

# **Kansas City Ballet Association**

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

**Kansas City Ballet Association**  
**June 30, 2022 and 2021**

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## Independent Auditor's Report

Board of Directors  
Kansas City Ballet Association  
Kansas City, Missouri

### Report on the Audit of the Financial Statements

#### **Opinion**

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Kansas City Ballet Association as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our 2022 audit was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Kansas City Ballet Association 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 the Kansas City Ballet Association's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Kansas City Ballet Association'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 the Kansas City Ballet Association'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the Kansas City Ballet Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kansas City Ballet Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kansas City Ballet Association's internal control over financial reporting and compliance.

**FORVIS, LLP**

Kansas City, Missouri  
October 31, 2022

**Kansas City Ballet Association**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

**Assets**

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 3,879,585	\$ 2,025,283
Contributions and accounts receivable, net	1,118,786	1,807,349
Prepaid expenses and other, net of accumulated amortization; 2022 - \$141,914; 2021 - \$106,250	207,696	314,849
Investments	16,891,954	18,637,589
Investment in supporting organization	49,716	39,832
Investment in joint venture	102,283	183,174
Property and equipment, net of accumulated depreciation; 2022 - \$6,790,754; 2021 - \$5,941,356	21,778,541	22,453,061
Total assets	\$ 44,028,561	\$ 45,461,137

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 198,625	\$ 95,790
Accrued expenses	253,388	286,860
Deferred revenue	1,090,292	915,687
Note payable	-	910,865
Total liabilities	1,542,305	2,209,202

**Net Assets**

Without donor restrictions	24,095,668	23,460,896
With donor restrictions	18,390,588	19,791,039
Total net assets	42,486,256	43,251,935
Total liabilities and net assets	\$ 44,028,561	\$ 45,461,137

**Kansas City Ballet Association**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Season and single ticket sales	\$ 2,943,070		\$ 2,943,070
School tuition	1,360,693		1,360,693
Net investment return	3,921	\$ (2,505,253)	(2,501,332)
Net gain on debt extinguishment	910,865	-	910,865
Other	178,835	-	178,835
	<u>5,397,384</u>	<u>(2,505,253)</u>	<u>2,892,131</u>
Contributions and grants			
Individuals/board	832,026	199,617	1,031,643
Business/corporate	182,078	-	182,078
Foundations	1,188,717	1,102,396	2,291,113
Shuttered Venue Operators Grant	2,442,148	-	2,442,148
Kansas City Ballet Guild activities	373,672	-	373,672
Missouri Arts Council	109,191	-	109,191
School/Community Education	119,802	75,000	194,802
	<u>5,247,634</u>	<u>1,377,013</u>	<u>6,624,647</u>
Net assets released from restrictions	272,211	(272,211)	-
	<u>10,917,229</u>	<u>(1,400,451)</u>	<u>9,516,778</u>
<b>Expenses and Losses</b>			
Production	5,015,918		5,015,918
School/Community Education	1,876,721		1,876,721
Marketing	1,021,767		1,021,767
General and administrative	1,693,187		1,693,187
Fundraising	674,864		674,864
	<u>10,282,457</u>		<u>10,282,457</u>
<b>Change in Net Assets</b>	634,772	(1,400,451)	(765,679)
<b>Net Assets, Beginning of Year</b>	<u>23,460,896</u>	<u>19,791,039</u>	<u>43,251,935</u>
<b>Net Assets, End of Year</b>	<u>\$ 24,095,668</u>	<u>\$ 18,390,588</u>	<u>\$ 42,486,256</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Season and single ticket sales	\$ 44,163		\$ 44,163
School tuition	755,048		755,048
Net investment return	2,522	\$ 3,302,643	3,305,165
Net gain on debt extinguishment	910,800	-	910,800
Employer retention credit	1,271,790	-	1,271,790
Other	73,314	-	73,314
	<u>3,057,637</u>	<u>3,302,643</u>	<u>6,360,280</u>
Contributions and grants			
Individuals/board	1,070,346	375,176	1,445,522
Business/corporate	143,160	-	143,160
Foundations	1,326,325	30,624	1,356,949
Kansas City Ballet Guild activities	197,362	-	197,362
Missouri Arts Council	104,920	-	104,920
School/Community Education	113,061	2,500	115,561
	<u>2,955,174</u>	<u>408,300</u>	<u>3,363,474</u>
Net assets released from restrictions	<u>384,975</u>	<u>(384,975)</u>	<u>-</u>
Total revenues, gains and other support	<u>6,397,786</u>	<u>3,325,968</u>	<u>9,723,754</u>
<b>Expenses and Losses</b>			
Production	2,579,291		2,579,291
School/Community Education	1,223,150		1,223,150
Marketing	395,943		395,943
General and administrative	1,429,669		1,429,669
Fundraising	388,063		388,063
	<u>6,016,116</u>		<u>6,016,116</u>
Total expenses and losses	<u>6,016,116</u>		<u>6,016,116</u>
<b>Change in Net Assets</b>	381,670	3,325,968	3,707,638
<b>Net Assets, Beginning of Year</b>	<u>23,079,226</u>	<u>16,465,071</u>	<u>39,544,297</u>
<b>Net Assets, End of Year</b>	<u>\$ 23,460,896</u>	<u>\$ 19,791,039</u>	<u>\$ 43,251,935</u>

