

**WALTON ARTS CENTER**

**June 30, 2021 and 2020**

**Combined Financial Statements  
And  
Supplementary Information**

**With**

**Independent Auditor's Report**



**FROST**, PLLC  
Certified Public Accountants

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## **Independent Auditor's Report**

Board of Directors  
Walton Arts Center  
Fayetteville, Arkansas

We have audited the accompanying combined financial statements of the Walton Arts Center (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Walton Arts Center as of June 30, 2021 and 2020, 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**

As discussed in Note 1.a., the Walton Arts Center Council, Inc. operates Walmart Arkansas Music Pavilion through its wholly-owned subsidiary, NWA Entertainment, LLC (“NWA”). NWA has a fiscal year-end of March 31. The results of operations of NWA have been included in the combined financial statements of Walton Arts Center through NWA’s fiscal year-end.

*Frost, PLLC*

Certified Public Accountants

Little Rock, Arkansas  
September 30, 2021

## Combined Statements of Financial Position

June 30, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 14,721,914	\$ 12,276,457
Certificates of deposit	3,000,000	-
Investments	14,243,779	6,269,878
Accounts receivable	1,625,893	1,952,164
Promises to give, current portion	1,505,222	2,039,481
Other current assets	1,066,297	543,898
Total current assets	<u>36,163,105</u>	<u>23,081,878</u>
Long-term assets		
Accounts receivable, noncurrent	3,290,000	1,258,000
Promises to give, net of current portion, discount and allowance	5,767,660	3,893,243
Restricted investments	8,511,357	8,511,357
Property, plant and equipment, net	46,664,236	47,975,482
Intangible assets, finite-lived, net	10,808	13,044
Total long-term assets	<u>64,244,061</u>	<u>61,651,126</u>
Total assets	<u>\$ 100,407,166</u>	<u>\$ 84,733,004</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 289,861	\$ 317,934
Other current liabilities	1,579,303	1,761,025
Deferred revenue	17,327,268	10,453,176
Current maturities of long-term debt	755,687	1,033,203
Total current liabilities	<u>19,952,119</u>	<u>13,565,338</u>
Long-term liabilities		
Deferred revenue, noncurrent	16,644,160	13,545,499
Long-term debt, less current maturities	7,021,138	7,849,473
Total long-term liabilities	<u>23,665,298</u>	<u>21,394,972</u>
Net assets		
Without donor restrictions		
Net investment in property, plant and equipment	35,650,511	35,592,806
Undesignated	(1,879,808)	(4,101,347)
Total without donor restrictions	<u>33,770,703</u>	<u>31,491,459</u>
With donor restrictions	23,019,046	18,281,235
Total net assets	<u>56,789,749</u>	<u>49,772,694</u>
Total liabilities and net assets	<u>\$ 100,407,166</u>	<u>\$ 84,733,004</u>

The accompanying notes are an integral part of these combined financial statements.

**WALTON ARTS CENTER**

**Combined Statements of Activities and Changes in Net Assets**

**For the Years Ended June 30, 2021 and 2020**

	2021		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Support and revenue			
Grants	\$ 3,199,713	\$ -	\$ 3,199,713
Contributions	2,274,499	-	2,274,499
Ticket sales	71,414	-	71,414
Education class fee revenues	110	-	110
Other general sales	481,372	-	481,372
Other income	348,848	-	348,848
Sponsorships/underwriting	5,221,000	-	5,221,000
Investment income (loss)	(34,421)	87,364	52,943
Realized gains (losses) on investments	-	273,201	273,201
Unrealized gains on investments	-	5,191,246	5,191,246
Gain on debt forgiveness	1,255,400	-	1,255,400
Net assets released from restrictions	814,000	(814,000)	-
Total support and revenue	<u>13,631,935</u>	<u>4,737,811</u>	<u>18,369,746</u>
Expenses			
Program services	7,319,657	-	7,319,657
Supporting services			
General and administrative	3,154,471	-	3,154,471
Fund-raising	878,563	-	878,563
Total expenses	<u>11,352,691</u>	<u>-</u>	<u>11,352,691</u>
Changes in net assets from operations	2,279,244	4,737,811	7,017,055
Other changes - impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	2,279,244	4,737,811	7,017,055
Net assets - beginning of year	<u>31,491,459</u>	<u>18,281,235</u>	<u>49,772,694</u>
Net assets - end of year	<u>\$ 33,770,703</u>	<u>\$ 23,019,046</u>	<u>\$ 56,789,749</u>

