

Starlight Theatre Association of Kansas City, Inc.

Financial Report
March 31, 2025

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Independent Auditor's Report

Board of Directors
Starlight Theatre Association of Kansas City, Inc.

Opinion

We have audited the financial statements of Starlight Theatre Association of Kansas City, Inc. (Starlight), which comprise the statements of financial position as of March 31, 2025 and 2024, 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, the accompanying financial statements present fairly, in all material respects, the financial position of Starlight as of March 31, 2025 and 2024, 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 Opinion

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 Starlight and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Starlight's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 Starlight'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 Starlight'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.

RSM US LLP

Kansas City, Missouri
July 29, 2025

Starlight Theatre Association of Kansas City, Inc.

Statements of Financial Position
March 31, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,794,668	\$ 8,767,712
Cash and cash equivalents—restricted capital campaign	1,383,477	5,518,569
Cash and cash equivalents—restricted other	151,713	123,745
Investments	4,278,256	4,085,678
Accounts receivable	139,787	114,696
Current portion of pledges receivable	1,373,485	342,517
Prepaid expenses	656,192	624,466
Inventories	33,997	59,372
Total current assets	14,811,575	19,636,755
Investments in endowment	8,102,683	7,626,236
Pledges receivable, net of current portion and allowance	1,276,903	3,251,829
Property and equipment, net	25,020,627	17,315,472
Other assets	894,812	1,049,548
Total assets	\$ 50,106,600	\$ 48,879,840
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,398,186	\$ 264,307
Accrued expenses	1,348,484	677,367
Deferred revenue	8,690,415	9,645,871
Total current liabilities	11,437,085	10,587,545
Other long-term liabilities	1,195,951	-
Total liabilities	12,633,036	10,587,545
Net assets:		
Without donor restrictions:		
Undesignated	15,279,192	17,686,368
Board-designated	5,489,820	5,013,373
	20,769,012	22,699,741
With donor restrictions	16,704,552	15,592,554
Total net assets	37,473,564	38,292,295
Total liabilities and net assets	\$ 50,106,600	\$ 48,879,840

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Statement of Activities
Year Ended March 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions:			
General	\$ 454,533	\$ 127,550	\$ 582,083
Capital campaign	-	2,087,183	2,087,183
Parks sales tax fund	397,547	-	397,547
Contributed services	236,011	-	236,011
Annual gala	547,175	-	547,175
Community engagement	-	272,099	272,099
State funds	-	414,683	414,683
Total contributions	1,635,266	2,901,515	4,536,781
Revenues from operations:			
Ticket sales	13,267,252	-	13,267,252
Service charges	2,306,769	-	2,306,769
Parking	237,170	-	237,170
Concessions	814,312	25,193	839,505
Sponsorships	681,815	-	681,815
Outside events	179,013	-	179,013
Net investment gain	848,058	399,584	1,247,642
Other	393,959	-	393,959
Total revenues from operations	18,728,348	424,777	19,153,125
Total revenues, gains and other support	20,363,614	3,326,292	23,689,906
Expenses:			
Program services	21,412,088	-	21,412,088
Administrative	2,026,000	-	2,026,000
Fundraising	1,070,549	-	1,070,549
Total expenses	24,508,637	-	24,508,637
Change in net assets before net assets released from restriction	(4,145,023)	3,326,292	(818,731)
Net assets released from restriction	2,214,294	(2,214,294)	-
Change in net assets	(1,930,729)	1,111,998	(818,731)
Net assets, beginning of year	22,699,741	15,592,554	38,292,295
Net assets, end of year	<u>\$ 20,769,012</u>	<u>\$ 16,704,552</u>	<u>\$ 37,473,564</u>

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

**Statement of Activities
Year Ended March 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions:			
General	\$ 546,208	\$ 96,000	\$ 642,208
Capital campaign	-	5,335,434	5,335,434
Parks sales tax fund	566,610	-	566,610
Contributed services	141,534	-	141,534
Annual gala	547,101	-	547,101
Community engagement	-	186,333	186,333
Total contributions	1,801,453	5,617,767	7,419,220
Revenues from operations:			
Ticket sales	10,772,990	-	10,772,990
Service charges	1,891,352	-	1,891,352
Parking	276,307	-	276,307
Concessions	2,890,616	21,990	2,912,606
Restaurant	213,574	-	213,574
Sponsorships	559,023	-	559,023
Outside events	281,881	-	281,881
Net investment gain	1,239,363	728,978	1,968,341
Other	239,628	-	239,628
Total revenues from operations	18,364,734	750,968	19,115,702
Total revenues, gains and other support	20,166,187	6,368,735	26,534,922
Expenses:			
Program services	19,245,413	-	19,245,413
Administrative	1,769,326	-	1,769,326
Fundraising	1,202,348	-	1,202,348
Total expenses	22,217,087	-	22,217,087
Change in net assets before net assets released from restriction	(2,050,900)	6,368,735	4,317,835
Net assets released from restriction	2,384,862	(2,384,862)	-
Change in net assets	333,962	3,983,873	4,317,835
Net assets, beginning of year	22,365,779	11,608,681	33,974,460
Net assets, end of year	<u>\$ 22,699,741</u>	<u>\$ 15,592,554</u>	<u>\$ 38,292,295</u>