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

	Program Services		Supporting Services			Total Expenses
	Production	School/ Community Education	Marketing	General and Administrative	Fundraising	
Salaries and benefits	\$ 2,820,221	\$ 1,186,502	\$ 362,439	\$ 873,678	\$ 440,231	\$ 5,683,071
Costumes and sets	146,875	-	-	-	-	146,875
Shoes	89,286	-	-	-	-	89,286
Orchestra	436,693	-	-	-	-	436,693
Guest artists	178,676	-	-	-	-	178,676
Theater rental	313,994	-	-	-	-	313,994
Lights and sound	41,519	-	-	-	-	41,519
Box office, ushers and security	128,200	-	-	-	-	128,200
Summer program	-	150,852	-	-	-	150,852
ROAD program	-	171,573	-	-	-	171,573
Supplies and expendables	20,797	9,999	40,111	25,631	58,071	154,609
Travel and training	60,366	16,484	-	3,110	-	79,960
Rent and maintenance	34,596	51,760	-	200,484	-	286,840
Utilities	1,415	9,417	748	287,853	1,495	300,928
Advertising/promotion	-	21,609	412,607	-	-	434,216
Insurance	-	-	-	88,124	-	88,124
Depreciation	637,122	126,125	34,690	34,184	22,076	854,197
Printing and publications	-	-	47,041	4,652	20,633	72,326
Ticket processing fees	-	-	71,575	-	-	71,575
Bank charges	-	-	-	10,947	-	10,947
Professional fees	-	-	44,487	123,439	29,050	196,976
Other	106,158	132,400	8,069	41,085	103,308	391,020
	\$ 5,015,918	\$ 1,876,721	\$ 1,021,767	\$ 1,693,187	\$ 674,864	\$ 10,282,457



**Kansas City Ballet Association**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	Program Services		Supporting Services			Total Expenses
	Production	School/ Community Education	Marketing	General and Administrative	Fundraising	
Salaries and benefits	\$ 1,655,186	\$ 972,873	\$ 264,776	\$ 553,442	\$ 316,293	\$ 3,762,570
Costumes and sets	7,985	-	-	-	-	7,985
Shoes	31,649	-	-	-	-	31,649
Orchestra	735	-	-	-	-	735
Guest artists	36,510	-	-	-	-	36,510
Theater rental	52,948	-	-	-	-	52,948
Lights and sound	1,580	-	-	-	-	1,580
Box office, ushers and security	63,345	-	-	-	-	63,345
Supplies and expendables	1,078	2,252	16,407	17,144	8,067	44,948
Travel and training	5,999	367	-	968	3,013	10,347
Rent and maintenance	34,596	71,312	-	258,796	-	364,704
Utilities	1,131	8,493	-	278,138	-	287,762
Advertising/promotion	-	6,408	12,704	-	-	19,112
Insurance	-	-	-	58,008	-	58,008
Depreciation	627,913	126,125	34,690	34,184	22,076	844,988
Printing and publications	-	-	16,051	2,734	9,566	28,351
Ticket processing fees	-	-	13,910	-	-	13,910
Bank charges	-	-	-	9,435	-	9,435
Professional fees	-	-	32,400	126,082	17,217	175,699
Other	58,636	35,320	5,005	90,738	11,831	201,530
	\$ 2,579,291	\$ 1,223,150	\$ 395,943	\$ 1,429,669	\$ 388,063	\$ 6,016,116

