




Kansas City Ballet Association

Independent Auditor's Report and Financial Statements

June 30, 2025 and 2024



Kansas City Ballet Association
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June 30, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Kansas City Ballet Association
Kansas City, Missouri

Opinion

We have audited the financial statements of Kansas City Ballet Association, which comprise the statements of financial position as of June 30, 2025 and 2024, 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 Kansas City Ballet Association as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of 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 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kansas City 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 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**Kansas City, Missouri
November 24, 2025**

Kansas City Ballet Association
Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 2,330,331	\$ 2,195,082
Contributions and accounts receivable, net	332,607	314,782
Prepaid expenses and other, net of accumulated amortization; 2025 - \$31,500; 2024 - \$33,500	285,001	298,929
Investments	30,005,878	23,405,161
Investment in supporting organization	107,588	74,313
Investment in joint venture	60,525	20,255
Property and equipment, net of accumulated depreciation; 2025 - \$9,153,802; 2024 - \$8,600,493	21,189,238	22,000,352
Right-of-use asset - operating leases	1,670,260	1,866,835
Total Assets	<u>\$ 55,981,428</u>	<u>\$ 50,175,709</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 293,157	\$ 458,717
Accrued expenses	378,110	292,929
Deferred revenue	1,346,637	1,153,376
Operating lease liability	1,832,429	2,014,428
Total Liabilities	<u>3,850,333</u>	<u>3,919,450</u>
Net Assets		
Without donor restrictions	27,023,281	23,779,813
With donor restrictions	25,107,814	22,476,446
Total Net Assets	<u>52,131,095</u>	<u>46,256,259</u>
Total Liabilities and Net Assets	<u>\$ 55,981,428</u>	<u>\$ 50,175,709</u>

Kansas City Ballet Association
Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Season and single ticket sales	\$ 4,775,686		\$ 4,775,686
School tuition	1,856,615		1,856,615
Net investment return	387,609	\$ 2,565,433	2,953,042
Other	467,188	-	467,188
	<u>7,487,098</u>	<u>2,565,433</u>	<u>10,052,531</u>
Contributions and grants			
Individuals/board	4,231,253	1,295,013	5,526,266
Business/corporate	195,240	-	195,240
Foundations	1,330,470	105,000	1,435,470
Kansas City Ballet Guild activities	502,820	-	502,820
Missouri Arts Council	222,855	-	222,855
School/Community Education	635,443	-	635,443
Contributions of nonfinancial assets	48,469	-	48,469
	<u>7,166,550</u>	<u>1,400,013</u>	<u>8,566,563</u>
Net assets released from restrictions	<u>1,334,078</u>	<u>(1,334,078)</u>	<u>-</u>
	<u>8,500,628</u>	<u>65,935</u>	<u>8,566,563</u>
Total Revenues, Gains, and Other Support	<u>15,987,726</u>	<u>2,631,368</u>	<u>18,619,094</u>
Expenses and Losses			
Production	6,072,844		6,072,844
School/Community Education	2,554,625		2,554,625
Marketing	1,260,141		1,260,141
General and administrative	1,923,024		1,923,024
Fundraising	933,624		933,624
Total Expenses and Losses	<u>12,744,258</u>		<u>12,744,258</u>
Change in Net Assets	3,243,468	2,631,368	5,874,836
Net Assets, Beginning of Year	<u>23,779,813</u>	<u>22,476,446</u>	<u>46,256,259</u>
Net Assets, End of Year	<u>\$ 27,023,281</u>	<u>\$ 25,107,814</u>	<u>\$ 52,131,095</u>

