Starlight Theatre Association of Kansas City, Inc.

Financial Report
March 31, 2023

Contents

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, 2023 and 2022, 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, 2023 and 2022, 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 17, 2023

Starlight Theatre Association of Kansas City, Inc.

Statements of Financial Position
March 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 15,546,459	$ 15,336,612
Investments	3,937,757	1,945,440
Accounts receivable	701,691	557,412
Current portion of pledges receivable, net of allowance	1,285,753	3,518,133
Prepaid expenses	602,100	624,392
Inventories	63,618	49,321
Total current assets	22,137,378	22,031,310
Investments in endowment	6,454,830	6,809,607
Pledges receivable, net of current portion and allowance	2,246,794	1,690,990
Property and equipment, net	12,957,673	12,233,663
Other assets	960,177	929,549
Total assets	$ 44,756,852	$ 43,695,119
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 914,271	$ 272,474
Accrued expenses	628,981	612,488
Deferred revenue	9,239,140	11,463,677
Total current liabilities	10,782,392	12,348,639
Net assets:		
Without donor restrictions:		
Undesignated	18,523,812	19,142,786
Board-designated	3,841,967	4,196,744
	22,365,779	23,339,530
With donor restrictions	11,608,681	8,006,950
Total net assets	33,974,460	31,346,480
Total liabilities and net assets	$ 44,756,852	$ 43,695,119

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Statement of Activities
Year Ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions:			
General	$ 551,470	$ 31,200	$ 582,670
Capital campaign	-	5,736,696	5,736,696
Parks sales tax fund	271,166	-	271,166
Contributed services	114,078	-	114,078
Annual gala	544,915	-	544,915
Community engagement	-	273,338	273,338
Total contributions	1,481,629	6,041,234	7,522,863
Revenues from operations:			
Ticket sales	13,303,497	-	13,303,497
Service charges	1,949,814	-	1,949,814
Parking	784,637	-	784,637
Concessions	2,381,159	23,676	2,404,835
Restaurant	261,783	-	261,783
Sponsorships	613,901	-	613,901
Outside events	194,392	-	194,392
Net investment loss	(36,573)	(29,840)	(66,413)
Other	327,033	-	327,033
Total revenues from operations	19,779,643	(6,164)	19,773,479
Total revenues, gains and other support	21,261,272	6,035,070	27,296,342
Expenses:			
Program services	21,710,933	-	21,710,933
Administrative	1,897,484	-	1,897,484
Fundraising	1,059,945	-	1,059,945
Total expenses	24,668,362	-	24,668,362
Changes in net assets before net assets released from restriction	(3,407,090)	6,035,070	2,627,980
Net assets released from restriction	2,433,339	(2,433,339)	-
Changes in net assets	(973,751)	3,601,731	2,627,980
Net assets, beginning of year	23,339,530	8,006,950	31,346,480
Net assets, end of year	$ 22,365,779	$ 11,608,681	$ 33,974,460

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Statement of Activities
Year Ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions:			
General	$ 799,444	$ 26,502	$ 825,946
Capital campaign	-	5,605,573	5,605,573
Parks sales tax fund	394,419	-	394,419
Contributed services	43,397	-	43,397
Annual gala	491,366	-	491,366
Community engagement	-	253,948	253,948
Total contributions	1,728,626	5,886,023	7,614,649
Revenues from operations:			
Ticket sales	6,603,960	-	6,603,960
Service charges	767,003	-	767,003
Parking	222,736	-	222,736
Concessions	730,351	7,768	738,119
Restaurant	123,757	-	123,757
Sponsorships	434,438	-	434,438
Outside events	235,333	-	235,333
Net investment income	163,121	142,407	305,528
Other	90,313	-	90,313
Total revenues from operations	9,371,012	150,175	9,521,187
Total revenues, gains and other support	11,099,638	6,036,198	17,135,836
Expenses:			
Program services	12,566,671	-	12,566,671
Administrative	1,995,991	-	1,995,991
Fundraising	747,883	-	747,883
Total expenses	15,310,545	-	15,310,545
Changes in net assets before net assets released from restriction and revenue from governmental programs	(4,210,907)	6,036,198	1,825,291
Revenue from governmental programs	10,901,981	-	10,901,981
Changes in net assets before net assets released from restriction	6,691,074	6,036,198	12,727,272
Net assets released from restriction	704,519	(704,519)	-
Changes in net assets	7,395,593	5,331,679	12,727,272
Net assets, beginning of year	15,943,937	2,675,271	18,619,208
Net assets, end of year	$ 23,339,530	$ 8,006,950	$ 31,346,480

