

Kansas City Symphony

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



Kansas City Symphony
June 30, 2020 and 2019

Contents

Independent Auditor's Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 5
Statements of Functional Expenses 7
Statements of Cash Flows 9
Notes to Financial Statements 10

Supplementary Information

Schedule of Revenues Without Donor Restrictions 32

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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

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

BKD, LLP

Kansas City, Missouri
November 4, 2020

Kansas City Symphony
Statement of Financial Position
June 30, 2020

Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash and cash equivalents	\$ 4,098,252	\$ 524,847	\$ 4,623,099
Cash and cash equivalents - board designated	2,514,460	-	2,514,460
Accounts receivable	149,504	-	149,504
Contributions receivable, net of allowance of \$88,000	273,884	1,834,762	2,108,646
Inventory	8,944	-	8,944
Prepaid assets	905,274	-	905,274
Amounts due from (to) other funds	(539,252)	539,252	-
	<u>7,411,066</u>	<u>2,898,861</u>	<u>10,309,927</u>
Beneficial Interest in Assets Held by Others			
Endowment	6,178,964	40,855,017	47,033,981
Board designated - operating reserve	1,401,394	-	1,401,394
Other	159,116	-	159,116
	<u>7,739,474</u>	<u>40,855,017</u>	<u>48,594,491</u>
Cash and Cash Equivalents - Board Designated Operating Reserve			
	<u>2,650,389</u>	<u>-</u>	<u>2,650,389</u>
Contributions Receivable			
	<u>-</u>	<u>2,487,425</u>	<u>2,487,425</u>
Property and Equipment, at Cost			
Office and computer equipment	404,221	-	404,221
Theatrical equipment, instruments and music	853,821	-	853,821
Leasehold improvements	638,427	-	638,427
	<u>1,896,469</u>	<u>-</u>	<u>1,896,469</u>
Less accumulated depreciation	(1,116,332)	-	(1,116,332)
	<u>780,137</u>	<u>-</u>	<u>780,137</u>
	<u>\$ 18,581,066</u>	<u>\$ 46,241,303</u>	<u>\$ 64,822,369</u>

Kansas City Symphony
Statement of Financial Position
June 30, 2019

Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
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	-
	<u>4,813,292</u>	<u>2,800,310</u>	<u>7,613,602</u>
Beneficial Interest in Assets Held by Others			
Endowment	6,121,961	38,891,519	45,013,480
Board designated - operating reserve	1,357,870	-	1,357,870
Other	164,108	-	164,108
	<u>7,643,939</u>	<u>38,891,519</u>	<u>46,535,458</u>
	<u>3,523,814</u>	<u>-</u>	<u>3,523,814</u>
Investments			
	<u>-</u>	<u>3,266,234</u>	<u>3,266,234</u>
Contributions Receivable			
	<u>-</u>	<u>3,266,234</u>	<u>3,266,234</u>
Property and Equipment, at Cost			
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>
	<u>\$ 16,743,465</u>	<u>\$ 44,958,063</u>	<u>\$ 61,701,528</u>
Total assets			

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities			
Accounts payable	\$ 526,270	\$ -	\$ 526,270
Accrued expenses	1,260,437	-	1,260,437
Deferred revenue	3,769,190	-	3,769,190
Total current liabilities	<u>5,555,897</u>	<u>-</u>	<u>5,555,897</u>
Net Assets			
Without donor restrictions	11,187,568	-	11,187,568
With donor restrictions	<u>-</u>	<u>44,958,063</u>	<u>44,958,063</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 Activities
Year Ended June 30, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Designated Other	Total		
Revenues, Gains and Other Support					
Operating revenues provided by					
Concerts and fees	\$ 5,211,799	\$ -	\$ 5,211,799	\$ -	\$ 5,211,799
Contributions and grants	6,781,390	-	6,781,390	1,939,917	8,721,307
Auxiliary organizations	-	1,002,127	1,002,127	-	1,002,127
Investment income	2,114,469	314,990	2,429,459	-	2,429,459
Other revenue	15,338	-	15,338	-	15,338
Net assets released from designations and restrictions	3,386,714	(819,361)	2,567,353	(2,567,353)	-
	17,509,710	497,756	18,007,466	(627,436)	17,380,030
Expenses					
Artistic personnel and concert production	12,592,436	-	12,592,436	-	12,592,436
Education	130,618	-	130,618	-	130,618
Advertising, marketing and promotion	1,622,848	-	1,622,848	-	1,622,848
Development	1,111,949	-	1,111,949	-	1,111,949
Auxiliary organizations	-	381,754	381,754	-	381,754
General administration	2,197,911	7,638	2,205,549	-	2,205,549
	17,655,762	389,392	18,045,154	-	18,045,154
Operating Gains (Losses)	(146,052)	108,364	(37,688)	(627,436)	(665,124)
Net Asset Transfer	(6,487,923)	6,487,923	-	-	-
Endowment Appreciation	-	-	-	1,910,676	1,910,676
Change in Net Assets	(6,633,975)	6,596,287	(37,688)	1,283,240	1,245,552
Net Assets, Beginning of Year	4,774,731	6,412,837	11,187,568	44,958,063	56,145,631
Net Assets, End of Year	\$ (1,859,244)	\$ 13,009,124	\$ 11,149,880	\$ 46,241,303	\$ 57,391,183

