




North Carolina Performing Arts Center at Charlotte Foundation (DBA Blumenthal Arts)

Independent Auditor's Report and Financial Statements

August 31, 2025 and 2024



North Carolina Performing Arts Center at Charlotte Foundation
(DBA Blumenthal Arts)
Contents
August 31, 2025 and 2024

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Independent Auditor's Report

Audit Committee of the Board of Trustees
North Carolina Performing Arts Center at Charlotte Foundation
Charlotte, NC

Opinion

We have audited the financial statements of the North Carolina Performing Arts Center at Charlotte Foundation (dba "Blumenthal Arts") (the "BA"), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BA as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the BA, 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 BA's ability to continue as a going concern within one year after the date that these financial statements are available to be issued or within one year after the date that these financial statements are 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 the BA'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 BA'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

Greenville, South Carolina
December 18, 2025

North Carolina Performing Arts Center at Charlotte Foundation
(DBA Blumenthal Arts)
Statements of Financial Position
August 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,310,192	\$ 18,263,007
Receivables:		
Pledges receivable, net	71,293	113,266
Operations accounts receivable, net	2,817,399	3,242,330
Prepaid and other current assets	3,822,972	2,601,538
Short-term investments	<u>-</u>	<u>107,638</u>
Total current assets	19,021,856	24,327,779
Non-current assets:		
Investments in performances	1,529,015	2,204,621
Nonqualified deferred compensation plan assets	1,096,461	1,028,117
Property and equipment, net	6,880,403	4,788,098
Right-of-use operating lease assets	1,537,179	1,923,321
Present value of future lease contributions	3,489,776	3,726,247
Beneficial interest in assets held in trust	<u>31,835,338</u>	<u>28,440,759</u>
Total non-current assets	46,368,172	42,111,163
Total assets	<u>\$ 65,390,028</u>	<u>\$ 66,438,942</u>

(continued)

**North Carolina Performing Arts Center at Charlotte Foundation
(DBA Blumenthal Arts)
Statements of Financial Position
August 31, 2025 and 2024**

(continued)

	2025	2024
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 943,175	\$ 1,996,716
Accrued expenses	1,365,512	3,207,165
Deferred revenue	15,558,722	13,955,690
Current portion of operating lease liabilities	377,739	375,601
Total current liabilities	18,245,148	19,535,172
Operating lease liabilities, less current portion	1,216,830	1,599,569
Nonqualified deferred compensation liability	1,096,461	1,028,117
Total non-current liabilities	2,313,291	2,627,686
Total liabilities	20,558,439	22,162,858
NET ASSETS		
Without donor restrictions	26,933,726	27,304,919
With donor restrictions	17,897,863	16,971,165
Total net assets	44,831,589	44,276,084
Total liabilities and net assets	\$ 65,390,028	\$ 66,438,942

North Carolina Performing Arts Center at Charlotte Foundation
(DBA Blumenthal Arts)
Statements of Activities
Years Ended August 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Changes in net assets without donor restrictions		
Operating revenues and other support		
Theater event collections	\$ 44,197,854	\$ 44,711,515
Contributions and grant revenues	2,023,763	2,445,501
Building maintenance support	150,000	150,000
Present value adjustments of future lease contributions	1,184,779	1,194,145
Return on investments available for operations	643,060	832,274
Change in beneficial interest of assets held in trust, net	1,649,513	1,975,353
Other revenues	1,266,635	1,164,637
Net assets released from restriction	<u>1,791,333</u>	<u>1,363,430</u>
Total revenues and other support without donor restrictions	<u>52,906,937</u>	<u>53,836,855</u>
Operating expenses		
Program expenses:		
Events	37,037,973	35,373,934
Operations	12,479,499	12,685,486
Donated rental expense	1,421,250	1,421,250
Fundraising	574,481	741,648
Management and general	<u>1,764,927</u>	<u>1,647,082</u>
Total operating expenses	<u>53,278,130</u>	<u>51,869,400</u>
Change in net assets without donor restrictions	<u>(371,193)</u>	<u>1,967,455</u>
Changes in net assets with donor restrictions		
Contributions	916,108	836,073
Change in beneficial interest of assets held in trust, net	1,801,923	2,081,242
Net assets released from restriction	<u>(1,791,333)</u>	<u>(1,363,430)</u>
Change in net assets with donor restrictions	<u>926,698</u>	<u>1,553,885</u>
Change in net assets	555,505	3,521,340
Net assets, beginning of year	<u>44,276,084</u>	<u>40,754,744</u>
Net assets, end of year	<u><u>\$ 44,831,589</u></u>	<u><u>\$ 44,276,084</u></u>