2020		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 3,122,864	\$ -	\$ 3,122,864
2,605,313	-	2,605,313
10,965,831	-	10,965,831
18,105	-	18,105
7,686,773	-	7,686,773
788,641	315	788,956
5,594,610	-	5,594,610
159,736	93,880	253,616
-	(38,743)	(38,743)
-	144,477	144,477
-	-	-
554,412	(554,412)	-
<u>31,496,285</u>	<u>(354,483)</u>	<u>31,141,802</u>
23,166,532	-	23,166,532
3,520,379	-	3,520,379
<u>1,317,421</u>	<u>-</u>	<u>1,317,421</u>
<u>28,004,332</u>	<u>-</u>	<u>28,004,332</u>
3,491,953	(354,483)	3,137,470
<u>(157,412)</u>	<u>-</u>	<u>(157,412)</u>
3,334,541	(354,483)	2,980,058
<u>28,156,918</u>	<u>18,635,718</u>	<u>46,792,636</u>
<u>\$ 31,491,459</u>	<u>\$ 18,281,235</u>	<u>\$ 49,772,694</u>

The accompanying notes are an integral part of these combined financial statements.

**WALTON ARTS CENTER**

**Combined Statements of Functional Expenses**

**For the Years Ended June 30, 2021 and 2020**

	2021			
	Program <u>Services</u>	Supporting Services		Total Functional <u>Expenses</u>
		General and <u>Administrative</u>	Fund-raising	
Artist fees	\$ 194,795	\$ -	\$ -	\$ 194,795
Artist expense	11,386	-	-	11,386
Salaries and benefits	3,080,045	1,412,285	841,810	5,334,140
Accounting and consulting fees	4,600	71,513	-	76,113
Bank fees	86,526	6,056	-	92,582
Bus subsidy	-	-	-	-
Catering	5,956	179	-	6,135
Concessions	76,301	-	-	76,301
Contract services	203,516	219,909	14,500	437,925
Depreciation and amortization	2,858,745	242,073	-	3,100,818
Donor cultivations	-	-	5,371	5,371
Dues and subscriptions	24,216	5,610	2,250	32,076
Equipment rental	33,344	34,741	-	68,085
Faculty fees	61,800	-	-	61,800
In-kind donations	152,123	7,500	-	159,623
Insurance	134,600	167,808	-	302,408
Interest	-	29,499	-	29,499
Investment fees	-	48,092	-	48,092
Landscaping	-	54,748	-	54,748
Licenses	717	141,429	-	142,146
Marketing and advertising	204,538	-	-	204,538
Meetings	3,597	486	815	4,898
Miscellaneous	-	100,379	-	100,379
Postage and shipping	7,782	967	5,638	14,387
Printing and copies	40	-	7,418	7,458
Professional fees	-	5,280	-	5,280
Recruiting expenses	-	5,530	-	5,530
Repairs and maintenance	17,352	90,745	-	108,097
Service contracts	4,072	84,123	-	88,195
Small tools and equipment	16,382	46,153	-	62,535
Special events	-	-	-	-
Sponsorship allowance	4,161	-	-	4,161
Staff training and travel	4,785	1,959	-	6,744
Supplies and stationary	42,422	45,575	703	88,700
Telephone	-	58,666	-	58,666
Temporary employees	52,705	-	58	52,763
Utilities	33,151	273,166	-	306,317
	<u>\$ 7,319,657</u>	<u>\$ 3,154,471</u>	<u>\$ 878,563</u>	<u>\$ 11,352,691</u>
Total functional expenses	<u>\$ 7,319,657</u>	<u>\$ 3,154,471</u>	<u>\$ 878,563</u>	<u>\$ 11,352,691</u>



2020			
Program Services	Supporting Services		Total Functional Expenses
	General and Administrative	Fund-raising	
\$ 9,198,292	\$ -	\$ -	\$ 9,198,292
1,266,959	-	-	1,266,959
4,118,545	1,529,710	962,650	6,610,905
27,250	66,271	-	93,521
484,752	4,660	-	489,412
9,032	-	-	9,032
64,412	-	-	64,412
567,252	-	-	567,252
1,877,694	232,436	6,922	2,117,052
1,609,896	226,509	-	1,836,405
-	-	206,354	206,354
33,096	6,120	2,891	42,107
216,572	10,246	13,185	240,003
41,600	-	-	41,600
728,031	22,500	25,575	776,106
31,146	264,427	-	295,573
-	35,543	-	35,543
-	23,386	-	23,386
-	30,860	-	30,860
7,811	177,998	-	185,809
1,216,997	-	-	1,216,997
10,173	1,822	2,268	14,263
(3,014)	119,444	14,423	130,853
29,818	1,670	5,575	37,063
15,162	1,925	4,957	22,044
-	6,505	-	6,505
-	12,481	-	12,481
24,520	160,425	-	184,945
8,123	78,602	78	86,803
35,975	50,385	-	86,360
60,309	788	24,337	85,434
160,887	-	9,542	170,429
98,267	9,078	17,439	124,784
205,111	77,934	17,511	300,556
-	59,673	-	59,673
973,099	-	3,714	976,813
48,765	308,981	-	357,746
<u>\$ 23,166,532</u>	<u>\$ 3,520,379</u>	<u>\$ 1,317,421</u>	<u>\$ 28,004,332</u>

The accompanying notes are an integral part of these combined financial statements.