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Statement of Functional Expenses
Year Ended March 31, 2023

Description	Program Services: Programming	Program Services: Community Engagement	Program Services: Total Program Services	Support Services: Administrative	Support Services: Fundraising	Total Expenses
Show expenses	$ 2,963,131	$ 693	$ 2,963,824	$ -	$ -	$ 2,963,824
Concert producer fees	7,814,203	-	7,814,203	-	-	7,814,203
Media and marketing	1,310,365	3,235	1,313,600	252	9,375	1,323,227
Year-round wages, benefits and taxes	2,081,294	407,525	2,488,819	1,123,226	682,074	4,294,119
Seasonal wages and taxes	411,321	99,137	510,458	93	1,681	512,232
Concessions expenses	1,840,461	7,052	1,847,513	-	-	1,847,513
Utilities and telephone	407,644	480	408,124	58,115	720	466,959
Security	492,624	1,623	494,247	-	-	494,247
Outside services	611,579	42,892	654,471	77,281	213,352	945,104
Ticket system fees	673,331	471	673,802	869	10,660	685,331
Travel and entertainment	176,513	17,766	194,279	75,067	23,578	292,924
Parking services and supplies	232,151	1,493	233,644	-	-	233,644
Depreciation expense and gain on disposal of property and equipment	1,106,419	50,005	1,156,424	213,584	-	1,370,008
Other	836,221	121,304	957,525	348,997	118,505	1,425,027
	$ 20,957,257	$ 753,676	$ 21,710,933	$ 1,897,484	$ 1,059,945	$ 24,668,362

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Statement of Functional Expenses
Year Ended March 31, 2022

	Program Services			Support Services		
Description	Programming	Community Engagement	Total Program Services	Administrative	Fundraising	Total Expenses
Show expenses	$ 2,806,526	$ -	$ 2,806,526	$ -	$ -	$ 2,806,526
Concert producer fees	1,780,877	-	1,780,877	-	-	1,780,877
Media and marketing	1,056,477	2,050	1,058,527	758	9,386	1,068,671
Year-round wages, benefits and taxes	1,871,443	355,219	2,226,662	1,322,218	445,311	3,994,191
Seasonal wages and taxes	739,507	63,749	803,256	-	12,592	815,848
Concessions expenses	777,776	921	778,697	-	-	778,697
Utilities and telephone	326,307	482	326,789	38,537	400	365,726
Security	171,932	-	171,932	-	-	171,932
Outside services	131,069	7,636	138,705	3,688	180,516	322,909
Ticket system fees	264,639	332	264,971	-	10,734	275,705
Travel and entertainment	112,106	7,768	119,874	28,007	17,169	165,050
Parking service and supplies	110,984	1,060	112,044	-	-	112,044
Depreciation expense	1,112,827	57,395	1,170,222	216,133	-	1,386,355
Other	684,475	123,114	807,589	386,650	71,775	1,266,014
	$ 11,946,945	$ 619,726	$ 12,566,671	$ 1,995,991	$ 747,883	$ 15,310,545

See notes to financial statements.

Starlight Theatre Association of Kansas City, Inc.

Statements of Cash Flows
Years Ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 2,627,980**	$ 12,727,272
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**1,384,093**	1,386,355
Net realized gain on investments	**(231,632)**	(173,659)
Net unrealized losses on investments	**767,880**	36,978
Gain on sale of property and equipment	**(14,085)**	-
Changes in assets and liabilities:		
Accounts receivable	**(144,279)**	105,677
Prepaid expenses	**22,292**	(236,912)
Inventories	**(14,297)**	(9,521)
Pledges receivable	**1,676,576**	(5,207,223)
Other assets	**(30,628)**	(615,116)
Accounts payable	**35,031**	9,179
Accrued expenses	**16,493**	87,595
Deferred revenue	**(2,224,537)**	7,687,303
Net cash provided by operating activities	**3,870,887**	15,797,928
Cash flows from investing activities:		
Purchases of property and equipment	**(1,501,337)**	(646,885)
Proceeds on disposal of property and equipment	**14,085**	-
Purchases of investments	**(15,059,286)**	(1,361,910)
Proceeds from sale of investments	**12,885,498**	1,225,002
Net cash used in investing activities	**(3,661,040)**	(783,793)
Net increase in cash and cash equivalents	**209,847**	15,014,135
Cash and cash equivalents, beginning of year	**15,336,612**	322,477
Cash and cash equivalents, end of year	**$ 15,546,459**	$ 15,336,612
Supplemental disclosure of noncash investing and financing activities:		
Purchases of property and equipment included in accounts payable at year-end	**$ 606,766**	$ -

