

Kansas City Symphony

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020



Kansas City Symphony
June 30, 2021 and 2020

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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 (the Symphony), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 1*, 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, 2021 and 2020, 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 a Matter

As described in *Note 1* to the financial statements, in fiscal year 2021, the Kansas City Symphony adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). 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
November 1, 2021

Kansas City Symphony
Statement of Financial Position
June 30, 2021

Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash and cash equivalents	\$ 3,127,621	\$ 1,387,177	\$ 4,514,798
Cash and cash equivalents - board designated	4,643,276	-	4,643,276
Accounts receivable - board designated	1,279,858	-	1,279,858
Accounts receivable	158,694	-	158,694
Contributions receivable, net of allowance of \$70,000	279,232	1,424,209	1,703,441
Inventory	8,944	-	8,944
Prepaid assets	744,520	-	744,520
Amounts due from (to) other funds	(1,009,688)	1,009,688	-
	<u>9,232,457</u>	<u>3,821,074</u>	<u>13,053,531</u>
Total current assets			
	<u>-</u>	<u>1,431,808</u>	<u>1,431,808</u>
Contributions Receivable			
	<u>-</u>	<u>1,431,808</u>	<u>1,431,808</u>
Board Designated Operating Reserve			
Cash and cash equivalents	2,651,068	-	2,651,068
Certificate of deposit	1,400,000	-	1,400,000
	<u>4,051,068</u>	<u>-</u>	<u>4,051,068</u>
Investments Held at Community Foundation			
Endowment	7,653,308	52,537,242	60,190,550
Board designated - operating reserve	190	-	190
Other	196,346	-	196,346
	<u>7,849,844</u>	<u>52,537,242</u>	<u>60,387,086</u>
Property and Equipment, at Cost			
Office and computer equipment	531,683	-	531,683
Theatrical equipment, instruments and music	932,713	-	932,713
Leasehold improvements	660,927	-	660,927
Construction in process	789,250	-	789,250
	<u>2,914,573</u>	<u>-</u>	<u>2,914,573</u>
Less accumulated depreciation	(1,172,180)	-	(1,172,180)
	<u>1,742,393</u>	<u>-</u>	<u>1,742,393</u>
Total assets	<u>\$ 22,875,762</u>	<u>\$ 57,790,124</u>	<u>\$ 80,665,886</u>

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities			
Accounts payable	\$ 729,488	\$ -	\$ 729,488
Accrued expenses	887,879	-	887,879
Deferred revenue	3,555,208	-	3,555,208
	<hr/>	<hr/>	<hr/>
Total current liabilities	5,172,575	-	5,172,575
Note Payable	2,000,000	-	2,000,000
	<hr/>	<hr/>	<hr/>
Total liabilities	7,172,575	-	7,172,575
	<hr/>	<hr/>	<hr/>
Net Assets			
Without donor restrictions	15,703,187	-	15,703,187
With donor restrictions	-	57,790,124	57,790,124
	<hr/>	<hr/>	<hr/>
Total net assets	15,703,187	57,790,124	73,493,311
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 22,875,762</u>	<u>\$ 57,790,124</u>	<u>\$ 80,665,886</u>

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>
Contributions Receivable	<u>-</u>	<u>2,487,425</u>	<u>2,487,425</u>
Cash and Cash Equivalents - Board Designated Operating Reserve	<u>2,650,389</u>	<u>-</u>	<u>2,650,389</u>
Investments Held at Community Foundation			
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>
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>
Total assets	<u><u>\$ 18,581,066</u></u>	<u><u>\$ 46,241,303</u></u>	<u><u>\$ 64,822,369</u></u>

