

# **Kansas City Symphony**

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



**Kansas City Symphony**  
**June 30, 2019 and 2018**

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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, 2019 and 2018, the related statements of activities, functional expenses 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 3*, 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, 2019 and 2018, 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.

***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2019, the Symphony adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

***Supplementary Information***

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

**BKD, LLP**

Kansas City, Missouri  
December 2, 2019

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2019**

**Assets**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 3,974,034	\$ -	\$ 3,974,034
Accounts receivable	237,231	-	237,231
Contributions receivable, net of allowance of \$40,000	499,453	2,009,347	2,508,800
Inventory	6,860	-	6,860
Prepaid assets	886,677	-	886,677
Amounts due from (to) other funds	(790,963)	790,963	-
Total current assets	<u>4,813,292</u>	<u>2,800,310</u>	<u>7,613,602</u>
<b>Beneficial Interest in Assets Held by Others</b>			
	<u>7,643,939</u>	<u>38,891,519</u>	<u>46,535,458</u>
<b>Investments</b>			
	<u>3,523,814</u>	<u>-</u>	<u>3,523,814</u>
<b>Contributions Receivable</b>			
	<u>-</u>	<u>3,266,234</u>	<u>3,266,234</u>
<b>Property and Equipment, at Cost</b>			
Office and computer equipment	353,858	-	353,858
Theatrical equipment, instruments and music	798,945	-	798,945
Leasehold improvements	638,427	-	638,427
	<u>1,791,230</u>	<u>-</u>	<u>1,791,230</u>
Less accumulated depreciation	(1,028,810)	-	(1,028,810)
	<u>762,420</u>	<u>-</u>	<u>762,420</u>
Total assets	<u>\$ 16,743,465</u>	<u>\$ 44,958,063</u>	<u>\$ 61,701,528</u>

## Liabilities and Net Assets

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Liabilities</b>			
Accounts payable	\$ 526,270	\$ -	\$ 526,270
Accrued expenses	1,260,437	-	1,260,437
Deferred revenue	3,769,190	-	3,769,190
	<u>5,555,897</u>	<u>-</u>	<u>5,555,897</u>
Total current liabilities			
<b>Net Assets</b>			
Without donor restrictions	11,187,568	-	11,187,568
With donor restrictions	-	44,958,063	44,958,063
	<u>11,187,568</u>	<u>44,958,063</u>	<u>56,145,631</u>
Total net assets			
	<u>11,187,568</u>	<u>44,958,063</u>	<u>56,145,631</u>
Total liabilities and net assets	<u>\$ 16,743,465</u>	<u>\$ 44,958,063</u>	<u>\$ 61,701,528</u>

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2018**

**Assets**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 3,918,317	\$ -	\$ 3,918,317
Accounts receivable	396,818	-	396,818
Contributions receivable, net of allowance of \$40,000	860,062	2,648,087	3,508,149
Inventory	6,655	-	6,655
Prepaid assets	809,622	-	809,622
Amounts due from (to) other funds	(480,773)	480,773	-
Total current assets	<u>5,510,701</u>	<u>3,128,860</u>	<u>8,639,561</u>
<b>Beneficial Interest in Assets Held by Others</b>			
	<u>7,410,223</u>	<u>35,393,662</u>	<u>42,803,885</u>
<b>Investments</b>			
	<u>2,972,268</u>	<u>-</u>	<u>2,972,268</u>
<b>Contributions Receivable</b>			
	<u>-</u>	<u>4,834,135</u>	<u>4,834,135</u>
<b>Property and Equipment, at Cost</b>			
Office and computer equipment	412,116	-	412,116
Theatrical equipment, instruments and music	765,211	-	765,211
Leasehold improvements	633,427	-	633,427
	<u>1,810,754</u>	<u>-</u>	<u>1,810,754</u>
Less accumulated depreciation	(961,841)	-	(961,841)
	<u>848,913</u>	<u>-</u>	<u>848,913</u>
Total assets	<u>\$ 16,742,105</u>	<u>\$ 43,356,657</u>	<u>\$ 60,098,762</u>