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

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Designated Other	Total		
Revenues, Gains and Other Support					
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
Expenses					
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
Operating Gains (Losses)	105,037	252,581	357,618	(845,077)	(487,459)
Endowment Appreciation	-	-	-	2,446,483	2,446,483
Change in Net Assets	105,037	252,581	357,618	1,601,406	1,959,024
Net Assets, Beginning of Year	4,669,694	6,160,256	10,829,950	43,356,657	54,186,607
Net Assets, End of Year	\$ 4,774,731	\$ 6,412,837	\$ 11,187,568	\$ 44,958,063	\$ 56,145,631

Kansas City Symphony
Statement of Functional Expenses
Year Ended June 30, 2020

	Programming			Supporting			Total Expenses
	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliary Organizations	General Administration	
Artistic personnel, salaries and benefits	\$ 8,946,313	\$ -	\$ -	\$ 2,183	\$ -	\$ -	\$ 8,948,496
Staff, salaries and benefits	1,051,523	108,061	351,448	671,543	-	957,953	3,140,528
Guest artists, conductors and composers	954,490	-	-	-	-	-	954,490
Stagehands, salaries and benefits	130,948	-	-	-	-	-	130,948
Concert production expenses	991,247	-	-	-	-	-	991,247
Professional fees	181,173	3,100	51,631	188,126	-	227,851	651,881
Office rent, utilities and maintenance	-	-	-	-	-	337,146	337,146
Office supplies and other expenses	46,312	10,253	17,788	152,620	-	100,887	327,860
Printing, art and photography	17,612	4,554	218,332	44,249	-	-	284,747
Advertising and promotion	9,825	-	729,080	713	-	-	739,618
Postage	25,848	1,244	198,719	19,838	-	3,793	249,442
Telephone	17,824	555	1,851	3,888	-	5,540	29,658
Travel and per diem	201,327	351	2,138	7,234	-	24,671	235,721
Insurance	-	-	-	-	-	89,623	89,623
Sales tax and users' fees on tickets sold	-	-	19,498	-	-	-	19,498
Depreciation and loss on disposal	-	-	-	-	-	121,611	121,611
Interest, bank fees and credit card fees	-	-	-	-	4,560	216,172	220,732
Other expenses	17,994	2,500	32,363	21,555	-	120,302	194,714
Auxiliary expenses	-	-	-	-	377,194	-	377,194
Total	<u>\$ 12,592,436</u>	<u>\$ 130,618</u>	<u>\$ 1,622,848</u>	<u>\$ 1,111,949</u>	<u>\$ 381,754</u>	<u>\$ 2,205,549</u>	<u>\$ 18,045,154</u>

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
Total	\$ 13,876,802	\$ 135,536	\$ 1,670,572	\$ 1,268,282	\$ 1,213,390	\$ 2,342,707	\$ 20,507,289

