

Kansas City Symphony

Accountants' Report and Financial Statements

June 30, 2007 and 2006



Kansas City Symphony
June 30, 2007 and 2006

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Independent Accountants' Report

Board of Directors
Kansas City Symphony
Kansas City, Missouri

We have audited the accompanying statements of financial position of Kansas City Symphony as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Symphony's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in *Note 2*, the Symphony has excluded from the accompanying financial statements its beneficial interest in the net assets held by The Kansas City Symphony Foundation. In our opinion, this practice is not in accordance with accounting principles generally accepted in the United States of America. The market value of investments and the related income of The Kansas City Symphony Foundation are set forth in *Note 8*.

In our opinion, except for the effects on the financial statements of the omission of the Symphony's beneficial interest in net assets held by The Kansas City Symphony Foundation as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas City Symphony as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ **BKD, LLP**

October 18, 2007

Kansas City Symphony
Statements of Financial Position
June 30, 2007 and 2006

Assets

	2007	2006
Current Assets		
Cash and cash equivalents	\$ 717,323	\$ 812,136
Investments	119,226	307,954
Accounts receivable, net of allowance; \$3,245 for 2007, \$5,915 for 2006	609,923	346,176
Contributions receivable	1,110,449	1,032,733
Prepaid expenses	<u>355,288</u>	<u>347,424</u>
Total current assets	<u>2,912,209</u>	<u>2,846,423</u>
Contributions Receivable	<u>163,235</u>	<u>153,995</u>
Assets Limited As to Use		
Board designated		
Beneficial interest in assets held by others	796,755	453,149
Cash and cash equivalents	<u>50,092</u>	<u>17,241</u>
	<u>846,847</u>	<u>470,390</u>
Externally designated		
Temporarily restricted		
Cash and cash equivalents	61,125	—
Contributions receivable	<u>490,000</u>	<u>55,813</u>
	<u>551,125</u>	<u>55,813</u>
Permanently restricted		
Contributions receivable	50,000	75,000
Beneficial interest in assets held by others	<u>3,344,080</u>	<u>3,258,830</u>
	<u>3,394,080</u>	<u>3,333,830</u>
	<u>3,945,205</u>	<u>3,389,643</u>
	<u>4,792,052</u>	<u>3,860,033</u>
Property and Equipment, At Cost		
Office and computer equipment	450,887	450,172
Theatrical equipment, instruments and music	442,181	410,844
Leasehold improvements	425,900	425,358
Concert Companion	<u>—</u>	<u>196,371</u>
	1,318,968	1,482,745
Less accumulated depreciation	<u>918,017</u>	<u>931,189</u>
	<u>400,951</u>	<u>551,556</u>
Total assets	<u>\$ 8,268,447</u>	<u>\$ 7,412,007</u>

See Notes to Financial Statements

Liabilities and Net Assets

	<u>2007</u>	<u>2006</u>
Current Liabilities		
Accounts payable – trade	\$ 142,720	\$ 120,934
Note payable	—	159,146
Accrued expenses	453,859	382,690
Deferred income – ticket sales	1,352,111	1,163,308
Consulting obligation	<u>113,207</u>	<u>179,245</u>
Total current liabilities	2,061,897	2,005,323
Consulting Obligation	<u>163,235</u>	<u>269,190</u>
Total liabilities	<u>2,225,132</u>	<u>2,274,513</u>
Net Assets		
Operating	1,251,263	1,249,863
Designated	<u>846,847</u>	<u>497,988</u>
Total unrestricted	<u>2,098,110</u>	<u>1,747,851</u>
Temporarily restricted	551,125	55,813
Permanently restricted	<u>3,394,080</u>	<u>3,333,830</u>
Total restricted	<u>3,945,205</u>	<u>3,389,643</u>
Total net assets	<u>6,043,315</u>	<u>5,137,494</u>
Total liabilities and net assets	\$ <u>8,268,447</u>	\$ <u>7,412,007</u>