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

**Statement of Functional Expenses
Year Ended March 31, 2025**

Description	Program Services			Support Services		
	Programming	Community Engagement	Total Program Services	Administrative	Fundraising	Total Expenses
Show expenses	\$ 2,480,509	\$ 58,138	\$ 2,538,647	\$ -	\$ 83	\$ 2,538,730
Concert producer fees	8,505,329	-	8,505,329	-	-	8,505,329
Media and marketing	848,820	25,287	874,107	322	8,858	883,287
Year-round wages, benefits and taxes	2,034,849	509,397	2,544,246	1,205,426	657,971	4,407,643
Seasonal wages and taxes	685,264	119,245	804,509	-	1,380	805,889
Concessions expenses	16,418	-	16,418	-	2,825	19,243
Utilities and telephone	458,754	400	459,154	58,156	800	518,110
Security	432,674	2,657	435,331	-	906	436,237
Outside services	685,672	61,431	747,103	70,471	286,782	1,104,356
Ticket system fees	570,129	1,113	571,242	231	16,757	588,230
Travel and entertainment	189,063	13,546	202,609	49,164	15,372	267,145
Non-owned asset improvements	1,004,260	-	1,004,260	-	-	1,004,260
Depreciation expense and gain on disposal of property and equipment	1,242,712	91,350	1,334,062	246,391	-	1,580,453
Other	1,241,367	133,704	1,375,071	395,839	78,815	1,849,725
	<u>\$ 20,395,820</u>	<u>\$ 1,016,268</u>	<u>\$ 21,412,088</u>	<u>\$ 2,026,000</u>	<u>\$ 1,070,549</u>	<u>\$ 24,508,637</u>

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

**Statement of Functional Expenses
Year Ended March 31, 2024**

Description	Program Services			Support Services		Total Expenses
	Programming	Community Engagement	Total Program Services	Administrative	Fundraising	
Show expenses	\$ 1,652,612	\$ 15,583	\$ 1,668,195	\$ -	\$ 645	\$ 1,668,840
Concert producer fees	7,315,953	-	7,315,953	-	-	7,315,953
Media and marketing	812,998	10,308	823,306	750	10,401	834,457
Year-round wages, benefits and taxes	2,036,865	466,812	2,503,677	1,033,912	658,823	4,196,412
Seasonal wages and taxes	661,134	104,241	765,375	5,581	830	771,786
Concessions expenses	1,666,538	12,330	1,678,868	1,027	-	1,679,895
Utilities and telephone	395,835	480	396,315	59,887	967	457,169
Security	391,431	2,237	393,668	-	893	394,561
Outside services	470,542	21,327	491,869	75,878	235,139	802,886
Ticket system fees	568,906	343	569,249	600	15,992	585,841
Travel and entertainment	186,301	10,917	197,218	44,690	17,372	259,280
Parking services and supplies	175,414	2,866	178,280	-	-	178,280
Depreciation expense and gain on disposal of property and equipment	1,083,828	121,838	1,205,666	222,679	-	1,428,345
Other	930,183	127,591	1,057,774	324,322	261,286	1,643,382
	<u>\$ 18,348,540</u>	<u>\$ 896,873</u>	<u>\$ 19,245,413</u>	<u>\$ 1,769,326</u>	<u>\$ 1,202,348</u>	<u>\$ 22,217,087</u>

