

# **Kansas City Symphony**

Auditor's Report and Financial Statements

June 30, 2014 and 2013



**Kansas City Symphony**  
**June 30, 2014 and 2013**

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## Independent Auditor's Report

Board of Directors  
Kansas City Symphony  
Kansas City, Missouri

We have audited the accompanying financial statements of the Kansas City Symphony, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Qualified Opinion*

As explained in *Note 2*, the Symphony has excluded from the accompanying financial statements its beneficial interest in the net assets held by a third-party foundation. In our opinion, this practice is not in accordance with accounting principles generally accepted in the United States of America. The fair value of its beneficial interests in the net assets and the related income of the third-party foundation are set forth in *Note 7*.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas City Symphony as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Kansas City, Missouri  
January 26, 2015

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

**Assets**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Current Assets</b>						
Cash and cash equivalents	\$ 4,764,754	\$ 1,045,797		\$ 5,810,551		\$ 5,810,551
Accounts receivable	137,944			137,944		137,944
Contributions receivable, net of allowance of \$30,000	681,265	111,860	\$ 1,011,686	1,804,811	\$ 229,815	\$ 4,653,503
Inventory	5,767			5,767		5,767
Prepaid assets	333,884	11,963		345,847		345,847
Amounts due from (to) other funds	(47,550)	(330,947)	77,830	(300,667)	299,665	1,002
	<u>5,876,064</u>	<u>838,673</u>	<u>1,089,516</u>	<u>7,804,253</u>	<u>529,480</u>	<u>4,654,505</u>
Total current assets						<u>12,988,238</u>
<b>Beneficial Interest in Assets Held by Others</b>						
			2,273,459	2,273,459	1,441,558	10,428,861
			<u>1,906,560</u>	<u>1,906,560</u>	<u>296,727</u>	<u>13,561,497</u>
<b>Contributions Receivable</b>						
						<u>15,764,784</u>
<b>Property and Equipment, At Cost</b>						
Office and computer equipment	462,851			462,851		462,851
Theatrical equipment, instruments and music	621,761			621,761		621,761
Leasehold improvements	296,314			296,314		296,314
	<u>1,380,926</u>	<u>-</u>	<u>-</u>	<u>1,380,926</u>	<u>-</u>	<u>1,380,926</u>
Less accumulated depreciation	(783,944)			(783,944)		(783,944)
	<u>596,982</u>	<u>-</u>	<u>-</u>	<u>596,982</u>	<u>-</u>	<u>596,982</u>
Total assets	<u>\$ 6,473,046</u>	<u>\$ 838,673</u>	<u>\$ 5,269,535</u>	<u>\$ 12,581,254</u>	<u>\$ 2,267,765</u>	<u>\$ 28,644,863</u>
						<u>\$ 43,493,882</u>

**Kansas City Symphony**  
**Statement of Financial Position (Continued)**  
**June 30, 2014 and 2013**

**Liabilities and Net Assets**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Current Liabilities</b>						
Accounts payable	\$ 348,644			\$ 348,644		\$ 348,644
Accrued expenses	536,188	\$ 425,863		962,051		962,051
Deferred revenue	2,907,914	424,705		3,332,619		3,332,619
Consulting obligation			\$ 13,460	13,460		13,460
<b>Total current liabilities</b>	<u>3,792,746</u>	<u>850,568</u>	<u>13,460</u>	<u>4,656,774</u>		<u>4,656,774</u>
<b>Total liabilities</b>	<u>3,792,746</u>	<u>850,568</u>	<u>13,460</u>	<u>4,656,774</u>		<u>4,656,774</u>
<b>Net Assets</b>						
Unrestricted	2,680,300	(11,895)	5,256,075	7,924,480		7,924,480
Temporarily restricted				\$ 2,267,765		2,267,765
Permanently restricted					\$ 28,644,863	28,644,863
<b>Total net assets</b>	<u>2,680,300</u>	<u>(11,895)</u>	<u>5,256,075</u>	<u>7,924,480</u>	<u>2,267,765</u>	<u>28,644,863</u>
<b>Total liabilities and net assets</b>	<u>\$ 6,473,046</u>	<u>\$ 838,673</u>	<u>\$ 5,269,535</u>	<u>\$ 12,581,254</u>	<u>\$ 2,267,765</u>	<u>\$ 28,644,863</u>
	<u>\$ 43,493,882</u>					<u>\$ 43,493,882</u>