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities			
Accounts payable	\$ 657,233	\$ -	\$ 657,233
Accrued expenses	427,173	-	427,173
Deferred revenue	3,994,580	-	3,994,580
Current portion of note payable	391,641	-	391,641
	<hr/>	<hr/>	<hr/>
Total current liabilities	5,470,627	-	5,470,627
Notes Payable, less current portion	<hr/>	<hr/>	<hr/>
	1,960,559	-	1,960,559
	<hr/>	<hr/>	<hr/>
Total liabilities	7,431,186	-	7,431,186
	<hr/>	<hr/>	<hr/>
Net Assets			
Without donor restrictions	11,149,880	-	11,149,880
With donor restrictions	-	46,241,303	46,241,303
	<hr/>	<hr/>	<hr/>
Total net assets	11,149,880	46,241,303	57,391,183
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 18,581,066</u>	<u>\$ 46,241,303</u>	<u>\$ 64,822,369</u>

Kansas City Symphony
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Designated Other	Total		
Revenues, Gains and Other Support					
Operating revenues provided by					
Concerts and fees	\$ 1,900,019	\$ -	\$ 1,900,019	\$ -	\$ 1,900,019
Contributions and grants	4,621,856	-	4,621,856	2,243,815	6,865,671
Auxiliary organizations	-	477,384	477,384	-	477,384
Investment return	1,773,036	1,812,812	3,585,848	-	3,585,848
Other revenue	31,126	-	31,126	-	31,126
Net assets released from designations and restrictions	2,844,588	(392,308)	2,452,280	(2,452,280)	-
	11,170,625	1,897,888	13,068,513	(208,465)	12,860,048
Expenses					
Artistic personnel and concert production	8,829,117	-	8,829,117	-	8,829,117
Education	107,394	-	107,394	-	107,394
Advertising, marketing and promotion	488,207	-	488,207	-	488,207
Development	839,621	-	839,621	-	839,621
Auxiliary organizations	-	42,552	42,552	-	42,552
General administration	1,786,172	8,690	1,794,862	-	1,794,862
	12,050,511	51,242	12,101,753	-	12,101,753
Operating Gains (Losses)	(879,886)	1,846,646	966,760	(208,465)	758,295
Net Asset Transfer	(783,588)	783,588	-	-	-
COVID-19 Relief Funding	3,586,547	-	3,586,547	-	3,586,547
Endowment Appreciation	-	-	-	11,757,286	11,757,286
Change in Net Assets	1,923,073	2,630,234	4,553,307	11,548,821	16,102,128
Net Assets, Beginning of Year	(1,859,244)	13,009,124	11,149,880	46,241,303	57,391,183
Net Assets, End of Year	\$ 63,829	\$ 15,639,358	\$ 15,703,187	\$ 57,790,124	\$ 73,493,311

Kansas City Symphony
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions			With Donor Restrictions	
	Operating	Designated Other	Total	Restrictions	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 return	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 Functional Expenses
Year Ended June 30, 2021

	Programming		Supporting				Total Expenses
	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliary Organizations	General Administration	
Artistic personnel, salaries and benefits	\$ 7,053,375	\$ -	\$ -	\$ 36	\$ -	\$ -	\$ 7,053,411
Staff, salaries and benefits	697,444	98,762	173,878	558,392	-	723,618	2,252,094
Guest artists, conductors and composers	15,600	-	-	-	-	-	15,600
Stagehands, salaries and benefits	82,752	-	-	-	-	-	82,752
Concert production expenses	339,853	-	-	-	-	-	339,853
Professional fees	333,353	4,500	49,647	179,892	-	233,571	800,963
Office rent, utilities and maintenance	-	-	-	-	-	266,356	266,356
Office supplies and other expenses	44,627	1,069	11,219	39,322	-	116,321	212,558
Printing, art and photography	3,253	-	54,081	16,973	-	-	74,307
Advertising and promotion	-	-	107,594	810	-	-	108,404
Postage	4,071	164	29,564	11,518	-	3,321	48,638
Telephone	16,288	511	1,703	3,577	-	5,016	27,095
Travel and per diem	110,154	538	93	1,901	-	13,710	126,396
Insurance	-	-	-	-	-	101,465	101,465
Depreciation and loss on disposal	-	-	-	-	-	110,545	110,545
Interest, bank fees and credit card fees	-	-	-	-	3,449	70,034	73,483
Other expenses	128,347	1,850	60,428	27,200	-	150,905	368,730
Auxiliary expenses	-	-	-	-	39,103	-	39,103
Total	\$ 8,829,117	\$ 107,394	\$ 488,207	\$ 839,621	\$ 42,552	\$ 1,794,862	\$ 12,101,753

