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

Financial Statements

Years ended August 31, 2020 and 2019

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

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

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, 2020 and 2019, 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, 2020 and 2019, 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.

Dixon Hughes Goodman LLP

Charlotte, North Carolina
December 2, 2020

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Financial Position
August 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 4,746,841**	$ 10,142,856
Receivables:		
Pledges receivable, net	**620,782**	262,530
Operations accounts receivable, net	**3,152,230**	4,579,706
Prepaid and other current assets	**1,111,535**	1,035,852
Short-term investments	**5,050,765**	2,772,685
Total current assets	**14,682,153**	18,793,629
Non-current assets:		
Pledges receivable - long term, net	**500,000**	239,058
Investments in performances	**982,910**	920,596
Nonqualified deferred compensation plan assets	**773,722**	558,874
Property and equipment, net	**2,481,535**	2,838,373
Present value of future lease contributions	**4,313,168**	4,599,227
Beneficial interest in assets held in trust	**23,655,043**	22,467,820
Total non-current assets	**32,706,378**	31,623,948
Total assets	**$ 47,388,531**	$ 50,417,577

	2020	2019
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 180,667**	$ 645,835
Accrued expenses	**1,105,929**	1,526,163
Deferred revenue	**10,971,596**	13,914,472
Current portion of note payable	**950,573**	-
Total current liabilities	**13,208,765**	16,086,470
Nonqualified deferred compensation liability	**773,722**	558,874
Note payable, net of current portion	**772,952**	-
Total liabilities	**14,755,439**	16,645,344
Net assets:		
Without donor restrictions	**15,949,580**	18,277,084
With donor restrictions	**16,683,512**	15,495,149
Total net assets	**32,633,092**	33,772,233
Total liabilities and net assets	**$ 47,388,531**	$ 50,417,577

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Activities
Years ended August 31, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions		
Operating activities		
Operating revenues and other support		
Theater event collections	**$ 19,366,422**	$ 40,001,296
Contributions and grant revenues	**2,413,827**	1,903,804
Building maintenance support	**914,526**	914,526
Present value adjustments of future lease contributions	**1,561,191**	663,736
Return on investments available for operations	**37,615**	57,385
Change in beneficial interest of assets held in trust, net	**968,628**	5,731
Other revenues	**449,455**	289,316
Net assets released from restriction	**718,729**	2,448,038
Total revenues and other support without donor restrictions	**26,430,393**	46,283,832
Operating expenses		
Program expenses:		
Events	**16,028,525**	31,306,417
Operations	**9,668,294**	10,890,957
Donated rental expense	**1,847,250**	1,847,250
Total program expenses	**27,544,069**	44,044,624
Development	**666,793**	853,334
Management and general	**547,035**	832,116
Total operating expenses	**28,757,897**	45,730,074
Change in net assets without donor restrictions	**(2,327,504)**	553,758
Changes in net assets with donor restrictions		
Contributions	**1,715,030**	747,102
Change in beneficial interest of assets held in trust, net	**192,062**	(54,083)
Net assets released from restriction	**(718,729)**	(2,448,038)
Change in net assets with donor restrictions	**1,188,363**	(1,755,019)
Change in net assets	**(1,139,141)**	(1,201,261)
Net assets, beginning of year	**33,772,233**	34,973,494
Net assets, end of year	**$ 32,633,092**	$ 33,772,233

See accompanying notes.

North Carolina Performing Arts Center at Charlotte Foundation
Statements of Cash Flows
Years ended August 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (1,139,141)**	$ (1,201,261)
Adjustments to reconcile change in net assets to net cash flows used by operating activities		
Depreciation	**719,815**	692,677
Realized and unrealized gains	**(2,278,080)**	(40,217)
Net change in beneficial interest in assets held in trust	**(1,213,756)**	69,666
Change in present value of future lease contributions	**286,059**	1,183,514
Change in allowance for doubtful accounts	**10,313**	3,884
Change in operating assets and liabilities:		
Pledges receivable	**(629,507)**	282,216
Operations accounts receivable	**1,427,476**	(512,583)
Prepaid and other current assets	**(75,683)**	(18,151)
Accounts payable	**(465,168)**	186,042
Accrued expenses	**(420,234)**	(910,570)
Deferred revenues	**(2,942,876)**	(7,266,373)
Net cash used by operating activities	**(6,720,782)**	(7,531,156)
Cash flows from investing activities:		
Purchase of short-term investments, net of sales of short-term investments	**26,533**	18,190
Advances for future performances, net of royalties received	**(62,314)**	(299,320)
Net change in nonqualified deferred compensation plan assets	**(214,848)**	(175,172)
Net change in nonqualified deferred compensation plan liability	**214,848**	175,172
Purchases of property and equipment	**(362,977)**	(605,085)
Net cash used by investing activities	**(398,758)**	(886,215)
Cash flow from financing activities:		
Proceeds from issuance of note payable	**1,723,525**	-
Net cash provided by financing activities	**1,723,525**	-
Net decrease in cash and cash equivalents	**(5,396,015)**	(8,417,371)
Cash and cash equivalents, beginning of year	**10,142,856**	18,560,227
Cash and cash equivalents, end of year	**$ 4,746,841**	$ 10,142,856

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 $14,000 and $24,000 at August 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019 were 24,937 and 47,645, respectively.

