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

Financial Statements

Years Ended August 31, 2021 and 2020

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Independent Auditors' Report

Board of Directors of
North Carolina Performing Arts Center at Charlotte Foundation
Charlotte, NC

We have audited the accompanying financial statements of the North Carolina Performing Arts Center at Charlotte Foundation (dba "Blumenthal Performing Arts") (the "BPA") which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Performing Arts Center at Charlotte Foundation as of August 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended August 31, 2021, BPA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified in respect to this matter.

Dixon Hughes Goodman LLP

Charlotte, NC
February 1, 2022

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Financial Position
August 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 28,015,136**	$ 4,746,841
Receivables:		
Pledges receivable, net	**51,352**	620,782
Operations accounts receivable, net	**1,385,944**	3,152,230
Prepaid and other current assets	**1,916,685**	1,111,535
Short-term investments	**5,039,014**	5,050,765
Total current assets	**36,408,131**	14,682,153
Non-current assets:		
Pledges receivable - long term, net	**252,000**	500,000
Investments in performances	**908,565**	982,910
Nonqualified deferred compensation plan assets	**976,976**	773,722
Property and equipment, net	**2,091,115**	2,481,535
Present value of future lease contributions	**4,380,940**	4,313,168
Beneficial interest in assets held in trust	**28,386,156**	23,655,043
Total non-current assets	**36,995,752**	32,706,378
Total assets	**$ 73,403,883**	$ 47,388,531

	2021	2020
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 826,937**	$ 180,667
Accrued expenses	**2,354,723**	1,105,929
Deferred revenue	**23,729,284**	10,971,596
Deferred contribution revenue	**2,370,722**	-
PPP loans	**1,723,525**	1,723,525
Total current liabilities	**31,005,191**	13,981,717
Nonqualified deferred compensation liability	**976,976**	773,722
Total liabilities	**31,982,167**	14,755,439
Net assets:		
Without donor restrictions	**23,182,690**	15,949,580
With donor restrictions	**18,239,026**	16,683,512
Total net assets	**41,421,716**	32,633,092
Total liabilities and net assets	**$ 73,403,883**	$ 47,388,531

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Activities
Years ended August 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions		
Operating activities		
Operating revenues and other support		
Theater event collections	**$ 17,441,238**	$ 19,366,422
Contributions and grant revenues	**1,818,720**	1,641,827
SVOG revenue	**5,905,753**	-
Building maintenance support	**914,526**	914,526
Present value adjustments of future lease contributions	**1,638,161**	1,561,191
Return on investments available for operations	**1,305**	37,615
Change in beneficial interest of assets held in trust, net	**2,517,079**	968,628
Other revenues	**17,563**	449,455
PPP loan forgiveness	**1,723,525**	-
Net assets released from restriction	**1,266,896**	718,729
Total revenues and other support without donor restrictions	**33,244,766**	25,658,393
Operating expenses		
Program expenses:		
Events	**14,653,042**	16,028,525
Operations	**8,254,636**	9,668,294
Donated rental expense	**1,847,250**	1,847,250
Total program expenses	**24,754,928**	27,544,069
Development	**347,185**	666,793
Management and general	**909,543**	547,035
Total operating expenses	**26,011,656**	28,757,897
Change in net assets without donor restrictions	**7,233,110**	(3,099,504)
Changes in net assets with donor restrictions		
Contributions	**548,740**	1,715,030
Change in beneficial interest of assets held in trust, net	**2,273,670**	964,062
Net assets released from restriction	**(1,266,896)**	(718,729)
Change in net assets with donor restrictions	**1,555,514**	1,960,363
Change in net assets	**8,788,624**	(1,139,141)
Net assets, beginning of year	**32,633,092**	33,772,233
Net assets, end of year	**$ 41,421,716**	$ 32,633,092