Kansas City Symphony
Statement of Activities
Year Ended June 30, 2007

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
Operations						
Operating revenues provided by						
Concerts and fees	\$ 2,875,057		\$ 2,875,057			\$ 2,875,057
Investments and other sources	<u>1,435,240</u>	\$ <u>87,445</u>	<u>1,522,685</u>			<u>1,522,685</u>
	<u>4,310,297</u>	<u>87,445</u>	<u>4,397,742</u>			<u>4,397,742</u>
Operating expenses						
Artistic personnel and concert production	7,611,468	—	7,611,468			7,611,468
Education	76,208	—	76,208			76,208
Advertising, marketing and promotion	846,239	—	846,239			846,239
Development	589,708	—	589,708			589,708
General administration	<u>1,332,494</u>	<u>1,781</u>	<u>1,334,275</u>			<u>1,334,275</u>
	<u>10,456,117</u>	<u>1,781</u>	<u>10,457,898</u>			<u>10,457,898</u>
Operating loss	<u>(6,145,820)</u>	<u>85,664</u>	<u>(6,060,156)</u>			<u>(6,060,156)</u>
Operating funds provided by						
Contributions and grants	5,881,047	—	5,881,047	\$ 733,637	\$ 60,250	6,674,934
Net assets released from restrictions	<u>266,173</u>	<u>(27,848)</u>	<u>238,325</u>	<u>(238,325)</u>	<u>—</u>	<u>—</u>
	<u>6,147,220</u>	<u>(27,848)</u>	<u>6,119,372</u>	<u>495,312</u>	<u>60,250</u>	<u>6,674,934</u>
Change in Net Assets Before Endowment Appreciation	1,400	57,816	59,216	495,312	60,250	614,778
Endowment Appreciation	<u>—</u>	<u>433,707</u>	<u>433,707</u>	<u>—</u>	<u>—</u>	<u>433,707</u>
Change in Net Assets Before Contributions to Others	1,400	491,523	492,923	495,312	60,250	1,048,485
Contribution to Others	<u>—</u>	<u>(142,664)</u>	<u>(142,664)</u>	<u>—</u>	<u>—</u>	<u>(142,664)</u>
Change in Net Assets	1,400	348,859	350,259	495,312	60,250	905,821
Net Assets, Beginning of Year	<u>1,249,863</u>	<u>497,988</u>	<u>1,747,851</u>	<u>55,813</u>	<u>3,333,830</u>	<u>5,137,494</u>
Net Assets, End of Year	<u>\$ 1,251,263</u>	<u>\$ 846,847</u>	<u>\$ 2,098,110</u>	<u>\$ 551,125</u>	<u>\$ 3,394,080</u>	<u>\$ 6,043,315</u>

Kansas City Symphony
Statement of Activities
Year Ended June 30, 2006

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
Operations						
Operating revenues provided by						
Concerts and fees	\$ 2,581,374	\$ 18,056	\$ 2,599,430			\$ 2,599,430
Investments and other sources	<u>926,159</u>	<u>—</u>	<u>926,159</u>			<u>926,159</u>
	<u>3,507,533</u>	<u>18,056</u>	<u>3,525,589</u>			<u>3,525,589</u>
Operating expenses						
Artistic personnel and concert production	7,538,022	13,486	7,551,508			7,551,508
Education	76,871	—	76,871			76,871
Advertising, marketing and promotion	929,842	—	929,842			929,842
Development	534,220	—	534,220			534,220
General administration	1,175,653	9,813	1,185,466			1,185,466
Technology initiative	<u>283,325</u>	<u>—</u>	<u>283,325</u>			<u>283,325</u>
	<u>10,537,933</u>	<u>23,299</u>	<u>10,561,232</u>			<u>10,561,232</u>
Operating loss	<u>(7,030,400)</u>	<u>(5,243)</u>	<u>(7,035,643)</u>			<u>(7,035,643)</u>
Operating funds provided by						
Contributions and grants	6,236,273	41,084	6,277,357	\$ 53,500	\$ 176,000	6,506,857
Net assets released from restrictions	<u>795,316</u>	<u>(85,865)</u>	<u>709,451</u>	<u>(709,451)</u>	<u>—</u>	<u>—</u>
	<u>7,031,589</u>	<u>(44,781)</u>	<u>6,986,808</u>	<u>(655,951)</u>	<u>176,000</u>	<u>6,506,857</u>
Change in Net Assets Before Endowment Appreciation	1,189	(50,024)	(48,835)	(655,951)	176,000	(528,786)
Endowment Appreciation	<u>—</u>	<u>253,395</u>	<u>253,395</u>	<u>—</u>	<u>—</u>	<u>253,395</u>
Change in Net Assets Before Contributions to Others	1,189	203,371	204,560	(655,951)	176,000	(275,391)
Return of Contribution	—	—	—	(40,000)	—	(40,000)
Contribution to Others	<u>—</u>	<u>(71,072)</u>	<u>(71,072)</u>	<u>—</u>	<u>—</u>	<u>(71,072)</u>
Change in Net Assets	1,189	132,299	133,488	(695,951)	176,000	(386,463)
Net Assets, Beginning of Year	<u>1,248,674</u>	<u>365,689</u>	<u>1,614,363</u>	<u>751,764</u>	<u>3,157,830</u>	<u>5,523,957</u>
Net Assets, End of Year	<u>\$ 1,249,863</u>	<u>\$ 497,988</u>	<u>\$ 1,747,851</u>	<u>\$ 55,813</u>	<u>\$ 3,333,830</u>	<u>\$ 5,137,494</u>