## Combined Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 7,017,055	\$ 2,980,058
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Gain on debt forgiveness	(1,255,400)	-
Depreciation and amortization	3,100,818	1,836,405
Impairment loss recognized	-	157,412
Accretion of discount on promises to give	(114,757)	(393,878)
Realized (gains) losses on investments	(273,201)	38,743
Unrealized gains on investments	(5,191,246)	(144,477)
Changes in operating assets and liabilities		
Accounts receivable	(1,705,729)	64,224
Promises to give	(1,225,401)	1,486,080
Other current assets	(522,399)	2,336,295
Accounts payable and other current liabilities	(209,795)	(9,331)
Deferred revenue	9,972,753	(8,116,771)
Net cash provided by operating activities	<u>9,592,698</u>	<u>234,760</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,787,336)	(15,117,219)
Purchases of certificates of deposit	(3,000,000)	-
Proceeds from redemption of certificates of deposit	-	2,000,000
Purchases of investments	(3,387,546)	(94,193)
Proceeds from sale of investments	878,092	554,410
Net cash used by investing activities	<u>(7,296,790)</u>	<u>(12,657,002)</u>
Cash flows from financing activities		
Principal payments of long-term debt	(113,551)	(155,190)
Proceeds from long-term debt	263,100	8,255,400
Net cash provided by financing activities	<u>149,549</u>	<u>8,100,210</u>
Net change in cash and cash equivalents	2,445,457	(4,322,032)
Cash and cash equivalents - beginning of year	<u>12,276,457</u>	<u>16,598,489</u>
Cash and cash equivalents - end of year	<u>\$ 14,721,914</u>	<u>\$ 12,276,457</u>
<u>Supplementary disclosure of cash flow information</u>		
Cash paid during the year for interest	\$ 29,499	\$ 35,543

The accompanying notes are an integral part of these combined financial statements.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

- a. **Organization** – Walton Arts Center (the “Center”) was established for the purpose of bringing together audiences and acclaimed artists in dance, music, theater and visual arts in Northwest Arkansas. The Center opened in 1992 and is located in Fayetteville, Arkansas.

Oversight responsibility for operating the Center is shared by two not-for-profit corporations, the Walton Arts Center Council, Inc. (the “Council”) and the Walton Arts Center Foundation, Inc. (the “Foundation”). The Council staffs and operates the Center, promotes marketing and fund-raising, and maintains membership activities. The Foundation maintains the endowments and other certain funds restricted for the future operations of the Council. Due to this relationship, the Council and the Foundation are combined in these financial statements.

The Council also operates Walmart Arkansas Music Pavilion (the “AMP”) through its wholly-owned subsidiary, NWA Entertainment, LLC (“NWA”). NWA has a fiscal year-end of March 31. The results of the operations of NWA have been included in the combined financial statements of the Center through NWA’s fiscal year-end. During the period of April 1, 2021 through August 31, 2021, NWA had revenues of approximately \$9,324,000 and expenses of approximately \$6,989,000. During the period of April 1, 2020 through August 31, 2020, NWA had revenues of approximately \$101,000 and expenses of approximately \$1,035,000.

Subsequent to NWA’s fiscal 2021 year-end, approximately \$1,228,000 was refunded to customers due to performance cancellations as part of the Coronavirus Disease 2019 (“COVID-19”) pandemic. During the period of April 1, 2021 through August 31, 2021, the Council refunded approximately \$5,000 to customers. Subsequent to NWA’s fiscal 2020 year-end, approximately \$4,000,000 was refunded to customers due to performance cancellations as part of the COVID-19 pandemic. During the period of April 1, 2020 through August 31, 2020, the Council refunded approximately \$1,000,000 to customers. These amounts were recorded as deferred revenue in the accompanying combined statements of financial position.

All material intercompany accounts, transactions, gains and losses have been eliminated.

- b. **Financial statement presentation** – The Center reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets with donor restrictions represent net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the passage of time or can be fulfilled and removed by the action of the Center. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds to be maintained in perpetuity. All other net assets are considered to be without donor restrictions.
- c. **Estimates** – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (cont.)