Revenue Recognition

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.

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.

Deferred revenue represents cash received from advance ticket sales. Ticket sale revenue is recorded after the related performances are completed and associated cost settlements are calculated.

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

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, 2020 and 2019 was approximately $1,790,000 and $2,230,000, 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, 2020 and 2019, BPA has accrued $22,500 and $27,500 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.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. BPA will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, which was subsequently deferred by an additional year due to the COVID-19 pandemic. ASU 2014-09, as deferred by ASU 2015-14, will be effective for BPA August 31, 2021 year end using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. BPA has not yet selected a transition method and is currently evaluating the effect of the pending adoption of ASU 2014-09 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes Topic 840, *Leases*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less for which there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the lease term. Certain qualitative disclosures along with specific quantitative disclosures will be required, so that users are able to understand more about the nature of an entity's leasing activities. ASU 2016-02 is effective for BPA August 31, 2022 year end. At transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients related to the identification and classification of leases that commenced before the effective date of ASU 2016-02. An entity that elects to use the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. BPA is currently evaluating the effect the adoption of this standard will have on its financial statements.

Subsequent Events

BPA evaluated the effect subsequent events would have on the financial statements through December 2, 2020, 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:

	2020	2019
Receivable in less than one year	**$ 620,782**	$ 262,530
Receivable in two to five years	**500,000**	239,058
Total pledges receivable, net	**$ 1,120,782**	$ 501,588

3. Analysis of Expense by Functional and Natural Categories

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

Expenses by natural classification for the year ended August 31, 2019, are as follows:

	Program service expenses	Management and general expenses	Fundraising expenses	Total
Production costs	$ 25,331,417	$ -	$ -	$ 25,331,417
Advertising and promotion	2,191,013	-	38,567	2,229,580
Box office	1,863,843	-	-	1,863,843
Concessions and parking	1,364,012	-	-	1,364,012
Salaries and wages	4,855,371	310,491	437,747	5,603,609
Benefits	1,118,726	44,466	70,527	1,233,719
Contract services	1,445,046	8,092	1,650	1,454,788
Office expenses	751,424	49,867	32,518	833,809
Donated rental expense	1,847,250	-	-	1,847,250
Utilities	517,345	-	-	517,345
Insurance	182,771	-	-	182,771
Equipment/building repairs	356,545	-	-	356,545
Travel	621,259	78,317	49,033	748,609
Production investment losses	-	125,000	-	125,000
Scholarships and grants	79,857	-	-	79,857
Miscellaneous	826,068	215,883	223,292	1,265,243
Depreciation expense	692,677	-	-	692,677
	$ 44,044,624	$ 832,116	$ 853,334	$ 45,730,074

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, 2020 and 2019.

The following tables set forth by level, within the fair value hierarchy, BPA investments at fair value as of August 31, 2020 and 2019:

	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**

	August 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Short-term investments:				
Cash equivalents	$ -	$ 2,742,335	$ -	$ 2,742,335
Fixed income	-	30,350	-	30,350
Total short-term investments	$ -	$ 2,772,685	$ -	$ 2,772,685
Beneficial interest in assets held in trust	$ -	$ -	$ 22,467,820	$ 22,467,820

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, 2020 and 2019, 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, 2020 and 2019 is summarized below:

	2020	**2019**
Short-term investments		
Cash equivalents	**$ 5,019,470**	$ 2,742,335
Bonds	**31,295**	30,350
Total short-term investments	**$ 5,050,765**	$ 2,772,685

During the fiscal year, $2,250,000 was transferred to short-term investments from BPA's operating account. BPA's endowment investments of $14,326,347 and $13,120,162 are held by the Greater Charlotte Cultural Trust (the "Trust") as of August 31, 2020 and 2019, 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 $1,179,652 and $57,694 for the years ended August 31, 2020 and 2019, respectively.