Kansas City Symphony
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ 905,821	\$ (386,463)
Items not requiring (providing) cash		
Depreciation	112,749	159,237
(Gain) loss on disposal of fixed assets	(31,864)	3,326
Discount on investments	(9,888)	—
Net realized and unrealized gains on investments	(1,272)	(22,782)
Changes in		
Accounts receivable	(263,747)	(73,651)
Contributions receivable	(86,956)	(91,016)
Prepaid expenses	(7,864)	(159,338)
Accounts payable and accrued expenses	92,955	57,749
Deferred income	188,803	408,312
Consulting obligation	<u>(171,993)</u>	<u>(153,863)</u>
Net cash provided by (used in) operating activities	<u>726,744</u>	<u>(258,489)</u>
Investing Activities		
Purchase of investments	(990,112)	(4,075,172)
Sale of investments	1,190,000	3,790,000
Purchase of property and equipment	(64,354)	(202,519)
Change in internally designated assets	(376,457)	(104,701)
Change in externally designated assets	<u>(555,562)</u>	<u>594,951</u>
Net cash provided by (used in) investing activities	<u>(796,485)</u>	<u>2,559</u>
Financing Activities		
Repayments of note payable	<u>(25,072)</u>	<u>(10,854)</u>
Net cash used in financing activities	<u>(25,072)</u>	<u>(10,854)</u>
Decrease in Cash and Cash Equivalents	(94,813)	(266,784)
Cash and Cash Equivalents, Beginning of Year	<u>812,136</u>	<u>1,078,920</u>
Cash and Cash Equivalents, End of Year	<u>\$ 717,323</u>	<u>\$ 812,136</u>
Supplemental Cash Flows Information		
Debt forgiveness	<u>\$ 134,074</u>	<u>\$ —</u>

Kansas City Symphony

Notes to Financial Statements

June 30, 2007 and 2006

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. Its mission is to provide great performances for greater audiences.

The Kansas City Symphony will achieve this mission by:

- Developing an uncompromising performance standard.
- Advancing the profile and value of the orchestra locally, nationally and internationally.
- Developing the financial resources to allow the orchestra to thrive today and tomorrow.
- Creating an internal culture that stimulates effective relationships within and between board, staff and musicians.
- Developing audiences and partnerships that allow the orchestra to thrive today and tomorrow

During each of the 2007 and 2006 fiscal years, the Kansas City Symphony made 225 and 223 performances of 50 distinct programs, respectively. Among these programs were performances of classical and pops repertoire, pit orchestra services for the Kansas City Ballet and the Lyric Opera and numerous performances geared toward children and youth.

The Symphony has a 78-member orchestra, led by Music Director Michael Stern beginning in September 2005. In addition to the Music Director and resident conductor, there are 28 full-time production, marketing, fund development and administrative staff, under the direction of Frank Byrne, Executive Director.

The Symphony has a 21-member Board of Directors, under the leadership of Shirley Bush Helzberg, president, which can be expanded to 24 members based upon its bylaws. The Board has a strategic plan to enable the Symphony to achieve its mission and strategic goals for the future. The report delineates specific strategies to assure, and actions deemed necessary to keep, the Symphony as a vital and growing part of the arts community in greater Kansas City and to assure that its mission is fulfilled.

Income Taxes

The Symphony is exempt from income taxes under Section 501 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.

Cash Equivalents

The Symphony considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2007 and 2006, cash equivalents consisted of an overnight repurchase account and a money market investment account.

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. All other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or market value. Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment income, gains and losses are reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are depreciated 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. Annual depreciation is computed using the straight-line method. Certain sheet music, scores and software content are accounted for as inexhaustible assets and, therefore, are not depreciated.

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.