**North Carolina Performing Arts Center at Charlotte Foundation
(DBA Blumenthal Arts)
Statements of Cash Flows
Years Ended August 31, 2025 and 2024**

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 555,505	\$ 3,521,340
Adjustments to reconcile change in net assets to net cash flows used by operating activities:		
Depreciation	594,830	494,806
Noncash operating lease expense	386,142	432,670
Net change in beneficial interest in assets held in trust	(3,451,436)	(4,056,595)
Change in present value of future lease contributions	236,471	227,105
Change in operating assets and liabilities:		
Pledges receivable	41,973	(1,448)
Operations accounts receivable	424,931	1,049,933
Prepaid and other current assets	(1,221,434)	(338,037)
Accounts payable	(1,203,248)	(325,408)
Accrued expenses	(1,841,653)	261,946
Deferred revenue	1,603,032	(1,571,348)
Repayment of operating lease liabilities	(380,601)	(413,188)
Net cash used by operating activities	<u>(4,255,488)</u>	<u>(718,224)</u>
Cash flows from investing activities:		
Sales of short-term investments and beneficial interest of assets held in trust	164,495	2,921,790
Advances for future performances, net of royalties received	675,606	(743,925)
Net change in nonqualified deferred compensation plan assets	(68,344)	(34,098)
Net change in nonqualified deferred compensation plan liability	68,344	34,098
Purchases of property and equipment	<u>(2,537,428)</u>	<u>(1,712,339)</u>
Net cash (used) provided by investing activities	<u>(1,697,327)</u>	<u>465,526</u>
Net decrease in cash and cash equivalents	(5,952,815)	(252,698)
Cash and cash equivalents, beginning of year	<u>18,263,007</u>	<u>18,515,705</u>
Cash and cash equivalents, end of year	<u><u>\$ 12,310,192</u></u>	<u><u>\$ 18,263,007</u></u>
Supplemental Cash Flows Information		
Property and equipment additions included in accounts payable as of year end	<u><u>\$ 149,707</u></u>	<u><u>\$ 1,296,714</u></u>

Note 1. Nature of Operations and Summary Of Significant Accounting Policies

Nature of Operations

North Carolina Performing Arts Center at Charlotte Foundation ("Blumenthal Arts" or "Blumenthal") incorporated on May 8, 1987, is exclusively charitable, literary and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986. More specifically, the purpose of Blumenthal Arts ("BA"), headquartered in Charlotte, North Carolina, is to present the best in the performing arts and in partnership with others, share and employ the arts as a major catalyst to strengthen education, build community cohesiveness and advance economic growth in Charlotte, Mecklenburg County, North Carolina, for the benefit of the greater Charlotte metro region and all surrounding/neighborhood counties. BA designs, develops, and operates facilities in the Charlotte region that in collaboration with city and county government, businesses, philanthropists, and the arts community expand the impact of the arts for our citizens. It also develops and hosts activities, events, and festivals, either alone or in collaboration with other entities to inspire arts in the region.

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.

Cash and Cash Equivalents

BA considers all liquid investments with original maturities of three months or less to be cash equivalents. BA considers uninvested cash held in investment accounts as cash or cash equivalents. At August 31, 2025 and 2024, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit, with an original maturity date of three months or less. BA places its cash on deposit with financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, the balance may exceed the federally insured limits.