See 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 producing, presenting and promoting an exceptional arts experience by delivering accessible live entertainment for all audiences, superior theatre arts education and community outreach programs. Starlight recognizes that their employees, patrons, donors, sponsors and volunteers make what Starlight does possible. Therefore, Starlight will always place their satisfaction above everything else that Starlight does and will endeavor to provide them with a comfortable, accessible and safe environment. Starlight desires to provide the best quality entertainment, arts education and venue experience. Starlight strives to set the standard in presenting and producing the best variety of entertainment and arts education available. Starlight firmly believes that diverse ideas, traditions and cultures are what make the community and nation strong and are a key part of Starlight. Starlight is committed to diversity in all areas of business, including show selection, hiring, casting, marketing, public relations and the recruitment of volunteers. Starlight believes that creating memories with friends and family is an integral part of the Starlight experience. A fun and happy place to work ensures a fun and happy guest experience. As a nonprofit organization, Starlight strives to utilize physical, environmental and community resources wisely in order to ensure the long-term success of the Starlight venue and brand. The Association's revenue is derived principally from ticket sales, contributions, production, sponsorships, 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 four divisions included in Starlight Theatre's programming category, which include Broadway, concerts, creative programming and events. Broadway represents 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 younger demographic by offering a wide range of concert events and music genres. Creative programming represents a series of intimate, unconventional, Off-Broadway-style shows performed indoors in the climate-controlled Cohen Community Stage House. Events further Starlight's community outreach by making the venue available to nonprofits, corporations, and individuals when not in use for other programming.

Note 2. Summary of Significant Accounting Policies (Continued)

Community engagement: In keeping with its nonprofit mission and in response to growing community interest, Starlight continues to evaluate its portfolio of community engagement programs. Starlight Community Engagement programs include Blue Star (a high-school award ceremony for live theater), Just Imagine (live performances for at-risk or disabled youth), Vincent Legacy (performance scholarship for minority middle school students), Internship (training opportunity for college students) and Starlight Stars (live performance training for high school and middle school students). Starlight currently funds its community engagement offerings using operating funds and private donations.

Administration: Starlight Theatre 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 Theatre 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 young professional fundraiser 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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable are stated at the amounts invoiced to customers. Accounts receivables 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 doubtful accounts, 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 doubtful accounts is necessary at March 31, 2023 and 2022.

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 food, beverage, other concession items, 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: 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, 2023 and 2022.

Repair and maintenance costs are charged to expense as incurred.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 or indoor show) 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 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 $19,512,859 and $9,225,099 for the years ended March 31, 2023 and 2022, respectively. Sponsorships recognized over time totaled $613,901 and $434,438 for the years ended March 31, 2023 and 2022, 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, 2023 and 2022, were $9,239,140 and $11,463,677, 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 cancelled due to unforeseen circumstances.

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 statement of financial position. There is no such liability at March 31, 2023 or 2022. 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 statement 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, 2023 and 2022, totaled $2,246,794 and $1,690,990, respectively.

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 $114,000 and $43,000 for the years ended March 31, 2023 and 2022, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

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 6,085 and 3,738 hours of service to Starlight during the years ended March 31, 2023 and 2022, respectively.

Income taxes: Starlight is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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 Accounting Standards Codification (ASC) Topic 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 authorizes. There is no liability for uncertain tax positions recorded at March 31, 2023 or 2022.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense totaled approximately $1,323,000 and $1,069,000 for 2023 and 2022, respectively.

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.

Revenue from governmental program grants:

Payroll tax deferral and employee retention credit: On March 27, 2020, in response to the coronavirus (COVID-19) pandemic, the U.S. Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which, among other things, contains provisions for deferral of the employer portion of social security taxes incurred through the end of calendar year 2020 and an employee retention credit, a refundable payroll credit for wages and health benefits paid to employees during the COVID-19 pandemic. As a result of the CARES Act, the Association deferred approximately $100,000 of qualified payroll taxes in fiscal year 2021, which was recorded as accrued expenses on the statement of financial position. The Association recognizes the employee retention credit when the conditions for earning it are substantially met. Based on management's analysis of the CARES Act, the Association qualified for $871,945 of employee retention credits for the year ended March 31, 2022. The amount of employee retention credits outstanding and included in accounts receivable on the statement of financial position as of March 31, 2023, is $509,879.