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Cash Flows
Years ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 8,788,624**	$ (1,139,141)
Adjustments to reconcile change in net assets to net cash flows provided by (used by) operating activities		
Depreciation	**666,608**	719,815
Realized and unrealized (gains) / loss	**11,751**	(2,278,080)
Net change in beneficial interest in assets held in trust	**(4,671,476)**	(1,213,756)
Change in present value of future lease contributions	**(67,772)**	286,059
Change in allowance for doubtful accounts	**1,225**	10,313
Loss on sale of property and equipment	**5,621**	-
PPP loan forgiveness	**(1,723,525)**	-
Change in operating assets and liabilities:		
Pledges receivable	**824,799**	(629,507)
Operations accounts receivable	**1,757,692**	1,427,476
Prepaid and other current assets	**(805,150)**	(75,683)
Accounts payable	**646,270**	(465,168)
Accrued expenses	**1,248,794**	(420,234)
Deferred revenues	**12,757,688**	(2,942,876)
Deferred contribution revenue	**2,370,722**	-
Net cash provided (used) by operating activities	**21,811,871**	(6,720,782)
Cash flows from investing activities:		
Purchase of short-term investments, net of sales of short-term investments	**(59,637)**	26,533
Advances for future performances, net of royalties received	**74,345**	(62,314)
Net change in nonqualified deferred compensation plan assets	**(203,254)**	(214,848)
Net change in nonqualified deferred compensation plan liability	**203,254**	214,848
Purchases of property and equipment	**(281,809)**	(362,977)
Net cash used by investing activities	**(267,101)**	(398,758)
Cash flow from financing activities:		
Proceeds from PPP loans	**1,723,525**	1,723,525
Net cash provided by financing activities	**1,723,525**	1,723,525
Net increase (decrease) in cash and cash equivalents	**23,268,295**	(5,396,015)
Cash and cash equivalents, beginning of year	**4,746,841**	10,142,856
Cash and cash equivalents, end of year	**$ 28,015,136**	$ 4,746,841

Notes to Financial Statements

1. Summary Of Significant Accounting Policies

North Carolina Performing Arts Center at Charlotte Foundation, a nonprofit organization incorporated on May 8, 1987, operates as Blumenthal Performing Arts ("BPA") 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. BPA also manages the operation of three performance spaces located in the Blumenthal Performing Arts Center (the "Center"): the 2,097-seat Belk Theater, the 444-seat Booth Playhouse, and the Stage Door Theater which seats 170. BPA also manages the 1,193-seat Knight Theater and the Spirit Square Center for Arts and Education ("Spirit Square"), a community center focusing on arts education and community theater, which includes the 730-seat McGlohon Theater and the Duke Energy Theater which seats 182. BPA presents national touring Broadway productions and a wide range of special attractions. Additionally, BPA's Education Institute and its Community Programs Division develop innovative partnerships with schools and community organizations to bring the performing arts to life for people throughout the region. BPA is home to thirteen resident arts organizations including Charlotte Symphony, Opera Carolina, Charlotte Ballet, Jazz Arts Initiative, Community School of the Arts, BNS Productions, Carolina Voices, Starving Artist Productions, Three Bone Theatre, Caroline Calouche & Co., Studio 345, Tosco Music Party and Elevation Church. The Center and the Knight Theaters are owned by the City of Charlotte, North Carolina (the "City") and Spirit Square Center is owned by Mecklenburg County, North Carolina (the "County") (see Note 9).

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
>
> Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events that are specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained perpetuity.

Cash and Cash Equivalents

BPA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents unless held by investment managers as part of the investment portfolio. BPA places its cash on deposit with one financial institution which is insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, the balance may exceed the federally insured limits.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts of approximately $13,000 and $14,000 at August 31, 2021 and 2020, respectively. BPA provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is BPA's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments

Investments are valued at fair value. Fair value is determined by reference to exchange or dealer-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 in the accompanying Statement of Activities. See Note 4 for discussion of fair value measurements.

Investments in Performances

BPA is a limited partner in several limited liability partnerships that invest in theatrical stage productions. BPA'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 BPA'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

All acquisitions of property and equipment in excess of $25,000 and all expenditures for repairs, maintenance, renewals, and betterments in excess of $25,000 that materially prolong the useful lives of assets are capitalized. Property and equipment is stated at cost when purchased, and at estimated market value when donated. BPA records depreciation of its property and equipment using the straight-line method over the estimated useful life of the asset. The estimated useful lives of BPA's assets are twenty years for the organ façade and building improvements and three to ten years for all other assets.

Beneficial Interest of Assets Held in Trust

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

Donated Services

BPA 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 Statement of Activities.

BPA generally pays for services requiring specific expertise. There were no donated legal services received by BPA for the years ended August 31, 2021 and 2020, respectively. 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, 2021 and 2020 were 8,722 and 24,937, respectively.

Revenue Recognition

During 2021, BPA adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* ("Topic 606") under the modified retrospective approach.

The five-step model defined by Topic 606 requires: (1) identify our contracts with customers, (2) identify the performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate transaction prices to our performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. 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. The adoption of Topic 606 did not result in an adjustment to net assets.