Operations Accounts Receivables

Receivables are stated at the amount of consideration from customers, of which BA has an unconditional right to receive. BA provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

Pledges Receivable

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the resulting discount is taken into income as a contribution in subsequent years.

Short-Term Investments

Investments with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair value of securities are reflected in return on investments on the accompanying Statements of Activities.

**North Carolina Performing Arts Center at Charlotte Foundation
(DBA Blumenthal Arts)
Notes to Financial Statements
August 31, 2025 and 2024**

Investments in Performances

BA is a limited partner in several limited liability partnerships that invest in theatrical stage productions. BA's ownership percentage in each limited liability partnership is less than 5%. The investment in these limited liability partnerships is accounted for using the cost method, and income recognized is limited to distributions received from the partnerships in excess of the BA's original investment. Annually, management reviews the investments and determines, at that time, if a portion of the investment is considered impaired and writes it down to the net realizable value.

Property and Equipment

Property and equipment acquisitions over \$25,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. The estimated useful lives of the BA's assets are twenty years for building improvements and three to ten years for all other assets.

Beneficial Interest of Assets Held in Trust

BA recognizes contribution revenue from assets donated to a recipient organization for the sole benefit of the BA and its mission.

Donated Services

BA records the value of donated services and equipment in its financial statements if a basis is available to measure the value of such services and equipment. Donated services are generally recognized if such services enhance nonfinancial assets and require a specialized skill. The amounts are included in contributions and grant revenues on the accompanying Statements of Activities.

BA generally pays for services requiring specific expertise. Community members volunteer as ushers, tour guides, administrative assistants, and advisors. A dollar valuation of their efforts is not reflected in the financial statements, however, the estimated volunteer hours for the years ended August 31, 2025 and 2024 were 32,618 and 35,589, respectively.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment (Note 6).

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

**North Carolina Performing Arts Center at Charlotte Foundation
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Notes to Financial Statements
August 31, 2025 and 2024**

Revenue Recognition

Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. BA's customer contracts generally require BA to present theater performances and provide space for performance venue rentals. BA has the following main sources of revenue:

Theater event collections

BA provides various performances throughout the year for the public and also manages the operation of several performance venues which are available to be rented for events. The majority of the BA's revenues from contracts with customers are generated from theater admissions, ticket handling fees, concession revenues, and venue rentals which are considered to be single performance obligations. Revenues for performance obligations satisfied at a point in time are recognized when the services are provided, which is generally when the related theater performances are presented, or event has been held. Ticket handling fees are recognized at time of ticket sale. Tickets for theater performances are generally made available for purchase at the time the theater performance is advertised and are refundable.

Payments received for advance ticket sales and venue rental deposits are reported as a liability until the theater performance is presented or event has been held. The aggregate amount of the BA's contract performance obligation includes advance ticket sales and venue rental deposits which are reported as deferred revenue on the statements of financial position. Because the performance obligation for advance ticket sales and venue rental deposits relate to contracts with a duration of less than one year, the BA has elected to apply the Accounting Standard Update ("ASU") practical expedients to not restate completed contracts that begin and end in the same reporting period, not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period, and not capitalize the incremental cost of obtaining contracts. The performance obligation for advance ticket sales will generally be completed in the following fiscal year when the theater performance is presented and the performance obligation for venue rental deposits will generally be completed in the following fiscal year when the event is presented.

The following table provides information about BA's receivables and deferred revenue from contracts with customers:

	<u>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	\$ 3,242,330	\$ 4,292,263
Accounts receivable, end of year	2,817,399	3,242,330
Deferred revenue, beginning of year	13,955,690	15,527,038
Deferred revenue, end of year	15,558,722	13,955,690

Contributions and grant revenues

BA receives contributions from donors throughout the year which include gifts from individuals as well as corporate donors. As noted previously, contributions, including unconditional promises to give, are recognized when cash, securities or other assets are received while the conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In the absence of donor restrictions, contributions are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received. Government funding and grants are recorded as without donor restricted revenue funds and are reimbursements for expenditures made by the BA.