Kansas City Ballet Association
Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Season and single ticket sales	\$ 4,705,158		\$ 4,705,158
School tuition	1,856,457		1,856,457
Net investment return	95,780	\$ 2,596,840	2,692,620
Other	371,971	-	371,971
	<u>7,029,366</u>	<u>2,596,840</u>	<u>9,626,206</u>
Contributions and grants			
Individuals/board	677,468	1,093,948	1,771,416
Business/corporate	183,925	-	183,925
Foundations	1,172,500	63,084	1,235,584
Kansas City Ballet Guild activities	425,000	-	425,000
Missouri Arts Council	232,962	-	232,962
School/Community Education	231,068	28,000	259,068
Contributions of nonfinancial assets	30,260	-	30,260
	<u>2,953,183</u>	<u>1,185,032</u>	<u>4,138,215</u>
Net assets released from restrictions	<u>2,433,186</u>	<u>(2,433,186)</u>	<u>-</u>
	<u>5,386,369</u>	<u>(1,248,154)</u>	<u>4,138,215</u>
Total Revenues, Gains, and Other Support	<u>12,415,735</u>	<u>1,348,686</u>	<u>13,764,421</u>
Expenses and Losses			
Production	5,928,809		5,928,809
School/Community Education	2,338,164		2,338,164
Marketing	1,300,078		1,300,078
General and administrative	1,849,823		1,849,823
Fundraising	891,161		891,161
	<u>12,308,035</u>		<u>12,308,035</u>
Total Expenses and Losses	<u>12,308,035</u>		<u>12,308,035</u>
Change in Net Assets	107,700	1,348,686	1,456,386
Net Assets, Beginning of Year	<u>23,672,113</u>	<u>21,127,760</u>	<u>44,799,873</u>
Net Assets, End of Year	<u>\$ 23,779,813</u>	<u>\$ 22,476,446</u>	<u>\$ 46,256,259</u>

Kansas City Ballet Association
Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services		Supporting Services			Total Expenses
	Production	School/ Community Education	Marketing	General and Administrative	Fundraising	
Salaries and benefits	\$ 3,441,277	\$ 1,586,897	\$ 342,148	\$ 859,513	\$ 575,351	\$ 6,805,186
Costumes and sets	198,276	-	-	-	-	198,276
Shoes	68,089	-	-	-	-	68,089
Orchestra	479,398	-	-	-	-	479,398
Guest artists	137,231	-	-	-	-	137,231
Theater rental	327,237	-	-	-	-	327,237
Lights and sound	38,077	-	-	-	-	38,077
Box office, ushers, and security	158,668	-	-	-	-	158,668
Summer program	-	278,060	-	-	-	278,060
ROAD program	-	232,294	-	-	-	232,294
Supplies and expendables	28,354	19,344	46,096	28,085	14,290	136,169
Travel and training	81,740	36,743	-	6,004	-	124,487
Rent and maintenance	297,871	12,541	-	272,674	-	583,086
Utilities	1,401	7,949	1,339	293,329	2,049	306,067
Advertising/promotion	-	49,007	509,262	-	-	558,269
Insurance	-	-	-	122,844	-	122,844
Depreciation	779,746	127,529	35,076	34,564	22,322	999,237
Printing and publications	-	1,830	62,188	3,698	22,020	89,736
Ticket processing fees	-	-	128,611	-	-	128,611
Bank charges	-	-	-	12,405	-	12,405
Professional fees	-	-	86,232	248,223	49,976	384,431
Other	35,479	202,431	49,189	41,685	247,616	576,400
	<u>\$ 6,072,844</u>	<u>\$ 2,554,625</u>	<u>\$ 1,260,141</u>	<u>\$ 1,923,024</u>	<u>\$ 933,624</u>	<u>\$ 12,744,258</u>

Kansas City Ballet Association
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services		Supporting Services			Total Expenses
	Production	School/ Community Education	Marketing	General and Administrative	Fundraising	
Salaries and benefits	\$ 3,137,546	\$ 1,365,114	\$ 368,876	\$ 762,187	\$ 519,936	\$ 6,153,659
Costumes and sets	231,681	-	-	-	-	231,681
Shoes	70,862	-	-	-	-	70,862
Orchestra	595,375	-	-	-	-	595,375
Guest artists	174,130	-	-	-	-	174,130
Theater rental	308,072	-	-	-	-	308,072
Lights and sound	25,650	-	-	-	-	25,650
Box office, ushers, and security	146,855	-	-	-	-	146,855
Summer program	-	305,316	-	-	-	305,316
ROAD program	-	175,132	-	-	-	175,132
Supplies and expendables	14,652	15,151	49,693	39,774	22,247	141,517
Travel and training	77,664	23,478	-	6,344	-	107,486
Rent and maintenance	274,909	12,369	-	278,797	-	566,075
Utilities	1,233	75,617	743	299,903	1,911	379,407
Advertising/promotion	-	48,103	583,827	-	-	631,930
Insurance	-	-	-	109,753	-	109,753
Depreciation	815,257	127,301	35,013	34,503	22,282	1,034,356
Printing and publications	-	668	58,307	4,219	21,315	84,509
Ticket processing fees	-	-	119,516	-	-	119,516
Bank charges	-	-	-	8,999	-	8,999
Professional fees	-	-	46,685	246,907	41,290	334,882
Other	54,923	189,915	37,418	58,437	262,180	602,873
	<u>\$ 5,928,809</u>	<u>\$ 2,338,164</u>	<u>\$ 1,300,078</u>	<u>\$ 1,849,823</u>	<u>\$ 891,161</u>	<u>\$ 12,308,035</u>