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

	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Change in net assets	\$ (765,679)	\$ 3,707,638
Items not requiring (providing) operating cash flows		
Depreciation and amortization	889,861	862,488
Net realized and unrealized (gains) losses on investments	2,496,929	(3,305,165)
Change in investment in joint venture and supporting organization	71,007	82,379
Contributions received restricted for long-term investment	(199,347)	(370,176)
Net gain on debt extinguishment	(910,865)	(910,800)
Changes in		
Accounts receivable	241,039	(265,293)
Contributions and grants receivable	447,524	820,234
Costs incurred for future performances	(25,325)	24,366
Prepaid expenses and other	96,814	(80,202)
Accounts payable and accrued expenses	96,996	(134,977)
Advance ticket sales and deferred revenue	174,605	298,221
	<u>2,613,559</u>	<u>728,713</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of investments	(1,676,585)	(13,782,124)
Proceeds from sale of investments	925,291	12,812,487
Purchase of property and equipment	(207,310)	(64,880)
	<u>(958,604)</u>	<u>(1,034,517)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	199,347	370,176
Proceeds from issuance of note payable	-	910,865
	<u>199,347</u>	<u>1,281,041</u>
Net cash provided by financing activities		
<b>Increase in Cash and Cash Equivalents</b>	1,854,302	975,237
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,025,283</u>	<u>1,050,046</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,879,585</u>	<u>\$ 2,025,283</u>
<b>Supplemental Cash Flows Information</b>		
Property and equipment purchases in accounts payable	\$ -	\$ 27,633

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

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Kansas City Ballet Association (the Ballet) is a not-for-profit organization whose mission and principal activities are to stage and promote classical ballet in Kansas City, Missouri, and surrounding states. The Ballet's revenues and other support are derived principally from contributions and ticket sales.

***Use of Estimates***

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 reported 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 during the reporting period. Actual results could differ from those estimates.

***Income Taxes***

The Ballet is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Ballet is subject to federal income tax on any unrelated business taxable income. The Ballet files tax returns in the U.S. federal jurisdiction.

***Cash and Cash Equivalents***

The Ballet considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts.

At June 30, 2022, the Ballet's cash accounts exceeded federally insured limits by approximately \$4,324,000.

***Prepaid Expenses and Other***

Prepaid expenses and other consisted of general prepaid balances in addition to costs incurred for future performances and music and choreographic rights.

Costs incurred for future performances relate to performances to be presented in the next fiscal year. Ticket sales for future performances are recorded as advance ticket sales and deferred until the performance is presented.

Music and choreographic rights are stated at cost less accumulated amortization. Amortization is charged to expense in the fiscal year their respective performances take place or the date the rights expire.

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

***Investments and Net Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Certificates of deposit are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Ballet maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

Costume and production sets	3-10 years
Furniture and fixtures	5 years
Building and leasehold improvements	3-50 years
Prairie Village campus	5 years
Sound, lighting and other equipment	3-10 years

The Ballet capitalizes works of art at appraised or estimated fair value at the date of donation, as applicable.

***Long-lived Asset Impairment***

The Ballet evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

# Kansas City Ballet Association

## Notes to Financial Statements

### June 30, 2022 and 2021

#### **Deferred Revenue**

Deferred revenue represents tuition payments received in advance relating to the School operated by the Ballet and ticket payments received for future performances. Revenue is recognized during the school year and when the performances occur.