- d. **Public support and revenue** – Annual contributions and grants are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as without donor restrictions. Contributions are recognized as revenue in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. Conditional promises to give are not included as support until the conditions are substantially met.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 accompanying combined statements of activities and changes in net assets as net assets released from restrictions.

Gifts of land, buildings and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Total in-kind donations included in support and revenue were \$159,623 and \$776,106 for the years ended June 30, 2021 and 2020, respectively.

Donor endowment contributions and investments held in perpetuity are reported as net assets with donor restrictions. Investment earnings available for distribution are recorded in net assets without donor restrictions.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (cont.)

- e. **Deferred revenue** – Deferred revenue consists of ticket sales that have occurred prior to the particular show and deferred sponsorships whereby the agreement is for a multi-year sponsorship. This sponsorship revenue is to be recognized in future years.
- f. **Cash and cash equivalents** – For purposes of the combined statements of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- g. **Investments** – Marketable securities are reported at their fair values in the accompanying combined statements of financial position. The Center has invested funds with the University of Arkansas Investment Pool, which pools funds from several affiliated organizations together in order to maximize the returns on investments. The current fair value of the pooled investments, along with investment income and realized losses, are allocated to the participants in the pool based on their ownership interest. Changes in the pooled investments are shown as realized or unrealized gains and losses in the accompanying combined statements of activities and changes in net assets and combined statements of cash flows. Investment income includes dividend, interest and other investment income. Investment management fees are included in general and administrative expenses.
- h. **Accounts receivable** – Accounts receivable, which consists primarily of sponsorships, are stated at the amount the Center expects to collect. The Center uses the allowance method to determine uncollectible accounts. The allowance is based on the Center's historical experience and management's analysis of the account. Accounts are charged off to the allowance when management deems the account will not be collectible. Past due status is based on how recently payments have been made on the account. There was no allowance at June 30, 2021 or 2020.
- i. **Promises to give** – Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. Conditional promises to give are not included as support until the conditions are substantially met. The allowance was \$0 and \$30,000 at June 30, 2021 and 2020, respectively.
- j. **Property, plant and equipment** – Property, plant and equipment is stated at cost or fair market value of donated assets. Depreciation of property, plant and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years, except for the cost of art collections, which are not depreciated. Acquisitions of property, plant and equipment in excess of \$5,000 and a useful life over one year are capitalized. Amortization of leasehold improvements is included in depreciation expense. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining lease term.

Cost of purchasing collection items, proceeds from sale and proceeds from insurance recoveries are recognized in the year of acquisition, sale or loss. Donations of collection items are recorded at fair market value. There were no significant increases in collection items during the years ended June 30, 2021 or 2020.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (cont.)

- k. **Intangible assets, finite-lived** – Finite-lived intangible assets consist of a noncompete agreement and a trade name. The noncompete agreement is amortized over the contractual term of five years, using the straight-line method. The trade name is being amortized over 15 years, using the straight-line method.
- l. **Goodwill** – Goodwill represents the excess of cost of business acquisitions over the fair value of the identifiable net assets acquired. Goodwill is reviewed at least annually for impairment by assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is, more likely than not, that the fair value of a reporting unit is less than its carrying amount. After assessing the totality of events or circumstances, if the Center determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount; then the Center will not perform additional quantitative tests to determine the magnitude of any impairment. Based upon management assessment of qualitative factors, goodwill was considered impaired and an impairment loss of \$157,412 was recognized as of June 30, 2020. The Center had no goodwill as of June 30, 2021.
- m. **Impairment of long-lived assets** – The Center reviews the carrying value of long-lived assets for impairment whenever certain triggering events or changes in circumstances indicate the carrying amounts of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the excess of the carrying amount over the fair value of the assets. Based on management's review, the value of long-lived assets was not considered impaired during June 30, 2021 or 2020.
- n. **Functional expenses** – Expenses are charged to programs based on direct expenditures incurred. Any expenditure not directly chargeable is allocated to programs based on management's estimate of time spent.
- o. **Advertising** – The Center expenses advertising costs the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Approximately \$82,000 and \$186,000 of prepaid advertising was included in other current assets in the accompanying combined statements of financial position at June 30, 2021 and 2020, respectively. Advertising expense was \$204,538 and \$1,216,997 for the years ended June 30, 2021 and 2020, respectively.
- p. **Income taxes** – The Council (including NWA) and the Foundation were incorporated under Arkansas law and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and similar statutes of the State of Arkansas, and are classified as other than private foundations. The IRC further defines the Council under Section 509(a)(1) which means that it is a publicly supported organization. The IRC further defines the Foundation under Section 509(a)(3) which means that its purpose is to assist publicly supported organizations. Income determined to be unrelated business income is taxable. The Council had no significant unrelated business income for the years ended June 30, 2021 or 2020.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

1. **Summary of Significant Accounting Policies (cont.)**

The Center's policy with respect to evaluating uncertain tax positions is based upon whether management believes it is more likely than not the uncertain tax positions will be sustained upon review by the taxing authorities, then the Center shall initially and subsequently measure the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The tax positions must meet the more-likely-than-not recognition threshold with consideration given to the amounts and probabilities of the outcomes that could be realized upon settlement using the facts, circumstances and information at the reporting date. The Center will reflect only the portion of the tax benefit that will be sustained upon resolution of the position and applicable interest on the portion of the tax benefit not recognized. Based upon management's assessment, there are no uncertain tax positions expected to have a material impact on the Center's combined financial statements.