Kansas City Ballet Association
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Change in net assets	\$ 5,874,836	\$ 1,456,386
Items not requiring (providing) operating cash flows		
Depreciation and amortization	1,030,737	1,067,856
Net realized and unrealized gains on investments	(2,841,166)	(2,596,839)
Net gain on sale of property and equipment	(19,140)	-
Change in investment in joint venture and supporting organization	(73,545)	(2,233)
Contributions received restricted for long-term investment	(1,179,013)	(1,092,873)
Noncash operating lease expense	196,575	158,851
Changes in		
Accounts receivable	(101,275)	24,026
Contributions receivable	83,450	292,330
Costs incurred for future performances	(7,513)	5,041
Prepaid expenses and other	(10,059)	(120,635)
Accounts payable and accrued expenses	(62,577)	193,571
Advance ticket sales and deferred revenue	193,261	102,431
Operating lease liabilities	(181,999)	(119,718)
Net Cash Provided by (Used in) Operating Activities	<u>2,902,572</u>	<u>(631,806)</u>
Investing Activities		
Purchase of investments	(5,869,545)	(1,141,621)
Proceeds from sale of investments	2,109,994	414,225
Purchase of property and equipment	(205,925)	(397,411)
Proceeds from sale of property and equipment	19,140	-
Net Cash Used in Investing Activities	<u>(3,946,336)</u>	<u>(1,124,807)</u>
Financing Activities		
Proceeds from contributions restricted for long-term investment	1,179,013	1,092,873
Net Cash Provided by Financing Activities	<u>1,179,013</u>	<u>1,092,873</u>
Increase (Decrease) in Cash and Cash Equivalents	135,249	(663,740)
Cash and Cash Equivalents, Beginning of Year	<u>2,195,082</u>	<u>2,858,822</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,330,331</u>	<u>\$ 2,195,082</u>
Supplemental Cash Flows Information		
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 241,987
Property and equipment purchases in accounts payable	\$ 17,802	\$ -

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. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents. At June 30, 2025 and 2024, cash equivalents consisted primarily of money market accounts.

At June 30, 2025, the Ballet's cash accounts exceeded federally insured limits by approximately \$1,949,000.

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.

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.

Investments and Net Investment Return

The Ballet measures securities at fair value. Certificates of deposit are valued at amortized cost. 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.

**Kansas City Ballet Association
Notes to Financial Statements
June 30, 2025 and 2024**

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 acquisitions over \$5,000 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 to 10 years
Furniture and fixtures	5 years
Building and leasehold improvements	3 to 50 years
Prairie Village campus	5 years
Sound, lighting and other equipment	3 to 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, 2025 and 2024.

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.

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 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.

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:

Nature of the Gift	Value Recognized
<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.

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.

Kansas City Ballet Association
Notes to Financial Statements
June 30, 2025 and 2024

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 \$60,525 and \$20,255 at June 30, 2025 and 2024, 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% 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.

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, 2025 and 2024, the Ballet has a liability for deposits and prepayments of approximately \$1,347,000 and \$1,153,000, 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.

Kansas City Ballet Association
Notes to Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Timing of revenue and recognition		
At a point in time	\$ 4,775,686	\$ 4,705,158
Over a period of time	1,856,615	1,856,457
Revenues not subject to Topic 606	<u>11,986,793</u>	<u>7,202,806</u>
	<u>\$ 18,619,094</u>	<u>\$ 13,764,421</u>

Contract Balances

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

	<u>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	\$ 60,195	\$ 84,221
Accounts receivable, end of year	161,470	60,195
Contract liabilities, beginning of year	1,151,523	1,050,945
Contract liabilities, end of year	1,346,637	1,151,523

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. Leases

Leases Accounting Policies

The Ballet determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Ballet determines lease classification as operating or finance at the lease commencement date.

