

# **Kansas City Symphony**

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

**Kansas City Symphony**  
**June 30, 2022 and 2021**

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## Independent Auditor's Report

Board of Directors  
Kansas City Symphony  
Kansas City, Missouri

### **Qualified Opinion**

We have audited the financial statements of Kansas City Symphony, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kansas City Symphony, as of June 30, 2022 and 2021, 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.

### **Basis for Qualified Opinion**

As explained in *Note 1*, Kansas City 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*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Kansas City Symphony, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas City Symphony's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kansas City Symphony's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas City Symphony's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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, including the schedules of revenues without donor restrictions, are presented for purposes of additional analysis and are 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 audit 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

Board of Directors  
Kansas City Symphony  
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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.

**FORVIS,LLP**

Kansas City, Missouri  
November 2, 2022

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2022**

**Assets**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,940,521	\$ 1,395,885	\$ 7,336,406
Cash and cash equivalents - board designated	5,135,858	-	5,135,858
Accounts receivable - board designated	2,755,458	-	2,755,458
Accounts receivable	477,914	-	477,914
Contributions receivable, net of allowance of \$45,000	611,750	2,048,680	2,660,430
Inventory	7,430	-	7,430
Prepaid assets	440,886	-	440,886
Amounts due from (to) other funds	(727,002)	727,002	-
Total current assets	<u>14,642,815</u>	<u>4,171,567</u>	<u>18,814,382</u>
<b>Contributions Receivable</b>	<u>-</u>	<u>1,289,743</u>	<u>1,289,743</u>
<b>Board Designated Operating Reserve</b>			
Cash and cash equivalents	<u>2,655,205</u>	<u>-</u>	<u>2,655,205</u>
<b>Investments Held at Community Foundation</b>			
Endowment	6,366,135	42,358,402	48,724,537
Board designated - operating reserve	1,400,030	-	1,400,030
Other	2,792,318	-	2,792,318
	<u>10,558,483</u>	<u>42,358,402</u>	<u>52,916,885</u>
<b>Property and Equipment, at Cost</b>			
Office and computer equipment	888,588	-	888,588
Theatrical equipment, instruments and music	945,408	-	945,408
Leasehold improvements	1,946,149	-	1,946,149
Construction in process	4,971	-	4,971
	<u>3,785,116</u>	<u>-</u>	<u>3,785,116</u>
Less accumulated depreciation	<u>(1,136,690)</u>	<u>-</u>	<u>(1,136,690)</u>
	<u>2,648,426</u>	<u>-</u>	<u>2,648,426</u>
Total assets	<u>\$ 30,504,929</u>	<u>\$ 47,819,712</u>	<u>\$ 78,324,641</u>

## Liabilities and Net Assets

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Liabilities</b>			
Accounts payable	\$ 945,793	\$ -	\$ 945,793
Accrued expenses	869,700	-	869,700
Deferred revenue	3,469,869	-	3,469,869
Total current liabilities	5,285,362	-	5,285,362
<b>Note Payable</b>	2,000,000	-	2,000,000
Total liabilities	7,285,362	-	7,285,362
<b>Net Assets</b>			
Without donor restrictions	23,219,567	-	23,219,567
With donor restrictions	-	47,819,712	47,819,712
Total net assets	23,219,567	47,819,712	71,039,279
Total liabilities and net assets	<u>\$ 30,504,929</u>	<u>\$ 47,819,712</u>	<u>\$ 78,324,641</u>

**Kansas City Symphony**  
**Statement of Financial Position**  
**June 30, 2021**

**Assets**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Assets</b>			
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>
<b>Total current assets</b>	<u>9,232,457</u>	<u>3,821,074</u>	<u>13,053,531</u>
<b>Contributions Receivable</b>	<u>-</u>	<u>1,431,808</u>	<u>1,431,808</u>
<b>Board Designated Operating Reserve</b>			
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>
<b>Investments Held at Community Foundation</b>			
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>
<b>Property and Equipment, at Cost</b>			
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>
<b>Total assets</b>	<u>\$ 22,875,762</u>	<u>\$ 57,790,124</u>	<u>\$ 80,665,886</u>