The Center is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2017. The Center's federal and state tax returns are not currently under examination. The Center recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During the years ended June 30, 2021 and 2020, the Center did not recognize any interest or penalties. The Center did not have any interest or penalties accrued at June 30, 2021 or 2020.

- q. **Recent 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)." ASU 2014-09 amends the Accounting Standards Codification and creates a new Topic 606, "Revenue from Contracts with Customers." This new topic describes a step by step process to achieve the FASB's core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new topic also adds improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. An analysis of various provisions of ASU 2014-09 resulted in no significant changes in the way the Center recognizes revenue and, therefore, no changes to the previously issued audited combined financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with ASU 2014-09.

**Notes to Combined Financial Statements****June 30, 2021 and 2020****1. Summary of Significant Accounting Policies (cont.)**

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” Accounting by lessors is largely unchanged from existing standards. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The guidance requires all leases to be recorded as assets and liabilities on the financial statements of the lessee. A lessee should 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. Under this standard, leases are considered to either be finance leases or operating leases. This consideration determines the financial statement classification of payments on lease liabilities during the lease term but assets and liabilities are required to be recorded for both. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Entities have the option of applying the provisions of ASU 2016-02 using either a modified retrospective approach or, alternatively, at the adoption date, with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Center is currently evaluating the impact of ASU 2016-02 on its combined financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” ASU 2017-04 was issued to simplify subsequent measurements of goodwill and goodwill impairment. Under existing general accepted accounting principles, the impairment test includes two steps: (1) comparing the fair value of the reporting unit with its carrying amount, including goodwill; and (2) comparing the implied fair value of reporting unit goodwill with the carrying amount of goodwill. ASU 2017-04 eliminates step two from the impairment test. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2021. Application of ASU 2017-04 will be applied prospectively. The Center does not expect the implementation of ASU 2017-04 to have a material effect on its combined financial statements.

In September 2020, the FASB issued ASU 2020-07, “Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.” The amendments in this update improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including disclosure requirements for recognized contributed services, donor-imposed restrictions and valuation techniques for fair value measurement used. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. This guidance should be applied on a retrospective basis and effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Center is evaluating the application of ASU 2020-07 and the effect it is expected to have on its combined financial statements.



## Notes to Combined Financial Statements

June 30, 2021 and 2020

2. Liquidity and Availability of Resources

The Center's financial assets available within one year of the combined statements of financial position date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 14,721,914	\$ 12,276,457
Certificates of deposit	3,000,000	-
Investments	22,755,136	14,781,235
Accounts receivable	4,915,893	3,210,164
Promises to give	<u>7,272,882</u>	<u>5,932,724</u>
Total financial assets at year-end	52,665,825	36,200,580
Less amounts not available to be used for general expenditures within one year		
Restricted in perpetuity investment funds	8,511,357	8,511,357
Restricted by donor by purpose or time	5,767,660	3,893,243
Restricted-purpose spending rate distribution and appropriations	814,000	515,000
Accounts receivable, noncurrent	<u>3,290,000</u>	<u>1,258,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 34,282,808</u>	<u>\$ 22,022,980</u>

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Center invests excess cash in short-term investments and money market funds.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

3. Financial Instruments With Risk of Accounting Loss

Deposits in financial institutions are financial instruments that could potentially subject the Center to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. All deposits of the Center are in financial institutions and are carried at cost. The amounts of deposits are displayed on the combined statements of financial position as “cash and cash equivalents” and “certificates of deposits.”