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

**Assets**

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

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

**Liabilities and Net Assets**

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



**Kansas City Symphony**  
**Statement of Activities**  
**Year Ended June 30, 2014 and 2013**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated Auxiliaries	Designated Other			
<b>Revenues, Gains and Other Support</b>						
Operating revenues provided by						
Concerts and fees	\$ 6,027,294			\$ 6,027,294		\$ 6,027,294
Contributions and grants	4,588,583		\$ 105,360	4,693,943	\$ 330,227	\$ 11,942,322
Auxiliary organizations		\$ 2,531,805		2,531,805		2,531,805
Investment income	496,644		1,098,194	1,594,838		1,594,838
Other revenue	76,786			76,786		76,786
Transfers due to change in donor restrictions and designations	1,000,000		(1,225,000)	(225,000)	225,000	-
Net assets released from designations and restrictions	3,192,382	(1,484,929)	(27,261)	1,680,192	(1,680,192)	-
	<u>15,381,689</u>	<u>1,046,876</u>	<u>(48,707)</u>	<u>16,379,858</u>	<u>(1,124,965)</u>	<u>11,942,322</u>
						<u>27,197,215</u>
<b>Expenses</b>						
Artistic personnel and concert production	11,012,561			11,012,561		11,012,561
Education	115,863			115,863		115,863
Advertising, marketing and promotion	1,069,042			1,069,042		1,069,042
Development	973,384			973,384		973,384
Auxiliary organizations		1,145,221		1,145,221		1,145,221
General administration	1,713,686		4,540	1,718,226		1,718,226
	<u>14,884,536</u>	<u>1,145,221</u>	<u>4,540</u>	<u>16,034,297</u>	<u>-</u>	<u>-</u>
						<u>16,034,297</u>
<b>Operating Gains (Losses)</b>	497,153	(98,345)	(53,247)	345,561	(1,124,965)	11,942,322
<b>Endowment Appreciation</b>				-	1,407,224	1,407,224
<b>Change in Net Assets</b>	497,153	(98,345)	(53,247)	345,561	282,259	11,942,322
<b>Net Assets, Beginning of Year</b>	2,183,147	86,450	5,309,322	7,578,919	1,985,506	16,702,541
<b>Net Assets, End of Year</b>	<u>\$ 2,680,300</u>	<u>\$ (11,895)</u>	<u>\$ 5,256,075</u>	<u>\$ 7,924,480</u>	<u>\$ 2,267,765</u>	<u>\$ 28,644,863</u>
						<u>\$ 38,837,108</u>

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

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

**Kansas City Symphony**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Activities</b>		
Change in net assets	\$ 12,570,142	\$ 19,149,376
Items not requiring (providing) cash		
Depreciation	140,219	155,418
Loss on disposal of fixed assets	6,197	7,064
Beneficial interest in assets held by others	(1,673,758)	(689,233)
Contributions and investment income received restricted for long-term investment	(11,942,322)	(12,041,359)
Changes in		
Accounts receivable	307,854	4,848
Contributions receivable	1,883,122	(4,954,589)
Prepaid expenses and other assets	(73,777)	67,391
Accounts payable and accrued expenses	71,551	269,209
Deferred revenue	(315,759)	395,047
Consulting obligation	(20,000)	(20,000)
	<u>953,469</u>	<u>2,343,172</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of investments	(9,092,381)	(3,053,049)
Proceeds from sale of investments	4,493,471	554,359
Purchase of property and equipment	(54,450)	(98,440)
	<u>(4,653,360)</u>	<u>(2,597,130)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from contributions and investment income restricted for long-term investment	4,314,612	1,454,069
Principal payments on long-term debt	(107,990)	(24,353)
	<u>4,206,622</u>	<u>1,429,716</u>
Net cash provided by financing activities		
<b>Increase in Cash and Cash Equivalents</b>	506,731	1,175,758
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,303,820</u>	<u>4,128,062</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,810,551</u>	<u>\$ 5,303,820</u>