See Notes to Financial Statements

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	\$ 12,592,436	\$ 130,618	\$ 1,622,848	\$ 1,111,949	\$ 381,754	\$ 2,205,549	\$ 18,045,154

Kansas City Symphony
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 16,102,128	\$ 1,245,552
Items not requiring (providing) cash		
Depreciation	110,545	121,611
Net realized and unrealized losses on investments held at Community Foundation	(12,559,549)	(2,261,553)
Net realized and unrealized losses on investments	-	23,907
Contributions received restricted for long-term investment	(642,353)	(412,279)
Contributions received restricted for acquisition of long-lived assets	(1,299,876)	-
Forgiveness of note payable	(2,352,200)	-
Changes in		
Accounts receivable	(1,289,048)	87,727
Contributions receivable	335,285	12,228
Prepaid expenses and other assets	160,754	(20,681)
Accounts payable and accrued expenses	418,530	(702,301)
Deferred revenue	(439,372)	225,390
	<u>(1,455,156)</u>	<u>(1,680,399)</u>
Investing Activities		
Purchase of investments	(4,168,328)	(1,581,621)
Proceeds from sale of investments	3,535,282	5,284,048
Purchase of property and equipment	(958,370)	(139,328)
	<u>(1,591,416)</u>	<u>3,563,099</u>
Financing Activities		
Proceeds from contributions restricted for long-term investment	1,767,890	1,579,014
Proceeds from contributions restricted for acquisition of long-lived assets	1,299,876	-
Proceeds from issuance of note payable	2,000,000	2,352,200
	<u>5,067,766</u>	<u>3,931,214</u>
Increase in Cash and Cash Equivalents	2,021,194	5,813,914
Cash and Cash Equivalents, Beginning of Year	<u>9,787,948</u>	<u>3,974,034</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,809,142</u>	<u>\$ 9,787,948</u>
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 4,514,798	\$ 4,623,099
Cash and cash equivalents - board designated	4,643,276	2,514,460
Cash and cash equivalents - board designated operating reserve	2,651,068	2,650,389
	<u>\$ 11,809,142</u>	<u>\$ 9,787,948</u>
Additional Cash Flows Information		
Property and equipment purchases included in accounts payable	\$ 114,431	\$ -

Kansas City Symphony

Notes to Financial Statements

June 30, 2021 and 2020

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

The Kansas City Symphony is led by Music Director Michael Stern and is recognized artistically as a major U.S. orchestra. In addition to its 80 full-time musicians, music director and associate conductor, there are 22 full-time and 4 part-time production, marketing, fund development and administrative staff, under the direction of Danny Beckley, executive director. For the 2020/21 season, the Symphony's 25-member board of directors were under the leadership of Chair Patrick McCown. The vast majority of performances take place at the Symphony's home in Helzberg Hall, in the Kauffman Center for the Performing Arts.