	2021		2020	
	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured ("FDIC")	\$ 17,721,914	\$ 17,212,617	\$ 12,152,413	\$ 6,650,696
Uninsured/uncollateralized	<u>-</u>	<u>-</u>	<u>124,044</u>	<u>284,811</u>
Total deposits	<u>\$ 17,721,914</u>	<u>\$ 17,212,617</u>	<u>\$ 12,276,457</u>	<u>\$ 6,935,507</u>

4. Investments

Investments are composed of the following:

	<u>2021</u>	<u>2020</u>
Fair market value		
Mutual fund	\$ 3,300,182	\$ -
University of Arkansas Investment Pool		
Money market	972,747	1,005,124
Equity securities		
U.S.	3,949,366	3,444,028
International	2,587,509	1,906,779
Emerging markets	1,245,117	1,049,468
Global managers	1,789,856	1,300,748
Hedge funds	1,906,585	1,936,342
Venture capital/private equity	5,972,671	3,148,403
Fixed income	<u>1,031,103</u>	<u>990,343</u>
Total fair market value	<u>\$ 22,755,136</u>	<u>\$ 14,781,235</u>
Total cost	<u>\$ 11,863,832</u>	<u>\$ 9,081,176</u>

## Notes to Combined Financial Statements

June 30, 2021 and 2020

5. Promises to Give

Unconditional promises to give, net of discount to present value, are as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in		
Less than one year	\$ 1,505,222	\$ 2,039,481
One to five years	<u>5,945,000</u>	<u>4,038,000</u>
Unconditional promises to give before unamortized discount	7,450,222	6,077,481
Less unamortized discount	177,340	114,757
Less allowance	<u>-</u>	<u>30,000</u>
Net unconditional promises to give	<u>\$ 7,272,882</u>	<u>\$ 5,932,724</u>

The unamortized discount rate for new pledges was 3.25% and 3% for the years ended June 30, 2021 and 2020, respectively.

The Center has three conditional grants with remaining balances of \$750,000, \$350,000 and \$180,000, respectively, at June 30, 2021 to support the Center's art education and free student programs. These conditional grants are contingent upon the Center meeting specified project and financial goals, which were originally established by the grantee for fiscal years 2022 and 2023. During fiscal 2021, these conditional grants were postponed to fiscal years 2023 and 2024 due to the ongoing COVID-19 pandemic. Since there is substantial doubt that the Center will be able to meet the goals at June 30, 2021, the Center has not recognized these conditional grants in the accompanying combined financial statements.

6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,505,000	\$ 3,505,000
Building	28,583,707	12,219,507
Leasehold improvements	23,990,372	23,893,665
Equipment and furniture	4,329,967	3,688,361
Computer hardware and software	2,113,599	2,009,726
Artwork	184,628	184,628
Construction in progress	<u>362,527</u>	<u>15,781,578</u>
	63,069,800	61,282,465
Less accumulated depreciation	<u>16,405,564</u>	<u>13,306,983</u>
Property, plant and equipment, net	<u>\$ 46,664,236</u>	<u>\$ 47,975,482</u>

## Notes to Combined Financial Statements

June 30, 2021 and 2020

6. **Property, Plant and Equipment (cont.)**

Depreciation expense was \$3,098,582 and \$1,834,169 for the years ended June 30, 2021 and 2020, respectively.

7. **Intangible Assets**

The components of the Center's intangible assets, finite-lived and the related accumulated amortization are as follows:

	<u>2021</u>	<u>2020</u>
Cost	\$ 42,588	\$ 42,588
Less accumulated amortization	<u>31,780</u>	<u>29,544</u>
Intangible assets, finite-lived, net	<u>\$ 10,808</u>	<u>\$ 13,044</u>

Total amortization expense for intangible assets was \$2,236 for the years ended June 30, 2021 and 2020.

Estimated amortization expense is as follows:

2022	\$ 2,236
2023	2,236
2024	2,236
2025	2,236
2026	<u>1,864</u>
	<u>\$ 10,808</u>

8. **Line of Credit**

The Center has a \$2,500,000 unsecured line of credit with a bank with a fixed rate of 5.00% at June 30, 2021. The line of credit matures in December 2021. The Center had no outstanding balance on the line of credit at June 30, 2021 or 2020.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

9. Long-Term Debt

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Unsecured note payable with the Walton Family Foundation, bearing interest at 1.00%, with the first payment of \$317,907 due in January 2022, then five unequal annual payments, and a balloon payment of \$5,044,230 in January 2028.	\$ 7,000,000	\$ 7,000,000
Note payable with a certain financial institution, bearing interest at 4.91%, monthly payments of \$15,894, matures in January 2024, secured by pledges, rents and lease.	513,725	627,276
Paycheck Protection Program ("PPP") loan obtained from the Coronavirus Aid, Relief and Economic Security ("CARES") Act, forgivable as long as NWA uses the proceeds for eligible purposes. The PPP loan is due in 18 monthly payments of \$14,806, including interest at 1.00%. The PPP loan was forgiven subsequent to year-end.	263,100	-
PPP loan obtained from the CARES Act, due in 18 monthly payments of \$70,649, including interest at 1.00%. The PPP loan was forgiven in fiscal 2021.	-	1,255,400
Less current maturities	<u>755,687</u>	<u>1,033,203</u>
Long-term debt, less current maturities	<u>\$ 7,021,138</u>	<u>\$ 7,849,473</u>