Paycheck Protection Program: In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was also established under the CARES Act to be administered by the U.S. Small Business Administration (SBA). In April 2021, the Association received $1,126,240 under the second Paycheck Protection Program. This loan had a five year term with an interest rate of 1% and also subject to forgiveness up to 100% of the loan amount if certain criteria were met. During 2022, the Association received full forgiveness and recognized the contribution revenue in the amount of $1,126,240, reported in revenue from governmental programs in the statement of activities for the year ended March 31, 2022.

PPP loans are subject to an audit by the SBA for six years following the date of forgiveness, at which time a refund of all or a portion of the loan may be required.

Note 2. Summary of Significant Accounting Policies (Continued)

Shuttered Venue Operators Grant (SVOG): During fiscal year 2022, the Association received a total of $8,873,760 under the SVOG that was signed into law as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act in December 2020. The SVOG is considered a federal award and was included in the Association's schedule of federal expenditures and awards. The purpose of the program was to provide emergency disaster assistance to venues affected by the COVID-19 pandemic. The program objective was to specifically cover allowable expenses that include payroll expenses and other administrative in nature costs. These costs can be applied retroactively. The Association has utilized all of this funding, which was recognized as revenue from governmental programs on the statement of activities for the year ended March 31, 2022.

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Association adopted Topic 842 on April 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Association has applied Topic 842 to reporting periods beginning on April 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Association's historical accounting treatment under ASC Topic 840, Leases.

The Association elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Association does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases or (3) the initial direct costs for any existing leases. The Association has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on April 1, 2022.

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 ROU assets and lease liabilities for leases with a term of 12 months or less (i.e., short-term leases). For the year ended March 31, 2023, there are no material lease agreements in place; therefore, there are no ROU assets or lease liabilities recorded on the statement of financial position.

Note 3. Investments

Investments for the Association are composed of the following at March 31, 2023 and 2022:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 884,191	$ 884,191	$ 474,318	$ 474,318
Common stock—domestic	4,452,796	4,446,960	513,180	785,548
Mutual funds	5,112,273	5,061,436	6,543,768	7,495,181
	$ 10,449,260	$ 10,392,587	$ 7,531,266	$ 8,755,047

Net investment income (loss) is summarized as follows for the years ended March 31, 2023 and 2022:

	2023	2022
Interest and dividend income, net of fees	$ 469,835	$ 168,847
Realized gains	231,632	173,659
Unrealized losses	(767,880)	(36,978)
	$ (66,413)	$ 305,528

Note 4. Promises to Give

Unconditional promises to give consisted of the following at March 31, 2023 and 2022:

	2023	2022
Receivable in less than one year	$ 1,285,753	$ 3,518,133
Receivable in one to five years	2,282,084	1,712,917
	3,567,837	5,231,050
Less allowance for uncollectible promises to give	(35,290)	(21,927)
	$ 3,532,547	$ 5,209,123

Conditional promises to give consisted of the following at March 31, 2023 and 2022:

	2023	2022
Promises to give conditional upon specific performance conditions being achieved	$ 6,000,000	$ 2,000,000

Note 5. Property and Equipment

Property and equipment consists of the following at March 31, 2023 and 2022:

	2023	2022
Theatre equipment and facility improvements	$ 34,124,759	$ 33,827,813
Furniture and fixtures	281,212	281,212
Stage props	1,881,835	1,761,560
Construction in progress	2,306,834	653,248
	38,594,640	36,523,833
Less accumulated depreciation	25,636,967	24,290,170
	$ 12,957,673	$ 12,233,663

Depreciation expense was $1,384,093 and $1,386,355 for the years ended March 31, 2023 and 2022, respectively.

Depreciation expense is allocated between Broadway, concert and indoor 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 space.

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.

Note 6. Fair Value Measurements (Continued)

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 (NAV) 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, 2023 and 2022.