## Liabilities and Net Assets

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Liabilities</b>			
Accounts payable	\$ 693,989	\$ -	\$ 693,989
Accrued expenses	1,202,597	-	1,202,597
Deferred revenue	4,015,569	-	4,015,569
	<u>5,912,155</u>	<u>-</u>	<u>5,912,155</u>
<b>Net Assets</b>			
Without donor restrictions	10,829,950	-	10,829,950
With donor restrictions	-	43,356,657	43,356,657
	<u>10,829,950</u>	<u>43,356,657</u>	<u>54,186,607</u>
Total liabilities and net assets	<u>\$ 16,742,105</u>	<u>\$ 43,356,657</u>	<u>\$ 60,098,762</u>



**Kansas City Symphony**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	Without Donor Restrictions			With Donor Restrictions	
	Operating	Designated Other	Total		
<b>Revenues, Gains and Other Support</b>					
Operating revenues provided by					
Concerts and fees	\$ 8,264,538	\$ -	\$ 8,264,538	\$ -	\$ 8,264,538
Contributions and grants	5,968,620	-	5,968,620	1,097,303	7,065,923
Auxiliary organizations	-	2,334,127	2,334,127	-	2,334,127
Investment income	1,721,205	508,251	2,229,456	-	2,229,456
Other revenue	125,786	-	125,786	-	125,786
Net assets released from designations and restrictions	3,309,777	(1,367,397)	1,942,380	(1,942,380)	-
	19,389,926	1,474,981	20,864,907	(845,077)	20,019,830
<b>Expenses</b>					
Artistic personnel and concert production	13,876,802	-	13,876,802	-	13,876,802
Education	135,536	-	135,536	-	135,536
Advertising, marketing and promotion	1,670,572	-	1,670,572	-	1,670,572
Development	1,268,282	-	1,268,282	-	1,268,282
Auxiliary organizations	-	1,213,390	1,213,390	-	1,213,390
General administration	2,333,697	9,010	2,342,707	-	2,342,707
	19,284,889	1,222,400	20,507,289	-	20,507,289
<b>Operating Gains (Losses)</b>	105,037	252,581	357,618	(845,077)	(487,459)
<b>Endowment Appreciation</b>	-	-	-	2,446,483	2,446,483
<b>Change in Net Assets</b>	105,037	252,581	357,618	1,601,406	1,959,024
<b>Net Assets, Beginning of Year</b>	4,669,694	6,160,256	10,829,950	43,356,657	54,186,607
<b>Net Assets, End of Year</b>	\$ 4,774,731	\$ 6,412,837	\$ 11,187,568	\$ 44,958,063	\$ 56,145,631

**Kansas City Symphony**  
**Statement of Activities**  
**Year Ended June 30, 2018**

	Without Donor Restrictions			With Donor Restrictions	
	Operating	Designated Other	Total	Restrictions	Total
<b>Revenues, Gains and Other Support</b>					
Operating revenues provided by					
Concerts and fees	\$ 7,341,310	\$ -	\$ 7,341,310	\$ -	\$ 7,341,310
Contributions and grants	5,864,386	-	5,864,386	876,221	6,740,607
Auxiliary organizations	-	2,439,464	2,439,464	-	2,439,464
Investment income	1,634,774	522,831	2,157,605	-	2,157,605
Other revenue	57,651	-	57,651	-	57,651
Net assets released from designations and restrictions	3,406,759	(1,495,441)	1,911,318	(1,911,318)	-
	18,304,880	1,466,854	19,771,734	(1,035,097)	18,736,637
<b>Expenses</b>					
Artistic personnel and concert production	12,945,820	-	12,945,820	-	12,945,820
Education	126,019	-	126,019	-	126,019
Advertising, marketing and promotion	1,482,837	-	1,482,837	-	1,482,837
Development	1,159,407	-	1,159,407	-	1,159,407
Auxiliary organizations	-	1,197,371	1,197,371	-	1,197,371
General administration	2,061,333	10,928	2,072,261	-	2,072,261
	17,775,416	1,208,299	18,983,715	-	18,983,715
<b>Operating Gains (Losses)</b>	529,464	258,555	788,019	(1,035,097)	(247,078)
<b>Endowment Appreciation</b>	-	-	-	2,630,431	2,630,431
<b>Change in Net Assets</b>	529,464	258,555	788,019	1,595,334	2,383,353
<b>Net Assets, Beginning of Year</b>	4,140,230	5,901,701	10,041,931	41,761,323	51,803,254
<b>Net Assets, End of Year</b>	\$ 4,669,694	\$ 6,160,256	\$ 10,829,950	\$ 43,356,657	\$ 54,186,607