Kansas City Symphony
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 1,245,552	\$ 1,959,024
Items not requiring (providing) cash		
Depreciation	121,611	131,534
Loss on disposal of fixed assets	-	11,269
Change in beneficial interest in assets held by others	(2,261,553)	(2,895,242)
Net realized and unrealized (gains) losses on investments	23,907	(23,634)
Contributions and investment income received restricted for long-term investment	(412,279)	(166,578)
Changes in		
Accounts receivable	87,727	159,587
Contributions receivable	12,228	417,872
Prepaid expenses and other assets	(20,681)	(77,260)
Accounts payable and accrued expenses	(702,301)	(109,879)
Deferred revenue	225,390	(246,379)
	<u>(1,680,399)</u>	<u>(839,686)</u>
Investing Activities		
Purchase of investments	(1,581,621)	(5,803,924)
Proceeds from sale of investments	5,284,048	4,439,681
Purchase of property and equipment	(139,328)	(56,310)
	<u>3,563,099</u>	<u>(1,420,553)</u>
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	1,579,014	2,315,956
Proceeds from issuance of note payable	2,352,200	-
	<u>3,931,214</u>	<u>2,315,956</u>
Increase in Cash and Cash Equivalents	5,813,914	55,717
Cash and Cash Equivalents, Beginning of Year	<u>3,974,034</u>	<u>3,918,317</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,787,948</u>	<u>\$ 3,974,034</u>
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 4,623,099	\$ 3,974,034
Cash and cash equivalents - board designated	2,514,460	-
Cash and cash equivalents - board designated operating reserve	2,650,389	-
Cash and Cash Equivalents, End of Year	<u>\$ 9,787,948</u>	<u>\$ 3,974,034</u>

Kansas City Symphony

Notes to Financial Statements

June 30, 2020 and 2019

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 2020 and 2019 fiscal years, the Kansas City Symphony made 137 and 223 performances of more than 35 and 67 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 Danny Beckley, executive director.

For the 2019/20 season, the Symphony's 29-member board of directors were under the leadership of Chair Patrick McCown. The vast majority of performances took place at the Symphony's home in Helzberg Hall, in the Kauffman Center for the Performing Arts.

Before the coronavirus pandemic forced cancellation of all programs from March 14 through the end of the season, there was continued strength in ticket sales for the Classical, Pops and Family series, numbering 30,187, 8,641 and 5,435, respectively. The Classics Uncorked and Happy Hour concerts served an additional 5,194. The ever-popular holiday programs drew 11,324 to nine performances of Christmas Festival and Handel's "Messiah". The Symphony also served 32,866 children and teachers in a wide array of education programs and more than 12,000 people at free community events. Building on the recent success of Film + Live Orchestra and special programs, the Symphony offered 16 performances of eight programs that served an additional 21,368 during the 2019/20 season. A highlight was "Beethoven for the Generations," an exquisite concert featuring pianist Emanuel Ax, violinist Pamela Frank and cellist Yo-Yo Ma performing with the Symphony. 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, two of which were cancelled due to the pandemic. In total, Kansas City Symphony reached more than 130,000 people during the 2019/20 season despite the cancellation of 51 performances of 19 different programs.

Kansas City Symphony

Notes to Financial Statements

June 30, 2020 and 2019

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. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. Deposit accounts restricted internally by the Board are not considered to be cash and cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers and repurchase agreements.

At June 30, 2020, the Symphony's cash accounts exceeded federally insured limits by approximately \$9,465,000, of which \$5,600,000 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, 2020 and 2019

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.

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, 2020 and 2019, prepaid marketing costs amounted to \$425,098 and \$428,163, respectively.

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, 2020 and 2019.

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.

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

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.

Contributions

Contributions are provided to the Symphony either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts-with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Symphony overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Kansas City Symphony

Notes to Financial Statements

June 30, 2020 and 2019

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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, 2020 and 2019, \$43,300 and \$87,300, 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.

Auxiliary Organizations

The Symphony has four unincorporated volunteer auxiliary organizations, which have the primary purpose of raising funds for the Symphony through special event activities. These auxiliaries are: The Symphony League, the Jewel Ball, the Kansas City Symphony Alliance and the Symphony Guild. The Jewel Ball, raises funds for both the Symphony and the Nelson-Atkins Museum of Art. During the year ended June 30, 2020, the Jewel Ball was cancelled due to the COVID-19 pandemic. During the year ended June 30, 2019, the Symphony contributed \$229,000 to the Nelson-Atkins Museum of Art through proceeds of the Jewel Ball. All four 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, 2020 and 2019

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 period ending date.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets.