The following tables set forth by level, within the fair value hierarchy, the Association's assets at fair value as of March 31, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 884,191	$ -	$ -	$ 884,191
Common stock—domestic	4,446,960	-	-	4,446,960
Mutual funds:				
Bonds	5,061,436	-	-	5,061,436
	$ 10,392,587	$ -	$ -	$ 10,392,587

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 474,318	$ -	$ -	$ 474,318
Common stock—domestic	785,548	-	-	785,548
Mutual funds:				
Domestic equity	2,984,847	-	-	2,984,847
Bonds	3,927,563	-	-	3,927,563
International equity	582,771	-	-	582,771
	$ 8,755,047	$ -	$ -	$ 8,755,047

Note 7. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions consist of the following at March 31, 2023 and 2022:

	2023	2022
Net assets subject to time and purpose restrictions:		
Vincent Legacy Scholarship	$ 27,467	$ 21,158
Swope Park Starlight Capital Improvement Perimeter Fund	78,143	54,467
Community engagement programs	29,929	113,211
Capital campaign	8,860,279	5,205,251
	8,995,818	5,394,087
Net assets held in perpetuity:		
General endowment	2,357,863	2,357,863
Community engagement endowment	255,000	255,000
	2,612,863	2,612,863
Total net assets with donor restrictions	$ 11,608,681	$ 8,006,950

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 $3,631,517 and $3,957,567 for general operating reserve at March 31, 2023 and 2022, respectively, and $210,450 and $239,177 for community engagement programs at March 31, 2023 and 2022, respectively.

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, 2023 and 2022, as follows:

	2023	2022
Purpose restrictions accomplished:		
Community engagement programs	$ 344,122	$ 130,739
Capital projects	2,187,956	400,322
Scholarships	6,190	4,551
Programming	31,200	26,500
Appropriation of earnings (losses)	(136,129)	142,407
	$ 2,433,339	$ 704,519

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. 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 6% of participants' eligible compensation plus discretionary contributions by the Association. Contributions to the Plan totaled $249,872 and $327,947 for the years ended March 31, 2023 and 2022, 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 $1,432,016 and $1,203,453 in expense for the years ended March 31, 2023 and 2022, 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 $271,166 and $394,419 for the years ended March 31, 2023 and 2022, 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.

The amount contributed to the Perimeter Fund was $23,676 and $7,768 for the years ended March 31, 2023 and 2022, respectively. The amount in the Perimeter Fund at March 31, 2023 and 2022, was $78,143 and $54,467, 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, 2023 and 2022, the asset composition of the endowment is as follows:

	2023		
	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	3,841,967	-	3,841,967
Total funds	$ 3,841,967	$ 2,612,863	$ 6,454,830

	2022		
	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	4,196,744	-	4,196,744
Total funds	$ 4,196,744	$ 2,612,863	$ 6,809,607

Note 10. Endowment Funds (Continued)

The changes in the endowment assets for the years ended March 31, 2023 and 2022, are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Change in endowment net assets:			
Endowment net assets, beginning of year	$ 4,196,744	$ 2,612,863	$ 6,809,607
Investment return:			
Investment income and realized gains	584,431	-	584,431
Investment fees	(23,191)	-	(23,191)
Unrealized losses	(916,017)	-	(916,017)
Total investment loss	(354,777)	-	(354,777)
Endowment net assets, end of year	$ 3,841,967	$ 2,612,863	$ 6,454,830

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Change in endowment net assets:			
Endowment net assets, beginning of year	$ 3,844,784	$ 2,612,863	$ 6,457,647
Investment return:			
Investment income and realized gains	174,099	118,315	292,414
Investment fees	(16,282)	(11,065)	(27,347)
Unrealized gains	51,736	35,157	86,893
Total investment gain	209,553	142,407	351,960
Appropriation of endowment funds to spending	142,407	(142,407)	-
Endowment net assets, end of year	$ 4,196,744	$ 2,612,863	$ 6,809,607

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

Note 10. Endowment Funds (Continued)

The remaining portion of the donor-restricted 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, 2023 and 2022.

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, 2023 and 2022, amounted to $2,231,128 and $951,227, 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, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	$ 10,056,101	$ 15,026,760
Operating investments	3,937,757	1,945,440
Accounts receivable	701,691	557,412
	$ 14,695,549	$ 17,529,612

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 statement 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, 2023, the Association had approximately $15,295,000 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.

Note 14. Subsequent Events

Subsequent events have been evaluated through July 17, 2023, 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.