BPA's customer contracts generally require BPA to present theater performances and provide space for performance venue rentals.

BPA has the following main sources of revenue:

<u>Theater event collections</u>
BPA 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 BPA'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 BPA's contract performance obligation includes advance ticket sales and venue rental deposits which are reported as deferred revenue on the statements of financial position. The liability for advance ticket sales and venue rental deposits totaled approximately $23,700,000 and $11,000,000 at August 31, 2021 and 2020, respectively. Because the performance obligation for advance ticket sales and venue rental deposits relate to contracts with a duration of less than one year, BPA has elected to apply the 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.

<u>Contributions and grant revenues</u>
BPA receives contributions from donors throughout the year which includes 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. This revenue stream is excluded from Topic 606.

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 unrestricted revenue funds and are reimbursements for expenditures made by BPA.

Sponsorship revenue is recognized in the fiscal year specified in the sponsorship contract.

Promises to Give

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.

Advertising Costs

Advertising costs related to specific events are deferred and amortized in the period of the event. BPA charges advertising costs to events as incurred on the accompanying Statements of Activities. Advertising expense for the years ended August 31, 2021 and 2020 was approximately $1,845,000 and $1,790,000, respectively.

Tax Status

In the United States Treasury Department determination letter dated October 15, 1992, BPA was determined to be tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there are no income taxes provided for in the accompanying financial statements. For the years ended August 31, 2021 and 2020, BPA accrued $22,500 in estimated federal and state taxes for Unrelated Business Income.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified for comparative purposes to conform to the current period presentation. Such reclassifications did not impact net assets for the prior year ended August 31, 2020.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which requires that operating leases be recorded on the consolidated statement of financial position as assets and liabilities. This new standard creates a distinction in classification criteria between finance leases and operating leases, which is similar to the classification criteria used to distinguish between capital assets and operating leases under current U.S. GAAP. However, for leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2021, and early adoption is permitted. BPA is currently assessing the impact the adoption of ASU 2016-02 will have on its financial statements.

Subsequent Events

BPA evaluated the effect subsequent events would have on the financial statements through February 1, 2022, which is the date the financial statements were available to be issued.

2. Pledges Receivable

Pledges receivable represent all outstanding unconditional promises to give commitments for contributions to BPA. Pledges are recorded as a receivable at the time a written pledge is received.

Pledges receivable are as follows:

	2021	2020
Receivable in less than one year	**$ 58,721**	$ 620,782
Receivable in two to five years	**252,000**	500,000
	310,721	1,120,782
Less: allowance for doubtful pledges	**(7,369)**	-
Total pledges receivable, net	**$ 303,352**	$ 1,120,782

3. Analysis of Expense by Functional and Natural Categories

Expenses by natural classification for the year ended August 31, 2021, are as follows:

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Production costs	$ 8,226,693	$ -	$ -	$ 8,226,693
Advertising and promotion	1,844,785	-	25	1,844,810
Box office	1,711,538	-	-	1,711,538
Concessions and parking	1,871,114	-	-	1,871,114
Salaries and wages	4,025,221	384,208	255,745	4,665,174
Benefits	991,786	54,026	43,517	1,089,329
Contract services	1,369,599	6,345	-	1,375,944
Office expenses	700,136	27,954	11,518	739,608
Donated rental expense	1,847,250	-	-	1,847,250
Utilities	487,773	-	-	487,773
Insurance	141,159	-	-	141,159
Equipment/building repairs	303,994	-	-	303,994
Travel	200,935	1,898	583	203,416
Production investment losses	-	312,842	-	312,842
Scholarships and grants	76,441	-	-	76,441
Miscellaneous	289,896	122,270	35,797	447,963
Depreciation expense	666,608	-	-	666,608
	$ 24,754,928	$ 909,543	$ 347,185	$ 26,011,656

Expenses by natural classification for the year ended August 31, 2020, are as follows:

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Production costs	$ 11,493,597	$ -	$ -	$ 11,493,597
Advertising and promotion	1,782,219	-	7,559	1,789,778
Box office	1,705,845	-	-	1,705,845
Concessions and parking	889,154	-	-	889,154
Salaries and wages	4,869,237	294,283	429,176	5,592,696
Benefits	1,154,600	47,178	75,853	1,277,631
Contract services	905,067	-	250	905,317
Office expenses	642,522	41,728	13,867	698,117
Donated rental expense	1,847,250	-	-	1,847,250
Utilities	403,848	-	-	403,848
Insurance	168,131	-	-	168,131
Equipment/building repairs	216,973	-	-	216,973
Travel	232,173	27,834	30,198	290,205
Production investment losses	-	69,442	-	69,442
Scholarships and grants	89,571	-	-	89,571
Miscellaneous	424,070	66,570	109,890	600,530
Depreciation expense	719,812	-	-	719,812
	$ 27,544,069	$ 547,035	$ 666,793	$ 28,757,897

4. Fair Value Measurements

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

- Level 1: Observable inputs such as quoted prices in active markets.

- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable. Money market funds are valued using $1 for the unit value using the market approach. Fixed income securities are valued on the basis of valuations provided by pricing services, which determines valuations using methods based upon market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders.

- Level 3: Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach which generally consists of net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The inputs used by the investment manager in estimating the value of Level 3 investments include Net Asset Value (“NAV”) and capital account values provided by the managers for investment fund positions, original transaction price, recent transactions in the same or similar instruments for private equity positions, original transaction price for the common stock position and a single broker quote for the corporate bond position.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The BPA’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Following is a description of the valuation methodologies used for the underlying assets measured at fair value. There have been no changes in the methodologies used at August 31, 2021 and 2020.

The following tables set forth by level, within the fair value hierarchy, BPA investments at fair value as of August 31, 2021 and 2020:

	August 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Short-term investments:				
Cash equivalents	$ -	$ 5,008,214	$ -	$ 5,008,214
Fixed income	-	30,800	-	30,800
Total short-term investments	$ -	$ 5,039,014	$ -	$ 5,039,314
Beneficial interest in assets held in trust	$ -	$ -	$ 28,386,156	$ 28,386,156

	August 31, 2020			
	Level 1	Level 2	Level 3	Fair Value
Short-term investments:				
Cash equivalents	$ -	$ 5,019,470	$ -	$ 5,019,470
Fixed income	-	31,295	-	31,295
Total short-term investments	$ -	$ 5,050,765	$ -	$ 5,050,765
Beneficial interest in assets held in trust	$ -	$ -	$ 23,655,043	$ 23,655,043

The investment portion of the beneficial interest in assets held in trust are considered by BPA 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. See Note 7 for a reconciliation of beginning and ending balances for beneficial interest in assets held in trust (Level 3) for the years ended August 31, 2021 and 2020, respectively.

5. Short-Term Investments and Endowment Investments

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 (Note 6). The fair value of short-term investments at August 31, 2021 and 2020 is summarized below:

	2021	2020
Short-term investments		
Cash equivalents	**$ 5,008,214**	$ 5,019,470
Bonds	**30,800**	31,295
Total short-term investments	**$ 5,039,014**	$ 5,050,765

During the fiscal year, there were no transfers to short-term investments from BPA's operating account. BPA's endowment investments of $17,203,385 and $14,326,347 are held by the Greater Charlotte Cultural Trust (the "Trust") as of August 31, 2021 and 2020, 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 return on endowments investments was $2,936,675 and $1,179,652 for the years ended August 31, 2021 and 2020, respectively.

Cash and liquid reserve levels of $11,384,362 and $10,436,851 on August 31, 2021 and 2020, respectively, were available to support operational needs and projects.

6. Beneficial Interest In The Campaign For Cultural Facilities

BPA 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. BPA 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 BPA has no control over the calculation of the annual spendable portion of these funds as of August 31, 2021, BPA is a named beneficiary of a portion of these funds. Accordingly, a beneficial interest has been included in the BPA's assets totaling $11,182,771 and $9,328,701 as of August 31, 2021 and 2020, respectively, representing BPA's interest in funds raised to date. Following the substantial collection of the contributions and pledges from the campaign and a twenty-four month holding period, the fund will become a quasi-endowment. The Trust expects this to occur during 2023.

7. Endowment Funds

BPA's endowment consists of eight individual funds established for a variety of purposes that are invested at the Trust as of August 31, 2021 and August 31, 2020, respectively (see Note 6). The endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. GAAP also provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of Uniform Prudent Management Institutional Fund Act ("UPMIFA").

Endowment net asset composition by type of fund for the investment portion of the endowment as of August 31, 2021 and 2020 is listed below:

	Without Donor Restrictions	With Donor Restrictions	Total
2021:			
Endowment funds	**$ 16,081,049**	**$ 12,305,107**	**$ 28,386,156**
2020:			
Endowment funds	$ 13,090,668	$ 10,564,375	$ 23,655,043

The Board of Directors of BPA 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.