During the 2021 fiscal year, the coronavirus pandemic forced the Kansas City Symphony to cancel substantially the entire season in its usual configuration. In response, the orchestra launched the Mobile Music Box, a custom-designed portable stage that facilitated 213 free outdoor concerts by 16 different Symphony ensembles, taking place in 73 zip codes throughout Greater Kansas City and reaching a diverse audience of 28,428 people. The orchestra also introduced a new streaming platform, MySymphonySeat.org, which allowed people to enjoy virtual Symphony classical and pops concerts in high-definition video with stereo sound. More than 19 hours of creative virtual programming were offered, spread across 17 episodes. As public health conditions permitted and in conjunction with the implementation of appropriate protocols, the Symphony resumed in-person concerts in Helzberg Hall in May 2021. There were 16 performances of 3 different classical programs, with physically distanced seating accommodating 3,221 people. Despite the extensive pandemic cancellations, the Symphony still reached nearly 32,000 people in person during the 2020/21 season and thousands more with virtual programs.

Kansas City Symphony

Notes to Financial Statements

June 30, 2021 and 2020

During the 2020 fiscal year, the Kansas City Symphony offered 137 performances of more than 35 distinct programs. Among these programs were performances of classical and pops repertoire, pit orchestra services for the Kansas City Ballet and the Lyric Opera and numerous performances geared toward children and youth. Notably, the onset of the coronavirus pandemic forced cancellation of all programs from March 14 through the end of the season, greatly reducing attendance and other benchmarks. Prior to the cancellations, 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 2019/2020 season despite the cancellation of 51 performances of 19 different programs.

Beneficial Interest in Kansas City Symphony Foundation

The Symphony receives all income earned from the investment of the Kansas City Symphony Foundation (KCSF). The Articles of Incorporation of the KCSF state that upon the KCSF's liquidation or dissolution, the KCSF's board of directors has the power to direct the KCSF's remaining funds to religious, charitable, scientific, literacy 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.

Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities and Consolidation*, requires not-for-profit organizations to recognize their beneficial interest in the net assets held by such foundations as assets and to recognize subsequent changes therein as changes in their net assets. The KCSF has requested the Symphony not apply these provisions, resulting in omission of its beneficial interests in the net assets of the KCSF from its assets and omission of changes in its beneficial interests from its change in net assets. See *Note 7* for disclosures of investments at fair value and investment income received by the Symphony from the Foundation.

Kansas City Symphony

Notes to Financial Statements

June 30, 2021 and 2020

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 considered to be cash and cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of deposit accounts, money market accounts with brokers and repurchase agreements.

At June 30, 2021, the Symphony's cash accounts exceeded federally insured limits by approximately \$13,183,000, of which \$5,875,000 is held in money market mutual funds.

Investments and Investment Return

The Symphony measures securities, other than investments that qualify for the equity method of accounting at fair value. The Symphony is invested in various pooled investment funds managed by the Greater Kansas City Community Foundation (GKCCF). The pooled investments are valued at net asset value which approximates fair value.

Investment return and endowment appreciation 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, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment returns 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 returns, 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. 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.

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Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Symphony has an unconditional right to receive. 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, 2021 and 2020, prepaid marketing costs amounted to \$226,083 and \$425,098, respectively.

Certificates of Deposit

Certificates of deposit are carried at cost, which approximates fair value.

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.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Office and computer equipment	3-10 years
Theatrical equipment instruments and music	2-20 years
Leasehold improvements	5-20 years

Kansas City Symphony

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020.

COVID-19 Relief Funding

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES) which was subsequently amended by the *Families First Coronavirus Response Act*, *Consolidated Appropriations Act* and the *America Rescue Plan Act*.

The Symphony received two PPP loans established by the CARES Act. The Symphony has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA) or lender; as a result of such audit adjustments could be required to any gain recognized.

The CARES Act also provides a refundable employee retention tax credit (ERC) against employment taxes paid by eligible employers. An employer is eligible for the payroll tax credit if, during any calendar quarter of 2020, it either has (i) operations fully or partially suspended due to a governmental order related to COVID-19 or (ii) a decline in gross receipts of more than 50 percent compared to the same quarter of the prior year. As of June 30, 2021, the Symphony recognized revenue of approximately \$1,234,000. The ERC credit is recorded within accounts receivable on the statement of financial position and within the COVID-19 relief funding revenue line item in the statement of activities.