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2014 and 2013**

#### **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 2014 and 2013 fiscal years, the Kansas City Symphony made 185 and 175 performances of more than 61 and 52 distinct programs, respectively. Among these programs were performances of classical and pops repertoire, pit orchestra services for the Kansas City Ballet and the Lyric Opera and numerous performances geared toward children and youth.

The Symphony has an 80-member orchestra, led by Music Director Michael Stern. In addition to the Music Director and Associate Conductor, there are 35 full-time production, marketing, fund development and administrative staff, under the direction of Frank Byrne, Executive Director.

The Symphony has a 24-member Board of Directors, under the leadership of Bill Lyons, President. The 2013-14 Season was the third season for the Symphony in Helzberg Hall at the Kauffman Center for the Performing Arts. Ticket sales revenue was at an all-time high. Tickets sold to concerts continued to be high for the Classical, Pops and Family Series, which were 61,879, 13,506 and 5,721, respectively. Also Classics Uncorked, Organ Recitals and Happy Hour Concerts served an additional 11,345 patrons. The Symphony also served 29,495 young people in education programs and 50,000 people at free community events. In total, the Symphony performed for more than 200,000 people during the 2014 season.

##### ***Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2014 and 2013**

#### ***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, 2014 and 2013, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

At June 30, 2014, the Symphony's cash accounts exceeded federally insured limits by approximately \$5,100,000.

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

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. All other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment income, gains and losses are reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Symphony maintains pooled investment accounts for its endowments. See further discussion in *Note 6*. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

#### ***Accounts Receivable***

Accounts receivable are stated at the amount billed to customers. The Symphony provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

#### ***Contributions Receivable***

Contributions receivable consist of written commitments to give from donors. Delinquent contributions are written off based on historical collections, individual credit evaluations and specific circumstances of the customer.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Certain sheet music, scores and software content are accounted for as inexhaustible assets and, therefore, are not depreciated.

***Long-lived Asset Impairment***

The Symphony evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2014 and 2013.

***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Symphony has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Symphony in perpetuity.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2014 and 2013**

#### ***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, 2014 and 2013, \$165,677 and \$222,620, 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 2011.

#### ***Deferred Revenue***

Income from ticket sales is recorded as deferred revenue and is recognized as revenue when earned. Contributions pledged to future performances and auxiliary events is recorded as deferred revenue and recognized as revenue when earned. Contributions received with contingencies are also reported within deferred revenue.

#### ***Prepaid Assets***

Prepaid assets include production and marketing costs applicable to upcoming subscription series that are recognized as expense on a matching basis in the period of the applicable production. At June 30, 2014 and 2013, prepaid marketing costs amounted to \$228,757 and \$186,608, respectively.

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

The Symphony has five unincorporated volunteer auxiliary organizations, which have the primary purpose of raising funds for the Symphony through special event activities. One of these organizations, the Jewel Ball, raises funds for both the Symphony and the Nelson-Atkins Museum of Art. During the years ended June 30, 2014 and 2013, the Symphony contributed \$200,000 and \$160,000, respectively, to the Nelson-Atkins Museum of Art through proceeds of the Jewel Ball. All five organizations fall under the tax-exempt status of the Symphony and are operating within its legal auspices and, therefore, have been incorporated on a gross basis within the accompanying financial statements.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2014 and 2013

#### ***Amounts Due From (To) Other Funds***

Certain assets are required to be transferred from one fund to another fund to satisfy donor-imposed and board-imposed restrictions on net assets.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