Annual aggregate maturities of long-term debt are as follows:

2022	\$ 755,687
2023	504,533
2024	489,528
2025	330,816
2026	334,124
Thereafter	<u>5,362,137</u>
	<u>\$ 7,776,825</u>

## Notes to Combined Financial Statements

June 30, 2021 and 2020

9. Long-Term Debt (cont.)

On April 12, 2020, the Council received loan proceeds in the amount of \$1,255,400 under the PPP. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses in amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The Council used the loan proceeds for purposes consistent with the PPP. The PPP loan and accrued interest were forgiven in full during fiscal 2021. The forgiveness resulted in a gain on debt forgiveness in the amount of \$1,255,400, which is included in support and revenue on the accompanying combined statements of activities and changes in net assets.

On April 20, 2020, NWA, which has a March 31 fiscal year-end, received loan proceeds in the amount of \$263,100 under the PPP. NWA used the loan proceeds for purposes consistent with the PPP. Subsequent to NWA's fiscal year-end, the PPP loan and accrued interest were forgiven in full in April 2021.

10. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
With donor restrictions		
Council		
Restricted land	\$ 3,500,000	\$ 3,500,000
Grant	64,092	-
Foundation		
Education	1,332,517	750,509
Long-term maintenance	2,977,396	1,717,669
Maintenance	3,070,424	1,754,138
Operations	2,296,739	1,422,488
Program	<u>1,266,521</u>	<u>625,074</u>
Total with donor restrictions	<u>14,507,689</u>	<u>9,769,878</u>
Endowments		
Education	1,300,000	1,300,000
Long-term maintenance	2,000,000	2,000,000
Maintenance	2,128,179	2,128,179
Operations	1,658,178	1,658,178
Program	<u>1,425,000</u>	<u>1,425,000</u>
Total endowments	<u>8,511,357</u>	<u>8,511,357</u>
Total net assets with donor restrictions	<u>\$ 23,019,046</u>	<u>\$ 18,281,235</u>

## Notes to Combined Financial Statements

June 30, 2021 and 2020

10. **Net Assets With Donor Restrictions (cont.)**

The Center owns land that is restricted to use that will remain in effect for a period of 20 years, which expires on October 2, 2033.

The Foundation's endowments that are restricted in perpetuity consist of gifts received from donors with the stipulation the principal be invested and the income be used for various purposes of the Center.

11. **Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by the donors. Net assets released from donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Restricted-purpose spending rate distribution and appropriations		
Foundation income	<u>\$ 814,000</u>	<u>\$ 554,412</u>

12. **Employee Benefit Plan**

The Center maintains a 403(b) defined contribution plan (the "Plan") which covers all full-time employees who have completed six months of service and have reached age 21. Eligible employees may choose to contribute to the Plan in amounts up to the maximum allowed by law. The Center contributed \$1,735 and \$175,281 to the Plan for the years ended June 30, 2021 and 2020, respectively. Contributions to the Plan were suspended during fiscal 2021 and were not reinstated until after the year ended June 30, 2021. For fiscal 2021, all contributions were for NWA.

13. **Commitments and Contingencies**

The Center's leasing operations consist primarily of leasing building space to an unrelated entity and leasing stage time and related building space for local artists to promote the arts in the local community. The following is a schedule by year of future minimum rental receipts required under the operating lease agreements:

2022	\$ 202,529
2023	<u>8,825</u>
	<u>\$ 211,354</u>

**Notes to Combined Financial Statements****June 30, 2021 and 2020****13. Commitments and Contingencies (cont.)**

In addition, the Center has entered into certain leases for use of its facilities whereby the lease income is based upon future contingent events. The future leasing income is not included in the above future minimum rental receipts because of their contingent nature.

The Center leases certain real property and premises from the City of Fayetteville. Through this lease agreement, the Center paid rent to the City of Fayetteville for the use of the real property and premises for \$1 for the first year of the primary term, with no further rental fees chargeable or payable during the remainder of the term or any renewal term. The lease was executed in April 1992 and has been amended and restated whereby it has been extended to August 2039. The agreement may be automatically renewed an additional term of 25 years, unless either party gives written notice of termination to the other party at least 365 days prior to the expiration of the lease agreement. Total estimated benefit to the Center is currently undeterminable and, therefore, has not been recorded in the accompanying combined statements of activities and changes in net assets.

The Center is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business. The ultimate outcome of any current litigation cannot presently be determined. Management believes that any liability, if any, that might ultimately result from the resolution of these matters will not have a material adverse effect on the combined financial statements of the Center.