Deferred Revenue

Income from ticket sales is recorded as deferred revenue and is recognized as revenue when earned. The Symphony has recorded \$2,481,058 and \$3,317,295 in deferred ticket sale revenue as of June 30, 2021 and 2020, respectively.

Contributions associated with special events are considered conditional and recorded as deferred revenue until the occurrence of the event, in which the contribution becomes unconditional and is recognized within the statement of activities. Conditional contributions received and recorded to deferred revenue as of June 30, 2021 and 2020, was \$1,074,150 and \$677,285, respectively.

Kansas City Symphony
Notes to Financial Statements
June 30, 2021 and 2020

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 an operating reserve and 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.

Kansas City Symphony

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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.

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 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, 2021 and 2020, \$25,525 and \$43,300, 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, 2021 and 2020, the Jewel Ball was cancelled due to the COVID-19 pandemic. 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.

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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. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

Operating Gains and Losses

The statements of activities includes operating gains and losses. Changes in net assets that are excluded from operating gains and losses are investment return on endowments and COVID-19 relief funding.

Change in Accounting Principle

On July 1, 2020, the Symphony adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts not complete with customers at July 1, 2020.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Symphony expects to be entitled in exchange for those goods and services.

The amount to which the Symphony expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in changes in disclosures in the notes to the financial statements.

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Notes to Financial Statements
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Note 2: Contributions Receivable

Contributions receivable consist of the following unconditional promises to give:

	2021	2020
Due in less than one year	\$ 1,773,441	\$ 2,196,646
Due in one to five years	1,081,730	2,177,999
Due in five to ten years	560,000	600,000
	3,415,171	4,974,645
Less allowance for uncollectible contributions	70,000	88,000
Less unamortized discount	209,922	290,574
	\$ 3,135,249	\$ 4,596,071

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 2021 and 2020.

As of June 30, 2021 and 2020, two of the Symphony’s donors represented 75 percent and one of the Symphony’s donors represented 70 percent of the total contributions receivable, respectively.

Note 3: Investments and Disclosures About Fair Value of Assets

The Symphony has investments held at the Greater Kansas City Community Foundation and holds a beneficial interest in those assets. Certain investments are considered board designated and net assets with donor restrictions within the financial statements.

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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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, 2021 and 2020:

	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, 2021				
Pooled investment funds held at Community Foundation	\$ 60,387,086	\$ -	\$ 60,387,086	\$ -
Money market mutual funds included in cash and cash equivalents	3,208,912	3,208,912	-	-
Money market mutual funds included in cash and cash equivalents - board designated operating reserve	<u>2,651,068</u>	<u>2,651,068</u>	<u>-</u>	<u>-</u>
	<u>\$ 66,247,066</u>	<u>\$ 5,859,980</u>	<u>\$ 60,387,086</u>	<u>\$ -</u>
June 30, 2020				
Pooled investment funds held at Community Foundation	\$ 48,594,491	\$ -	\$ 48,594,491	\$ -
Money market mutual funds included in cash and cash equivalents	2,969,388	2,969,388	-	-
Money market mutual funds included in cash and cash equivalents - board designated operating reserve	<u>2,650,389</u>	<u>2,650,389</u>	<u>-</u>	<u>-</u>
	<u>\$ 54,214,268</u>	<u>\$ 5,619,777</u>	<u>\$ 48,594,491</u>	<u>\$ -</u>

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. There have been no significant changes in the valuation techniques during the year ended June 30, 2021.

Kansas City Symphony
Notes to Financial Statements
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Note 4: Line of Credit

The Symphony currently has a \$1 million revolving bank line of credit. The line expires March 30, 2022. At June 30, 2021 and 2020, there were no borrowings against this line. The line is collateralized by substantially all of the Symphony’s assets and certificates of deposit held by the bank. Interest varies with the bank’s prime rate and is payable monthly. Principal is due at maturity.

