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

Independent Auditor's Report and Financial Statements

August 31, 2023 and 2022

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FORVIS

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 Performing Arts") (the "BPA"), which comprise the statements of financial position as of August 31, 2023 and 2022, 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 BPA as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - New Accounting Standard

As discussed in Note 1 to the financial statements, BPA has changed its method of accounting for leases in 2023 due to the adoption of Accounting Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit 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 BPA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 BPA'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.

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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 BPA'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 BPA'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, LLP

Greenville, South Carolina
December 21, 2023

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Financial Position
August 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 18,515,705**	$ 18,811,549
Receivables:		
Pledges receivable, net	**111,818**	378,547
Operations accounts receivable, net	**4,292,263**	3,681,481
Prepaid and other current assets	**2,263,501**	2,166,158
Short-term investments	**1,900,060**	29,665
Total current assets	**27,083,347**	25,067,400
Non-current assets:		
Investments in performances	**1,460,696**	1,313,796
Nonqualified deferred compensation plan assets	**994,019**	997,997
Property and equipment, net	**2,273,851**	2,202,187
Right-of-use operating lease assets	**2,355,991**	-
Present value of future lease contributions	**3,953,352**	4,171,463
Beneficial interest in assets held in trust	**25,513,532**	24,383,036
Total non-current assets	**36,551,441**	33,068,479
Total assets	**$ 63,634,788**	$ 58,135,879

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Financial Position
August 31, 2023 and 2022 **(Continued)**

	2023	2022
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 1,025,410**	$ 821,144
Accrued expenses	**2,945,219**	1,828,601
Deferred revenue	**15,527,038**	15,755,054
Current portion of operating lease liabilities	**413,188**	-
Total current liabilities	**19,910,855**	18,404,799
Operating lease liabilities, less current portion	**1,975,170**	-
Nonqualified deferred compensation liability	**994,019**	997,997
Total liabilities	**22,880,044**	19,402,796
Net assets:		
Without donor restrictions	**25,337,464**	23,348,823
With donor restrictions	**15,417,280**	15,384,260
Total net assets	**40,754,744**	38,733,083
Total liabilities and net assets	**$ 63,634,788**	$ 58,135,879

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Activities
Years ended August 31, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions		
Operating activities		
Operating revenues and other support		
Theater event collections	**$ 41,649,773**	$ 45,531,109
Contributions and grant revenues	**2,007,634**	1,853,082
SVOG revenue	**-**	2,370,722
Employee retention credit	**1,209,631**	-
Building maintenance support	**150,000**	227,026
Present value adjustments of future lease contributions	**1,629,139**	1,637,773
Return on investments available for operations	**543,145**	15,147
Change in beneficial interest of assets held in trust, net	**886,617**	(1,994,727)
Other revenues	**520,864**	464,950
PPP loan forgiveness	**-**	1,723,525
Net assets released from restriction	**1,428,088**	1,387,282
Total revenues and other support without donor restrictions	**50,024,891**	53,215,889
Operating expenses		
Program expenses:		
Events	**31,860,593**	37,127,941
Operations	**11,993,486**	12,031,403
Donated rental expense	**1,847,250**	1,847,250
Total program expenses	**45,701,329**	51,006,594
Development	**907,796**	556,539
Management and general	**1,427,125**	1,486,623
Total operating expenses	**48,036,250**	53,049,756
Change in net assets without donor restrictions	**1,988,641**	166,133
Changes in net assets with donor restrictions		
Contributions	**572,285**	478,245
Change in beneficial interest of assets held in trust, net	**888,823**	(1,945,729)
Net assets released from restriction	**(1,428,088)**	(1,387,282)
Change in net assets with donor restrictions	**33,020**	(2,854,766)
Change in net assets	**2,021,661**	(2,688,633)
Net assets, beginning of year	**38,733,083**	41,421,716
Net assets, end of year	**$ 40,754,744**	$ 38,733,083

See accompanying notes.