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (818,731)	\$ 4,317,835
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,592,453	1,459,348
Net gain on investments	(331,264)	(1,067,169)
Contributions received for acquisition of long-lived property and equipment	(2,087,183)	(5,335,434)
Gain on sale of property and equipment	(12,000)	(31,003)
Changes in assets and liabilities:		
Accounts receivable	(25,091)	586,995
Prepaid expenses	(31,726)	(22,366)
Inventories	25,375	4,246
Pledges receivable	142,728	65,560
Other assets	154,736	(89,371)
Accounts payable	64,281	(719,160)
Accrued expenses	671,117	48,386
Deferred revenue	(955,456)	406,731
Other long-term liabilities	1,195,951	-
Net cash used in operating activities	(414,810)	(375,402)
Cash flows from investing activities:		
Purchases of property and equipment	(8,228,010)	(5,747,951)
Proceeds on disposal of property and equipment	12,000	31,003
Purchases of investments	(5,458,762)	(4,680,959)
Proceeds from sale of investments	5,121,001	4,428,801
Net cash used in investing activities	(8,553,771)	(5,969,106)
Cash flows from financing activities:		
Cash received for acquisition of long-lived property and equipment	2,888,413	5,208,075
Net cash provided by financing activities	2,888,413	5,208,075
Net decrease in cash and cash equivalents, cash and cash equivalents—capital campaign, cash and cash equivalents—other	(6,080,168)	(1,136,433)
Cash and cash equivalents, cash and cash equivalents—capital campaign, cash and cash equivalents—other, beginning of year	14,410,026	15,546,459
Cash and cash equivalents, cash and cash equivalents—capital campaign, cash and cash equivalents—other, end of year	<u><u>\$ 8,329,858</u></u>	<u><u>\$ 14,410,026</u></u>
Supplemental disclosure of noncash investing and financing activities:		
Purchases of property and equipment included in accounts payable at year-end	<u><u>\$ 1,138,794</u></u>	<u><u>\$ 69,196</u></u>

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 1. Nature of Operations

Starlight Theatre Association of Kansas City, Inc. (Starlight or the Association) is a nonprofit organization dedicated to connecting the community through live arts experiences that entertain, inspire and engage. Through accessible performances, high-quality theatre arts education and impactful community outreach, Starlight seeks to enrich the cultural fabric of the communities it serves. The Organization is committed to upholding the highest standards of artistic excellence and educational value. Starlight strives to be a leader in the performing arts by curating diverse and dynamic programming that reflects the depth and richness of the human experience. Starlight recognizes that its continued success is made possible by the unwavering support of its employees, patrons, donors, sponsors and volunteers. Accordingly, Starlight is dedicated to fostering an environment that is welcoming, inclusive, safe and accessible to all. It believes that a positive and supportive workplace culture is essential to delivering a joyful and memorable experience for every guest. Starlight also affirms that embracing a broad spectrum of perspectives, traditions, and cultures strengthens both the organization and the wider community. As a nonprofit entity, Starlight is committed to the responsible stewardship of its physical, environmental and community resources. This commitment ensures the long-term sustainability of its venue, programming and brand. The Organization's revenue is primarily derived from ticket sales, philanthropic contributions, sponsorships, production income, parking and concessions.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America. To ensure observance of limitations and restrictions placed on the use of resources available to the Association, resources are classified for accounting and financial reporting purposes into categories established according to their interrelationships, liquidity and financial flexibility. As a result, the Association is required to report its financial position and activities according to the following two net assets categories:

Net assets without donor restrictions: This category includes net assets that are not subject to donor-imposed stipulations, as well as net assets designated by the board for specific purposes.

Net assets with donor restrictions: This category includes net assets subject to donor-imposed stipulations that will be met by actions of Starlight and/or the passage of time. Certain net assets in this category are subject to donor-imposed stipulations that they be invested in perpetuity to provide a source of income to be used for a general or specific purpose.

Description of program services and supporting activities: The following program services and supporting activities are included in the accompanying statements of functional expenses:

Programming: There are three divisions included in Starlight's programming category, which include Broadway, concerts and events. Broadway presents an annual Broadway series featuring a mix of national touring musicals, co-productions with other regional and national theatres and locally produced shows. Concerts at Starlight attract a larger demographic by offering a wide range of concert events and music genres. Events further Starlight's community outreach by making the venue available to nonprofits, corporations and individuals when not in use for other programming.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Community engagement: Each year, Starlight connects more than 260,000 people through the unifying power of live arts experiences. While more than 95,000 patrons enjoy Broadway productions and over 105,000 attend concerts, Starlight's community engagement programs reach an additional 60,000 individuals annually, using the arts as a catalyst for access, education and connection. Through initiatives like Arts Bridge, Starlight collaborates with local arts organizations and nonprofits to foster cultural celebration, creative exploration and civic dialogue. The Blue Star Awards shine a spotlight on musical theatre achievement, engaging more than 5,000 students from 66 high schools in one of the region's largest theatre recognition programs. To further support young talent, Starlight provides paid, hands-on professional experiences through the Bob Rohlf Internship program and offers Technical Theatre Training that prepares high school students for careers behind the scenes. Additionally, Vincent Legacy Scholarships provides BIPOC middle school students with funding and mentorship to pursue high-quality arts training throughout their formative years. Starlight also brings the magic and impact of theatre directly into communities. The Disney Musicals in Schools program, launching in fall 2025, empowers under-resourced elementary schools with the tools and support to build sustainable arts programs. For children who are hospitalized or otherwise unable to attend live events, Just Imagine delivers interactive performances that inspire joy and imagination. Through Performances for Young Audiences, Starlight nurtures early appreciation for the arts by offering free field trips, while Community Tickets ensures more than 13,000 individuals each year can attend shows regardless of financial barriers. Together, these programs reflect Starlight's commitment to building a more vibrant, collaborative, and creatively empowered Kansas City.