Note 5: Note Payable

The Symphony received a loan (first draw) dated April 10, 2020 through the Small Business Administration (SBA) Paycheck Protection Program (PPP) established by the CARES Act. The loan is payable monthly at 1.00 percent beginning after the applicable deferral period. The deferral period is defined as either 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. In 2021, the Symphony received notification from the SBA that the forgiveness application for the first draw PPP loan had been approved. Forgiveness of the PPP loan in the amount of \$2,352,200 is included within the CARES Act revenue line item in the statement of activities.

The Symphony received a second PPP loan (second draw) dated March 18, 2021 through the SBA Paycheck Protection Program established by the CARES Act and amended by the *Consolidated Appropriations Act*. The loan is payable in 44 installments of \$46,952 monthly including 1.00 percent interest beginning August 18, 2022. A portion of the loan may be forgiven under the *Consolidated Appropriations Act*. At June 30, 2021, the balance of the loan was \$2,000,000.

Aggregate annual maturities of long-term debt obligations at June 30, 2021 were as follows:

2022	\$ -
2023	500,216
2024	550,944
2025	556,478
2026	392,362
	<u>2,000,000</u>

Kansas City Symphony
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Note 6: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	<u>2021</u>	<u>2020</u>
Operations	\$ 63,829	\$ (1,859,244)
Designated auxiliary	90,408	107,685
Designated Masterpiece	7,653,308	6,178,964
Designated other	<u>7,895,642</u>	<u>6,722,475</u>
Total net assets without donor restrictions	<u>\$ 15,703,187</u>	<u>\$ 11,149,880</u>

Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Employee professional development	\$ 350,000	\$ 250,000
Audience development	395,656	524,636
Capital expenditures	1,299,876	-
Contributions receivable restricted for endowment in which the investment income earned is to be available for general use	2,097,026	3,222,562
Subject to the passage of time		
Restricted for future fiscal years	351,333	289,463
Contributions receivable that are not restricted by donor but are unavailable for expenditure until due	758,991	1,099,625
Endowments		
Restricted by donors for investment income		
Available for general use	52,445,838	40,781,325
Educational programs	<u>91,404</u>	<u>73,692</u>
Total net assets with donor restrictions	<u>\$ 57,790,124</u>	<u>\$ 46,241,303</u>

Kansas City Symphony
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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.

	2021	2020
Expiration of time restrictions	\$ 480,547	\$ 941,436
Satisfaction or purpose restrictions		
Employee professional development	-	100,000
Audience development	128,980	-
Restricted-purpose spending-rate distributions and appropriations		
General use	1,842,753	1,525,917
Total net assets released	\$ 2,452,280	\$ 2,567,353

Note 7: 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.

Kansas City Symphony

Notes to Financial Statements

June 30, 2021 and 2020

Donor Designated Funds at 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 30 percent in fixed income at June 30, 2021 and 2020. Draws from two of the 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 the other fund, draws are distributed on a reimbursement basis to recover costs expended based on intended purpose of the fund. The fair value of these funds was \$27,083,552 and \$21,990,173 as of June 30, 2021 and 2020, respectively. Investment return was \$1,120,347 and \$1,079,847 during the years ended June 30, 2021 and 2020, respectively.

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. These funds are invested in common stocks and U.S. government securities with approximately 61 percent in equities, 31 percent in government and agency issues and 8 percent in cash and other investments at June 30, 2021 and approximately 55 percent in equities, 39 percent in government and agency issues and 6 percent in cash and other investments at June 30, 2020. The Symphony receives interest and dividend income from the KCSF for two funds, less the KCSF'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 \$40,233,492 and \$34,486,894 as of June 30, 2021 and 2020, respectively. Investment return was \$608,957 and \$686,661 during the years ended June 30, 2021 and 2020, respectively.

Investments Held at 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.