## Liabilities and Net Assets

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Current Liabilities</b>			
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
<b>Note Payable</b>	2,000,000	-	2,000,000
	<hr/>	<hr/>	<hr/>
Total liabilities	7,172,575	-	7,172,575
	<hr/>	<hr/>	<hr/>
<b>Net Assets</b>			
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 Activities**  
**Year Ended June 30, 2022**

	Without Donor Restrictions			With Donor Restrictions	
	Operating	Designated Other	Total	Restrictions	Total
<b>Revenues, Gains and Other Support</b>					
Operating revenues provided by					
Concerts and fees	\$ 6,646,298	\$ -	\$ 6,646,298	\$ -	\$ 6,646,298
Contributions and grants	5,040,417	-	5,040,417	3,428,621	8,469,038
Auxiliary organizations	-	3,633,966	3,633,966	-	3,633,966
Investment return	1,990,442	(1,390,446)	599,996	-	599,996
Other revenue	14,931	-	14,931	-	14,931
Net assets released from designations and restrictions	4,063,219	2,883,707	6,946,926	(6,946,926)	-
	17,755,307	5,127,227	22,882,534	(3,518,305)	19,364,229
<b>Expenses</b>					
Artistic personnel and concert production	13,520,662	-	13,520,662	-	13,520,662
Education	132,956	-	132,956	-	132,956
Advertising, marketing and promotion	1,626,446	-	1,626,446	-	1,626,446
Development	1,165,859	-	1,165,859	-	1,165,859
Auxiliary organizations	-	2,115,167	2,115,167	-	2,115,167
General administration	1,872,241	12,852	1,885,093	-	1,885,093
	18,318,164	2,128,019	20,446,183	-	20,446,183
<b>Operating Gains (Losses)</b>	(562,857)	2,999,208	2,436,351	(3,518,305)	(1,081,954)
<b>Net Asset Transfer</b>	1,143,860	(1,143,860)	-	-	-
<b>COVID-19 Relief Funding</b>	5,163,191	-	5,163,191	-	5,163,191
<b>Depreciation - Symphony House</b>	(83,162)	-	(83,162)	-	(83,162)
<b>Investment Return - Endowment</b>	-	-	-	(6,452,107)	(6,452,107)
<b>Change in Net Assets</b>	5,661,032	1,855,348	7,516,380	(9,970,412)	(2,454,032)
<b>Net Assets, Beginning of Year</b>	63,829	15,639,358	15,703,187	57,790,124	73,493,311
<b>Net Assets, End of Year</b>	\$ 5,724,861	\$ 17,494,706	\$ 23,219,567	\$ 47,819,712	\$ 71,039,279

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

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Designated Other	Total		
<b>Revenues, Gains and Other Support</b>					
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
<b>Expenses</b>					
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
<b>Operating Gains (Losses)</b>	(879,886)	1,846,646	966,760	(208,465)	758,295
<b>Net Asset Transfer</b>	(783,588)	783,588	-	-	-
<b>COVID-19 Relief Funding</b>	3,586,547	-	3,586,547	-	3,586,547
<b>Investment Return - Endowment</b>	-	-	-	11,757,286	11,757,286
<b>Change in Net Assets</b>	1,923,073	2,630,234	4,553,307	11,548,821	16,102,128
<b>Net Assets, Beginning of Year</b>	(1,859,244)	13,009,124	11,149,880	46,241,303	57,391,183
<b>Net Assets, End of Year</b>	\$ 63,829	\$ 15,639,358	\$ 15,703,187	\$ 57,790,124	\$ 73,493,311