Contributions

Individual, corporate and foundation contributions are recorded as revenue when pledged.

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Temporarily and Permanently Restricted Net Assets

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

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Accounts Receivable

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

Government Grants

Support funded by grants is recognized as the Symphony performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Deferred Income and Expenses

Income from ticket sales is recorded as deferred income and is recognized as revenue when earned. Production and marketing costs applicable to upcoming subscription series are recorded as prepaid expenses and are recognized as expense on a matching basis in the period of the applicable production. At June 30, 2007 and 2006, prepaid marketing costs amounted to \$197,660 and \$146,224, respectively.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Beneficial Interest in Foundation

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

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, issued by the Financial Accounting Standards Board, was effective for the Symphony in 2001. This Statement changed accounting principles generally accepted in the United States of America to require not-for-profit organizations to recognize their beneficial interests in the net assets held by such foundations as assets and to recognize subsequent changes therein as changes in their net assets. The KCSF has requested the Symphony not apply the provisions of SFAS No. 136, 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 8* for disclosures of investments at market value and investment income received by the Symphony from the Foundation.

Note 3: Board Designated Assets

The Symphony's Board of Directors has internally designated \$100,000 for working capital reserves, which are classified as designated net assets. Also, funds that were donated in honor of William McGlaughlin, the former Music Director, have been established as a board designated quasi-endowment at the Greater Kansas City Community Foundation. Revenues generated from this fund support educational activities. Also, investment income and appreciation that is in excess of the Corpus of the Missouri Cultural Trust endowment is recorded in a board-designated fund, to be used for general operations of the Symphony to the extent of 5% of the market value of the endowment annually.

Note 4: Contributions Receivable

Contributions receivable consist of the following unconditional promises to give:

	2007	2006
Due in less than one year	\$ 1,475,107	\$ 1,107,733
Due in one to five years	355,000	120,000
Due in five to ten years	<u>40,000</u>	<u>90,000</u>
	1,870,107	1,317,733
Less unamortized discount	<u>56,423</u>	<u>56,005</u>
	<u>\$ 1,813,684</u>	<u>\$ 1,261,728</u>

Included in contributions receivable is a donor-restricted pledge to be used to fund consulting payments to certain musicians formerly employed by the Symphony (*see Note 13*). At June 30, 2007 and 2006, this pledge, for which payments are to be made over the next ten years, is recorded at its net present value, which amounts to \$163,235 and \$153,995, respectively.

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Note 5: Investments

Board designated investments at June 30, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Greater Kansas City Community Foundation pooled funds	\$ <u>796,755</u>	\$ <u>453,149</u>

Investment returns on the above consisted of the following:

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 15,723	\$ 11,147
Net realized and unrealized gains on investments, reported at fair value	<u>69,221</u>	<u>21,396</u>
	<u>\$ 84,944</u>	<u>\$ 32,543</u>

Endowment investments at June 30, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Greater Kansas City Community Foundation pooled funds	\$ <u>3,344,080</u>	\$ <u>3,258,830</u>

Investment returns on the above consisted of the following:

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 87,445	\$ 90,047
Net realized and unrealized gains on investments, reported at fair value	<u>433,707</u>	<u>163,348</u>
	<u>\$ 521,152</u>	<u>\$ 253,395</u>

Note 6: Note Payable

At June 30, 2006, the Symphony had a note payable with the Greater Kansas City Community Foundation in regard to its technology initiative. The interest rate on the loan was 5% and matured December 31, 2006. At June 30, 2007 and 2006, the Symphony had \$0 and \$159,146 outstanding on the note, respectively. During 2007, the note was forgiven by the Greater Kansas City Community Foundation in the amount of \$134,074.

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Note 7: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2007	2006
Project restricted activities for use during 2008-2010	\$ 447,219	\$ 53,525
Other	2,313	2,288
Ticketing software project	101,593	—
	<u>\$ 551,125</u>	<u>\$ 55,813</u>

Temporarily restricted net assets totaling \$238,325 and \$709,451 for performance underwriting, educational activities, general operating and other activities were released from restrictions during 2007 and 2006, respectively.

Permanently restricted net assets amounted to \$3,394,080 and \$3,333,830 at June 30, 2007 and 2006. See further discussion at *Note 10*.