**North Carolina Performing Arts Center at Charlotte Foundation
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Notes to Financial Statements
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Sponsorship revenue is recognized in the fiscal year specified in the sponsorship contract. Other revenues are reported at the amount BA expects to be entitled to in exchange for such services or events that occur. Revenue is recognized as performance obligations are satisfied.

Advertising Costs

Advertising costs related to specific events are deferred and amortized in the period of the event. BA charges advertising costs to events as incurred on the accompanying Statements of Activities. Advertising expense for the years ended August 31, 2025 and 2024 was approximately \$3,625,000 and \$3,612,000, respectively.

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis in Note 3. Certain costs have been allocated, based on estimates by management, among program services, management and general, and fundraising. Such allocations are determined by management based on department and labor.

Tax Status

BA is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, BA is subject to federal income tax on any unrelated business taxable income.

BA files tax returns in the U.S. federal jurisdiction.

Leases

BA determines whether an arrangement is or contains a lease at the inception of the arrangement. Right-of-use ("ROU") assets represent the BA's right to use leased assets over the term of the lease. Lease liabilities represent the BA's contractual obligation to make lease payments over the lease term.

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. The BA uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the BA uses the risk-free rate as the discount rate. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the BA if the option were not exercised. Leases with an initial term of 12 months or less are not recorded on the statements of financial position. Lease expense is recognized on a straight-line basis over the lease term. To the extent that a lease arrangement includes both lease and non-lease components, the components are not accounted for separately.

Subsequent Events

BA evaluated the effect subsequent events would have on the financial statements through December 18, 2025, which is the date the financial statements were available to be issued.

**North Carolina Performing Arts Center at Charlotte Foundation
(DBA Blumenthal Arts)
Notes to Financial Statements
August 31, 2025 and 2024**

Note 2. Pledges Receivable

Pledges receivable consisted of the following:

	<u>2025</u>	<u>2024</u>
Receivable in less than one year	\$ 71,293	\$ 113,266
	<u>\$ 71,293</u>	<u>\$ 113,266</u>

Note 3. Analysis of Expense by Functional and Natural Categories

Expenses by natural classification for the year ended August 31, 2025, are as follows:

	<u>Program service expenses</u>	<u>Management and general expenses</u>	<u>Fundraising expenses</u>	<u>Total</u>
Production costs	\$ 27,284,095	\$ 4,834	\$ -	\$ 27,288,929
Advertising and promotion	3,574,868	-	50,319	3,625,187
Box office	3,147,106	-	-	3,147,106
Concessions and parking	2,193,539	-	-	2,193,539
Salaries and wages	6,063,490	751,960	341,420	7,156,870
Benefits	1,766,639	98,915	55,080	1,920,634
Contract services	954,617	132,176	13,000	1,099,793
Office expenses	881,384	122,006	20,787	1,024,177
Donated rental expense	1,421,250	-	-	1,421,250
Utilities	471,513	-	-	471,513
Insurance	449,034	-	-	449,034
Equipment/building repairs	365,352	-	-	365,352
Travel	707,104	110,295	31,527	848,926
Production investment losses	-	100,000	-	100,000
Scholarships and grants	82,481	-	-	82,481
Miscellaneous	981,420	444,741	62,348	1,488,509
Depreciation expense	594,830	-	-	594,830
	<u>\$ 50,938,722</u>	<u>\$ 1,764,927</u>	<u>\$ 574,481</u>	<u>\$ 53,278,130</u>

**North Carolina Performing Arts Center at Charlotte Foundation
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Notes to Financial Statements
August 31, 2025 and 2024**

Expenses by natural classification for the year ended August 31, 2024, are as follows:

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Production costs	\$ 26,954,960	\$ -	\$ 5,768	\$ 26,960,728
Advertising and promotion	3,555,924	-	56,228	3,612,152
Box office	2,399,923	-	-	2,399,923
Concessions and parking	2,017,905	-	-	2,017,905
Salaries and wages	6,416,969	701,253	393,048	7,511,270
Benefits	1,543,000	88,479	68,481	1,699,960
Contract services	941,099	69,371	1,344	1,011,814
Office expenses	855,196	120,835	18,742	994,773
Donated rental expense	1,421,250	-	-	1,421,250
Utilities	448,936	-	-	448,936
Insurance	406,226	-	-	406,226
Equipment/building repairs	360,516	-	-	360,516
Travel	833,906	89,249	29,394	952,549
Production investment losses	-	176,500	-	176,500
Scholarships and grants	10,282	-	-	10,282
Miscellaneous	819,772	401,395	168,643	1,389,810
Depreciation expense	494,806	-	-	494,806
	<u>\$ 49,480,670</u>	<u>\$ 1,647,082</u>	<u>\$ 741,648</u>	<u>\$ 51,869,400</u>

Note 4. Disclosures About Fair Value of Assets and Liabilities

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. The hierarchy comprises 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 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 that are significant to the fair value of the assets or liabilities

There have been no changes in the methodologies used at August 31, 2025 and 2024.

**North Carolina Performing Arts Center at Charlotte Foundation
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Notes to Financial Statements
August 31, 2025 and 2024**

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities 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 August 31, 2025 and 2024:

2025					
Asset Class	Total Fair Value	Fair Value Measurements Using			Investments Measured at NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Deferred compensation assets	\$ 1,096,461	\$ -	\$ 1,096,461	\$ -	\$ -
Beneficial interest in assets held in trust	<u>31,835,338</u>	<u>-</u>	<u>-</u>	<u>31,835,338</u>	<u>-</u>
Total assets	<u>\$ 32,931,799</u>	<u>\$ -</u>	<u>\$ 1,096,461</u>	<u>\$ 31,835,338</u>	<u>\$ -</u>
2024					
Asset Class	Total Fair Value	Fair Value Measurements Using			Investments Measured at NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Deferred compensation assets	\$ 1,028,117	\$ -	\$ 1,028,117	\$ -	\$ -
Beneficial interest in assets held in trust	<u>28,440,759</u>	<u>-</u>	<u>-</u>	<u>28,440,759</u>	<u>-</u>
Total assets	<u>\$ 29,468,876</u>	<u>\$ -</u>	<u>\$ 1,028,117</u>	<u>\$ 28,440,759</u>	<u>\$ -</u>

The BA had approximately \$0 and \$108,000 of certificate of deposits included in short-term investments as of August 31, 2025 and 2024, respectively, which were not classified in the fair value hierarchy because they are held at cost.

The investment portion of the beneficial interest in assets held in trust are considered by BA to be Level 3 assets because they represent interests held in pooled investment funds, which include private investment funds. As discussed in Notes 5 and 6, the Foundation for the Carolinas ("FFTC") manages the administration of these investments.

**North Carolina Performing Arts Center at Charlotte Foundation
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Notes to Financial Statements
August 31, 2025 and 2024**

Note 5. Beneficial Interest in Assets Held in Trust

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the Statements of Activities. The endowment investments are invested at the FFTC which qualify as beneficial interest in assets held in trust.

BA's endowment investments of \$18,322,324 and \$16,399,735 are held by the Greater Charlotte Cultural Trust (the "Trust") as of August 31, 2025 and 2024, respectively. The Trust, which is a supporting foundation of the FFTC, is a separate legal entity with its own board of directors which oversees endowment administration, evaluates planned giving opportunities, and makes investment decisions. FFTC, a nonprofit organization that serves donors, communities, and a broad range of charitable purposes in North and South Carolina, provides investment and administrative services for the Trust. The Trust invests in a variety of investments, which are subject to fluctuations in market values and expose the Trust to a certain degree of interest and credit risk.