#### **Coronavirus Aid, Relief, and Economic Security Act**

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. On April 3, 2020, the Ballet received a loan in the amount of \$910,800 pursuant to the Payroll Protection Program (PPP) established by the CARES Act and has elected to account for the funding as a note payable in accordance with ASC Topic 470, Debt. Interest is accrued in accordance with the loan agreement. Forgiveness of the loan is recognized as a gain in the financial statements in the accompanying statement of activities for the year ended June 30, 2021, which is the period the debt was legally released. On March 19, 2021, the Ballet received an additional loan in the amount of \$910,865. Forgiveness of the additional loan is recognized as a gain in the financial statements in the accompanying statement of activities for the year ended June 30, 2022, which is the period the debt was legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized. The Ballet also applied for the employer payroll tax credit provisions which permit a payroll tax credit each calendar quarter in an amount equal to 50 percent of qualified wages limited to \$10,000 per quarter per employee. The estimated quarterly payroll tax credit for the year ended June 30, 2021 is approximately \$1,270,000. The Ballet did not receive employer tax credits for the year ended June 30, 2022.

#### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

**Contributions, Grants and Accounts Receivable**

Contributions are provided to the Ballet either with or without restrictions placed on the gift by the donor or grantor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Ballet overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Support funded by grants is recognized as the Ballet meets the conditions prescribed by the grant agreement. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

# **Kansas City Ballet Association**

## **Notes to Financial Statements**

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

#### ***Contributed Services***

Volunteers donate a significant amount of time in the Ballet's program services and fundraising activities. These services do not require specialized skills and the value of donated services related to program services and fundraising activity has not been recognized in the financial statements. There have been no volunteered services recognized in the years ended June 30, 2022 and 2021.

#### ***Investment in Supporting Organization***

The Ballet and the Kansas City Ballet Guild (the Guild) are financially interrelated organizations. The Guild advocates for dance and ballet in the Kansas City community and provides financial assistance to the Ballet through special events.

The Ballet's interest in the net assets of the Guild is accounted for in a manner similar to the equity method. Changes in the interest are included in the change in net assets. Transfers of assets between the Guild and the Ballet are recognized as increases or decreases in the interest in the net assets of the Guild with corresponding decreases or increases in the assets transferred and have no effect on the change in net assets.

#### ***Investment in Joint Venture***

On August 18, 2017, the Ballet entered into a joint venture with the Colorado Ballet and Royal Winnipeg Ballet to create the Oz Ballet, LLC. The joint venture is for future performances of "The Wonderful World of Oz" which was first performed in October 2018. The Ballet accounts for its investment using the equity method, which represented \$102,283 and \$183,174 at June 30, 2022 and 2021, respectively. The Ballet's allocations of profit and loss are determined by the interest in the joint venture. The Ballet has funded its initial equity position of the joint venture. Once all entities have funded their equity position, each entity will have a 33.3 percent interest in the joint venture.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on major programs and supporting services benefited.

#### ***Reclassifications***

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 financial statement presentation. These reclassifications had no effect on the change in net assets.

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

**Note 2: Revenues from Contracts with Customers**

***Performance Obligations***

Revenue from contracts with customers are reported at an amount that reflects the consideration to which the Ballet expects to be entitled in exchange for providing goods and services.

*Ticket Sales* – Ticket sales and associated fees are transactional in nature and involve a customer purchasing admission to a show. Revenues are earned at the point in time of the customer attending the show.

*School Tuition* – Revenue from contracts with students for tuition is reported at the amount that reflects the consideration to which the Ballet expects to be entitled in exchange for providing instruction and other services. Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term.

***Significant Judgments***

The Ballet determines transaction price based on standard charges for goods and services provided.

As described in *Note 1*, the Ballet receives prepayments for tuition and tickets resulting in a contract liability. These amounts are excluded from revenues and are recorded as liabilities until the performance obligation is satisfied. As of June 30, 2022 and 2021, the Ballet has a liability for deposits and prepayments of approximately \$1,090,000 and \$916,000, respectively.

The Ballet estimates the transaction price for customers based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments and discounts. Subsequent changes that are determined to be the result of an adverse change in the customer’s ability to pay are recorded as bad debt expense.