**Kansas City Symphony**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Programming		Supporting				Total Expenses
	Artistic Personnel and Concert Production	Education	Advertising, Marketing and Promotion	Development	Auxiliary Organizations	General Administration	
Artistic personnel, salaries and benefits	\$ 9,232,950	\$ -	\$ 119	\$ 10,393	\$ -	\$ 1,330	\$ 9,244,792
Staff, salaries and benefits	784,797	117,000	140,307	622,859	-	864,964	2,529,927
Guest artists, conductors and composers	1,085,673	-	-	-	-	-	1,085,673
Stagehands, salaries and benefits	181,653	-	-	-	-	-	181,653
Concert production expenses	1,270,348	-	-	-	-	-	1,270,348
Professional fees	271,612	950	57,553	166,304	-	338,509	834,928
Office rent, utilities and maintenance	90,690	6,718	99,423	18,138	-	107,485	322,454
Office supplies and other expenses	92,311	1,249	11,982	226,067	-	143,230	474,839
Printing, art and photography	7,344	-	191,303	27,860	-	-	226,507
Advertising and promotion	4,137	-	850,619	706	-	-	855,462
Postage	12,761	155	185,619	11,212	-	3,351	213,098
Telephone	22,687	751	2,503	5,349	-	6,462	37,752
Travel and per diem	258,585	496	109	7,387	-	68,614	335,191
Insurance	113,690	1,263	7,579	8,843	-	7,579	138,954
Depreciation	67,948	2,674	16,152	18,720	-	20,731	126,225
Interest, bank fees and credit card fees	-	-	-	-	9,388	247,192	256,580
Other expenses	23,476	1,700	63,178	42,021	-	75,646	206,021
Contribution to Nelson-Atkins Museum of Art	-	-	-	-	350,000	-	350,000
Auxiliary expenses	-	-	-	-	1,755,779	-	1,755,779
<b>Total expenses included in the operating section on the statement of activities</b>	<b>13,520,662</b>	<b>132,956</b>	<b>1,626,446</b>	<b>1,165,859</b>	<b>2,115,167</b>	<b>1,885,093</b>	<b>20,446,183</b>
Depreciation - Symphony House	16,133	2,880	21,552	18,068	-	24,529	83,162
<b>Total expenses</b>	<b>\$ 13,536,795</b>	<b>\$ 135,836</b>	<b>\$ 1,647,998</b>	<b>\$ 1,183,927</b>	<b>\$ 2,115,167</b>	<b>\$ 1,909,622</b>	<b>\$ 20,529,345</b>

**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	-	-	-	-	-	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
<b>Total</b>	<b>\$ 8,829,117</b>	<b>\$ 107,394</b>	<b>\$ 488,207</b>	<b>\$ 839,621</b>	<b>\$ 42,552</b>	<b>\$ 1,794,862</b>	<b>\$ 12,101,753</b>

**Kansas City Symphony**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Change in net assets	\$ (2,454,032)	\$ 16,102,128
Items not requiring (providing) cash		
Depreciation	209,387	110,545
Net realized and unrealized losses on investments held at Community Foundation	8,962,799	(12,559,549)
Contributions received restricted for long-term investment	(364,366)	(642,353)
Contributions received restricted for acquisition of long-lived assets	-	(1,299,876)
Forgiveness of note payable	-	(2,352,200)
Changes in		
Accounts receivable	(1,794,820)	(1,289,048)
Contributions receivable	(1,848,970)	335,285
Prepaid expenses and other assets	305,148	160,754
Accounts payable and accrued expenses	312,557	418,530
Deferred revenue	(85,339)	(439,372)
	<u>3,242,364</u>	<u>(1,455,156)</u>
<b>Investing Activities</b>		
Purchase of investments	(3,905,593)	(4,168,328)
Proceeds from sale of investments	3,812,995	3,535,282
Purchase of property and equipment	(1,229,851)	(958,370)
	<u>(1,322,449)</u>	<u>(1,591,416)</u>
<b>Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	1,398,412	1,767,890
Proceeds from contributions restricted for acquisition of long-lived assets	-	1,299,876
Proceeds from issuance of note payable	-	2,000,000
	<u>1,398,412</u>	<u>5,067,766</u>
<b>Increase in Cash and Cash Equivalents</b>	3,318,327	2,021,194
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>11,809,142</u>	<u>9,787,948</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 15,127,469</u>	<u>\$ 11,809,142</u>
<b>Reconciliation to Statements of Financial Position</b>		
Cash and cash equivalents	\$ 7,336,406	\$ 4,514,798
Cash and cash equivalents - board designated	5,135,858	4,643,276
Cash and cash equivalents - board designated operating reserve	2,655,205	2,651,068
	<u>\$ 15,127,469</u>	<u>\$ 11,809,142</u>
<b>Additional Cash Flows Information</b>		
Property and equipment purchases included in accounts payable	\$ -	\$ 114,431

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2022 and 2021

#### 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 2021/22 season, the Symphony's 22-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 2022 fiscal year, the Symphony resumed a full schedule of concerts and community engagement endeavors using protocols to protect the health of audience members, musicians, and staff. Among these programs were performances of classical and pops repertoire as well as pit orchestra services for the Kansas City Ballet and the Lyric Opera. There were 94 performances of 37 different programs plus 48 performances of 6 different programs for the Ballet and Opera. Symphony audiences hailed from 978 communities in all 50 states plus the District of Columbia and six foreign countries. In total, the Symphony reached more than 166,000 people during the 2021/22 season. The season opening program featuring Gustav Mahler's First Symphony and the concluding program with Beethoven's Ninth Symphony were particularly meaningful to audiences returning to the concert hall.