The Trust has investments with fund managers who invest in private investment funds as part of the Trust's asset allocation. The investment in the private investment funds is an alternative investment strategy with the purpose of increasing the diversity of the Trust's holdings and is consistent with the Trust's overall investment objectives. The private investment funds are not traded on an exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities, which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Management of the Trust relies on various factors to estimate the fair value of these investments and believes its processes and procedures for valuing investments are effective and that its estimate of value is reasonable. However, the factors used are subject to change in the near term, and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the financial statements.

The investment gains were \$1,979,446 and \$2,365,539 for the year ended August 31, 2025 and 2024, respectively, and is included in change in beneficial interest of assets held in trust, net on the statement of activities.

BA has a beneficial interest in assets held in trust by the Trust. In 2004, the Trust completed the Cultural Organizations Endowment Agreement related to the Campaign for Cultural Facilities. The agreement outlines the approximately \$82.3 million campaign to fund facility endowments to support the operation of new or remodeled facilities as well as other endowment and capital needs in the cultural community. BA is party to this agreement and is budgeted to be allocated \$8 million because the campaign reached its fundraising goal. In accordance with the agreement, the funds will be used to create an endowment, with the earnings to be distributed annually to fund operating costs of the facilities.

Although the BA has no control over the calculation of the annual spendable portion of these funds as of August 31, 2025, BA is a named beneficiary of a portion of these funds. Accordingly, a beneficial interest has been included in the BA's assets totaling \$13,513,014 and \$12,041,024 as of August 31, 2025 and 2024, respectively, representing the BA's interest in funds raised to date.

The investment gains were \$1,471,990 and \$1,691,056 for the year ended August 31, 2025 and 2024, respectively, and is included in change in beneficial interest of assets held in trust, net on the statement of activities.

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Note 6. Endowment Funds

The BA's governing body is subject to Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). As a result, the BA 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 being reclassified as net assets without donor restrictions. BA's endowment consists of ten individual funds established for a variety of purposes that are invested at the Trust as of August 31, 2025 and 2024.

Endowment net asset composition by type of fund as of August 31, 2025 and 2024 is listed below:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2025:			
Endowment funds	<u>\$ 19,223,606</u>	<u>\$ 12,611,732</u>	<u>\$ 31,835,338</u>
2024:			
Endowment funds	<u>\$ 16,961,689</u>	<u>\$ 11,479,070</u>	<u>\$ 28,440,759</u>

The Board of Trustees of the BA has interpreted UPMIFA as requiring, absent explicit donor stipulations to the contrary, that the following amounts included in the endowment be classified as donor restricted: (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

- Duration and preservation of the fund
- Purposes of the BA and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the BA
- Investment policies of the BA

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The FFTC administers the endowed funds of the Trust. The Board of Directors of the Trust and ultimately the BA have adopted investment and spending policies for endowment assets that attempt to provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index). Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Accordingly, the Trust has adopted the following investment allocation guidelines:

Equities – large cap	17% - 26%
Equities – small cap	6% - 11%
Equities – emerging market	5% - 8%
Equities – international	10% - 25%
Bonds	10% - 60%
Alternative investments	5% - 15%

The Trust establishes its spendable income policy to balance near-term spending requirements against the long-term preservation goals for the funds. Each year the Trust approves a spendable income rate to be applied to the average daily balance of the funds over the previous three calendar years. In compliance with North Carolina law and leveraging the financial expertise of its Board of Directors, the Trust considers current and forecasted economic and market conditions to determine the annual spendable income rate. Accordingly, the spending policy is expected to allow the endowment to maintain its purchasing power by growing at a rate in excess of planned payouts. The spendable income rate was 4.25% for the years ending August 31, 2025 and 2024.