Administration: Starlight administrative leaders, including president, human resources, information technology and the accounting department, guide financial and operating decisions that position the historic theatre for current fiscal viability and future growth.

Fundraising: As a 501(c)(3) nonprofit organization, Starlight undertakes fundraising efforts to raise monies needed for programming, ongoing operations and maintenance, and education and community outreach programs. An annual fund, annual benefit gala and annual internship program benefit are among the fundraising vehicles employed.

Estimates and assumptions: The preparation of 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 amounts of assets and liabilities and disclosure 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. Actual results could differ from those estimates.

Cash and cash equivalents: The Association considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of operating and money market accounts. Cash and cash equivalents held with investment managers are considered investments for reporting purposes.

Investments and investment income: Investments are reported at fair value. Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for a discussion of fair value measurements. Gains or losses on sales of investments are determined on a specific cost identification method. Investment income includes dividends, interest and realized and unrealized gains and losses, net of investment manager fees.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investment income that is initially restricted by donor stipulation, and for which the restriction will be satisfied in the same year, is recorded as investment income with donor restrictions, and then released from restriction. Other investment income is reflected in the statements of activities as investment income without donor restrictions or investment income with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Accounts receivable: Accounts receivable are stated at the amounts invoiced to customers. Accounts receivable are typically due within 30 days after the issuance of the invoice. Accounts outstanding longer than the contractual payment terms are considered past due. The Association's management provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Association's management considers accounts receivable to be fully collectible; accordingly, no allowance for credit losses is necessary at March 31, 2025 and 2024. The balance of accounts receivable as of March 31, 2025, 2024 and 2023, was \$139,787, \$114,696 and \$701,691, respectively.

Pledges receivable: Unconditional pledges receivable are recognized as support in the period the pledges are received. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows, less an allowance for uncollectible pledges.

Conditional contributions are recognized when the conditions on which they depend are overcome.

Inventories: Inventories consist of beverage and miscellaneous novelties, and are recorded at the lower of cost (first-in, first-out) or net realizable value.

Other assets: Other assets consist of the Association's investments in certain touring performances produced by others. These investments are recorded at cost, less principal repaid by tour.

Property and equipment: It is the policy of the Association to capitalize property and equipment with a value of \$5,000 or more. Property and equipment is recorded at cost, if purchased, or at the estimated fair value at date of receipt, if acquired by donation, and is depreciated using the straight-line basis over the estimated useful life of each asset. The Association computes depreciation using the following useful lives:

Description	Useful Life (Years)
Theatre equipment and facility improvements	3-30
Furniture and fixtures	5-10
Stage props	5

The Association reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Measurement of any impairment loss is based on the fair value of the asset. Generally, fair value will be determined using valuation techniques, such as the present value of expected future cash flows. No loss for impairment of long-lived assets was recorded during the years ended March 31, 2025 and 2024.

Repair and maintenance costs are charged to expense as incurred.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: Revenues for single ticket sales, parking and outside events are recognized at the point of time when the event occurs. Concessions and restaurant sales are recognized at the point of sale. Payment for single ticket sales, parking and outside events is collected prior to or upon the date of the event. Revenue from advance sales for concerts or events, and advance deposits for private events, are deferred and recognized on the date of the event to which the revenue relates. Service charges are also deferred until the point of time when the related show or concert occurs.

Revenue from season ticket sales is recognized over time, as the related events occur. The primary performance obligation is to provide access to each Broadway show (or each concert), as well as parking. Season tickets are considered to be a series of distinct performance obligations, and the Association, therefore, recognizes a proportionate amount of revenue as each event occurs.