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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
7. Investment policies of the Symphony

The composition of the endowment investments included in the net asset types at June 30, 2021 and 2020 was:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 7,653,308		\$ 7,653,308
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	\$ 36,298,536	36,298,536
Accumulated investment gains	-	16,238,706	16,238,706
	\$ 7,653,308	\$ 52,537,242	\$ 60,190,550

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	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> </u>	<u> </u>	<u> </u>
Total endowment funds	<u>\$ 6,178,964</u>	<u>\$ 40,855,017</u>	<u>\$ 47,033,981</u>

Changes in endowment funds for the years ended June 30, 2021 and 2020 were:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,178,964	\$ 40,855,017	\$ 47,033,981
Investment return, net	1,758,621	11,754,154	13,512,775
Contributions	-	1,770,824	1,770,824
Appropriation of endowment assets for expenditure	(284,277)	(1,842,753)	(2,127,030)
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 7,653,308</u>	<u>\$ 52,537,242</u>	<u>\$ 60,190,550</u>

	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	(242,533)	(1,525,917)	(1,768,450)
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 6,178,964</u>	<u>\$ 40,855,017</u>	<u>\$ 47,033,981</u>

Kansas City Symphony

Notes to Financial Statements

June 30, 2021 and 2020

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.

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. 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, 2021 and 2020.

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 the expenditure is planned. Draws 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. 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 draws.

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.

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Deficiencies of this nature are reported in net assets with donor restrictions. There were no underwater endowments at June 30, 2021 and 2020.

Note 8: 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, 2021 and 2020 were approximately \$55,014,000.

During June 30, 2021 and 2020, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements were approximately \$642,000 and \$412,000, 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 7*).

Note 9: Revenue from Contracts with Customers

Performance Obligations

Revenue from contracts with customers are reported at the amount that reflects the consideration to which the Symphony expects to be entitled in exchange for performing concerts or other musical performances.

Ticket Sales – Revenues are generated either from single concert tickets or from season tickets and are recognized as performance obligations are satisfied, which is as the concert or performance takes place. Season tickets cover a period of nine months and the number of concerts vary based on the series purchased. Payment for ticket sales are due at the time the customer enters into the contract resulting in an unfulfilled performance liability or deferred revenue. These are excluded from revenues and are recorded as liabilities until the performance obligation is satisfied. As of June 30, 2021, the Symphony had recorded a liability for unfulfilled performances of \$2,481,058. Tickets are generally nonrefundable, however, may be refunded or deferred at the Symphony's discretion. The Symphony determines the refund liability at year-end based on historical experience. At June 30, 2021, the Symphony has recorded a refund liability of \$30,000.

Performance Fees – Performance obligations are determined based on the nature of the service provided by the Symphony in accordance with the contract. Performance fees include revenue earned for concerts performed by the Symphony for other organizations and is recognized at the point in time when the performance is completed.

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Transaction Price and Recognition

The Symphony determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Symphony’s policy. The Symphony’s payment terms are explicitly stated in the contract with all customers.

From time to time the Symphony will receive overpayments of customer balances resulting in amounts owed back to the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021, the Symphony did not have a liability for refunds to customers recorded.

Disaggregation of Revenue

The composition of revenue by service type and timing of revenue recognition for the year ended June 30, 2021 is as follows:

Concerts and fees	
Ticket sales	\$ 1,797,240
Performance fees	<u>102,779</u>
Timing of revenue recognition	
At a point in time	<u>\$ 1,900,019</u>

Note 10: Government Grants

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$108,807 and \$79,877 for the years ended June 30, 2021 and 2020, respectively.

The Missouri Cultural Trust Fund (MCT) made contributions in 2021 and 2020, in the amount of \$0 and \$37,185, respectively. This contribution was pursuant to an agreement between the Symphony and the MCT as part of the Cultural Incentive Program that terminated effective June 30, 2021.

Kansas City Symphony
Notes to Financial Statements
June 30, 2021 and 2020

Note 11: 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 \$235,287 and \$304,747 for the years ended June 30, 2021 and 2020, respectively.