**Kansas City Symphony**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	Programming			Supporting			Total Expenses
	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliary Organizations	General Administration	
Artistic personnel, salaries and benefits	\$ 9,200,836	\$ -	\$ -	\$ 14,565	\$ -	\$ -	\$ 9,215,401
Staff, salaries and benefits	1,051,919	110,258	359,955	660,342	500	1,037,272	3,220,246
Guest artists, conductors and composers	1,250,202	-	-	-	-	-	1,250,202
Stagehands, salaries and benefits	170,588	-	-	-	-	-	170,588
Concert production expenses	1,467,069	598	-	-	-	-	1,467,667
Professional fees	200,555	1,500	49,526	206,412	-	269,053	727,046
Office rent, utilities and maintenance	-	-	-	-	-	299,785	299,785
Office supplies and other expenses	86,192	11,520	27,067	298,602	-	90,367	513,748
Printing, art and photography	28,608	5,537	233,854	39,908	-	-	307,907
Advertising and promotion	26,158	-	767,261	3,980	-	-	797,399
Postage	35,734	2,524	187,493	13,205	-	4,148	243,104
Telephone	18,184	626	2,086	4,381	-	7,792	33,069
Travel and per diem	298,519	773	609	21,058	-	66,204	387,163
Insurance	-	-	-	-	-	89,092	89,092
Sales tax and users' fees on tickets sold	-	-	9,536	-	-	2,500	12,036
Depreciation and loss on disposal	-	-	-	-	-	142,803	142,803
Interest, bank fees and credit card fees	-	-	-	-	5,767	241,260	247,027
Other expenses	42,238	2,200	33,185	5,829	-	92,431	175,883
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	229,000	-	229,000
Auxiliary expenses	-	-	-	-	978,123	-	978,123
<b>Total</b>	<b>\$ 13,876,802</b>	<b>\$ 135,536</b>	<b>\$ 1,670,572</b>	<b>\$ 1,268,282</b>	<b>\$ 1,213,390</b>	<b>\$ 2,342,707</b>	<b>\$ 20,507,289</b>

**Kansas City Symphony**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	Programming				Supporting		Total Expenses
	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliary Organizations	General Administration	
Artistic personnel, salaries and benefits	\$ 8,820,914	\$ -	\$ -	\$ 6,308	\$ -	\$ -	\$ 8,827,222
Staff, salaries and benefits	994,442	103,485	344,797	662,443	-	911,253	3,016,420
Guest artists, conductors and composers	1,138,300	-	-	-	-	-	1,138,300
Stagehands, salaries and benefits	149,769	-	-	-	-	-	149,769
Concert production expenses	1,212,833	-	-	-	-	-	1,212,833
Professional fees	204,970	1,125	50,590	143,632	-	165,174	565,491
Office rent, utilities and maintenance	-	-	-	-	-	302,277	302,277
Office supplies and other expenses	87,367	10,270	31,372	260,983	-	78,881	468,873
Printing, art and photography	6,362	5,436	184,029	41,708	-	-	237,535
Advertising and promotion	4,608	-	606,665	739	-	-	612,012
Postage	14,820	1,779	211,829	16,265	-	3,818	248,511
Telephone	21,061	766	2,553	5,362	-	6,800	36,542
Travel and per diem	264,462	875	2,915	14,609	-	65,477	348,338
Insurance	-	-	-	-	-	90,629	90,629
Sales tax and users' fees on tickets sold	-	-	8,449	-	-	2,500	10,949
Depreciation and loss on disposal	-	-	-	-	-	142,513	142,513
Interest, bank fees and credit card fees	-	-	-	-	5,849	242,946	248,795
Other expenses	25,912	2,283	39,638	7,358	-	59,993	135,184
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	224,871	-	224,871
Auxiliary expenses	-	-	-	-	966,651	-	966,651
<b>Total</b>	<b>\$ 12,945,820</b>	<b>\$ 126,019</b>	<b>\$ 1,482,837</b>	<b>\$ 1,159,407</b>	<b>\$ 1,197,371</b>	<b>\$ 2,072,261</b>	<b>\$ 18,983,715</b>