The Ballet combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for all of its leases.

Kansas City Ballet Association
Notes to Financial Statements
June 30, 2025 and 2024

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The Right-of-Use (ROU) asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Ballet has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Ballet is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Ballet has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Lease

The Ballet has entered into the following lease arrangements:

Operating Leases

The Ballet leases office space for one building that expires in 2033. The agreement has two optional five-year renewal terms. Lease payments have an escalating fee schedule, which increases by 1% in year six. The Ballet also leases warehouse space that expires in 2029. Lease payments have an escalating fee schedule, which increases by 3% each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2025 and 2024 are:

	<u>2025</u>	<u>2024</u>
Lease cost		
Operating lease cost	\$ 269,430	\$ 211,971
Short-term lease cost	28,441	62,938
	<u>\$ 297,871</u>	<u>\$ 274,909</u>
Other information		
Operating cash flows from operating leases	\$ 254,853	\$ 190,915
Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 241,987
Weighted-average remaining lease term		
Operating leases	7.13 years	9.01 years
Weighted-average discount rate		
Operating leases	3.9%	3.8%

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Notes to Financial Statements
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Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2025, are as follows:

	<u>Operating Lease</u>
2026	\$ 256,390
2027	257,973
2028	259,604
2029	303,919
2030	255,523
Thereafter	<u>787,863</u>
Total future undiscounted lease payments	2,121,272
Less imputed interest	<u>288,843</u>
Lease liability	<u><u>\$ 1,832,429</u></u>

Note 4. Contributions and Accounts Receivable

Contributions receivable at June 30, 2025 and 2024 consisted of the following unconditional promises to give:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 93,697	\$ 190,427
Due in one to five years	<u>80,000</u>	<u>70,000</u>
	173,697	260,427
Less		
Unamortized discount	-	(2,431)
Allowance for uncollectible contributions	<u>(2,560)</u>	<u>(3,409)</u>
	<u><u>\$ 171,137</u></u>	<u><u>\$ 254,587</u></u>

Approximately 66% and 79% of contributions receivable were from three donors and four donors for the years ended June 30, 2025 and 2024, respectively. Also, included in the contributions, grants and accounts receivable are \$50,670 and \$60,195 of accounts receivable for the years ended June 30, 2025 and 2024, respectively.

Note 5. Conditional Gifts

The Ballet has received the following conditional promises to give at June 30, 2025 and 2024 that are not recognized in the financial statements:

	<u>2025</u>	<u>2024</u>
Conditional promise to give at the donor's discretion	\$ 70,190	\$ 1,000,000

Note 6. Investments and Disclosures About Fair Value of Assets

Investments at June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 796,386	\$ 884,831
Common stock	5,523,355	4,876,137
Equity mutual funds	14,537,443	10,396,018
Fixed income mutual funds	7,799,158	5,494,369
Government and agency bonds	2,683	771,867
Corporate bonds	149,713	-
Alternative investments	1,197,140	981,939
	<u>\$ 30,005,878</u>	<u>\$ 23,405,161</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

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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, 2025 and 2024:

	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)
June 30, 2025				
Money market funds	\$ 796,386	\$ 796,386		
Common stock	5,523,355	5,523,355		
Equity mutual funds	14,537,443	14,537,443		
Fixed income mutual funds	7,799,158	7,799,158		
Government and agency bonds	2,683	-	\$ 2,683	
Corporate bonds	149,713	149,713		
Alternative investments				
Equity hedge fund	688,164	688,164		
Multi-strategy hedge fund	508,976	508,976		
	<u>\$ 30,005,878</u>	<u>\$ 30,003,195</u>	<u>\$ 2,683</u>	<u>\$ -</u>
June 30, 2024				
Money market funds	\$ 884,831	\$ 884,831		
Common stock	4,876,137	4,876,137		
Equity mutual funds	10,396,018	10,396,018		
Fixed income mutual funds	5,494,369	5,494,369		
Government and agency bonds	771,867	767,831	\$ 4,036	
Alternative investments				
Equity hedge fund	479,370	479,370		
Multi-strategy hedge fund	502,569	502,569		\$ -
	<u>\$ 23,405,161</u>	<u>\$ 23,401,125</u>	<u>\$ 4,036</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, 2025.