In March 2021, the Symphony entered into a lease agreement with a related party for the administrative offices. The lease term commences when the Symphony completes tenant improvements on the building which occurred in August 2021 and ends June 30, 2034. Additional rent is paid for a portion of operating costs. Future minimum lease payments at June 30, 2021, were:

2022		\$ 279,554
2023		314,232
2024		323,484
2025		333,204
2026		342,684
Thereafter		<u>3,144,600</u>
		<u><u>\$ 4,737,758</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 \$ 74,560 and \$91,006 for the years ended June 30, 2021 and 2020, respectively.

The Symphony's full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2021 and 2020 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 \$148,765 and \$202,955 for the years ended June 30, 2021 and 2020, respectively.

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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, 2021, 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 2021 and 2020 is for the plan’s year end at March 31, 2021 and 2020, 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. The Symphony contributes 5.45 percent of compensation to the American Federation of Musicians Employer Pension Fund for musicians and 10 percent of compensation to the International Alliance of Theatrical Stage Employees Local 31 Retirement Trust for full-time theater and stagehand employees.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of Organization			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2021	2020		2021	2020	2019		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 247,931	\$ 341,804	\$ 309,594	Yes	6/30/2023
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 11,257	\$ 21,050	\$ 24,855	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
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June 30, 2021 and 2020

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 \$239,517 and \$329,259 for the years ended June 30, 2021 and 2020, 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: 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Total financial assets	<u>\$ 76,738,221</u>	<u>\$ 60,640,589</u>
Donor restricted endowments		
Accumulated investment gains restricted in perpetuity	16,238,706	6,327,305
Endowments	<u>36,298,536</u>	<u>34,527,712</u>
	<u>52,537,242</u>	<u>40,855,017</u>
Net financial assets after donor-imposed restrictions	<u>24,200,979</u>	<u>19,785,572</u>
Internal designations		
Board-advised funds	8,890,880	7,385,514
Quasi-endowments	<u>7,653,308</u>	<u>6,178,964</u>
	<u>16,544,188</u>	<u>13,564,478</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 7,656,791</u></u>	<u><u>\$ 6,221,094</u></u>

Kansas City Symphony

Notes to Financial Statements

June 30, 2021 and 2020

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 \$7,653,307 is subject to an annual spending rate of 4.5 percent as described in *Note 7*. 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, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

Note 15: Significant Estimates and Concentrations

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

Risks and Uncertainties

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, changes in net assets and cash flows of the Symphony. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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 2025. The musicians agreement is set to expire in 2024.

Kansas City Symphony
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Contributions

During 2021 and 2020, one of the Symphony's donors represented 15 percent and 12 percent of the total contribution and grant revenue, respectively.

Investments Held at Community Foundation

Estimates related to valuation of beneficial interests in assets held by others are described in *Note 3* and *Note 7*.

Contributions Receivable

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

Note 16: Subsequent Events

Subsequent events have been evaluated through November 1, 2021, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2021, the Symphony was awarded approximately \$3,700,000 under the Small Business Administration's (SBA) Shuttered Venue Operators Grant program (SVOG). The SVOG program was established by the *Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act*, and amended by the *American Rescue Plan Act*.

Supplementary Information

Kansas City Symphony
Schedule of Revenues Without Donor Restrictions
Years Ended June 30, 2021 and 2020

Revenues	2021	2020
Ticket sales	\$ 1,797,240	\$ 4,139,420
Performance fees	102,779	1,072,379
Individual, corporate and foundation donations	4,463,049	6,686,513
Government grants	158,807	94,877
Auxiliary contributions	477,384	1,002,127
Investments and other sources	3,616,974	2,444,797
Net assets released from designations and restrictions	2,452,280	2,567,353
	<u>\$ 13,068,513</u>	<u>\$ 18,007,466</u>