**Kansas City Symphony**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Change in net assets	\$ 1,959,024	\$ 2,383,353
Items not requiring (providing) cash		
Depreciation	131,534	142,355
Loss on disposal of fixed assets	11,269	158
Change in beneficial interest in assets held by others	(2,895,242)	(2,259,916)
Net realized and unrealized (gains) losses on investments	(23,634)	14,264
Contributions and investment income received restricted for long-term investment	(166,578)	(447,393)
Changes in		
Accounts receivable	159,587	(230,213)
Contributions receivable	417,872	(131,676)
Prepaid expenses and other assets	(77,260)	(401,761)
Accounts payable and accrued expenses	(109,879)	180,561
Deferred revenue	(246,379)	432,099
	<u>(839,686)</u>	<u>(318,169)</u>
Net cash used in operating activities		
<b>Investing Activities</b>		
Purchase of investments	(5,803,924)	(5,643,570)
Proceeds from sale of investments	4,439,681	1,889,593
Purchase of property and equipment	(56,310)	(91,241)
	<u>(1,420,553)</u>	<u>(3,845,218)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from contributions and investment income restricted for long-term investment	2,315,956	2,913,069
	<u>2,315,956</u>	<u>2,913,069</u>
Net cash provided by financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	55,717	(1,250,318)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,918,317</u>	<u>5,168,635</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,974,034</u>	<u>\$ 3,918,317</u>

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2019 and 2018**

#### **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 2019 and 2018 fiscal years, the Kansas City Symphony made 223 and 208 performances of more than 67 and 62 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 28 full-time production, marketing, fund development and administrative staff, under the direction of Frank Byrne, executive director.

For the 2018/19 season, the Symphony's 28-member board of directors were under the leadership of Chair William M. Lyons. The vast majority of performances took place at the Symphony's home in Helzberg Hall, in the Kauffman Center for the Performing Arts.

There was continued strength in ticket sales for the Classical, Pops and Family series, numbering 61,631, 16,680 and 13,289, respectively. The Classics Uncorked and Happy Hour concerts served an additional 11,272. The ever-popular holiday programs drew 11,484 to nine performances of Christmas Festival and Handel's "Messiah". The Symphony also served 53,262 children and teachers in a wide array of education programs and more than 50,000 people at free community events. Building on the recent success of Film + Live Orchestra and special programs, the Symphony offered twenty performances of ten programs that served an additional 28,693 during the 2018/19 season. This was the greatest number of special concerts the Symphony has offered in a single season. Bolstering the Symphony's financial position and meeting a demand for high quality symphonic music, the Symphony was hired for nine additional concerts throughout the season, including two performances at the 2019 national convention of the American Choral Directors Association. In total, Kansas City Symphony reached more than 275,000 people during the 2018/19 season.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2019 and 2018**

#### ***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.

#### ***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, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

At June 30, 2019, the Symphony's cash accounts exceeded federally insured limits by approximately \$3,675,000, of which \$2,794,000 is held in mutual funds composed of government securities.

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

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Certificates of deposit are carried at cost. 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 net assets without donor restrictions. Other investment income, gains and losses are reflected in the statements of activities as net assets without restrictions and net assets with restrictions based upon the existence and nature of any donor or legally imposed restriction.