Attendance for the Classical, Pops and Family series rebounded from the cancellations and virtual format of preceding years. Classical audiences numbered 42,627, Pops totaled 16,324 and Family drew 3,787. Holiday programs attracted 8,005 to nine performances of Christmas Festival and Handel's *Messiah*. Film + Live Orchestra and special programs staged a strong return with 24,090 attending 18 performances of 6 programs, including Ben Folds and films from the "Harry Potter" and "Star Wars" series. The Happy Hour series of chamber music programs had enthusiastic crowds totaling 3,232 at the four free concerts.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2022 and 2021**

Even with an exceptionally busy concert calendar in Helzberg Hall, it was a priority to continue the free outdoor Mobile Music Box neighborhood concerts started during the pandemic. Introducing new audiences to the artistry of Symphony musicians, the season included 120 Mobile Music Box concerts reaching 18,292 people in 55 ZIP codes across Greater Kansas City. In addition, after a two-year hiatus, Bank of America Celebration at the Station returned on Memorial Day weekend in 2022, delighting the crowd of 35,000 gathered between Kansas City's Union Station and Liberty Memorial. Broadcast live on Kansas City PBS and later rebroadcast on public television stations throughout Missouri, Kansas, Iowa and Nebraska, Celebration featured jazz vocalist and hometown favorite Oleta Adams.

The Symphony served as the featured orchestra for Symphony in the Flint Hills and provided accompaniment for renowned tenor Andrea Bocelli for his performance at the T-Mobile Center. While in-person youth concerts were still not possible, the Symphony produced specially recorded videos of two programs: *Centuries of Symphonies* (K-6) and *Instruments of Change* (6-12). Registrations to use the free curriculum totaled 30,783 students and teachers from 147 schools in 28 districts.

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.

#### ***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.



# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2022 and 2021**

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.

#### ***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, 2022 and 2021, cash equivalents consisted primarily of deposit accounts, money market accounts with brokers and repurchase agreements.

At June 30, 2022, the Symphony's cash accounts exceeded federally insured limits by approximately \$14,959,000, of which \$4,417,000 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 donor restrictions and net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restriction.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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.

***Accounts Receivable***

Accounts receivable are stated at the amount of consideration from customers, grantors and others 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 or grantor.

***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 donor.

***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.

***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, 2022 and 2021

#### **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, 2022 and 2021.

#### **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 loans in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loans are 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. The Symphony recognized revenue of approximately \$1,432,000 and \$1,234,000 during the years ended June 30, 2022 and 2021, respectively. The revenue is recorded within the COVID-19 relief funding revenue line item in the statements of activities. As of June 30, 2022 and 2021, the Symphony has an ERC credit receivable of \$2,658,000 and \$1,234,000 recorded within accounts receivable on the statements of financial position.

The Symphony was awarded \$3,731,265 under the Small Business Administration's (SBA) Shuttered Venue Operators Grant program established by the *American Rescue Plan Act* during the year ended June 30, 2022. Support funded by government grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Symphony has incurred expenditures in compliance with the grant provisions. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The Symphony believes that all conditional requirements were met during 2022 and has recognized the full award within the COVID-19 relief funding revenue line item in the statements of activities.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Deferred Revenue**

Income from ticket sales is recorded as deferred revenue and is recognized as revenue when earned. The Symphony has recorded \$2,679,514 and \$2,481,058 in deferred ticket sale revenue as of June 30, 2022 and 2021, 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 statements of activities. Conditional contributions received and recorded to deferred revenue as of June 30, 2022 and 2021, was \$790,355 and \$1,074,150, respectively.

**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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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

**Kansas City Symphony**  
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**Nature of the Gift**

**Value Recognized**

*Unconditional gifts, with or without restriction*

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 statements 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, hall rental or use of property rent-free 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, 2022 and 2021, \$52,080 and \$25,525, respectively, was received in in-kind contributions. All in-kind contributions were utilized during the fiscal year they were received and were not subject to donor restriction.