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Notes to Financial Statements
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Note 7. 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 \$502,820 and \$425,000 for the years ended June 30, 2025 and 2024, respectively.

Note 8. Property and Equipment

Property and equipment at June 30, 2025 and 2024 consisted of:

	<u>2025</u>	<u>2024</u>
Costume and production sets	\$ 2,422,011	\$ 2,850,795
Furniture and fixtures	583,087	583,087
Leasehold improvements	25,878,089	25,707,110
Sound, lighting, and other equipment	1,318,509	1,318,509
Artwork	<u>141,344</u>	<u>141,344</u>
	30,343,040	30,600,845
Less accumulated depreciation	<u>9,153,802</u>	<u>8,600,493</u>
	<u>\$ 21,189,238</u>	<u>\$ 22,000,352</u>

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Notes to Financial Statements
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Note 9. Net Assets with Donor Restrictions

Net Assets With Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose		
General operations	\$ 107,165	\$ 11,082
Guild Archives	18,572	9,372
ROAD	5,000	-
Other purposes	42,000	-
Promises to give, the proceeds from which have been restricted by donors for		
General operations	119,637	129,087
IDEA	-	26,000
Pointe Shoes	7,500	12,500
KCBII	-	24,000
ROAD	34,000	63,000
Other purposes	5,000	-
	<u>338,874</u>	<u>275,041</u>
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>5,000</u>	<u>-</u>
Endowments		
General operations	13,388,845	11,353,361
Bolender facility	6,500,559	6,287,029
Dancer salaries	2,754,875	2,656,874
Scholarships	594,507	556,645
Costumes	399,826	364,305
Music	428,041	391,128
ROAD	145,594	140,906
Pointe Shoes	64,364	47,082
Archives	104,914	93,178
Mixed Repertoire	382,415	310,897
	<u>24,763,940</u>	<u>22,201,405</u>
Total net assets with donor restrictions	<u>\$ 25,107,814</u>	<u>\$ 22,476,446</u>

Kansas City Ballet Association
Notes to Financial Statements
June 30, 2025 and 2024

Net Assets Without Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 1,732,432	\$ 1,703,305
Designated by the Board for endowment	4,101,611	76,156
Invested in property and equipment	<u>21,189,238</u>	<u>22,000,352</u>
	<u>\$ 27,023,281</u>	<u>\$ 23,779,813</u>

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.

	<u>2025</u>	<u>2024</u>
Satisfaction of purpose restrictions		
General Operations	\$ 71,078	\$ 879,210
IDEA	26,000	30,600
Guild Archives	-	-
KCBII	24,000	24,000
ROAD	63,000	40,400
Nutcracker	-	5,362
Other	-	5,114
Expiration of time restrictions	-	258,500
Restricted-purpose spending-rate distributions and appropriations		
General operations	600,241	760,802
Bolender facility	348,875	262,000
Dancer salaries	128,266	95,297
Scholarships	29,087	24,789
Costumes	-	15,461
ROAD	7,843	5,838
Music	18,773	10,038
Pointe Shoes	2,166	1,643
Mixed Repertoire	<u>14,749</u>	<u>14,132</u>
	<u>\$ 1,334,078</u>	<u>\$ 2,433,186</u>

Note 10. Endowment

The Ballet's endowment consists of approximately fifty 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 the original value of any gift amount contributed to an endowment fund, unless a donor stipulates the contrary. 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 maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Ballet has interpreted UPMIFA to permit spending from underwater endowment funds in accordance with the prudent measures under the law. As of June 30, 2024 and 2023, there were no underwater funds.