Revisions

Certain immaterial revisions have been made to the 2019 financial statements to money market funds in *Note 14* and the board-designated endowment funds in *Note 15*. These revisions did not have a significant impact on the financial statements line items impacted.

Note 2: Change in Accounting Principle

On July 1, 2019, the Symphony adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective method of adoption to agreements that were not complete as of or entered into after the effective date.

The core guidance in ASU 2018-08 is to provide guidance around the determination of distinguishing contributions versus exchange transactions. In addition, the standard clarified the requirements for determining whether a contribution is conditional. Adoption of ASU 2018-08 did not have a material impact on the financial statements.

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
Notes to Financial Statements
June 30, 2020 and 2019

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 Restrictions

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.

	2020	2019
Operations	\$ (1,859,244)	\$ 4,917,643
Designated auxiliary	107,685	(16,144)
Designated masterpiece	6,178,964	6,121,961
Designated other	6,722,475	164,108
Total net assets without donor restrictions	\$ 11,149,880	\$ 11,187,568

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose		
Employee professional development	\$ 250,000	\$ 350,000
Audience development	524,636	-
Promises to give in which the investment income earned is to be available for general use	3,222,562	4,389,298
Subject to the passage of time		
Restricted for future fiscal years	289,463	324,892
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	1,099,625	1,002,356
Endowments		
Restricted by donors for investment income		
Available for general use	40,781,325	38,818,589
Educational programs	73,692	72,928
Total net assets with donor restrictions	\$ 46,241,303	\$ 44,958,063

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.

	2020	2019
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	\$ 941,436	\$ 578,451
Employee professional development	100,000	100,000
Restricted-purpose spending-rate distributions and appropriations		
General use	1,525,917	1,263,929
Total net assets released	\$ 2,567,353	\$ 1,942,380

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

Note 5: Contributions Receivable

Contributions receivable consist of the following unconditional promises to give:

	2020	2019
Due in less than one year	\$ 2,196,646	\$ 2,548,800
Due in one to five years	2,177,999	3,465,230
Due in five to ten years	600,000	-
	4,974,645	6,014,030
Less allowance for uncollectible contributions	88,000	40,000
Less unamortized discount	290,574	198,996
	\$ 4,596,071	\$ 5,775,034

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 2020 and 2019.

As of June 30, 2020 and 2019, two of the Symphony’s donors represented 70 percent and one of the Symphony’s donors represented 60 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 and net assets with donor restrictions within the financial statements. See *Note 15*. The fair value of the retained beneficial interest included in the statements of financial position and investment income included in the statements of activities is as follows:

	2020	2019
Greater Kansas City Community Foundation pooled funds	\$ 48,594,491	\$ 46,535,458
Certificate of deposits	-	245,629
Money market funds	-	3,278,185
	-	3,523,814
Total investments and beneficial interests in assets held by others	\$ 48,594,491	\$ 50,059,272

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, the fair values of the investments and the income from these investments, resulting in investment income for the years then ended, are as follows:

	2020	2019
Investments, at Fair Value		
Kansas City Symphony Foundation	\$ 34,486,894	\$ 33,272,693
Greater Kansas City Community Foundation	21,990,173	21,998,325
	2020	2019
Investment Income		
Kansas City Symphony Foundation	\$ 686,661	\$ 639,250
Greater Kansas City Community Foundation	1,079,847	1,052,901

Note 8: Government Grants

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$79,877 and \$98,473 for the years ended June 30, 2020 and 2019, respectively.

The Missouri Cultural Trust Fund (MCT) made contributions in 2020 and 2019, in the amount of \$37,185 and \$24,420, 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 expired in April 2020 and is now considered month-to-month. 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 \$304,747 and \$268,949 for the years ended June 30, 2020 and 2019, respectively.

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

Note 10: Line of Credit

The Symphony currently has a \$1 million revolving bank line of credit. The line expires January 14, 2021. At June 30, 2020 and 2019, 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: Note Payable

The Symphony received a loan through the Small Business Administration (SBA) Paycheck Protection Program established by the CARES Act. The loan is payable in 18 installments of \$132,398 monthly including 1.00 percent interest beginning after the applicable deferral period. A portion of the loan may be eligible for forgiveness under the CARES Act. At June 30, 2020, the balance of the loan was \$2,352,200.