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.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2019 and 2018**

#### ***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 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.

#### ***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, 2019 and 2018.

#### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing body has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Net assets with donor restrictions for a matter of purpose or time are those whose use by the Symphony has been limited by donors to a specific time period or purpose. Net assets with donor restrictions in perpetuity have been restricted by donors to be maintained by the Symphony in perpetuity.



**Kansas City Symphony**  
**Notes to Financial Statements**  
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***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue and net assets without donor restrictions. (Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

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, 2019 and 2018, \$87,300 and \$105,859, respectively, was received in in-kind contributions.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2019 and 2018**

#### ***Income Taxes***

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

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

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

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

Prepaid assets include production and marketing costs applicable to upcoming subscription series that are recognized as expense on a matching basis in the period of the applicable production. At June 30, 2019 and 2018, prepaid marketing costs amounted to \$428,163 and \$471,627, 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, 2019 and 2018, the Symphony contributed \$229,000 and \$224,871, 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.

#### ***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 restriction 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.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2019 and 2018

#### **Revisions**

Certain revisions have been made to the 2018 financial statements for the statement of financial position. These revisions increased the current portion of the contributions receivables as of June 30, 2018 by \$2,424,707, and decreased the noncurrent portion by the same amount, but did not have an impact on the net assets or change in net assets for the year.

#### **Note 2: Change in Accounting Principle**

In 2019, the Symphony adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

##### **Statement of Financial Position**

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

##### **Statement of Activities**

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

##### **Notes to the Financial Statements**

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

#### **Note 3: 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.

**Kansas City Symphony**  
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Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities and Consolidation*, requires 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.

**Note 4: Net Assets**

***Net Assets Without Donor Restriction***

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. During 2018, the Symphony Women’s Association was dissolved.

	<b>2019</b>	<b>2018</b>
Operations	\$ 4,917,643	\$ 4,716,624
Designated auxiliary	(16,144)	(9,531)
Designated masterpiece	6,121,961	5,966,099
Designated other	164,108	156,758
Total net assets without donor restrictions	<b>\$ 11,187,568</b>	<b>\$ 10,829,950</b>

**Kansas City Symphony**  
**Notes to Financial Statements**  
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***Net Assets with Donor Restriction***

Net assets with donor restrictions for a matter of purpose or time are available for the following purposes:

	<b>2019</b>	<b>2018</b>
Subject to expenditure for specified purpose		
employee professional development	\$ 350,000	\$ 250,000
Promises to give in which the investment income earned is to be available for general use	4,389,298	6,673,858
Subject to the passage of time		
Restricted for future fiscal years	324,892	84,494
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	1,002,356	954,651
Endowments		
Restricted by donors for investment income		
Available for general use	38,818,589	35,325,196
Educational programs	72,928	68,458
Total net assets	\$ 44,958,063	\$ 43,356,657

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2019</b>	<b>2018</b>
Expiration of time restrictions		
Satisfaction or purpose restrictions		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	\$ 578,451	\$ 683,216
Employee professional development	100,000	100,000
Restricted-purpose spending-rate distributions and appropriations		
General use	1,263,929	1,128,102
Total net assets released	\$ 1,942,380	\$ 1,911,318

**Kansas City Symphony**  
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**Note 5: Contributions Receivable**

Contributions receivable consist of the following unconditional promises to give:

	<b>2019</b>	<b>2018</b>
Due in less than one year	\$ 2,548,800	\$ 3,508,149
Due in one to five years	3,465,230	5,237,477
	<u>6,014,030</u>	<u>8,745,626</u>
Less allowance for uncollectible contributions	40,000	40,000
Less unamortized discount	198,996	363,342
	<u>\$ 5,775,034</u>	<u>\$ 8,342,284</u>

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

A discount rate of 3.25 percent was used for 2019 and 2018.

As of June 30, 2019 and 2018, one of the Symphony’s donors represented 60 percent and two donors represented 66 percent of the total contributions receivable, respectively.