Cash and liquid reserve levels of $10,436,851 and $8,362,782 on August 31, 2020 and 2019, 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, 2020, BPA is a named beneficiary of a portion of these funds. Accordingly, a beneficial interest has been included in the BPA's assets totaling $9,328,701 and $9,347,658 as of August 31, 2020 and 2019, 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, 2020 and August 31, 2019, 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, 2020 and 2019 is listed below:

	Without Donor Restrictions	With Donor Restrictions	Total
2020:			
Endowment funds	$ 13,090,668	$ 10,564,375	$ 23,655,043
2019:			
Endowment funds	$ 12,423,222	$ 10,044,598	$ 22,467,820

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, 2020 and August 31, 2019, respectively.

Changes in the investment portion of the endowment net assets for the years ended August 31, 2020 and 2019 are as follows:

	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**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 1, 2018	$ 12,030,700	$ 10,524,976	$ 22,555,676
Net investment return (gains/losses)	5,731	(46,249)	(40,518)
Contributions	-	42,024	42,024
Transfers out	-	200,033	200,033
Withdrawals	-	(81,528)	(81,528)
Released from donor restriction	386,791	(386,791)	-
Change in Greater Charlotte Cultural Trust	-	(207,867)	(207,867)
Endowment net assets, August 31, 2019	$ 12,423,222	$ 10,044,598	$ 22,467,820

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, 2020 and 2019, the fair value of each individual fund exceeded corpus.

8. Property And Equipment

At August 31, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Leasehold improvements	**$ 4,392,695**	$ 4,392,695
Computer equipment	**3,004,739**	3,004,739
Building equipment	**3,334,590**	3,186,550
Organ façade	**182,601**	182,601
Furniture and office equipment	**1,143,053**	1,143,053
Construction in process	**248,782**	33,845
Total property and equipment	**12,306,460**	11,943,483
Less: accumulated depreciation	**(9,824,925)**	(9,105,110)
Net property and equipment	**$ 2,481,535**	$ 2,838,373

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 lease agreement expires on March 31, 2021. 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, 2020 and August 31, 2019, 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, 2020 and 2019, the Center had received approximately $11.0 million and $13.9 million, respectively, in advance ticket sales which has been deferred to the succeeding fiscal year. Related box office receivables were approximately $2.7 million and $3.7 million for the year ended August 31, 2020 and August 31, 2019, respectively. Related prepaid event expenses were approximately $673,000 and $765,000 for the year ended August 31, 2020 and August 31, 2019, respectively.

In addition, BPA has deferred advertising revenue of approximately $0 and $100,000 for the year ended August 31, 2020 and August 31, 2019, respectively, related to performances that occur in the succeeding fiscal year.

11. Note Payable

BPA received a loan from Pinnacle Bank in the amount of $1,723,525 under Paycheck Protection Program of the 2020 CARES Act ("PPP") administered by the Small Business Administration. The loan is subject to a note dated April 30, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether BPA will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1.00% and is payable in monthly installments of principal and interest over 24 months beginning 7 months from the date of the note. The loan may be repaid at any time with no prepayment penalty.

Future maturity on note payable is as follows:

2021	$ 950,573
2022	772,952
	$ 1,723,525

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, 2020 and 2019, BPA's contribution to the plan was approximately $258,000 and $239,000, 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, 2020 and 2019. The trust assets are recorded as an asset in BPA's financial statements and the corresponding liability has also been recorded.

13. Concentrations

During the years ended August 31, 2020 and 2019, BPA had sales from a presentation that comprised of 13% and 21% of total sales.

Some of BPA's employees (representing approximately 14% and 22% of payroll expense for the years ended August 31, 2020 and 2019, 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.

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, 2020 and 2019:

	2020	2019
Donated rental expense, net of amortization of discount	**$ 286,059**	$ 1,183,514
Donor designated gifts released	**733,847**	877,733
Campaign for Cultural Facilities donations released from restriction	**470,823**	386,791
Distribution from endowment	**(772,000)**	-
Total net assets released from donor restrictions	**$ 718,729**	$ 2,448,038

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

	2020	2019
Gross value of leaseholds with City, County and Bank of America, N.A.	**$ 4,599,227**	$ 5,782,741
Less: net rental expense recognized to date	**(286,059)**	(1,183,514)
Present value of leaseholds with City and County	**4,313,168**	4,599,227
Booth Playhouse endowment	**423,944**	389,017
Performing arts scholarship fund	**738,944**	759,675
Other restricted donor contributions	**1,805,974**	851,323
Beneficial interest in The Campaign for Cultural Facilities	**7,995,116**	7,712,897
Education institute endowment	**963,075**	872,101
Other scholarship funds	**443,291**	310,909
Total net assets with donor restrictions	**$ 16,683,512**	$ 15,495,149

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. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. 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 COVID-19 pandemic has disrupted the operational and financial performance of our business and there is significant uncertainty in the nature and degree of its continued effects on our business over time. The extent to which it will impact our business going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on our customers, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.