Note 8: Foundations

The Symphony has agreements with the Kansas City Symphony Foundation (KCSF) and the Greater Kansas City Community Foundation (GKCCF) whereby the Symphony receives all income earned from the investments of the KCSF and specifically designated funds of the GKCCF. At June 30, 2007 and 2006, the market values of the investments and the income from these investments, resulting in investment income for the years then ended, are as follows:

	2007		2006	
	Investments, at Market Value	Investment Income	Investments, at Market Value	Investment Income
Kansas City Symphony Foundation	\$ <u>15,564,290</u>	\$ <u>439,554</u>	\$ <u>14,601,151</u>	\$ <u>294,366</u>
Greater Kansas City Community Foundation	\$ <u>16,602,664</u>	\$ <u>699,161</u>	\$ <u>14,124,244</u>	\$ <u>359,742</u>

Note 9: Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased, if not donated. Contribution revenue recognized from contributed services amounted to \$72,727 and \$118,881 for the years ended June 30, 2007 and 2006, respectively.

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Note 10: Government Grants

The Symphony receives state government grants. The Missouri Arts Council, a state agency, provided program assistance funds of \$82,616 and \$60,838 for each of the years ended June 30, 2007 and 2006, respectively.

During 2001, the Symphony entered into a matching grant with the Missouri Cultural Trust Fund (MCT). The grant guidelines were for the Symphony to raise \$3,700,000 in endowment funds from private donors by June 30, 2001, solely to support the Symphony and its mission. Such funds are currently held by the KCSF and GKCCF (*see Note 8*). In return, the MCT set aside \$1,850,000, or a 50% match of private funds raised, in the MCT. The MCT remains the owner of the \$1,850,000 of matching funds and, therefore, such assets are not included in the accompanying financial statements. Each year, the Symphony has received a 5% return from MCT on these designated funds. During the years ended June 30, 2007 and 2006, the Symphony recorded income of \$92,500 representing the return.

Note 11: Leases

The Symphony has an operating lease for the administrative offices that expires in December 2011. The Symphony has the right to terminate this lease at anytime by giving 180 days written notice. The lease calls for base rental payments of \$8,002 per month. Additional rent is paid each month for operating costs and taxes. Rent expense was \$96,034 and \$96,188 for the years ended June 30, 2007 and 2006, respectively.

Future minimum lease payments at June 30, 2007 were:

2008	\$	99,974
2009		96,034
2010		96,034
2011		96,034
2012		<u>48,017</u>
	\$	<u>436,093</u>

Rental expense related to a performance lease (renewed annually) totaled \$101,561 and \$132,727 for the years ended June 30, 2007 and 2006, respectively.

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Note 12: Employee Benefit Plans

Staff Retirement Plans

The Symphony maintains a retirement plan covering administrative employees. The Symphony's contributions to the Plan consist of a discretionary contribution of 3% of compensation and a matching contribution of 50% of the staff's 403(b) deferral up to a maximum of 4% of compensation paid to participants during the year. The Symphony's contributions to the Plan were \$37,349 and \$45,566 for the years ended June 30, 2007 and 2006, respectively.

Musician Retirement Plans

The Symphony's full-time musicians participate in an employer-sponsored retirement plan. The employer contribution to the Plan in 2007 and 2006 was 2% and 1.5% of compensation paid to musicians during the year. The Symphony's contributions to the Plan were \$63,657 and \$53,741 for the years ended June 30, 2007 and 2006, respectively.

In addition, the Symphony makes a contribution to the American Federation of Musicians Employer Pension Fund for full-time musicians, which is a Multi-Employer Pension Plan. The Symphony's contributions consisted of 5% of compensation for June 30, 2007 and 2006, or \$185,274 and \$180,396, respectively.

Note 13: Consulting Obligation

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

Note 14: Significant Estimates and Concentrations

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

Labor Agreement

Substantially all of the Symphony's stagehands and musicians are covered by collective bargaining agreements. The stagehands agreement expires in 2010 and the musicians in 2011.

Kansas City Symphony
Notes to Financial Statements
June 30, 2007 and 2006

Contributions

During 2007 and 2006, five of the Symphony's donors represented 54% and 63% of the total contribution and grant revenue, respectively.