In accordance with UPMIFA, BPA considered the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

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

The FFTC administers the endowed funds of the Trust. The Board of Directors of the Trust and ultimately BPA 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 4.50% for the years ending August 31, 2021 and August 31, 2020, respectively.

Changes in the investment portion of the endowment net assets for the years ended August 31, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 1, 2020	**$ 13,090,668**	**$ 10,564,375**	**$ 23,655,043**
Net investment return (gains/losses)	**2,517,085**	**2,268,821**	**4,785,906**
Contributions	**-**	**12,705**	**12,705**
Transfers out	**-**	**170,994**	**170,994**
Withdrawals	**-**	**(72,346)**	**(72,346)**
Released from donor restriction	**473,296**	**(473,296)**	**-**
Change in Greater Charlotte Cultural Trust	**-**	**(166,146)**	**(166,146)**
Endowment net assets, August 31, 2021	**$ 16,081,049**	**$ 12,305,107**	**$ 28,386,156**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 1, 2019	$ 12,423,222	$ 10,044,598	$ 22,467,820
Net investment return (gains/losses)	968,623	969,951	1,938,574
Contributions	-	109,104	109,104
Transfers out	-	121,060	121,060
Withdrawals	(772,000)	(82,571)	(854,571)
Released from donor restriction	470,823	(470,823)	-
Change in Greater Charlotte Cultural Trust	-	(126,944)	(126,944)
Endowment net assets, August 31, 2020	$ 13,090,668	$ 10,564,375	$ 23,655,043

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount recorded by BPA as donor restricted net assets (corpus). At August 31, 2021 and 2020, the fair value of each individual fund exceeded corpus.

8. Property And Equipment

At August 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Leasehold improvements	**$ 4,528,531**	$ 4,392,695
Computer equipment	**3,095,890**	3,004,739
Building equipment	**3,360,587**	3,334,590
Organ façade	**182,601**	182,601
Furniture and office equipment	**1,139,885**	1,143,053
Construction in process	**239,667**	248,782
Total property and equipment	**12,547,161**	12,306,460
Less: accumulated depreciation	**(10,456,046)**	(9,824,925)
Net property and equipment	**$ 2,091,115**	$ 2,481,535

BPA leases its facilities from the City and the County. See Note 9.

9. Facilities Leases

BPA has an agreement with Bank of America, N.A. to lease office space in one of its buildings. BPA 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 the year ended June 30, 2010, BPA entered into agreements with the City to lease and operate the Center and Knight Theater. BPA also has an agreement with the County to lease and operate Spirit Square. BPA 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, and the agreement to lease Spirit Square expired on June 30, 2007 at which time it converted to a month to month agreement.

In accordance with GAAP, BPA records the fair market value of the leases each year. In addition, BPA 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 3.2%, 3.5% and 4.3%. BPA recorded the fair value of the leases of $1,847,250 as donated rental expense and a corresponding release from restricted net assets, net of amortization of the discount, in the accompanying Statements of Activities for the year ended August 31, 2021 and August 31, 2020, respectively.

10. Deferred Revenues and Prepaid Event Expenses

BPA recognizes revenues and expenses related to an event at the time of the performance. At August 31, 2021 and 2020, the Center had received approximately $23,700,000 and $11,000,000, respectively, in advance ticket sales which has been deferred to the succeeding fiscal year. Related box office receivables were approximately $1,000,000 and $2,700,000 for the year ended August 31, 2021 and August 31, 2020, respectively. Related prepaid event expenses were approximately $1,425,000 and $673,000 for the year ended August 31, 2021 and August 31, 2020, respectively.

11. CARES Act / SVOG Program and PPP Loans

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security ("CARES") Act provides for the establishment of the Paycheck Protection Program ("PPP"), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

During the year ended August 31, 2020, BPA received a first draw of PPP loan totaling $1,723,525 ("1st PPP Loan") and elected to account for the funds received in accordance with ASC Topic 470, *Debt*. As of August 31, 2021, BPA spent all of the funds received under the 1st PPP Loan for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. During this same period, BPA received notification from the lender and Small Business Administration ("SBA") that the loan had had been forgiven and BPA had been relieved of its obligation for the liability. As a result, BPA recognized the outstanding principal together with the accrued interest of the 1st PPP Loan as a separate line item on the accompanying Statement of Activities.