The revenue from concessions is recognized at a point in time and is presented net of costs to provide the goods as the Association determined it functions as an agent. A new vendor contract for concessions was entered into during the year. Under the terms of the arrangement, the Association is not responsible for the fulfillment of this performance obligation as the Association functions as an intermediary. Additionally, the Association does not directly set the price for the concession items. Rather, the vendor in the contract presents the Association with the proposed pricing for all the items at the beginning of the season and the Association reviews and reasonably approves. As such, the Association recognizes concessions revenue net of any costs to provide the goods.

The Association has determined that sponsorship revenue represents an exchange of commensurate value, and recognizes sponsorship revenue over time, based on the proportionate amount of sponsorship services rendered each month in accordance with the related sponsorship agreement.

The total revenue recognized from contracts with customers was \$17,511,794 and \$16,907,733 for the years ended March 31, 2025 and 2024, respectively. Sponsorships recognized over time totaled \$681,815 and \$559,023 for the years ended March 31, 2025 and 2024, respectively. All remaining revenue from contracts with customers was recognized at a point of time. Economic factors within the Greater Kansas City area can impact the operations and cash flows of the Association.

The closing balance of contract liabilities at March 31, 2025, 2024 and 2023, were \$8,690,415, \$9,645,871 and \$9,239,140, respectively, and are reported in deferred revenue on the accompanying statements of financial position.

Season tickets sales and single ticket sales are both generally nonrefundable unless the event is canceled due to unforeseen circumstances.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The Association contracts with a third party for a production and co-promotion relationship relating to concert and comedy artists performing at Starlight. In return, the third party receives an annual fee, based upon three key performance indicators, which include a base fee based upon the number of events, attendance per event and average net revenue per person. Additionally, select shared expenses are deducted, settled monthly in accordance with the contract, and are reported as concert settlement liability on the statements of financial position. There is no such liability at March 31, 2025 and 2024. Concert revenues are recognized on the performance date.

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

Unconditional gifts expected to be collected within one year are reported at their net realizable values. Unconditional gifts expected to be collected in future years are reported at the net present value of estimated future cash flows using a risk-adjusted discount rate. Long-term contributions receivable at March 31, 2025 and 2024, totaled \$1,276,903 and \$3,251,829, respectively.

Conditional gifts are recognized when the conditions on which they depend are overcome.

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 for marketing expenses amounted to approximately \$236,000 and \$141,000 for the years ended March 31, 2025 and 2024, respectively, and was valued using the independent fair value assigned by the donor.

A substantial number of unpaid volunteers have made significant contributions of time and services to assist and develop the Association. The value of these contributed services is not reflected in the financial statements because the services do not represent services that require specialized skills. Ambassador volunteers contributed approximately 7,782 and 5,097 hours of service to Starlight during the years ended March 31, 2025 and 2024, respectively.

Income taxes: Starlight is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization. However, Starlight is subject to federal income tax on any unrelated business taxable income.

Uncertain tax positions, if any, are recorded in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at March 31, 2025 or 2024.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense totaled approximately \$883,000 and \$834,000 for 2025 and 2024, respectively.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Functional expenses: Expenses are charged to programs and support services on the basis of management's estimates. Expenses that can be identified with a specific program and support service are allocated directly, according to their natural expense classification. Salaries and wages are charged to program expense and support expense on the basis of periodic time studies. Other expenses that are common to several programs are allocated on the basis of program attendance.

Other long-term liabilities: Other long-term liabilities consists of the long-term portion of the net amount due to the Association's concession vendor per the terms of the agreement.

Leases: The Association determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Association obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Association also considers whether its service arrangements include the right to control the use of an asset.

The Association made an accounting policy election available under Topic 842 not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less (i.e., short-term leases). For the years ended March 31, 2025 and 2024, there are no material lease agreements in place; therefore, there are no ROU assets or lease liabilities recorded on the statements of financial position.

Note 3. Investments

Investments and investments in endowment recorded on the statements of financial position for the Association are composed of the following at March 31, 2025 and 2024:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,602,693	\$ 1,602,693	\$ 1,422,738	\$ 1,422,385
Common stock—domestic	4,106,129	5,724,462	4,026,955	5,462,974
Bonds	5,029,549	5,053,784	4,844,543	4,826,555
	<u>\$ 10,738,371</u>	<u>\$ 12,380,939</u>	<u>\$ 10,294,236</u>	<u>\$ 11,711,914</u>

Net investment income is summarized as follows for the years ended March 31, 2025 and 2024:

	2025	2024
Interest and dividend income, net of fees	\$ 916,378	\$ 901,172
Realized gains	97,255	114,784
Unrealized gains	234,009	952,385
	<u>\$ 1,247,642</u>	<u>\$ 1,968,341</u>