#### ***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

#### **Note 2: Beneficial Interest in Foundation**

The Symphony receives all income earned from the investments of the Kansas City Symphony Foundation (KCSF). The Articles of Incorporation of the Foundation state that upon the Foundation's liquidation or dissolution, the KCSF's Board of Directors has the power to direct the Foundation's remaining funds to religious, charitable, scientific, literary or educational trust as specified in a plan of distribution adopted pursuant to the laws of the State of Missouri. The Articles of Incorporation do not require the KCSF to distribute its assets to the Symphony. However, the Articles of Incorporation of the KCSF limit its activities to supporting the Kansas City Symphony as long as the Symphony continues to satisfy the Symphony's mission.

Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, issued by the Financial Accounting Standards Board, was effective for the Symphony in 2001. SFAS 136 has since been codified within the accounting standards in Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities, Consolidation*. This Statement changed accounting principles generally accepted in the United States of America to require not-for-profit organizations to recognize their beneficial interests in the net assets held by such foundations as assets and to recognize subsequent changes therein as changes in their net assets. The KCSF has requested the Symphony not apply these provisions, resulting in omission of its beneficial interests in the net assets of the KCSF from its assets and omission of changes in its beneficial interests from its change in net assets. See *Note 7* for disclosures of investments at fair value and investment income received by the Symphony from the Foundation.



**Kansas City Symphony**  
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**Note 3: Board-Designated Assets**

Funds donated have been established as board-designated, quasi-endowments at the Greater Kansas City Community Foundation. Revenues generated from these funds support educational activities and general operations.

Also reflected as board-designated assets are the assets of the five unincorporated volunteer auxiliary organizations that provide financial support through fundraising activities to the Symphony and provide opportunities for volunteer involvement to over 500 individuals annually. These auxiliaries are: The Symphony League, the Jewel Ball, the Kansas City Symphony Alliance, the Symphony Guild and the Symphony Women’s Association.

**Note 4: Contributions Receivable**

Contributions receivable consist of the following unconditional promises to give:

	<b>2014</b>	<b>2013</b>
Due in less than one year	\$ 6,718,129	\$ 4,958,718
Due in one to five years	13,276,000	8,751,127
Due in five to ten years	4,132,449	4,501,000
	24,126,578	18,210,845
Less allowance for uncollectible contributions	30,000	25,000
Less unamortized discount	1,643,665	1,477,520
	\$ 22,452,913	\$ 16,708,325

During Fall 2012, the Symphony endowment began a fundraising campaign to secure additional endowment funds. The campaign is referred to as the “Masterpiece” campaign. Masterpiece funds are being raised to support the future of the Symphony through deepening artistic excellence, strengthening commitment to education and community and building presence as a civic asset.

A discount rate of 3.25% was used for 2014 and 2013.

Included in contributions receivable is a donor-restricted pledge to be used to fund consulting payments to certain musicians formerly employed by the Symphony (*see Note 14*). At June 30, 2014 and 2013, this pledge, for which payments are to be made over the next year, is recorded at its net present value, which amounts to \$11,686 and \$31,686, respectively.

**Kansas City Symphony**  
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**Note 5: Conditional Gifts**

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

	<b>2014</b>	<b>2013</b>
Conditional promise to give upon the establishment of a Masterpiece Fund account meeting donors' satisfaction	<u>\$ -</u>	<u>\$ 3,525,000</u>

**Note 6: Beneficial Interest in Assets Held by Others**

The Symphony has certain assets being held at the Greater Kansas City Community Foundation and holds a beneficial interest in those assets. Certain beneficial interests are considered board designated, temporarily restricted and permanently restricted within the financial statements. See *Note 17*. The fair value of the retained beneficial interest included in the statements of financial position and investment income included in the statements of activities is as follows:

	<b>2014</b>	<b>2013</b>
Greater Kansas City Community Foundation pooled funds	<u>\$ 14,143,878</u>	<u>\$ 7,871,210</u>