Supplementary Information

Kansas City Symphony
Schedules of Revenues and Unrestricted Contributions
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Ticket sales	\$ 2,089,237	\$ 1,964,112
Performance fees	785,820	635,318
Endowment income	1,522,685	824,889
Other revenue	<u>—</u>	<u>101,270</u>
	<u>\$ 4,397,742</u>	<u>\$ 3,525,589</u>
 Contributions and Grants – Symphony Operations		
Individual, corporate and foundation donations	\$ 4,866,880	\$ 5,354,269
Government grants		
Missouri Arts Council	82,616	60,838
Other	25,000	37,500
Auxiliary contributions	906,551	814,850
Special events	<u>—</u>	<u>9,900</u>
	<u>\$ 5,881,047</u>	<u>\$ 6,277,357</u>

Kansas City Symphony
Schedule of Operating Expenses
Year Ended June 30, 2007

	Artistic Personnel and Concert Production	Education	Advertising Marketing and Promotion	Development	General Administration	Total Operating Expenses
Symphony Operations						
Artistic personnel, salaries and benefits	\$ 5,191,051			\$ 2,912		\$ 5,193,963
Staff, salaries and benefits	697,035	\$ 57,142	\$ 172,446	374,104	\$ 546,684	1,847,411
Guest artists, conductors and composers	518,800	1,250				520,050
Stagehands, salaries and benefits	197,482					197,482
Concert production expenses	463,278	453				463,731
Professional fees	279,351	1,504	127,144	82,410	197,807	688,216
Office rent, utilities and maintenance	17,325				110,275	127,600
Office supplies and other expenses	28,214	3,263	15,469	50,321	83,366	180,633
Printing, art and photography	12,725	9,249	128,620	37,452	192	188,238
Advertising and promotion	8,846		307,947	6,378		323,171
Postage	17,778	943	56,767	12,884	5,881	94,253
Telephone	26,705	334	4,278	6,576	7,818	45,711
Travel and per diem	128,379	606	5,311	9,374	49,667	193,337
Insurance					72,377	72,377
Sales tax and users' fees on tickets sold			1,500			1,500
Depreciation					112,749	112,749
Interest, bank fees and credit card fees					133,641	133,641
Other expenses	<u>24,499</u>	<u>1,464</u>	<u>26,757</u>	<u>7,297</u>	<u>13,818</u>	<u>73,835</u>
	<u>7,611,468</u>	<u>76,208</u>	<u>846,239</u>	<u>589,708</u>	<u>1,334,275</u>	<u>10,457,898</u>
Total	<u>\$ 7,611,468</u>	<u>\$ 76,208</u>	<u>\$ 846,239</u>	<u>\$ 589,708</u>	<u>\$ 1,334,275</u>	<u>\$ 10,457,898</u>

Kansas City Symphony
Schedule of Operating Expenses
Year Ended June 30, 2006

	Artistic Personnel and Concert Production	Education	Advertising Marketing and Promotion	Development	General Administration	Technical Initiative	Total Operating Expenses
Symphony Operations							
Artistic personnel, salaries and benefits	\$ 5,022,113			\$ 4,209			\$ 5,026,322
Staff, salaries and benefits	688,437	\$ 58,006	\$ 159,203	346,469	\$ 561,767		1,813,882
Guest artists, conductors and composers	541,000	1,500					542,500
Stagehands, salaries and benefits	219,227						219,227
Concert production expenses	474,841	494					475,335
Professional fees	346,163	1,350	164,916	31,578	78,973		622,980
Office rent, utilities and maintenance	12,819				111,850		124,669
Office supplies and other expenses	41,511	3,144	10,889	59,946	73,263		188,753
Printing, art and photography	9,424	8,119	108,964	54,525			181,032
Advertising and promotion	6,670	148	354,777	6,819			368,414
Postage	16,256	656	64,563	13,656	5,340		100,471
Telephone	21,414	577	5,489	5,096	6,172		38,748
Travel and per diem	135,404	1,044	6,142	4,597	29,188		176,375
Insurance	640				77,155		77,795
Sales tax and users' fees on tickets sold			29,299				29,299
Depreciation					122,085		122,085
Interest, bank fees and credit card fees					71,036		71,036
Other expenses	<u>15,589</u>	<u>1,833</u>	<u>25,600</u>	<u>7,325</u>	<u>48,637</u>		<u>98,984</u>
	7,551,508	76,871	929,842	534,220	1,185,466		10,277,907
Technology Initiative						<u>\$ 283,325</u>	<u>283,325</u>
Total	<u>\$ 7,551,508</u>	<u>\$ 76,871</u>	<u>\$ 929,842</u>	<u>\$ 534,220</u>	<u>\$ 1,185,466</u>	<u>\$ 283,325</u>	<u>\$ 10,561,232</u>