**Note 6: Investments and 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, net assets with donor restrictions within the financial statements. See *Note 14*. 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>2019</b>	<b>2018</b>
Greater Kansas City Community Foundation pooled funds	\$ 46,535,458	\$ 42,803,885
Certificate of deposits	245,629	485,540
Money market funds	3,278,185	2,486,728
	<u>3,523,814</u>	<u>2,972,268</u>
Total investments and beneficial interests in assets held by others	<u>\$ 50,059,272</u>	<u>\$ 45,776,153</u>

**Kansas City Symphony**  
**Notes to Financial Statements**  
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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 4-5 percent 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, 2019 and 2018, 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>2019</b>	<b>2018</b>
<b>Investments, at Fair Value</b>		
Kansas City Symphony Foundation	\$ 33,272,693	\$ 32,365,910
Greater Kansas City Community Foundation	21,998,325	21,652,077
	<b>2019</b>	<b>2018</b>
<b>Investment Income</b>		
Kansas City Symphony Foundation	\$ 639,250	\$ 593,549
Greater Kansas City Community Foundation	1,052,901	1,022,138

**Note 8: Government Grants**

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$98,473 and \$99,952 for the years ended June 30, 2019 and 2018, respectively.

The Missouri Cultural Trust Fund (MCT) made contributions in 2019 and 2018, in the amount of \$24,420 and \$14,614, respectively. This contribution was pursuant to an agreement between the Symphony and the MCT as part of the Cultural Incentive Program. Future contributions from this source are not guaranteed.

**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 \$268,949 and \$267,792 for the years ended June 30, 2019 and 2018, respectively.

**Kansas City Symphony**  
**Notes to Financial Statements**  
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Future minimum lease payments at June 30, 2019 were:

2020	\$ 175,350
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**Note 10: Line of Credit**

The Symphony currently has a \$1 million revolving bank line of credit. The line expires January 14, 2020. At June 30, 2019 and 2018, there were no borrowings against this line. The line is collateralized by substantially all of the Symphony's assets. Interest varies with the bank's prime rate and is payable monthly. Principal is due at maturity.

**Note 11: Employee Benefit Plans**

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

The Symphony maintains a 403(b) retirement plan covering employees. The Symphony's contributions to the Plan for administrative employees consist of a discretionary contribution of 3 percent of compensation and a matching contribution of 50 percent of the staff's 403(b) deferral up to a maximum of 4 percent of compensation paid to participants during the year. The Symphony's contributions to the Plan were \$93,766 and \$86,502 for the years ended June 30, 2019 and 2018, respectively.

The Symphony's full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2019 and 2018 was 2 percent of compensation paid to musicians during the year and there was a matching component for musicians which is a maximum Symphony contribution of 1.5 percent if the musician defers 0.75 percent. The Symphony's contribution to the Plan was \$181,463 and \$192,838 for the years ended June 30, 2019 and 2018, 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 percent of compensation, was \$309,594 and \$309,806, respectively, for June 30, 2019 and 2018.

***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 percent of compensation. The Symphony's contribution to the Plan was \$24,855 and \$22,599 for the years ended June 30, 2019 and 2018, respectively.



# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2019 and 2018

#### **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, 2019, 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 2019 and 2018 is for the plan’s year end at March 31, 2018 and 2017, 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.

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
		2019	2018		2019	2018	2017		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 309,594	\$ 309,806	\$ 298,403	Yes	6/30/2023
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 24,855	\$ 22,599	\$ 20,656	N/A	6/30/2021

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

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2019 and 2018

#### **Note 12: 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 expense was \$526,081 and \$456,904 for the years ended June 30, 2019 and 2018, respectively.

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 percent for each operating period.

#### **Note 13: Disclosures About Fair Value of Assets**

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

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

**Kansas City Symphony**  
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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, 2019 and 2018:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2019</b>				
Beneficial interests in assets held by others	\$ 46,535,458	\$ -	\$ 46,535,458	\$ -
Money market funds	3,278,185	3,278,185	-	-
<b>June 30, 2018</b>				
Beneficial interests in assets held by others	\$ 42,803,885	\$ -	\$ 42,803,885	\$ -
Money market funds	2,486,728	2,486,728	-	-

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, 2019.