***Disaggregation of Revenue***

The Ballet has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic conditions and the customer’s sales mix. The following table presents the Ballet’s revenues disaggregated by the timing of such revenue recognized during the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Timing of revenue and recognition		
At a point in time	\$ 2,943,070	\$ 44,163
Over a period of time	1,360,693	755,048
Revenues not subject to Topic 606	<u>5,213,015</u>	<u>8,924,543</u>
	<u>\$ 9,516,778</u>	<u>\$ 9,723,754</u>



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

**Contract Balances**

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

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of year	\$ 296,601	\$ 31,308
Accounts receivable, end of year	55,562	296,601
Contract liabilities, beginning of year	915,687	617,466
Contract liabilities, end of year	1,090,292	915,687

**Contract Costs**

The Ballet has applied the practical expedient provided by FASB ASC 340-40-25-4, and all incremental contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Ballet would have recognized is one year or less in duration.

**Note 3: Contributions and Accounts Receivable**

Contributions receivable at June 30 consisted of the following unconditional promises to give:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 768,173	\$ 729,164
Due in one to five years	257,178	755,032
Due in five to ten years	70,000	75,000
	<u>1,095,351</u>	<u>1,559,196</u>
Less		
Unamortized discount	(13,111)	(18,915)
Allowance for uncollectible contributions	<u>(19,016)</u>	<u>(29,533)</u>
	<u>\$ 1,063,224</u>	<u>\$ 1,510,748</u>

Approximately 16 percent and 74 percent of contributions receivable were from one donor and two donors for the years ended June 30, 2022 and 2021, respectively. Also, included in the contributions, grants and accounts receivable are \$55,562 and \$296,601 of accounts receivable for the years ended June 30, 2022 and 2021, respectively.

# Kansas City Ballet Association

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 4: Conditional Gifts

The Ballet has received the following conditional promises to give at June 30 that are not recognized in the financial statements:

	<u>2022</u>	<u>2021</u>
Conditional promise to give at the donor's discretion	\$ 2,000,000	\$ -

### Note 5: Investments

Investments at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 2,037,205	\$ 2,320,124
Common stock	3,372,503	3,818,363
Equity mutual funds	6,264,342	7,855,599
Fixed income mutual funds	3,333,076	1,411,801
Government and agency bonds	279,020	821,744
Corporate bonds	407,729	1,995,732
Certificates of deposit	414,846	414,226
Alternative investments	783,233	-
	<u>\$ 16,891,954</u>	<u>\$ 18,637,589</u>

### ***Recurring Fair Value Measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2022</b>				
Money market funds	\$ 2,037,205	\$ 2,037,205		
Common stock	3,372,503	3,372,503		
Equity mutual funds	6,264,342	6,264,342		
Fixed income mutual funds	3,333,076	3,333,076		
Government and agency bonds	279,020	-	\$ 279,020	
Corporate bonds	407,729	-	407,729	
Alternative investments				
Equity hedge fund	395,443	395,443	-	
Multi-strategy hedge fund	387,790	387,790	-	\$ -
	<u>\$ 16,477,108</u>	<u>\$ 15,790,359</u>	<u>\$ 686,749</u>	<u>\$ -</u>
<b>June 30, 2021</b>				
Money market funds	\$ 2,320,124	\$ 2,320,124		
Common stock	3,818,363	3,818,363		
Equity mutual funds	7,855,599	7,855,599		
Fixed income mutual funds	1,411,801	1,411,801		
Government and agency bonds	821,744	-	\$ 821,744	
Corporate bonds	1,995,732	-	1,995,732	\$ -
	<u>\$ 18,223,363</u>	<u>\$ 15,405,887</u>	<u>\$ 2,817,476</u>	<u>\$ -</u>

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

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

**Note 6: Investment in Supporting Organization**

The Ballet and Kansas City Ballet Guild (the Guild) organize and sponsor fundraising events, the proceeds of which are donated to the Ballet. Included in the statements of activities are net contributions solicited on behalf of the Ballet by the Guild amounting to \$373,672 and \$197,362 for the years ended June 30, 2022 and 2021, respectively.

