return				
Investment income	64,254	-	-	64,254
Net appreciation (depreciation)	266,461	-	-	266,461
Total investment return	330,715	-	-	330,715
Contributions	-	-	194,464	194,464
Appropriation of endowment assets for expenditure	(142,517)	-	-	(142,517)
Other	-	-	-	-
Endowment net assets, end of year	\$ (317,005)	\$ -	\$ 3,609,207	\$ 3,292,202

	2009			
	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

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2010 and 2009, consisted of:

	<u>2010</u>	<u>2009</u>
Permanently restricted net assets -		
portion of perpetual endowment		
funds required to be retained		
permanently by explicit donor		
stipulation or SPMIFA	\$ 3,609,207	\$ 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 \$427,133 and \$603,874 at June 30, 2010 and 2009, respectively. 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.

Kansas City Symphony

Notes to Financial Statements

June 30, 2010 and 2009

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 2010 and 2009, five of the Symphony's donors represented 40% and 62%, respectively, of the total contribution and grant revenue.

Current Economic Conditions

The current economic environment continues to present not-for-profit organizations with difficult 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 and allowances for contributions receivable that could negatively impact the Symphony's ability to maintain sufficient liquidity.

Supplementary Information

Kansas City Symphony
Schedule of Operating Revenues
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Ticket sales	\$ 2,325,556	\$ 2,617,278
Performance fees	600,432	696,218
Investments and other sources	1,494,992	1,432,894
Individual, corporate and foundation donations	5,206,194	5,225,727
Government grants	305,763	256,501
Auxiliary contributions	<u>1,724,640</u>	<u>2,071,702</u>
	<u>\$ 11,657,577</u>	<u>\$ 12,300,320</u>

Kansas City Symphony

Schedule of Operating Expenses

Year Ended June 30, 2010

	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliaries	General Administration	Total Operating Expenses
Symphony Operations							
Artistic personnel, salaries and benefits	\$ 5,800,623	\$ -	\$ -	\$ 1,034	\$ -	\$ -	\$ 5,801,657
Staff, salaries and benefits	656,227	62,659	191,674	429,803	-	580,906	1,921,269
Guest artists, conductors and composers	478,377	-	-	-	-	-	478,377
Stagehands, salaries and benefits	190,736	-	-	548	-	-	191,284
Concert production expenses	715,482	538	-	-	-	-	716,020
Professional fees	256,756	1,902	93,196	94,111	-	220,710	666,675
Office rent, utilities and maintenance	18,688	-	-	-	-	130,585	149,273
Office supplies and other expenses	48,779	1,322	9,374	54,865	-	101,876	216,216
Printing, art and photography	17,328	6,906	113,568	11,344	-	391	149,537
Advertising and promotion	4,480	-	427,476	2,263	-	-	434,219
Postage	11,984	3,288	91,230	7,907	-	4,582	118,991
Telephone	24,343	820	2,709	6,740	-	6,940	41,552
Travel and per diem	144,197	2,082	708	6,502	-	32,368	185,857
Insurance	-	-	-	-	-	68,224	68,224
Sales tax and users' fees on tickets sold	-	-	1,650	-	-	-	1,650
Depreciation	-	-	-	-	-	144,920	144,920
Interest, bank fees and credit card fees	-	-	-	-	2,992	112,006	114,998
Other expenses	15,741	2,737	23,516	1,626	-	46,128	89,748
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	150,000	-	150,000
Auxiliary expenses	-	-	-	-	727,131	-	727,131
Total	\$ 8,383,741	\$ 82,254	\$ 955,101	\$ 616,743	\$ 880,123	\$ 1,449,636	\$ 12,367,598

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