During the year ended August 31, 2021, BPA received a second draw of PPP loan totaling $1,723,525 ("2nd PPP Loan") and elected to account for the funds received in accordance with ASC Topic 470, *Debt*. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. BPA believes it has used the proceeds of the 2nd PPP Loan for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. The loan accrues interest at a rate of 1% and has an original maturity date of five years. If BPA submits a loan forgiveness application to the lender within 10 months after the end of BPA's covered period (as defined by the PPP), then BPA will not be obligated to make any payments of principal or interest before the date on which the SBA remits the loan forgiveness amount to the lender or notifies the lender that no loan forgiveness is allowed. If BPA does not submit a loan forgiveness application to lender within 10 months after the end of the BPA's loan forgiveness covered period, BPA must begin paying principal and interest after that period. Any unforgiven portion of the PPP loan is payable in equal installments of principal and interest from the end of the covered period through the scheduled maturity date. In addition, to the extent the loan is not forgiven, any interest accrued during the covered period is due on the date of the first payment after the end of the covered period. As of the date the financial statements were available to be issued, BPA has not submitted a loan forgiveness application to the lender, however, management has represented that they fully intend to submit the application within 10 months after the end of BPA's covered period. As a result, BPA has elected to classify the outstanding balance of the 2nd PPP Loan as a current liability in the accompanying balance sheet given it expects to receive forgiveness within the next operating cycle.

During 2021, BPA received $8,276,475 from the Shuttered Venue Operators Grant (“SVOG”) program. This program was established in Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) signed into law on December 27, 2020. Section 324 of the Economic Aid Act was amended by Section 5005 of the American Rescue Plan Act signed into law on March 11, 2021. Funds received from this grant are used for expenses such as payments to independent contractors, payroll, utilities, advertising, other ordinary and necessary business expenses, and capital expenditures. For the year ended August 31, 2021, $5,905,753 was recorded on the accompanying Statement of Activities. As of August 31, 2021, BPA has a remaining balance of $2,370,722 that is recorded as “Deferred contribution revenue” on the accompanying Statements of Financial Position.

12. Employee Benefit Plans

BPA 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. BPA 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, 2021 and 2020, BPA’s contribution to the plan was approximately $215,000 and $258,000, respectively.

BPA provides separate supplemental employee retirement plans for its president and former president. The former president is covered under an annuity contract which, beginning in fiscal 1998, was partially funded by investing in a trust which BPA is the owner of the trust assets. The current president is covered under a defined contribution plan. BPA recorded no expenses related to the plans for the years ended August 31, 2021 and 2020. The trust assets are recorded as an asset in BPA’s financial statements and the corresponding liability has also been recorded.

13. Restrictions and Limitations on Net Asset Balances

BPA’s net assets with donor restrictions were released as follows for the years ended August 31, 2021 and 2020:

	2021	2020
Donated rental expense, net of amortization of discount	**$ 209,089**	$ 286,059
Donor designated gifts released	**584,511**	733,847
Campaign for Cultural Facilities donations released from restriction	**473,296**	470,823
Distribution from endowment	**-**	(772,000)
Total net assets released from donor restrictions	**$ 1,266,896**	$ 718,729

BPA’s net assets with donor restrictions are for the following purposes:

	2021	2020
Gross value of leaseholds with City, County and Bank of America, N.A.	**$ 4,590,029**	$ 4,599,227
Less: net rental expense recognized to date	**(209,089)**	(286,059)
Present value of leaseholds with City and County	**4,380,940**	4,313,168
Booth Playhouse endowment	**485,261**	423,944
Performing arts scholarship fund	**774,436**	738,944
Other restricted donor contributions	**1,552,979**	1,805,974
Beneficial interest in The Campaign for Cultural Facilities	**9,375,891**	7,995,116
Education institute endowment	**1,167,695**	963,075
Other scholarship funds	**501,824**	443,291
Total net assets with donor restrictions	**$ 18,239,026**	$ 16,683,512

14. Concentrations

During the years ended August 31, 2021 and 2020, BPA had sales from a presentation that comprised of 15% and 13% of total sales.

Some of BPA's employees (representing approximately 6% and 14% of payroll expense for the years ended August 31, 2021 and 2020, respectively) are members of the International Alliance of Theatrical Stage Employees Local #322. BPA's contract with the union expires June 30, 2022. BPA's other employees are not represented by a union.

15. COVID-19

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which BPA operates. While it is unknown how long these conditions will last and what the complete financial effect will be, to date, BPA has experienced loss of revenues due to the cancellation of performances and events. Additionally, the pandemic may have a significant impact on management's accounting estimates and assumptions.