**Note 7: Property and Equipment**

Property and equipment at June 30 consisted of:

	<b>2022</b>	<b>2021</b>
Costume and production sets	\$ 2,836,531	\$ 2,805,728
Furniture and fixtures	559,458	559,458
Leasehold improvements	23,715,999	23,612,597
Prairie Village campus	50,000	50,000
Sound, lighting and other equipment	1,265,963	1,225,290
Artwork	141,344	141,344
	28,569,295	28,394,417
Less accumulated depreciation	6,790,754	5,941,356
	\$ 21,778,541	\$ 22,453,061

**Note 8: Notes Payable to Bank**

The Ballet had a \$400,000 bank line of credit held with UMB Bank that expired on January 19, 2022. On May 17, 2022, the Ballet entered into a \$1,000,000 line of credit agreement with Commerce Bank. The line of credit is set to expire on May 17, 2023. At June 30, 2022 and 2021, there were no borrowings against this line. The line was collateralized by the Ballet's assets. Interest was fixed at 2.750 percent and payable monthly.

As described in *Note 1*, on April 3, 2020, the Ballet received a loan in the amount of \$910,800 pursuant to the Payroll Protection Program (PPP) established by the CARES Act and has elected to account for the funding as a note payable in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Forgiveness of the loan is recognized as a gain in the financial statements in the accompanying statement of activities for the year ended June 30, 2021, which is the period the debt was legally released. On March 19, 2021, the Ballet received an additional loan in the amount of \$910,865. Forgiveness of the additional loan is recognized as a gain in the financial statements in the accompanying statement of activities for the year ended June 30, 2022, which is the period the debt was legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

# Kansas City Ballet Association

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2022	2021
<b>Subject to expenditure for specified purpose</b>		
Promises to give, the proceeds from which have been restricted by donors for		
General operations	\$ 1,605,629	\$ 1,301,422
Guild Archives	8,261	9,264
Dancer salaries	70,000	80,000
Music	-	4,409
Mixed Repertoire	2,000	3,000
Pointe Shoes	22,500	27,500
KCBII	100,000	-
ROAD	75,000	-
Nutcracker	8,535	17,223
Other purposes	5,114	-
	1,897,039	1,442,818
 <b>Subject to the passage of time</b>		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due		
	50,000	172,500
 <b>Endowments</b>		
General operations	7,907,960	8,495,131
Bolender facility	5,377,003	6,196,359
Dancer salaries	1,974,054	2,152,190
Scholarships	434,511	501,658
Costumes	308,400	398,543
Music	275,268	264,543
ROAD	119,457	137,678
Pointe Shoes	29,035	23,210
Mixed Repertoire	5,634	6,409
	16,431,322	18,175,721
Total net assets with donor restrictions	\$ 18,378,361	\$ 19,791,039

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

**Note 10: Net Assets Released from Restrictions**

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

	<b>2022</b>	<b>2021</b>
Satisfaction of purpose restrictions		
Guild Archives	\$ 1,003	\$ -
Johnson County Renovation	77,654	-
KCBII	-	25,000
ROAD	2,500	57,500
Nutcracker	8,689	50,000
Other	22,601	58,875
 Expiration of time restrictions	 122,500	 193,600
 Restricted-purpose spending-rate distributions and appropriations		
Costumes	37,264	-
	<b>\$ 272,211</b>	<b>\$ 384,975</b>

**Note 11: Endowment**

The Ballet’s endowment consists of approximately nine individual donor-restricted funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Ballet’s governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* as adopted in the state of Missouri (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the Ballet has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Ballet considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be



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

Changes in endowment net assets for the years ended June 30 were:

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 47,642	\$ 18,175,721	\$ 18,223,363
Investment return, net	(7,903)	(2,497,350)	(2,505,253)
Contributions	6,071	790,215	796,286
Appropriation of endowment assets for expenditure	-	(37,264)	(37,264)
Endowment net assets, end of year	<u>\$ 45,810</u>	<u>\$ 16,431,322</u>	<u>\$ 16,477,132</u>
	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 10,607	\$ 13,910,162	\$ 13,920,769
Investment return, net	3,371	3,299,272	3,302,643
Contributions	33,664	966,287	999,951
Endowment net assets, end of year	<u>\$ 47,642</u>	<u>\$ 18,175,721</u>	<u>\$ 18,223,363</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Ballet is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. The Ballet did not have any deficiencies of this nature at June 30, 2022 and 2021.

The Ballet has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Ballet must hold in perpetuity or for donor-specified periods. Under the Ballet's policies, endowment assets are invested in a manner that is intended to preserve and protect assets by earning a total return for each endowment appropriate to each fund's time horizon, liquidity needs and risk tolerance.