Subsequent to June 30, 2020, the Symphony was notified that as a result of changes made by the SBA, the payment deferral period ending date was amended to be a) if forgiveness application is submitted, the date of notice from SBA if the loan is forgiven or not entitled for forgiveness or b) if no forgiveness application is submitted, 10 months after the end of the covered period (April 2021).

Aggregate annual maturities of long-term debt obligations at June 30, 2020 were as follows:

2021	\$ 391,641
2022	1,576,387
2023	<u>384,172</u>
	<u><u>\$ 2,352,200</u></u>

Note 12: 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 \$91,006 and \$93,766 for the years ended June 30, 2020 and 2019, respectively.

The Symphony’s full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2020 and 2019 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 \$202,955 and \$181,463 for the years ended June 30, 2020 and 2019, respectively.

Kansas City Symphony

Notes to Financial Statements

June 30, 2020 and 2019

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 \$341,804 and \$309,594, respectively, for June 30, 2020 and 2019.

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 \$21,050 and \$24,855 for the years ended June 30, 2020 and 2019, respectively.

Multiemployer Pension Plans

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

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

The Symphony's participation in these plans for the annual period ended June 30, 2020, 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 2020 and 2019 is for the plan's year end at March 31, 2019 and 2018, 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.

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

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
		2020	2019		2020	2019	2018		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 341,804	\$ 309,594	\$ 309,806	Yes	6/30/2023
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 21,050	\$ 24,855	\$ 22,599	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.

Note 13: Licensing Agreement

The Symphony has entered into a Licensing Agreement with the Kauffman Center for the Performing Arts. The initial license term is 20 years with the right to extend that initial term for three subsequent 10-year terms. Under the Licensing Agreement, the Symphony is required to pay to the Kauffman Center a license fee for each performance held in the Concert Hall or Theatre. Licensing expense was \$329,259 and \$526,081 for the years ended June 30, 2020 and 2019, 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 14: Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets or liabilities

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

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

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	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)
June 30, 2020				
Beneficial interests in assets held by others	\$ 48,594,491	\$ -	\$ 48,594,491	\$ -
Money market funds	5,619,777	5,619,777	-	-
	<u>\$ 54,214,268</u>	<u>\$ 5,619,777</u>	<u>\$ 48,594,491</u>	<u>\$ -</u>
June 30, 2019				
Beneficial interests in assets held by others	\$ 46,535,458	\$ -	\$ 46,535,458	\$ -
Money market funds	6,068,394	6,068,394	-	-
Certificates of deposit **	245,629	-	-	-
	<u>\$ 52,849,481</u>	<u>\$ 6,068,394</u>	<u>\$ 46,535,458</u>	<u>\$ -</u>

** Certificates of deposit are carried at cost, which approximates fair value. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

The above amounts are presented on the statements of financial position as follows:

	2020	2019
Beneficial interest in assets held by others	\$ 48,594,491	\$ 46,535,458
Cash and cash equivalents	2,969,388	2,790,209
Cash and cash equivalents - Board designated operating reserve	2,650,389	-
Investments	-	3,523,814
	\$ 54,214,268	\$ 52,849,481

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, 2020.

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

Note 15: Endowment

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

Donor Designated Funds at the Greater Kansas City Community Foundation

The Symphony has various donor-restricted endowment funds that are under the investment management of the Greater Kansas City Community Foundation (GKCCF). 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 70 percent in equities and

Kansas City Symphony

Notes to Financial Statements

June 30, 2020 and 2019

30 percent in fixed income at June 30, 2020 and 2019. 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 \$21,990,173 and \$21,988,325 as of June 30, 2020 and 2019, 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, 2020 and 2019. 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 \$34,486,894 and \$33,272,693 as of June 30, 2020 and 2019, respectively, as further discussed in *Note 7*.