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 4. Promises to Give

Unconditional promises to give consisted of the following at March 31, 2025 and 2024:

	2025	2024
Receivable in less than one year	\$ 1,373,485	\$ 342,517
Receivable in one to five years	1,326,633	3,290,277
	<u>2,700,118</u>	<u>3,632,794</u>
Less allowance for uncollectible promises to give	(49,730)	(38,448)
Less current portion of pledges receivable	<u>(1,373,485)</u>	<u>(342,517)</u>
Long-term pledge receivable	<u>\$ 1,276,903</u>	<u>\$ 3,251,829</u>

Conditional promises to give that are not recorded on the financial statements consisted of the following at March 31, 2025 and 2024:

	2025	2024
Promises to give conditional upon specific performance conditions being achieved	<u>\$ 515,317</u>	<u>\$ 1,000,000</u>

Note 5. Property and Equipment

Property and equipment consists of the following at March 31, 2025 and 2024:

	2025	2024
Theatre equipment and facility improvements	\$ 38,682,702	\$ 37,732,837
Furniture and fixtures	268,335	281,212
Stage props	2,063,501	1,881,835
Construction in progress	<u>11,920,757</u>	<u>3,991,401</u>
	<u>52,935,295</u>	<u>43,887,285</u>
Less accumulated depreciation	<u>27,914,668</u>	<u>26,571,813</u>
	<u>\$ 25,020,627</u>	<u>\$ 17,315,472</u>

Depreciation expense was \$1,592,453 and \$1,459,348 for the years ended March 31, 2025 and 2024, respectively.

Depreciation expense is allocated between Broadway, concert, special events and community engagement events, based on total budgeted attendance for the year. Depreciation expense is also allocated to community engagement and administration, based on square footage of the respective office and education pavilion space.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements

The Association follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these rules are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds and mutual funds: Money market funds and mutual funds are valued at the daily closing price as reported by the fund. Mutual funds and money market funds held by Starlight are open-end investment companies that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value, and to transact at that price. The mutual funds and money market funds held by the Association are deemed to be actively traded.

Common stocks: Common stocks are valued at the daily closing price reported on the active market on which the individual securities are traded.

There have been no changes to the valuation methodologies at March 31, 2025 and 2024.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Association's assets at fair value as of March 31, 2025 and 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,602,693	\$ -	\$ -	\$ 1,602,693
Common stock—domestic	5,724,462	-	-	5,724,462
Mutual funds:				
Bonds	5,053,784	-	-	5,053,784
	<u>\$ 12,380,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,380,939</u>
	2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,422,385	\$ -	\$ -	\$ 1,422,385
Common stock—domestic	5,462,974	-	-	5,462,974
Mutual funds:				
Bonds	4,826,555	-	-	4,826,555
	<u>\$ 11,711,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,711,914</u>

Note 7. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions consist of the following at March 31, 2025 and 2024:

	2025	2024
Net assets subject to time and purpose restrictions:		
Vincent Legacy Scholarship	\$ 26,386	\$ 22,561
Swope Park Starlight Capital Improvement Perimeter Fund	125,327	100,134
Community engagement programs	16,500	1,050
Capital campaign	13,923,476	12,855,946
	<u>14,091,689</u>	<u>12,979,691</u>
Net assets held in perpetuity:		
General endowment	2,357,863	2,357,863
Community engagement endowment	255,000	255,000
	<u>2,612,863</u>	<u>2,612,863</u>
Total net assets with donor restrictions	<u>\$ 16,704,552</u>	<u>\$ 15,592,554</u>

Earnings on the community engagement endowment are used to support community engagement programs. Earnings on the general endowment are used to support operations.

Board-designated net assets: The Association considers all earnings from the board-designated general and community engagement endowments to be available for use to support the operations of Starlight; however, all earnings remain in the endowment and can only be utilized upon board approval. Board-designated assets include \$5,156,483 and \$4,717,014 for general operating reserve at March 31, 2025 and 2024, respectively, and \$333,337 and \$296,360 for community engagement programs at March 31, 2025 and 2024, respectively.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 7. Net Assets (Continued)

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 for the years ended March 31, 2025 and 2024, as follows:

	2025	2024
Purpose restrictions accomplished:		
Community engagement programs	\$ 243,100	\$ 204,676
Capital projects	1,255,999	1,594,568
Scholarships	9,725	15,442
Programming	127,550	96,000
State Funds	414,683	-
Appropriation of earnings	163,237	474,176
	<u>\$ 2,214,294</u>	<u>\$ 2,384,862</u>

Note 8. Benefit Plans

The Association sponsors a 401(k) plan (the Plan) covering certain full-time employees who have worked 1,000 hours and attained the age of 21 as well as certain long-term part-time employees who have worked 500 hours over two year and attained the age of 21. Participants may defer a portion of their eligible annual compensation as defined in the Plan. Participants are fully vested in Association contributions after five years of service. The Plan provides for a 50% matching contribution of up to 8% of participants' eligible compensation, plus discretionary contributions by the Association. Contributions to the Plan totaled \$110,085 and \$116,035 for the years ended March 31, 2025 and 2024, respectively.