To satisfy its long-term rate of return objectives, the Ballet relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Ballet targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



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

The Ballet has a policy (the spending policy) of appropriating for expenditure each year approximately 5 percent of its endowment fund's average fair value over the prior three years through the year end preceding the year in which expenditure is planned. Accordingly, over the long term, the Ballet expects the current spending policy to preserve the endowment assets held in perpetuity and facilitate the funding of current and future charitable needs. In 2018, the Ballet began an endowment campaign with the goal of raising \$20 million. The campaign is expected to last until 2024.

**Note 12: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 comprise the following:

	<b>2022</b>	
	<b>Financial Assets</b>	<b>Available Liquidity</b>
Cash and cash equivalents	\$ 3,879,585	\$ 3,879,585
Contributions, grants and accounts receivable	1,118,786	160,750
Investments	16,891,954	2,289,766
	\$ 21,890,325	\$ 6,330,101
	<b>2021</b>	
	<b>Financial Assets</b>	<b>Available Liquidity</b>
Cash and cash equivalents	\$ 2,025,283	\$ 2,025,283
Contributions, grants and accounts receivable	1,807,349	401,789
Investments	18,637,589	1,675,045
	\$ 22,470,221	\$ 4,102,117

The Ballet receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2022 and 2021, there were no restricted contributions included in financial assets available to meet cash needs for general expenditures within one year.

# Kansas City Ballet Association

## Notes to Financial Statements

### June 30, 2022 and 2021

The Ballet's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment is subject to an annual spending rate of 5 percent as described in *Note 11*. Although the Ballet does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Ballet has a committed line of credit in the amount of \$1,000,000, which it could draw upon.

The Ballet manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Ballet has a liquidity policy to maintain cash and cash equivalent balances at 20 percent of the total fiscal year's operating budget at all times. To achieve these targets, the Ballet forecasts its future cash flows and monitors its liquidity and reserves monthly. During the years ended June 30, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

#### **Note 13: Government Grants**

The Ballet receives both federal and state government grants. The National Endowment for the Arts, a federal agency, provided grants for services in the amounts of \$0 for the years ended June 30, 2022 and 2021. The Missouri Arts Council (MAC), a state agency, provided program assistance funds of \$109,191 and \$104,920 for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022, the Ballet was awarded approximately \$2,440,000 under the Small Business Administration's (SBA) Shuttered Venue Operators Grant program (SVOG). The SVOG program was established by the *Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act*, and amended by the *American Rescue Plan Act*.

#### **Note 14: Operating Leases and Licensing Agreement**

Prior to December 2016, the Ballet leased the Bolender Center under a sublease agreement with Power House Master Tenant, LLC (which was subsequently assigned to DTC II, Inc. in December 2016). The master tenant agreement was set to expire in August 2030.

In December 2016, Kansas City Ballet received a \$23,468,605 charitable donation from the Greater Kansas City Community Foundation. With these proceeds, the Ballet purchased the existing master lease agreement and all leasehold improvements from DTC II, Inc. As a result, the Ballet recorded a one-time unrestricted gift of \$23,468,605 and an addition to fixed assets (leasehold improvements) of the same amount. This amount will be amortized over the remaining useful life of the fixed asset (44 years), resulting in an additional annual non-cash amortization expense of approximately \$527,000 per year.

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

The Ballet has entered into a Licensing Agreement with the Kauffman Center for the Performing Arts (the Kauffman Center). The initial license term expires in 2031 with the right to extend the term for three subsequent 10-year terms. Under the Licensing Agreement, the Ballet is required to pay the Kauffman Center an initial annual license fee of \$240,000 for use of their facilities commencing September 1, 2011. The initial license fee will be increased annually by the greater of (i) the CPI increase for the previous calendar year or (ii) the increase in the Kauffman Center’s operating costs for the facilities not to exceed 5 percent. Licensing fees paid during the year ended June 30, 2022, were approximately \$313,000. The Ballet was not required to pay a licensing fee during the year ended June 30, 2021 due to the Kaufman Center not being utilized by the Ballet.