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Cash Flows
Years ended August 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 2,021,661	$ (2,688,633)
Adjustments to reconcile change in net assets to net cash flows provided (used) by operating activities:		
Depreciation	543,576	605,645
Amortization of right-of-use assets	412,230	-
Net change in beneficial interest in assets held in trust	(1,775,440)	3,940,457
Change in present value of future lease contributions	218,111	209,477
Change in allowance for doubtful accounts	7,454	4,416
PPP loan forgiveness	-	(1,723,525)
Change in operating assets and liabilities:		
Pledges receivable	259,275	(75,110)
Operations accounts receivable	(610,782)	(2,300,038)
Prepaid and other current assets	(97,343)	(249,473)
Accounts payable	204,266	(5,793)
Accrued expenses	1,116,618	(526,122)
Deferred revenues	(228,016)	(7,974,230)
Deferred contribution revenue	-	(2,370,722)
Repayment of operating lease liabilities	(379,863)	-
Net cash provided (used) by operating activities	1,691,747	(13,153,651)
Cash flows from investing activities:		
Purchase of short-term investments, net of sales of short-term investments	(1,225,451)	5,072,012
Advances for future performances, net of royalties received	(146,900)	(405,231)
Net change in nonqualified deferred compensation plan assets	3,978	(21,021)
Net change in nonqualified deferred compensation plan liability	(3,978)	21,021
Purchases of property and equipment	(615,240)	(716,717)
Net cash provided (used) by investing activities	(1,987,591)	3,950,064
Net decrease in cash and cash equivalents	(295,844)	(9,203,587)
Cash and cash equivalents, beginning of year	18,811,549	28,015,136
Cash and cash equivalents, end of year	$ 18,515,705	$ 18,811,549

Notes to Financial Statements

1. Summary Of Significant Accounting Policies and Organizational Policy

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. Spirit Square Center for Arts and Education ("Spirit Square"), which contained the 730-seat McGlohon Theater and the 182-seat Duke Energy Theater that BPA also managed, closed in September 2021 for renovations and is expected to reopen upon completion of the project in the future. 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 several resident arts organizations including Charlotte Symphony, Opera Carolina, Charlotte Ballet, Jazz Arts Initiative, Carolina Voices, Caroline Calouche & Co., and Tosco Music Party. 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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. BPA recognizes as without donor restricted revenue any donor-restricted contributions whose restrictions are met in the same reporting period as received.
>
> 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 in perpetuity. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

BPA considers all liquid investments with original maturities of three months or less to be cash equivalents. BPA considers uninvested cash held in investment accounts as cash or cash equivalents. At August 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit, with a maturity date of three months or less. 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.

Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts of approximately $8,000 at August 31, 2023 and 2022. BPA provides for losses on receivables 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.

Short Term Investments

Investments with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit 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 in the accompanying Statements 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 Statements of Activities.

BPA 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, 2023 and 2022 were 37,056 and 48,021, respectively.

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. 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:

Theater event collections
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 $15,500,000 and $15,800,000 at August 31, 2023 and 2022, 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.

Contributions and grant revenues
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.

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.

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.

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, 2023 and 2022 was approximately $3,267,000 and $3,797,000, 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.

Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit ("ERC"). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021. For 2021, the credit is available for 70 percent of qualified wages for 2021 with a maximum potential credit per qualified employee of $7,000 per qualified quarter.

BPA qualifies for the ERC based on a reduction in gross receipts of 20 percent or greater in certain quarters of 2021 and has elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. BPA incurred qualifying wages in 2021 and has recognized $1,209,631 for the year ended August 31, 2023 as operating income in the statements of activities.

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, 2023 and 2022, 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.

Adoptions of a New Accounting Standard

On September 1, 2022, BPA adopted the requirements of Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use ("ROU") asset and lease liability on the statement of financial position. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, BPA elected to use the alternative transition method to measure and recognize leases that existed at September 1, 2022. For leases existing at the effective date, BPA elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. BPA elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, BPA elected the practical expedients to use the risk-free discount rate and to not record a ROU asset and obligation for leases with an initial term of 12 months or less. The adoption did not have an impact on net assets.