Investment returns on the above consisted of the following:

	<b>2014</b>	<b>2013</b>
Interest and dividend income	\$ 240,796	\$ 87,045
Net realized and unrealized gains on investments, reported at fair value	<u>1,401,293</u>	<u>602,849</u>
	<u>\$ 1,642,089</u>	<u>\$ 689,894</u>

**Kansas City Symphony**  
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**Note 7: Interest in Assets at Kansas City Symphony Foundation and Greater Kansas City Community Foundation**

The Symphony has agreements with the Kansas City Symphony Foundation (KCSF) and the Greater Kansas City Community Foundation (GKCCF) whereby the Symphony receives all income earned from specifically designated funds at the KCSF and a 5% draw from specifically designated funds at the KCSF and GKCCF. The assets of these funds are not reflected on the Symphony's statements of financial position. At June 30, 2014 and 2013, the fair values of the investments and the income from these investments, resulting in investment income for the years then ended, are as follows:

	<b>2014</b>	<b>2013</b>
<b>Investments, at Fair Value</b>		
Kansas City Symphony Foundation	\$ 24,271,160	\$ 20,586,557
Greater Kansas City Community Foundation	20,420,794	18,392,426
	<b>2014</b>	<b>2013</b>
<b>Investment Income</b>		
Kansas City Symphony Foundation	\$ 496,650	\$ 592,124
Greater Kansas City Community Foundation	887,122	826,970

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

Temporarily restricted net assets are available for the following purposes:

	<b>2014</b>	<b>2013</b>
Restricted activities for use during 2015-2020	\$ 2,267,765	\$ 1,985,506

Temporarily restricted net assets totaling \$1,680,192 and \$595,342 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2014 and 2013, respectively.

Permanently restricted net assets amounted to \$28,644,863 and \$16,702,541 at June 30, 2014 and 2013, respectively. See further discussion at *Note 9* and *Note 17*.

**Note 9: Government Grants**

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$119,939 and \$105,557 for the years ended June 30, 2014 and 2013, respectively.

**Kansas City Symphony**  
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During 2001, the Symphony entered into a matching grant with the Missouri Cultural Trust Fund (MCT). The grant guidelines were for the Symphony to raise \$3,700,000 in endowment funds from private donors by June 30, 2001, solely to support the Symphony and its mission. Such funds are currently held by the KCSF and GKCCF (see Note 7). In return, the MCT set aside \$1,850,000, or a 50% match of private funds raised, in the MCT. The MCT remains the owner of the \$1,850,000 of matching funds and, therefore, such assets are not included in the accompanying financial statements. Through 2009, the Symphony had received a 5% return from the MCT on these designated funds. In fall 2010, the Symphony was notified that the MCT would not be making contributions for an indefinite period of time and, therefore, the Symphony received no investment income during the years ended June 30, 2014 and 2013 related to the MCT.

**Note 10: Leases**

The Symphony entered into a noncancellable operating lease with a related party for the administrative offices in May 2010 that expires in April 2020. The lease calls for base rental payments of \$17,535 per month. Additional rent is paid each month for operating costs and taxes. Rent expense was \$243,129 and \$226,806 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments at June 30, 2014 were:

2015	\$ 210,420
2016	210,420
2017	210,420
2018	210,420
2019	210,420
Thereafter	<u>175,350</u>
Total minimum lease payments	<u>\$ 1,227,450</u>

The Symphony also incurred other rental expense related to rental of facilities and halls for performances totaling \$438,883 and \$369,939 during the years ended June 30, 2014 and 2013, respectively.

**Note 11: Line of Credit**

The Symphony currently has a \$1 million revolving bank line of credit. The line expires January 15, 2015. At June 30, 2014 and 2013, there were no borrowings against this line. The line is collateralized by substantially all of the Symphony's assets. Interest varies with the bank's prime rate and is payable monthly. Principal is due at maturity.