The Association also sponsors a 403(b) plan and a 457(b) plan covering certain highly compensated employees eligible to make elective salary deferrals to the 403(b) plan. Participants are fully vested in the Association's contributions after five years of service.

Note 9. Theatre Agreements

The Association has an agreement with the city of Kansas City, Missouri (the City), for the use of an outdoor theatre at a cost of \$1; however, the Association is responsible for all operating costs of the theatre which amounted to \$1,463,871 and \$1,339,369 in expense for the years ended March 31, 2025 and 2024, respectively. The agreement is automatically extended for successive five-year periods in perpetuity, unless the Association is in default. The Association does not anticipate any future events to result in default.

The Association was reimbursed by the City for capital improvement costs of \$397,547 and \$566,610 for the years ended March 31, 2025 and 2024, respectively. These reimbursements are reported as Parks Sales Tax Fund contributions on the statements of activities.

In 1990, the Association entered into an agreement with the City to create a Swope Park Starlight Perimeter Capital Improvement Fund (the Perimeter Fund), to be funded by the Association in an amount equal to \$0.075 per item sold by the Association's concessionaire. The funds are recorded by the Association as concessions restricted for the Perimeter Fund. The funds are to be used solely for improvement projects mutually agreed upon between the Association and the Kansas City Board of Parks and Recreation. It is the Association's policy to fund the Perimeter Fund annually before March 31.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 9. Theatre Agreements (Continued)

The amount contributed to the Perimeter Fund was \$25,193 and \$21,990 for the years ended March 31, 2025 and 2024, respectively. The amount in the Perimeter Fund at March 31, 2025 and 2024, was \$125,327 and \$100,134, respectively (see Note 7).

Note 10. Endowment Funds

The Association's endowment consists of several donor-restricted and board-designated funds established for various purposes. Assets associated with endowment funds are classified and reported, based on the existence or absence of donor-imposed restrictions and are exclusive of any pledges receivable to the Association's endowment funds.

As of March 31, 2025 and 2024, the asset composition of the endowment is as follows:

2025			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment composition by net asset category:			
Donor restricted endowment funds	\$ -	\$ 2,612,863	\$ 2,612,863
Board-designated endowment funds	5,489,820	-	5,489,820
Total funds	<u>\$ 5,489,820</u>	<u>\$ 2,612,863</u>	<u>\$ 8,102,683</u>

2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment composition by net asset category:			
Donor restricted endowment funds	\$ -	\$ 2,612,863	\$ 2,612,863
Board-designated endowment funds	5,013,373	-	5,013,373
Total funds	<u>\$ 5,013,373</u>	<u>\$ 2,612,863</u>	<u>\$ 7,626,236</u>

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 10. Endowment Funds (Continued)

The changes in the endowment assets for the years ended March 31, 2025 and 2024, are as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Change in endowment net assets:			
Endowment net assets, beginning of year	\$ 5,013,373	\$ 2,612,863	\$ 7,626,236
Investment return:			
Investment income and realized gains	179,439	93,520	272,959
Investment fees	(20,372)	(10,617)	(30,989)
Unrealized gains	154,142	80,335	234,477
Total investment gain	313,209	163,238	476,447
Appropriations	163,238	(163,238)	-
Endowment net assets, end of year	\$ 5,489,820	\$ 2,612,863	\$ 8,102,683

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Change in endowment net assets:			
Endowment net assets, beginning of year	\$ 3,841,967	\$ 2,612,863	\$ 6,454,830
Investment return:			
Investment income and realized gains	160,173	108,932	269,105
Investment fees	(16,080)	(10,936)	(27,016)
Unrealized gains	553,137	376,180	929,317
Total investment gain	697,230	474,176	1,171,406
Appropriations	474,176	(474,176)	-
Endowment net assets, end of year	\$ 5,013,373	\$ 2,612,863	\$ 7,626,236

Interpretation of relevant law: The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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 Association maintains net assets held in perpetuity for:

- The original value of gifts donated to the permanent endowment.
- The original value of subsequent gifts to the permanent endowment.
- Accumulations to the permanent endowment made in accordance with the direction, if any is given, of the applicable donor gift instrument at the time the accumulation is added to the fund.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 10. Endowment Funds (Continued)

The remaining portion of the endowment fund that is not classified in net assets held in perpetuity is classified as board-designated net assets without donor restriction until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Association and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments,
6. Other resources of the Association.
7. The investment policies of the Association.