The most significant impact of adoption was the recognition of $2,547,764 of both ROU assets and operating lease liabilities at September 1, 2022.

Reclassification

Certain short term investments representing money market accounts approximating $5,999,000 in the 2022 statement of financial position were reclassified to cash and cash equivalents in order to conform to the 2023 presentation. This reclassification had no effect on changes in net assets.

Subsequent Events

BPA evaluated the effect subsequent events would have on the financial statements through December 21, 2023, 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:

	2023	2022
Receivable in less than one year	**$ 119,272**	$ 386,001
Less: allowance for doubtful pledges	**(7,454)**	(7,454)
Total pledges receivable, net	**$ 111,818**	$ 378,547

3. Analysis of Expense by Functional and Natural Categories

Expenses by natural classification for the year ended August 31, 2023, are as follows:

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Production costs	$ 24,781,264	$ -	$ -	$ 24,781,264
Advertising and promotion	3,203,932	-	62,892	3,266,824
Box office	2,022,718	-	-	2,022,718
Concessions and parking	1,852,679	-	-	1,852,679
Salaries and wages	5,855,774	417,349	457,050	6,730,173
Benefits	1,455,018	55,593	57,209	1,567,820
Contract services	797,124	24,000	500	821,624
Office expenses	772,132	119,283	22,807	914,222
Donated rental expense	1,847,250	-	-	1,847,250
Utilities	351,092	-	-	351,092
Insurance	271,590	-	-	271,590
Equipment/building repairs	196,221	-	-	196,221
Travel	721,049	122,458	245,369	1,088,876
Production investment losses	-	249,684	-	249,684
Scholarships and grants	58,063	-	-	58,063
Miscellaneous	971,847	438,758	61,969	1,472,574
Depreciation expense	543,576	-	-	543,576
	$ 45,701,329	$ 1,427,125	$ 907,796	$ 48,036,250

Expenses by natural classification for the year ended August 31, 2022, are as follows:

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Production costs	$ 29,544,134	$ -	$ -	$ 29,544,134
Advertising and promotion	3,673,711	-	123,312	3,797,023
Box office	2,062,892	-	-	2,062,892
Concessions and parking	1,626,877	-	-	1,626,877
Salaries and wages	5,396,028	378,307	208,139	5,982,474
Benefits	1,289,062	58,264	29,338	1,376,664
Contract services	881,671	378	650	882,699
Office expenses	959,156	62,251	14,244	1,035,651
Donated rental expense	1,847,250	-	-	1,847,250
Utilities	569,013	-	-	569,013
Insurance	299,403	-	-	299,403
Equipment/building repairs	628,870	-	-	628,870
Travel	411,607	64,279	52,535	528,421
Production investment losses	-	197,535	-	197,535
Scholarships and grants	72,492	-	-	72,492
Miscellaneous	1,138,783	725,609	128,321	1,992,713
Depreciation expense	605,645	-	-	605,645
	$ 51,006,594	$ 1,486,623	$ 556,539	$ 53,049,756

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.

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.

There have been no changes in the methodologies used at August 31, 2023 and 2022.

The following tables set forth by level, within the fair value hierarchy, BPA investments at fair value as of August 31, 2023 and 2022:

	August 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Assets:				
Deferred compensation assets	$ -	$ 994,019	$ -	$ 994,019
Beneficial interest in assets held in trust	$ -	$ -	$ 25,513,532	$ 25,513,532

	August 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Assets:				
Short-term investments:				
Fixed income	$ -	$ 29,665	$ -	$ 29,665
Deferred compensation assets	-	997,997	-	997,997
Total short-term investments and deferred compensation assets	$ -	$ 1,027,662	$ -	$ 1,027,662
Beneficial interest in assets held in trust	$ -	$ -	$ 24,383,036	$ 24,383,036

The BPA had approximately $1,900,000 of certificate of deposits included in short term investments as of August 31, 2023, which were not classified as a level.