***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.

# **Kansas City Symphony**

## **Notes to Financial Statements**

### **June 30, 2022 and 2021**

#### ***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, the Jewel Ball and other events were cancelled due to the COVID-19 pandemic. During the year ended June 30, 2022, the auxiliary organization's special events resumed. The portion of the special event revenue that relates to the commensurate value the donor received in return is recognized when the related events are held and performance obligations are met. The transaction price is determined based on the value of direct benefits provided to the donors, which was approximately \$1,755,000 and \$39,000 for the years ended June 30, 2022 and 2021, respectively. All special event revenue is recognized at the point in time the event is held and the benefits are provided to the donor, which is when the performance obligations are met. The portion of special event revenue considered to be a contribution is recognized in accordance with the Symphony's contribution revenue policies. 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. 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, depreciation on leasehold improvements and equipment at the Symphony House and COVID-19 relief funding.

#### ***Revision***

Certain immaterial revisions have been made to the 2021 notes to the financial statements (*Note 7*). This revision did not have a significant impact on the note to the financial statement impacted.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Note 2: Contributions Receivable**

Contributions receivable consist of the following unconditional promises to give:

	<b>2022</b>	<b>2021</b>
Due in less than one year	\$ 2,705,430	\$ 1,773,441
Due in one to five years	959,000	1,081,730
Due in five to ten years	520,000	560,000
	4,184,430	3,415,171
Less allowance for uncollectible contributions	45,000	70,000
Less unamortized discount	189,257	209,922
	<b>\$ 3,950,173</b>	<b>\$ 3,135,249</b>

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. Contributions receivable restricted for the Masterpiece campaign represented 25 percent and 62 percent of the total contributions receivable as of June 30, 2022 and 2021, respectively.

A discount rate of 3.25 percent was used for 2022 and 2021.

As of June 30, 2022 and 2021, three of the Symphony’s donors represented 79 percent and two of the Symphony’s donors represented 76 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

**Kansas City Symphony**  
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**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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, 2022 and 2021:

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>June 30, 2022</b>				
Pooled investment funds held at Community Foundation	\$ 52,916,885	\$ -	\$ 52,916,885	\$ -
Money market mutual funds included in cash and cash equivalents	1,761,652	1,761,652	-	-
Money market mutual funds included in cash and cash equivalents - board designated operating reserve	<u>2,655,205</u>	<u>2,655,205</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 57,333,742</u></u>	<u><u>\$ 4,416,857</u></u>	<u><u>\$ 52,916,885</u></u>	<u><u>\$ -</u></u>
<b>June 30, 2021</b>				
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><u>\$ 66,247,066</u></u>	<u><u>\$ 5,859,980</u></u>	<u><u>\$ 60,387,086</u></u>	<u><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, 2022.



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

As of June 30, 2021, the Symphony had a \$1 million revolving bank line of credit. The line expired on March 30, 2022 and was not renewed. At June 30, 2021, there were no borrowings against this line. The line was collateralized by substantially all of the Symphony’s assets and certificates of deposit held by the bank. Interest varied with the bank’s prime rate and was payable monthly.

**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 was 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, 2022, the balance of the loan was \$2,000,000. The Symphony received notification from the SBA that the forgiveness application for the second draw PPP loan had been approved in August 2022.

**Note 6: Net Assets**

***Net Assets Without Donor Restrictions***

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

	<b>2022</b>	<b>2021</b>
Operations	\$ 5,724,861	\$ 63,829
Designated auxiliary	355,889	90,408
Designated Masterpiece	6,366,135	7,653,308
Designated other	10,772,682	7,895,642
Total net assets without donor restrictions	\$ 23,219,567	\$ 15,703,187

**Kansas City Symphony**  
**Notes to Financial Statements**  
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***Net Assets With Donor Restrictions***

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

	<b>2022</b>	<b>2021</b>
Subject to expenditure for specified purpose		
Employee professional development	\$ 350,000	\$ 350,000
Audience development	2,695,656	395,656
Capital expenditures	-	1,299,876
Other	85,000	-
Contributions receivable restricted for endowment in which the investment income earned is to be available for general use	1,062,980	2,097,026
Subject to the passage of time		
Restricted for future fiscal years	663,583	351,333
Contributions receivable that are not restricted by donor but are unavailable for expenditure until due	604,091	758,991
Endowments		
Restricted by donors for investment income		
Available for general use	42,282,548	52,445,838
Educational programs	75,854	91,404
Total net assets with donor restrictions	\$ 47,819,712	\$ 57,790,124