***Investments and 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, 2019 and 2018

#### **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). Four of these funds are donor-designated funds that are not recorded in the Symphony's financial statements because the board of directors of GKCCF holds variance power over these funds. The Symphony's board of directors has recommended the asset allocation for these funds, consistent with one of the recommended allocation models of the investment committee of the GKCCF. These funds are invested in various pooled funds at the GKCCF with approximately 70 percent in equities and 30 percent in fixed income at June 30, 2019 and 2018. Draws from two of these funds are calculated annually to be 5 percent of the three-year average market value of the fund at June 30, and are distributed to the Symphony in quarterly allotments. For one of these funds, draws are distributed on a reimbursement basis to recover costs expended based on intended purpose of the fund. Draws from the fourth fund are calculated annually to be 4 percent of the three-year average market value of the fund not to invade corpus. The fair value of these funds was \$21,998,325 and \$21,652,077 as of June 30, 2019 and 2018, respectively, as further discussed in *Note 7*.

#### ***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 3*). These funds are invested in common stocks and U.S. government securities with approximately 55 percent in equities, 39 percent in government and agency issues and 6 percent in cash and other investments at June 30, 2019. The Symphony Foundation's funds had approximately 60 percent in equities, 37 percent in government and agency issues and 3 percent in cash and other investments at June 30, 2018. The Symphony receives interest and dividend income from the KCSF for two funds, less the Foundation's management expenses in quarterly allotments. For another fund, the Symphony receives annually a distribution based on 5 percent of the past 12-month average market value of the fund. The fair value of these funds was \$33,272,693 and \$32,365,910 as of June 30, 2019 and 2018, respectively, as further discussed in *Note 7*.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2019 and 2018

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

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

Each of these funds is invested in various pooled funds at the GKCCF with approximately 70 percent in equities and 30 percent in fixed income at June 30, 2019 and 2018. Draws from one of these donor-restricted funds are calculated annually to be 5 percent of the 12-quarter average market value of the fund at March 31, and are distributed to the Symphony in quarterly allotments. The other four donor-restricted funds are calculated annually to be 4 percent of the 12-quarter average market value of the fund at March 31 and are distributable to the Symphony in quarterly allotments. The board-designated funds are calculated annually to be 5 percent or 4 percent of the 12-quarter average market value of the funds. The market value of these funds was \$46,535,458 and \$42,803,885 as of June 30, 2019 and 2018, respectively, as further discussed in *Note 6*. It is the goal that these funds earn an average of 8 percent 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 net assets restricted in perpetuity (a) the original value of gifts donated to the perpetually-restricted endowment, (b) the original value of subsequent gifts to the perpetually-restricted endowment and (c) accumulations to the perpetually-restricted 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 net assets restricted for a matter of purpose or time until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**Kansas City Symphony**  
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The composition of the endowment investments included in the net asset types at June 30, 2019 and 2018 was:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 6,286,069		\$ 6,286,069
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	\$ 32,948,972	32,948,972
Accumulated investment gains	-	5,942,545	5,942,545
<b>Total endowment funds</b>	<b>\$ 6,286,069</b>	<b>\$ 38,891,517</b>	<b>\$ 45,177,586</b>

  

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 6,122,857		\$ 6,122,857
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	\$ 30,643,638	30,643,638
Accumulated investment gains	-	4,750,016	4,750,016
<b>Total endowment funds</b>	<b>\$ 6,122,857</b>	<b>\$ 35,393,654</b>	<b>\$ 41,516,511</b>

**Kansas City Symphony**  
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Changes in endowment funds for the years ended June 30, 2019 and 2018 were:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 6,122,857	\$ 35,393,654	\$ 41,516,511
Investment return, net	395,505	2,450,043	2,845,548
Contributions	-	2,311,751	2,311,751
Appropriation of endowment assets for expenditure	(232,293)	(1,263,929)	(1,496,222)
Endowment net assets, end of year	<u>\$ 6,286,069</u>	<u>\$ 38,891,519</u>	<u>\$ 45,177,588</u>