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, 2023 and 2022.

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).

BPA's endowment investments of $15,163,566 and $14,746,444 are held by the Greater Charlotte Cultural Trust (the "Trust") as of August 31, 2023 and 2022, 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 on endowments investments was $1,062,066 for the year ended August 31, 2023, and the losses on endowments investments was $2,394,277 for the year ended August 31, 2022, and is included in change in beneficial interest of assets held in trust, net on the statement of activities.

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, 2023, BPA is a named beneficiary of a portion of these funds. Accordingly, a beneficial interest has been included in the BPA's assets totaling $10,349,966 and $9,636,592 as of August 31, 2023 and 2022, respectively, representing BPA's interest in funds raised to date.

7. Endowment Funds

BPA's endowment consists of nine individual funds established for a variety of purposes that are invested at the Trust as of August 31, 2023 and 2022, 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, 2023 and 2022 is listed below:

	Without Donor Restrictions	With Donor Restrictions	Total
2023:			
Endowment funds	**$ 15,494,650**	**$ 10,018,882**	**$ 25,513,532**
2022:			
Endowment funds	$ 14,634,625	$ 9,748,411	$ 24,383,036

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 4.25% and 4.50% for the years ending August 31, 2023 and 2022, respectively.

Changes in the investment portion of the endowment net assets for the years ended August 31, 2023 and 2022 are as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, September 1, 2022	**$ 14,634,625**	**$ 9,748,411**	**$ 24,383,036**
Net investment return	**886,617**	**881,846**	**1,768,463**
Contributions	**-**	**7,449**	**7,449**
Transfers in	**-**	**172,860**	**172,860**
Withdrawals	**(499,997)**	**(152,396)**	**(652,393)**
Released from donor restriction	**473,405**	**(473,405)**	**-**
Change in Greater Charlotte Cultural Trust	**-**	**(165,883)**	**(165,883)**
Endowment net assets, August 31, 2023	**$ 15,494,650**	**$ 10,018,882**	**$ 25,513,532**

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, September 1, 2021	$ 16,081,049	$ 12,305,107	$ 28,386,156
Net investment losses	(1,994,727)	(1,929,933)	(3,924,660)
Contributions	-	4,829	4,829
Transfers in	-	114,322	114,322
Withdrawals	-	(67,492)	(67,492)
Released from donor restriction	548,303	(548,303)	-
Change in Greater Charlotte Cultural Trust	-	(130,119)	(130,119)
Endowment net assets, August 31, 2022	$ 14,634,625	$ 9,748,411	$ 24,383,036

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, 2023 and 2022, the fair value of each individual fund exceeded corpus.

8. Property And Equipment

At August 31, 2023 and 2022, property and equipment consisted of the following:

	2023	2022
Leasehold improvements	**$ 3,069,865**	$ 5,260,338
Computer equipment	**347,414**	3,095,890
Building equipment	**903,846**	3,452,021
Organ façade	**-**	182,601
Furniture and office equipment	**28,355**	1,139,885
Construction in process	**325,063**	133,144
Total property and equipment	**4,674,543**	13,263,879
Less: accumulated depreciation	**(2,400,692)**	(11,061,692)
Net property and equipment	**$ 2,273,851**	$ 2,202,187

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. While Spirit Square is under renovation and not currently in use, the rights to lease and operate the Theaters are expected to resume upon completion of the project.

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 3.5% and 4.3% for Bank of America and Knight Theater, respectively. BPA recorded the fair value of the leases of $1,847,250 as donated rental expense, net of amortization of the discount, in the accompanying Statements of Activities for the year ended August 31, 2023 and 2022.