The Ballet leased a dance facility in Johnson County, Kansas that expired in 2021 and office equipment that expire in various years through 2026. Future minimum payments under these agreements are:

2023	\$ 434,631
2024	547,401
2025	554,205
2026	561,141
2027	564,477
Thereafter	<u>2,837,106</u>
 Total minimum lease payments	 <u>\$ 5,498,961</u>

Rental expense for all operating leases was \$378,879 and \$135,591 for the years ended June 30, 2022 and 2021, respectively.

**Note 15: Significant Estimates and Concentrations**

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

***Investments***

The Ballet 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 change could materially affect the amounts reported in the accompanying statements of financial position.

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

***Contributions***

Contributions from two foundations and one foundation comprised approximately 36 percent and 23 percent of the total contributions and grants revenue for the years ended June 30, 2022 and 2021, respectively.

**Note 16: Subsequent Events**

Subsequent events have been evaluated through October 31, 2022, which is the date the financial statements were available to be issued.

**Supplementary Information  
(Subjected to our Audit Procedures)**

**Kansas City Ballet Association**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Small Business Administration COVID-19 Shuttered Venue Operators Grant	59.075	N/A	\$ -	\$ 2,442,148

**Kansas City Ballet Association**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Kansas City Ballet Association (the Ballet) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Ballet, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Ballet.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3: Indirect Cost Rate**

The Ballet has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### Independent Auditor's Report

Board of Directors  
Kansas City Ballet Association  
Kansas City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kansas City Ballet Association (the Ballet), which comprise the Ballet's statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2022.

#### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Ballet's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ballet's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ballet's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.



### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Ballet's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Management's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on management's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Kansas City, Missouri  
October 31, 2022

## Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Board of Directors  
Kansas City Ballet Association  
Kansas City, Missouri

#### Report on Compliance for the Major Federal Program

##### *Opinion on the Major Federal Program*

We have audited the Kansas City Ballet Association's (the Ballet) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Ballet's major federal program for the year ended June 30, 2022. The Ballet's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Ballet complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

##### *Basis for Opinion on Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Ballet and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Ballet's compliance with the compliance requirements referred to above.

##### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Ballet's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kansas City Ballet Association's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Ballet's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Ballet's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Ballet's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Ballet's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**FORVIS,LLP**

Kansas City, Missouri  
October 31, 2022

**Kansas City Ballet Association**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:  
 Unmodified     Qualified     Adverse     Disclaimer
  
2. Internal control over financial reporting:  
 Significant deficiency(ies) identified?     Yes     None reported  
 Material weakness(es) identified?     Yes     No
  
3. Noncompliance material to the financial statements noted?     Yes     No

*Federal Awards*

4. Internal control over major federal awards program:  
 Significant deficiency(ies) identified?     Yes     None reported  
 Material weakness(es) identified?     Yes     No
  
5. Type of auditor’s report issued on compliance for major federal program:  
 Unmodified     Qualified     Adverse     Disclaimer
  
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?     Yes     No
  
7. Identification of major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
59.075	COVID-19 Shuttered Venue Operators Grant

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
  
9. Auditee qualified as a low-risk auditee?     Yes     No

**Kansas City Ballet Association**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
2022-001	<p><b>Finding: Improper Accounting for Conditional Contribution</b></p> <p><b>Criteria or Specific Requirement</b> - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b>Condition</b> - According to Accounting Standards Update (ASU) 2018-08: <i>Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made</i>, conditional contribution are recognized within the financial statements only after the conditions are met. During 2022, the Ballet received and recognized a contribution that was conditional upon receipt of matching contributions. As the matching contributions were not raised as of June 30, 2022, the conditional contribution was improperly recognized within the financial statements.</p> <p><b>Effect</b> - An adjustment was recorded to derecognize the contribution during 2022.</p> <p><b>Cause</b> - A conditional contribution was not accounted for under ASU 2018-08.</p> <p><b>Recommendation</b> - We recommend management evaluate all contributions in accordance with ASU 2018-08.</p> <p><b>View of Responsible Official and Planned Corrective Actions</b> - The Ballet agrees with the finding. See separate auditee document for planned corrective action.</p>

**Section III – Federal Award Findings and Questioned Costs**

No matters are reportable.

**Kansas City Ballet Association**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2022**

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
N/A	No matters are reportable.	N/A