Changes in endowment net assets for the years ended August 31, 2025 and 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 1, 2024	\$ 16,961,689	\$ 11,479,070	\$ 28,440,759
Net investment return	1,649,513	1,801,923	3,451,436
Contributions	11,641	7,780	19,421
Withdrawals	-	(76,278)	(76,278)
Released from donor restriction	<u>600,763</u>	<u>(600,763)</u>	<u>-</u>
Endowment net assets, August 31, 2025	<u>\$ 19,223,606</u>	<u>\$ 12,611,732</u>	<u>\$ 31,835,338</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 1, 2023	\$ 15,494,650	\$ 10,018,882	\$ 25,513,532
Net investment return	1,990,338	2,066,257	4,056,595
Contributions	-	14,985	14,985
Transfers in	-	2,323	2,323
Withdrawals	(1,066,853)	(77,500)	(1,144,353)
Released from donor restriction	543,554	(543,554)	-
Change in Greater Charlotte Cultural Trust	<u>-</u>	<u>(2,323)</u>	<u>(2,323)</u>
Endowment net assets, August 31, 2024	<u>\$ 16,961,689</u>	<u>\$ 11,479,070</u>	<u>\$ 28,440,759</u>

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount recorded by the BA as donor restricted net assets (corpus). At August 31, 2025 and 2024, the fair value of each individual fund exceeded corpus.

Note 7. Property And Equipment

Property and equipment at August 31, 2025 and 2024 consists of:

	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 6,766,615	\$ 3,069,865
Computer equipment	430,141	347,414
Building equipment	1,157,854	903,846
Furniture and office equipment	354,754	227,947
Construction in process	<u>1,661,367</u>	<u>3,134,524</u>
	10,370,731	7,683,596
Less: accumulated depreciation	<u>(3,490,328)</u>	<u>(2,895,498)</u>
	<u>\$ 6,880,403</u>	<u>\$ 4,788,098</u>

BA leases its facilities from the City and the County. See Note 8. Depreciation expense was \$594,830 and \$494,806 for the years ended August 31, 2025 and 2024, respectively.

As of August 31, 2025, BA has outstanding construction commitments for ongoing construction. The total estimated costs are approximately \$619,000 with \$449,000 completed as of August 31, 2025. The projects are expected to be completed in fiscal year 2026.

Facilities Leases

BA has an agreement with Bank of America, N.A. to lease office space in one of its buildings. BA leases this space for \$10 per year. The initial term of the lease expired on March 31, 2021 and was automatically renewed for one five-year term, on the same terms as provided in the lease agreement. During 2010, BA entered into agreements with the City to lease and operate the Center and Knight Theater. BA also has an agreement with the County to lease and operate Spirit Square. BA leases each facility for \$1 per year. The agreement to lease the Center expired on October 2, 2019 at which time it converted to a month to month agreement. The agreement to lease the Knight Theater expires on June 30, 2039.

In accordance with GAAP, the BA records the fair market value of the leases each year. In addition, the BA records the present value of the future leasehold benefits of the City leases for the remaining life of the current lease obligations. The present value of these benefits has been computed using discount rates of 3.5% and 4.3% for Bank of America and Knight Theater, respectively. BA recorded the fair value of the leases of \$1,421,250 as donated rental expense, net of amortization of the discount, on the accompanying Statements of Activities for the years ended August 31, 2025 and 2024.

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Note 8. Leases

The BA leases certain equipment and property under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related right-of-use assets and right-of-use obligations are recorded at the present value of lease payments over the term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

The components of lease expense (and related classification in the accompanying statements of activities) were as follows during the years ended August 31:

	<u>2025</u>	<u>2024</u>
Operating lease cost (Operations)	\$ 436,950	\$ 488,562

Cash paid for amounts included in the measurement of lease liabilities for the year ended August 31, is as follows:

	<u>2025</u>	<u>2024</u>
Operating cash flows for operating leases	\$ 380,601	\$ 413,188

The following table presents lease-related assets and liabilities at August 31:

	<u>2025</u>	<u>2024</u>
Operating leases:		
Right-of-use operating lease assets	\$ 1,537,179	\$ 1,923,321
Current operating lease liabilities	\$ 377,739	\$ 375,601
Noncurrent operating lease liabilities	1,216,830	1,599,569
Total operating lease liabilities	\$ 1,594,569	\$ 1,975,170