10. Leases under ASC 842

The BPA 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 year ended August 31, 2023:

Operating lease cost (Operations)	$ 499,897

Cash paid for amounts included in the measurement of lease liabilities for the year ended August 31, 2023 is as follows:

Operating cash flows for operating leases	$ 379,863

The following table presents lease-related assets and liabilities at August 31, 2023:

Operating leases:	
Right-of-use operating lease assets	$ 2,355,991
Current operating lease liabilities	$ 413,188
Noncurrent operating lease liabilities	1,975,170
Total operating lease liabilities	$ 2,388,358

Other information:

Weighted-average remaining lease term – operating leases	5.73 years
Weighted-average discount rate – operating leases	3.43%

The following schedule summarizes the BPA's future minimum payments under contractual obligations for operating liabilities under Topic 842:

2024	$ 488,562
2025	436,950
2026	426,344
2027	436,766
2028	406,708
Thereafter	443,706
Total	$ 2,639,036
Less: present value discount	(250,678)
Total lease liability	$ 2,388,358

11. Deferred Revenues and Prepaid Event Expenses

BPA recognizes revenues and expenses related to an event at the time of the performance. At August 31, 2023 and 2022, the Center had received approximately $15,500,000 and $15,800,000, respectively, in advance ticket sales which has been deferred to the succeeding fiscal year. Related box office receivables were approximately $3,400,000 and $3,300,000 for the year ended August 31, 2023 and 2022, respectively. Related prepaid event expenses were approximately $1,274,000 and $1,081,000 for the year ended August 31, 2023 and 2022, respectively.

12. 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, 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. During the year ended August 31, 2022, BPA received notification from the lender and Small Business Administration ("SBA") that the loan 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 2nd PPP Loan as a separate line item on the accompanying Statement of Activities.

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, 2022, $2,370,722 was recorded on the accompanying Statement of Activities.

13. 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, 2023 and 2022, BPA's contribution to the plan was approximately $270,000 and $210,000, 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, 2023 and 2022. The trust assets are recorded as an asset in BPA's financial statements and the corresponding liability has also been recorded.

14. Restrictions and Limitations on Net Asset Balances

BPA's net assets with donor restrictions were released as follows for the years ended August 31, 2023 and 2022:

	2023	2022
Donated rental expense, net of amortization of discount	**$ 218,111**	$ 209,477
Donor designated gifts released	**636,572**	629,502
Campaign for Cultural Facilities donations released from restriction	**473,405**	548,303
Education Endowment released for distribution	**100,000**	-
Total net assets released from donor restrictions	**$ 1,428,088**	$ 1,387,282

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

	2023	2022
Gross value of leaseholds with City, County and Bank of America, N.A.	**$ 4,171,463**	$ 4,380,940
Less: net rental expense recognized to date	**(218,111)**	(209,477)
Present value of leaseholds with City and County	**3,953,352**	4,171,463
Booth Playhouse endowment	**448,339**	422,441
Performing arts scholarship fund	**598,344**	614,587
Other restricted donor contributions	**1,445,046**	1,464,386
Beneficial interest in The Campaign for Cultural Facilities	**7,521,378**	7,281,408
Education institute endowment	**987,362**	1,000,673
Other scholarship funds	**463,459**	429,302
Total net assets with donor restrictions	**$ 15,417,280**	$ 15,384,260

15. Concentrations

During the years ended August 31, 2023 and 2022, BPA had ticket sales from a single theater production within that year that comprised of 10% and 26%, respectively, of total theater event collections revenue.

Some of BPA's employees (representing approximately 19% and 21% of payroll expense for the years ended August 31, 2023 and 2022, respectively) are members of the International Alliance of Theatrical Stage Employees Local #322. BPA's contract with the union expires June 30, 2026. BPA's other employees are not represented by a union.

16. Availability and Liquidity

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

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	**$ 18,515,705**	$ 18,811,549
Operations accounts receivable	**4,292,263**	3,681,481
Short-term investments	**1,900,060**	29,665
Financial assets available to meet general expenditures over the next twelve months	**$ 24,708,028**	$ 22,522,695