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Net Assets Released from Restrictions**

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

	<b>2022</b>	<b>2021</b>
Expiration of time restrictions	\$ 394,154	\$ 480,547
Satisfaction or purpose restrictions		
Capital expenditures	1,299,876	-
Audience development	-	128,980
Restricted-purpose spending-rate distributions and appropriations		
General use	2,095,066	1,842,753
Expiration of term endowment	3,157,830	-
Total net assets released	<b>\$ 6,946,926</b>	<b>\$ 2,452,280</b>

**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.

**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, 2022 and 2021. Draws from two of the funds are calculated annually to be 5 percent of the 12 quarter average market value of the fund at March 31<sup>st</sup> and are distributed to the Symphony in annual or 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 \$22,455,654 and \$27,083,552 as of June 30, 2022 and 2021, respectively. Investment return was \$1,203,614 and \$1,120,347 during the years ended June 30, 2022 and 2021, respectively.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2022 and 2021

#### ***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 66 percent in equities, 31 percent in government and agency issues and 3 percent in cash and other investments at June 30, 2022 and approximately 61 percent in equities, 31 percent in government and agency issues and 8 percent in cash and other investments at June 30, 2021. 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 \$40,492,658 and \$40,233,492 as of June 30, 2022 and 2021, respectively. Investment return was \$683,623 and \$608,957 during the years ended June 30, 2022 and 2021, 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.

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

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

The composition of the endowment investments included in the net asset types at June 30, 2022 and 2021 was:

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 6,366,135		\$ 6,366,135
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	\$ 34,549,903	34,549,903
Accumulated investment gains	-	7,808,499	7,808,499
	<u>\$ 6,366,135</u>	<u>\$ 42,358,402</u>	<u>\$ 48,724,537</u>
<b>Total endowment funds</b>	<u>\$ 6,366,135</u>	<u>\$ 42,358,402</u>	<u>\$ 48,724,537</u>
	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	-	\$ 33,140,706	33,140,706
Accumulated investment gains	-	16,200,417	16,200,417
Term endowment funds	-	3,196,119	3,196,119
	<u>\$ 7,653,308</u>	<u>\$ 52,537,242</u>	<u>\$ 60,190,550</u>
<b>Total endowment funds</b>	<u>\$ 7,653,308</u>	<u>\$ 52,537,242</u>	<u>\$ 60,190,550</u>

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

Changes in endowment funds for the years ended June 30, 2022 and 2021 were:

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 7,653,308	\$ 52,537,242	\$ 60,190,550
Investment return, net	(978,169)	(6,452,107)	(7,430,276)
Contributions	-	1,398,413	1,398,413
Other	-	127,750	127,750
Appropriation of endowment assets for expenditure	(309,004)	(2,095,066)	(2,404,070)
Expiration of term endowment	-	(3,157,830)	(3,157,830)
Endowment net assets, end of year	<u>\$ 6,366,135</u>	<u>\$ 42,358,402</u>	<u>\$ 48,724,537</u>
	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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)
Endowment net assets, end of year	<u>\$ 7,653,308</u>	<u>\$ 52,537,242</u>	<u>\$ 60,190,550</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, 2022 and 2021**

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, 2022 and 2021.

The Symphony has a spending policy which allows it to draw up to 4.5 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.

Deficiencies of this nature are reported in net assets with donor restrictions. There were no underwater endowments at June 30, 2022 and 2021.

#### **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, 2022 and 2021 were approximately \$55,014,000.

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2022 and 2021

During June 30, 2022 and 2021, the Masterpiece Campaign contributions included within the Symphony's accompanying financial statements were approximately \$364,000 and \$642,000, 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, 2022 and 2021, the Symphony had recorded a liability for unfulfilled performances of \$2,679,514 and \$2,481,058, respectively. 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, 2022 and 2021, the Symphony has recorded a refund liability of \$0 and \$30,000, respectively.

*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.

##### ***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, 2022 and 2021, the Symphony did not have a liability for refunds to customers recorded.