Other information:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term – operating leases	3.96 years	4.89 years
Weighted-average discount rate – operating leases	3.41%	3.42%

Future minimum lease payments and reconciliation to the statement of financial position at August 31, 2025 are as follows:

2026	\$ 426,344
2027	436,766
2028	406,708
2029	409,504
2030	<u>34,202</u>
Total	1,713,524
Less: present value discount	<u>(118,955)</u>
Total lease liability	<u>\$ 1,594,569</u>

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Note 9. Employee Benefit Plans

BA sponsors a 403(b) defined contribution pension plan for full-time employees with a minimum of one year of service who are not covered by a collective bargaining agreement. BA contributes 2% of each participant's compensation to the plan and matches up to 3% of a participant's compensation. For the years ended August 31, 2025 and 2024, the BA's contribution to the plan was approximately \$342,000 and \$333,000, respectively, and are included in benefits in Note 3.

BA provides separate supplemental employee retirement plans for its president and vice presidents. The former president is covered under an annuity contract which, beginning in fiscal 1998, was partially funded by investing in a trust which BA is the owner of the trust assets. The current president is covered under a defined contribution plan. BA recorded no expenses related to the plans for the years ended August 31, 2025 or 2024. The trust assets of \$1,096,461 and \$1,028,117 as of August 31, 2025 and 2024, respectively, are recorded as an asset in the BA's financial statements and the corresponding liability has also been recorded.

Note 10. Restrictions and Limitations on Net Asset Balances

BA's net assets with donor restrictions were released as follows for the years ended August 31:

	<u>2025</u>	<u>2024</u>
Donated rental expense, net of amortization of discount	\$ 236,471	\$ 227,105
Donor designated gifts released	954,099	592,771
Campaign for Cultural Facilities donations released from restriction	<u>600,763</u>	<u>543,554</u>
Total net assets released from donor restrictions	<u>\$ 1,791,333</u>	<u>\$ 1,363,430</u>

BA's net assets with donor restrictions are for the following purposes:

Gross value of leaseholds with City, County and Bank of America, N.A.	\$ 3,726,247	\$ 3,953,352
Less: net rental expense recognized to date	<u>(236,471)</u>	<u>(227,105)</u>
Present value of leaseholds with City and County	3,489,776	3,726,247
Booth Playhouse endowment	585,171	521,590
Performing arts scholarship fund	593,064	603,394
Other restricted donor contributions	1,801,338	1,765,848
Beneficial interest in The Campaign for Cultural Facilities	9,540,109	8,668,883
Education institute endowment	1,305,448	1,163,529
Other scholarship funds	<u>582,957</u>	<u>521,674</u>
Total net assets with donor restrictions	<u>\$ 17,897,863</u>	<u>\$ 16,971,165</u>

Amounts included in net assets with donor restrictions that are not subject to the spending policy or appropriations were \$7,444,179 related to the beneficial interest in The Campaign for Cultural Facilities and \$517,007 for Education institute endowment as of August 31, 2025 and 2024, respectively.

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Note 11. Concentrations

During the years ended August 31, 2025 and 2024, BA had ticket sales from a single theater production within that year that comprised of 19% and 17%, respectively, of total theater event collections revenue.

Some of BA's employees (representing approximately 30% and 25% of payroll expense for the years ended August 31, 2025 and 2024, respectively) are members of the International Alliance of Theatrical Stage Employees Local #322. BA's contract with the union expires June 30, 2026. BA's other employees are not represented by a union.

Note 12. Availability and Liquidity

The following represents BA's financial assets at August 31:

	<u>2025</u>	<u>2024</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 12,310,192	\$ 18,263,007
Operations accounts receivable	2,817,399	3,242,330
Short-term investments	<u>-</u>	<u>107,638</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 15,127,591</u>	<u>\$ 21,612,975</u>