Return objectives and risk parameters: The Association has adopted investment and spending policies for endowment assets that seek to build and retain a permanent endowment, protecting principal, assets and income for generations to come. Endowment assets include assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested with a total return approach to managing the portfolio which acknowledges that both income (dividends and interest) and capital gain (realized and unrealized) are equally acceptable from a performance evaluation perspective, balancing longer-term capital appreciation and prudent investment risk.

Strategies employed for achieving objectives: To satisfy its long-term objectives, the Association relies on an investment strategy that emphasizes a balance between return (capital appreciation and dividend/interest income) and risk. Understanding that risk is inherent with all types of securities and investment styles, the Association accepts a reasonable level of risk in pursuit of the desired long-term results. The Association targets a diversified asset allocation where funds are designated to both support operational needs and emphasize long term growth of principal, avoiding excessive risk, with results comparable to market indices.

Spending policy and how the investment objectives relate to spending policy: The Association has a policy of making all investment proceeds from each endowment eligible for satisfaction each year, according to the original wishes of the donor restriction. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. There were no deficiencies of this nature reported as of March 31, 2025 and 2024.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 11. Related-Party Transactions

The Association purchases services from companies affiliated with members of the Board of Directors. When applicable, services and capital improvement projects provided by related parties are subject to an appropriate competitive bid process. Services and capital improvement projects performed by or purchased from these related parties during the years ended March 31, 2025 and 2024, amounted to \$182,304 and \$896,793, respectively, and relate to insurance and other routine services.

Note 12. Liquidity and Availability of Resources

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment return of its available funds. The Association has various sources of liquidity at its disposal, including cash and cash equivalents and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing operations and support of its facilities and community engagement programs. In addition, the Association intends to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures, unless unforeseen circumstances occur.

The Association also maintains an operating reserve that can be utilized for operating needs of Starlight at the board's discretion (see Note 7).

As of March 31, 2025 and 2024, the Association has the following financial assets available that could readily be made available within one year to meet general expenditures of the upcoming fiscal years, after reduction of financial assets designated by the board or subject to donor-imposed restrictions:

	2025	2024
Cash and cash equivalents	\$ 6,794,666	\$ 8,767,711
Operating investments	4,278,256	4,085,678
Accounts receivable	139,787	114,696
	<u>\$ 11,212,709</u>	<u>\$ 12,968,085</u>

Note 13. Risks and Uncertainties

Starlight invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The Association maintains cash balances at banks in excess of federally insured limits at various times during the year. At March 31, 2025, the Association had \$8,340,686 on deposit at such banks in excess of insured limits. The majority of any excess balances are swept daily into a government money market fund, that consists of government securities, and is managed by a national investment advisor. Management monitors the soundness of these advisors. The Association has not experienced any losses on such accounts and management believes it is not exposed to significant credit risk.

The Association obtained a required letter of credit for Actor's Equity union contract for "West Side Story" in summer 2024, effective February 27, 2024, for an original amount of \$246,368. As of March 31, 2025 and 2024, no draws have been made on the letter.

Starlight Theatre Association of Kansas City, Inc.

Notes to Financial Statements

Note 13. Risks and Uncertainties (Continued)

In December 2024, the Association entered into bridge funding agreement with the City of Kansas City, Missouri (the City) through its Board of Parks and Recreation Commissioners. Per the terms of the agreement, the City will assist the Association with funding a certain phase of a construction project only in the event of shortfall in fundraising by the Association. The amount of bridge funds that can be made available under the agreement may not exceed \$3,500,000. The agreement calls for annual repayment terms on each January 1, beginning with January 1, 2025, and ending January 1, 2030. The Association did not draw down on any of the bridge funds for the year ended March 31, 2025.

Note 14. Commitments

The Association has entered into a construction agreement to make capital improvements to their venue. As of March 31, 2025, the balance to complete the capital improvements related to this agreement was approximately \$10,100,000.

Note 15. Subsequent Events

Subsequent events have been evaluated through July 29, 2025, which is the date the financial statements were available to be issued. Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the independent auditor's report.