Agency Funds at the Greater Kansas City Community Foundation

Additionally, the Symphony has seven donor-restricted and one 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, 2020 and 2019. 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 \$48,594,491 and \$46,535,458 as of June 30, 2020 and 2019, 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

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

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

The composition of the endowment investments included in the net asset types at June 30, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,178,964		\$ 6,178,964
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	\$ 34,527,712	34,527,712
Accumulated investment gains	-	6,327,305	6,327,305
	<u>\$ 6,178,964</u>	<u>\$ 40,855,017</u>	<u>\$ 47,033,981</u>
Total endowment funds	<u>\$ 6,178,964</u>	<u>\$ 40,855,017</u>	<u>\$ 47,033,981</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,121,961		\$ 6,121,961
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
	<u>\$ 6,121,961</u>	<u>\$ 38,891,517</u>	<u>\$ 45,013,478</u>
Total endowment funds	<u>\$ 6,121,961</u>	<u>\$ 38,891,517</u>	<u>\$ 45,013,478</u>

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

Changes in endowment funds for the years ended June 30, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,121,961	\$ 38,891,517	\$ 45,013,478
Investment return, net	299,536	1,910,677	2,210,213
Contributions	-	1,578,740	1,578,740
Appropriation of endowment assets for expenditure	<u>(242,533)</u>	<u>(1,525,917)</u>	<u>(1,768,450)</u>
Endowment net assets, end of year	<u>\$ 6,178,964</u>	<u>\$ 40,855,017</u>	<u>\$ 47,033,981</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,966,100	\$ 35,393,654	\$ 41,359,754
Investment return, net	388,154	2,450,043	2,838,197
Contributions	-	2,311,749	2,311,749
Appropriation of endowment assets for expenditure	<u>(232,293)</u>	<u>(1,263,929)</u>	<u>(1,496,222)</u>
Endowment net assets, end of year	<u>\$ 6,121,961</u>	<u>\$ 38,891,517</u>	<u>\$ 45,013,478</u>

Investment and Spending Policies

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, 2020 and 2019

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.

Underwater Endowments

The governing body of the Symphony has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Symphony considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Deficiencies of this nature are reported in net assets with donor restrictions. There were no underwater endowments at June 30, 2020 and 2019.

Note 16: Masterpiece Campaign

In 2012, the Symphony commenced a campaign to increase the Symphony's endowment. The Masterpiece Campaign will solidify the future of the Symphony through deepening artistic excellence, strengthening commitment to education and community, and building a presence as a civic asset. The board has determined the total funds committed towards the campaign at June 30, 2020 and 2019 were approximately \$55,014,000.

During June 30, 2020 and 2019, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements were approximately \$412,000 and \$167,000, 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, 2020 and 2019

Note 17: 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, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 58,382,439	\$ 54,033,306
Donor restricted endowments		
Accumulated investment gains restricted in perpetuity	6,327,305	5,942,545
Endowments	<u>34,527,712</u>	<u>32,948,972</u>
	<u>40,855,017</u>	<u>38,891,517</u>
Net financial assets after donor-imposed restrictions	<u>17,527,422</u>	<u>15,141,789</u>
Internal designations		
Board-advised funds	7,385,514	5,199,097
Quasi-endowments	<u>6,178,964</u>	<u>6,121,961</u>
	<u>13,564,478</u>	<u>11,321,058</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,962,944</u>	<u>\$ 3,820,731</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 \$6,178,964 is subject to an annual spending rate of 4 percent as described in *Note 15*. 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 targets, the Symphony forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

Kansas City Symphony
Notes to Financial Statements
June 30, 2020 and 2019

Note 18: 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 2024.

Contributions

During 2020 and 2019, one of the Symphony's donors represented 12 percent of the total contribution and grant revenue.

During 2020 and 2019, 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 14*.

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, 2020 and 2019

Note 19: Subsequent Events

Subsequent events have been evaluated through November 4, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Symphony. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Due to state and local government orders limiting the gathering of large groups of people, the Symphony has cancelled all performances through December 31, 2020. On July 7, 2020, the Symphony finalized a Memorandum of Understanding with the American Federation of Musicians in order to reduce wages paid to musicians through June 30, 2021.

Supplementary Information

Kansas City Symphony
Schedule of Revenues Without Donor Restrictions
Years Ended June 30, 2020 and 2019

Revenues	2020	2019
Ticket sales	\$ 4,139,420	\$ 6,853,347
Performance fees	1,072,379	1,411,191
Investments and other sources	2,444,797	2,355,242
Individual, corporate and foundation donations	6,686,513	5,805,147
Government grants	94,877	163,473
Auxiliary contributions	1,002,127	2,334,127
Net assets released from designations and restrictions	2,567,353	1,942,380
	<u>\$ 18,007,466</u>	<u>\$ 20,864,907</u>