**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

***Disaggregation of Revenue***

The composition of revenue by service type and timing of revenue recognition for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Concerts and fees		
Ticket sales	\$ 5,771,579	\$ 1,797,240
Performance fees	<u>874,719</u>	<u>102,779</u>
Timing of revenue recognition		
At a point in time	<u>\$ 6,646,298</u>	<u>\$ 1,900,019</u>

***Contract Balances***

The following table provides information about the Symphony's receivables and contract liabilities from contracts with customers:

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of year	\$ 15,779	\$ -
Accounts receivable, end of year	17,666	15,779
Contract liabilities, beginning of year	2,481,058	3,317,295
Contract liabilities, end of year	2,679,514	2,481,058

**Note 10: Government Grants**

The Missouri Arts Council, a state agency, provided program assistance funds of \$110,987 and \$108,807 for the years ended June 30, 2022 and 2021, respectively.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Note 11: Leases**

In March 2021, the Symphony entered into a lease agreement with a related party for the administrative offices (Symphony House). 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. Rent expense was \$281,885 and \$235,287 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments at June 30, 2022, were:

2023		\$ 314,232
2024		323,484
2025		333,204
2026		342,684
2027		353,568
Thereafter		<u>2,791,032</u>
		<u><u>\$ 4,458,204</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 \$63,707 and \$74,560 for the years ended June 30, 2022 and 2021, respectively.

The Symphony’s full-time musicians also participate in the 403(b) retirement plan. The employer contribution to the Plan in 2022 and 2021 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 \$197,105 and \$148,765 for the years ended June 30, 2022 and 2021, 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.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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 periods ended June 30, 2022 and 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 2022 and 2021 is for the plan’s year end at March 31, 2022 and 2021, 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
		2022	2021		2022	2021	2020		
American Federation of Musicians Employer Pension Fund	51-6120204	Red	Red	Implemented	\$ 336,570	\$ 247,931	\$ 341,804	Yes	6/30/2023
International Alliance of Theatrical Stage Employees Local 31 Retirement Trust	44-0459340	N/A	N/A	N/A	\$ 26,395	\$ 11,257	\$ 21,050	N/A	6/30/2025

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

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**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 \$484,668 and \$239,517 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Total financial assets	\$ 75,227,899	\$ 78,170,029
Contributions receivable due in more than one year	1,289,743	1,431,808
Donor restricted endowments		
Accumulated investment gains restricted in perpetuity	7,808,499	16,238,706
Endowments	34,549,903	36,298,536
	<u>42,358,402</u>	<u>52,537,242</u>
Net financial assets after donor-imposed restrictions	<u>31,579,754</u>	<u>24,200,979</u>
Internal designations		
Board-advised funds	11,983,411	8,890,880
Quasi-endowments	6,366,135	7,653,308
	<u>18,349,546</u>	<u>16,544,188</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,230,208</u>	<u>\$ 7,656,791</u>

# Kansas City Symphony

## Notes to Financial Statements

### June 30, 2022 and 2021

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 \$6,366,135 and \$7,653,308 at June 30, 2022 and 2021, respectively, 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.

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, 2022 and 2021, 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.

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

During 2022 and 2021, one of the Symphony's donors represented 15 percent and 12 percent of the total contribution and grant revenue, respectively.

**Kansas City Symphony**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

***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*.

***Functional Expense Allocation***

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

***Depreciation***

As discussed in *Note 1*, depreciation is charged to expense using the straight-line method over the estimated life of each asset, which ranges from 3 to 20 years.

**Note 16: Subsequent Events**

Subsequent events have been evaluated through November 2, 2022, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Kansas City Symphony**  
**Schedules of Revenues Without Donor Restrictions**  
**Years Ended June 30, 2022 and 2021**

<b>Revenues</b>	<b>2022</b>	<b>2021</b>
Ticket sales	\$ 5,771,579	\$ 1,797,240
Performance fees	874,719	102,779
Individual, corporate and foundation donations	4,802,430	4,463,049
Government grants	237,987	158,807
Auxiliary contributions	3,633,966	477,384
Investments and other sources	614,927	3,616,974
Net assets released from designations and restrictions	6,946,926	2,452,280
	<u>\$ 22,882,534</u>	<u>\$ 13,068,513</u>