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**Note 12: Long-term Debt**

Long-term debt consists of the following note:

	<b>2014</b>	<b>2013</b>
Note payable, Sobel Properties, LLC	\$ -	\$ 107,990
Less current maturities	-	25,599
	\$ -	\$ 82,391

Due May 31, 2017; payable \$2,535 monthly to a related party, including interest at 5%; secured by office furniture. Amount paid in full during 2014.

**Note 13: Employee Benefit Plans**

***Kansas City Symphony 403(b) Retirement Plan***

The Symphony maintains a 403(b) retirement plan covering employees. The Symphony's contributions to the Plan for administrative employees consist of a discretionary contribution of 3% of compensation and a matching contribution of 50% of the staff's 403(b) deferral up to a maximum of 4% of compensation paid to participants during the year. The Symphony's contributions to the Plan were \$69,659 and \$61,208 for the years ended June 30, 2014 and 2013, respectively.

The Symphony's full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2014 and 2013 was 2% of compensation paid to musicians during the year. The Symphony's contribution to the Plan was \$92,887 and \$84,335 for the years ended June 30, 2014 and 2013, respectively.

***Musician Retirement Plan***

The Symphony also makes a contribution to the American Federation of Musicians Employer Pension Fund for musicians. The Symphony's contribution, which consisted of 5.45% of compensation, was \$264,737 and \$242,794, respectively, for June 30, 2014 and 2013.

***Stagehand Retirement Plan***

The Symphony makes a contribution to the International Alliance of Theatrical Stage Employees Local 31 Retirement Trust for full-time theater and stagehand employees. The employer contribution is calculated at 10% of compensation. The Symphony's contribution to the Plan was \$18,212 and \$14,128 for the years ended June 30, 2014 and 2013, respectively.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2014 and 2013

#### **Multiemployer Pension Plans**

The Symphony contributes to a multiemployer defined benefit pension plan and a multiemployer defined contribution pension plan under the terms of the collective-bargaining agreement that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Symphony chooses to stop participating in some of its multiemployer plans, the Symphony may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Symphony's participation in these plans for the annual period ended June 30, 2014, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2014 and 2013 is for the plan's year end at March 31, 2014 and 2013, respectively. The zone status is based on information the Symphony received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject. Finally, the number of employees covered by the Symphony's multiemployer plans decreased by 5 percent from 2014 and 2013, affecting the period-to-period comparability of the contributions for years 2014 and 2013. The significant reduction in covered employees corresponded to a reduction in overall business. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of Company			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2014	2013		2014	2013	2012		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 264,737	\$ 242,794	\$ 244,760	Yes	6/30/2017
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 18,212	\$ 14,128	\$ 16,602	N/A	7/31/2017

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

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2014 and 2013

#### Note 14: Consulting Obligation

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

#### Note 15: Licensing Agreement

The Symphony has entered into a Licensing Agreement with the Kauffman Center for the Performing Arts. The initial license term is 20 years with the right to extend that initial term for three subsequent 10-year terms. Under the Licensing Agreement, the Symphony is required to pay to the Kauffman Center a license fee for each performance held in the Concert Hall or Theatre.

Licensing fees are predicated upon maintaining “Resident Arts Organization” (RAO) status. In order to be considered an RAO, the Symphony has agreed to use the facility for at least 90 days per year, including performances and rehearsals. The licensing fee will be subjected to an annual increase by the percentage the Consumer Price Index (CPI) has increased during the preceding season. Also, following the third year of operations in the Kauffman Center, and each five years subsequently, the fee may also be increased by Operating Period Adjustments to capture increases in operating costs in excess of the CPI adjustment, but capped at 5% for each operating period.

#### Note 16: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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***Recurring Measurements***

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014 and 2013:

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>June 30, 2014</b>				
Beneficial interests in assets held by others	\$ 14,143,878	\$ -	\$ 14,143,878	\$ -
<b>June 30, 2013</b>				
Beneficial interests in assets held by others	\$ 7,871,210	\$ -	\$ 7,871,210	\$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2014.