Additionally, in accordance with UPMIFA, the Ballet considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Ballet and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Ballet
7. Investment policies of the Ballet

Kansas City Ballet Association
Notes to Financial Statements
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The composition of net assets by type of endowment fund at June 30, 2025 and 2024, was:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,101,611		\$ 4,101,611
Donor-restricted endowment funds			
Original donor-restricted corpus	-	\$ 17,671,597	17,671,597
Accumulated investment gains	-	7,092,343	7,092,343
	<u>\$ 4,101,611</u>	<u>\$ 24,763,940</u>	<u>\$ 28,865,551</u>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 76,156		\$ 76,156
Donor-restricted endowment funds			
Original donor-restricted corpus	-	\$ 16,471,775	16,471,775
Accumulated investment gains	-	5,729,630	5,729,630
	<u>\$ 76,156</u>	<u>\$ 22,201,405</u>	<u>\$ 22,277,561</u>

Changes in endowment net assets for the years ended June 30, 2025 and 2024 were:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 76,156	\$ 22,201,405	\$ 22,277,561
Investment return, net	275,733	2,512,712	2,788,445
Contributions	3,749,722	1,199,823	4,949,545
Appropriation of endowment assets for expenditure	-	(1,150,000)	(1,150,000)
	<u>\$ 4,101,611</u>	<u>\$ 24,763,940</u>	<u>\$ 28,865,551</u>
Endowment net assets, end of year			
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 67,429	\$ 19,598,260	\$ 19,665,689
Investment return, net	7,727	2,651,513	2,659,240
Contributions	1,000	1,141,632	1,142,632
Appropriation of endowment assets for expenditure	-	(1,190,000)	(1,190,000)
	<u>\$ 76,156</u>	<u>\$ 22,201,405</u>	<u>\$ 22,277,561</u>
Endowment net assets, end of year			

**Kansas City Ballet Association
Notes to Financial Statements
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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, 2025 and 2024.

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. 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.

The Ballet has a policy (the spending policy) of appropriating for expenditure each year approximately 5% 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 lasted until 2024.

Note 11. Line of Credit

The Ballet has a \$1,000,000 revolving line of credit expiring in May 2026. At June 30, 2025 and 2024, there were no borrowings against this line. The line is collateralized by substantially all of the Ballet’s assets. Interest varies with the bank’s prime rate less .75%, which was 6.75% and 7.75% at June 30, 2025 and 2024, respectively, and is payable monthly.

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, 2025 and 2024 comprise the following:

	<u>2025</u>	
	<u>Financial Assets</u>	<u>Available Liquidity</u>
Cash and cash equivalents	\$ 2,330,331	\$ 2,330,331
Contributions, grants, and accounts receivable	332,607	255,167
Investments	<u>30,005,878</u>	<u>4,010,628</u>
	<u>\$ 32,668,816</u>	<u>\$ 6,596,126</u>
	<u>2024</u>	
	<u>Financial Assets</u>	<u>Available Liquidity</u>
Cash and cash equivalents	\$ 2,195,082	\$ 2,195,082
Contributions, grants, and accounts receivable	314,782	250,622
Investments	<u>23,405,161</u>	<u>3,885,394</u>
	<u>\$ 25,915,025</u>	<u>\$ 6,331,098</u>

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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, 2025 and 2024, restricted contributions of \$4,365,847 and \$4,588,671, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

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% 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% 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, 2025 and 2024, 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 Missouri Arts Council (MAC), a state agency, provided program assistance funds of \$222,855 and \$232,962 for the years ended June 30, 2025 and 2024, respectively.

Note 14. Licensing Agreement

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.

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%. The Ballet has determined that the Licensing Agreement does not meet the definition of a lease under ASU 2016-02, *Leases* (Topic 842) due to inability to control the underlying asset associated with the agreement.

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Future minimum payments under these agreements are:

2025	\$	356,544
2026		367,236
2027		378,252
2028		389,604
2029		401,292
Thereafter		<u>484,283</u>
 Total minimum commitment payments	 \$	 <u><u>2,377,211</u></u>

License fees paid totaled approximately \$334,000 and \$332,000 for the years ended June 30, 2025 and 2024, 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.

Contributions

Approximately 62% and 24% of all contributions and grants received were from two foundations for the years ended June 30, 2025 and 2024, respectively.

General Litigation

The Ballet is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Ballet. Events could occur that would change this estimate materially in the near term.

Note 16. Contributed Nonfinancial Assets

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2025</u>	<u>2024</u>
Contributed Services	\$ 48,469	\$ 30,260

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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.

Note 17. Subsequent Events

Subsequent events have been evaluated through November 24, 2025, which is the date the financial statements were available to be issued.