  

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 5,613,748	\$ 30,984,093	\$ 36,597,841
Investment return, net	488,580	2,627,929	3,116,509
Contributions	250,000	2,909,734	3,159,734
Appropriation of endowment assets for expenditure	(229,471)	(1,128,102)	(1,357,573)
Endowment net assets, end of year	<u>\$ 6,122,857</u>	<u>\$ 35,393,654</u>	<u>\$ 41,516,511</u>

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 net assets with donor restrictions for a matter of purpose or time and net assets without donor restrictions and aggregated. The total cash deficiencies were \$0 at June 30, 2019 and 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after invested.

The Symphony has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Symphony must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Symphony's policies, endowment assets are invested in a manner that is intended to produce results that exceed its spending while assuming a reasonable level of investment risk. The Symphony expects its endowment funds to provide an average rate of return of approximately 8 percent annually over time. Actual returns in any given year may vary from this amount.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2019 and 2018

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 percent or 5 percent 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 percent 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: 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, 2019 and 2018 were approximately \$55,014,000.

During June 30, 2019 and 2018, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements were approximately \$167,000 and \$450,000, respectively. These contributions were recorded at fair value, less the related discount. The difference between the total funds committed and those contributions included in the accompanying financial statements relate to verbal commitments and amounts held at the Kansas City Symphony Foundation, all of which are not recorded in the Symphony's accompanying financial statements (see *Note 3*).



**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**Note 16: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Total financial assets	\$ 54,033,306	\$ 49,694,470
Donor restricted endowments		
Accumulated investment gains restricted in perpetuity	5,942,545	4,750,016
Endowments	<u>32,948,972</u>	<u>30,643,638</u>
	<u>38,891,517</u>	<u>35,393,654</u>
Net financial assets after donor-imposed restrictions	<u>15,141,789</u>	<u>14,300,809</u>
Internal designations		
Board-advised funds	5,199,097	3,458,494
Quasi-endowments	<u>6,121,961</u>	<u>5,966,099</u>
	<u>11,321,058</u>	<u>9,424,593</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,820,731</u>	<u>\$ 4,876,216</u>

The Symphony's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$6,121,961 is subject to an annual spending rate of 4 percent as described in *Note 14*. Although the Symphony does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Symphony has committed lines of credit in the amount of \$1,000,000, which it could draw upon.

The Symphony manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Symphony has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Symphony has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 90 to 120 days of expected expenditures. To achieve these

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2019 and 2018**

targets, the Symphony forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

#### **Note 17: Significant Estimates and Concentrations**

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

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

Substantially all of the Symphony's stagehands and musicians are covered by collective-bargaining agreements. The stagehands agreement is set to expire in 2021. Musicians entered into an extended collective-bargaining agreement during 2019 and is set to expire in 2023.

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

During 2019 and 2018, one of the Symphony's donors represented 12 percent and 11 percent of the total contribution and grant revenue, respectively.

During 2019 and 2018, one of the Symphony's donors represented 14 percent of the operating contributions and grant revenue without donor restrictions.

##### ***Litigation***

The Symphony is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Symphony. Events could occur that would change this estimate materially in the near term.

##### ***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 13*.

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

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

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**Note 18: Subsequent Events**

Subsequent events have been evaluated through December 2, 2019, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Kansas City Symphony**  
**Schedule of Revenues Without Donor Restrictions**  
**Years Ended June 30, 2019 and 2018**

<b>Revenues</b>	<u><b>2019</b></u>	<u><b>2018</b></u>
Ticket sales	\$ 6,853,347	\$ 6,075,936
Performance fees	1,411,191	1,265,374
Investments and other sources	2,355,242	2,215,256
Individual, corporate and foundation donations	5,805,147	5,679,434
Government grants	163,473	184,952
Auxiliary contributions	2,334,127	2,439,464
Net assets released from designations and restrictions	<u>1,942,380</u>	<u>1,911,318</u>
	<u><u>\$ 20,864,907</u></u>	<u><u>\$ 19,771,734</u></u>