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

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.



# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2014 and 2013

#### **Note 17: Endowment**

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

#### ***Donor Designated Funds at the Greater Kansas City Community Foundation***

The Symphony has various donor-restricted endowment funds that are under the investment management of the Greater Kansas City Community Foundation (GKCCF). Three of these funds are donor designated funds that are not recorded in the Symphony's financial statements because the Board of Directors of GKCCF holds variance power over these funds. The Symphony's Board of Directors has recommended the asset allocation for these funds, consistent with one of the recommended allocation models of the investment committee of the GKCCF. These funds are invested in various pooled funds at the GKCCF with approximately 65% in equities, 25% in fixed income and 10% in alternative funds at June 30, 2014 and 2013. Draws from two of these funds are calculated annually to be 5% of the three-year average market value of the fund at June 30, and are distributed to the Symphony in quarterly allotments. The fair value of these funds was \$20,420,794 and \$18,392,426 as of June 30, 2014 and 2013, 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 53% in equities, 40% in government and agency issues and 7% in cash at June 30, 2014 and 2013. The Symphony receives interest and dividend income from the KCSF for one fund, less the Foundation's management expenses in quarterly allotments. For the other fund, the Symphony receives annually a distribution based on 5% of the past 12 month average market value of the fund. The fair value of these funds was \$24,271,160 and \$20,556,791 as of June 30, 2014 and 2013, respectively.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2014 and 2013

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

Additionally, the Symphony has three donor-restricted and three board-designated endowment funds at the GKCCF which are considered agency funds by the GKCCF. As the GKCCF does not retain variance power for these funds, they are recorded in the financial statements of the Symphony. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Each of these funds is invested in various pooled funds at the GKCCF with approximately 65% in equities, 25% in fixed income, 10% in alternative funds and 0% in cash at June 30, 2014 and 2013. Draws from one of these funds are calculated annually to be 5% of the 12-quarter average market value of the fund at March 31, and are distributed to the Symphony in quarterly allotments. The other two funds are calculated annually to be 4% of the 8-quarter average market value of the fund at March 31 and are distributable to the Symphony in quarterly allotments. The market value of these funds was \$14,143,878 and \$7,871,210 as of June 30, 2014 and 2013, respectively. It is the goal that these funds earn an average of 8% per year in order to allow for the preservation of the fund, while enabling the support of annual operations through the draw.

The Symphony's Board of Directors has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Symphony classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Symphony and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Symphony

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The composition of net assets by type of endowment fund at June 30, 2014 and 2013 was:

	<b>2014</b>				
	<b>Unrestricted</b>		<b>Temporarily</b>	<b>Permanently</b>	
	<b>Board</b>	<b>Temporarily</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,441,558	\$ 10,428,861		\$ 11,870,419
Board-designated endowment funds	2,273,459	-	-		2,273,459
Total endowment funds	\$ 2,273,459	\$ 1,441,558	\$ 10,428,861		\$ 14,143,878
	<b>2013</b>				
	<b>Unrestricted</b>		<b>Temporarily</b>	<b>Permanently</b>	
	<b>Board</b>	<b>Temporarily</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>Designated</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (33,912)	\$ 434,340	\$ 6,265,251		\$ 6,665,679
Board-designated endowment funds	1,205,531	-	-		1,205,531
Total endowment funds	\$ 1,171,619	\$ 434,340	\$ 6,265,251		\$ 7,871,210

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Changes in endowment net assets for the years ended June 30, 2014 and 2013 were:

	<b>2014</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 1,171,619	\$ 434,340	\$ 6,265,251	\$ 7,871,210
Investment return				
Investment income	88,850	123,615	-	212,465
Net appreciation	626,087	775,205	-	1,401,292
Total investment return	714,937	898,820	-	1,613,757
Contributions	2,004,063	475,024	4,163,610	6,642,697
Appropriation of endowment assets for expenditure	(1,617,160)	(366,626)	-	(1,983,786)
Endowment net assets, end of year	<u>\$ 2,273,459</u>	<u>\$ 1,441,558</u>	<u>\$ 10,428,861</u>	<u>\$ 14,143,878</u>
	<b>2013</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 22,105	\$ -	\$ 4,661,182	\$ 4,683,287
Investment return				
Investment income	3,802	82,582	-	86,384
Net depreciation	21,870	580,980	-	602,850
Total investment return	25,672	663,562	-	689,234
Contributions	1,448,979	-	1,604,069	3,053,048
Appropriation of endowment assets for expenditure	(6,938)	(229,222)	-	(236,160)
Transfers	(318,199)	-	-	(318,199)
Endowment net assets, end of year	<u>\$ 1,171,619</u>	<u>\$ 434,340</u>	<u>\$ 6,265,251</u>	<u>\$ 7,871,210</u>

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Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2014 and 2013, consisted of:

	<b>2014</b>	<b>2013</b>
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 10,428,861	\$ 6,265,251

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Symphony is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in temporarily restricted and unrestricted net assets and aggregated. The total cash deficiency at June 30, 2014 and 2013 was \$0 and \$33,912, 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.

The Symphony has a spending policy which allows it to draw up to 4% of its endowment fund's average fair value over the prior three years through the year end preceding the year in which expenditure is planned. In establishing this policy, the Symphony considered the long-term expected return on its endowment. Accordingly, over the long term, the Symphony expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Symphony's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2014 and 2013

#### **Note 18: Masterpiece Campaign**

In 2012, the Symphony commenced a campaign to increase the Symphony's endowment. The Masterpiece Campaign will solidify the future of the Symphony through deepening artistic excellence, strengthening commitment to education and community, and building a presence as a civic asset. The Board has determined the total funds committed towards the campaign at June 30, 2014 and 2013 were approximately \$40,633,000 and \$24,579,000, respectively.

At June 30, 2014 and 2013, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements was approximately \$12,000,000 and \$17,350,000, respectively. These contributions were recorded at fair value, less the related discount. The difference between the total funds committed and those contributions included in the accompanying financial statements relate to conditional promises (see *Note 5*), verbal commitments and amounts held at the Kansas City Symphony Foundation, all of which are not recorded in the Symphony's accompanying financial statements (see *Note 2*).

#### **Note 19: Significant Estimates and Concentrations**

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

##### ***Labor Agreement***

Substantially all of the Symphony's stagehands and musicians are covered by collective-bargaining agreements. The stagehands and musicians agreements expire in 2017.

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

During 2014, four of the Symphony's donors represented 57% and in 2013, two of the Symphony's donors represented 61% of the total contribution and grant revenue.

During 2014, two of the Symphony's donors represented 14% and, in 2013, two of the Symphony's donors represented 28% of the unrestricted operating contributions and grant revenue.

##### ***Beneficial Interests in Assets Held by Others***

Estimates related to valuation of beneficial interests in assets held by others are described in *Note 6* and *Note 16*.

##### ***Functional Expense Allocation***

Significant estimates relating to the allocation of expenses on a functional basis are described in *Note 1*.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

***Contributions Receivable***

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

**Note 20: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

## **Supplementary Information**



**Kansas City Symphony**  
**Schedule of Unrestricted Revenues**  
**Years Ended June 30, 2014 and 2013**

<b>Revenues</b>	<u><b>2014</b></u>	<u><b>2013</b></u>
Ticket sales	\$ 4,950,123	\$ 4,296,227
Performance fees	1,077,171	970,090
Investments and other sources	1,671,624	1,537,256
Individual, corporate and foundation donations	4,481,459	10,712,847
Government grants	212,484	175,069
Auxiliary contributions	2,531,805	1,845,878
Transfers of net assets	(225,000)	-
Net assets released from designations and restrictions	<u>1,680,192</u>	<u>595,342</u>
	<u><u>\$ 16,379,858</u></u>	<u><u>\$ 20,132,709</u></u>

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

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

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

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