The Center had several construction, repair and maintenance projects in various stages of completion. Unfulfilled contract commitments of approximately \$1,239,000 were open on the construction and improvement contracts in progress for the year ended June 30, 2020. There were no unfulfilled contract commitments for the year ended June 30, 2021.

The COVID-19 outbreak, characterized as a pandemic by the World Health Organization on March 11, 2020, has caused significant disruptions in international and U.S. economies and markets. The Center believes it is taking all reasonable precautions in the management of its operations in response to the COVID-19 pandemic. The Center's top priority is the health and safety of its employees. As a result of the pandemic, all performances and events scheduled for the spring and summer of 2020 were either cancelled or postponed. As a result, the Center has experienced a significant loss of performance revenue during fiscal 2021 and 2020. Many of these performances were moved to the 2022 fiscal year. The ability to hold performances and events is subject to the ongoing COVID-19 pandemic.

**14. Concentrations of Risk**

The majority of the Center's revenue and support is derived from ticket sales, contributions and support from individuals and businesses located in Northwest Arkansas. The Center is exposed to the risk of fluctuations in the area in which it operates.

During fiscal 2014, the Center entered into a 10-year sponsorship agreement for the AMP. During fiscal 2018, a new agreement was made to extend the term for an additional 26 years. Included in deferred revenue at June 30, 2021 and 2020 was approximately \$11 million and \$6.25 million, respectively, of unrecognized revenue, which will be recognized into revenue over the sponsorship period.



**Notes to Combined Financial Statements****June 30, 2021 and 2020****14. Concentrations of Risk (cont.)**

At June 30, 2021, the Center had significant artist fees by one artist that exceeded 10% of total artist fees. This artist accounted for 26% of the balance at June 30, 2021. At June 30, 2020, the Center had no significant artist fees to disclose.

The Center had one major contributor that accounted for 25% of total contribution and grant revenue during fiscal 2021. The Center had two major contributors that accounted for 30% and 19%, respectively, of total contribution and grant revenue during fiscal 2020.

At June 30, 2021, the Center had significant promises to give by four donors that exceeded 10% of total promises to give balances. These donors accounted for 89% of the balance at June 30, 2021. At June 30, 2020, the Center had significant promises to give by four donors that exceeded 10% of total promises to give balances. These donors accounted for 86% of the balance at June 30, 2020.

**15. Endowments**

The Center's endowments consist of five individual donor-restricted funds established for a variety of purposes. There are no funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Center has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Center 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 the Center
- (7) The investment policies of the Center

## Notes to Combined Financial Statements

June 30, 2021 and 2020

15. Endowments (cont.)

Endowment net asset and activity is as follows:

	<u>With Donor Restrictions</u>
Endowment net assets at July 1, 2019	\$ 15,135,718
Distributions	(531,024)
Expenses	(23,386)
Investment income, net	<u>199,927</u>
Endowment net assets at June 30, 2020	14,781,235
Distributions	(830,000)
Expenses	(48,092)
Investment income, net	<u>5,551,811</u>
Endowment net assets at June 30, 2021	<u>\$ 19,454,954</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Center to retain as a fund of perpetual duration. There were no deficiencies reported as of June 30, 2021 or 2020.

*Return Objectives and Risk Parameters*

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results for certificates of deposit while assuming a moderate level of investment risk. The Center expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Center 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). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints as managed by the University of Arkansas Total Return Pool.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

15. **Endowments (cont.)***Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Center has a policy of appropriating for distribution each year based upon a portion of the prior year's investment earnings of the related endowment. In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long term, the Center expects the current spending policy to allow its endowment to grow at a moderate rate. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

16. **Fair Value Measurements**

The carrying amounts of cash and cash equivalents, accounts receivable, promises to give, accounts payable, accrued liabilities and certain other liabilities approximates fair value due to the short-term maturities of these assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Center utilizes market data or assumptions that the Center believes market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.
- **Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

## Notes to Combined Financial Statements

June 30, 2021 and 2020

16. Fair Value Measurements (cont.)

The following are the major categories of assets and liabilities measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2021</u>				
Mutual fund	\$ 3,300,182	\$ -	\$ -	\$ 3,300,182
Investment pool funds held by the University of Arkansas Investment Pool	-	19,454,954	-	19,454,954
	<u>\$ 3,300,182</u>	<u>\$ 19,454,954</u>	<u>\$ -</u>	<u>\$ 22,755,136</u>
<u>June 30, 2020</u>				
Investment pool funds held by the University of Arkansas Investment Pool	<u>\$ -</u>	<u>\$ 14,781,235</u>	<u>\$ -</u>	<u>\$ 14,781,235</u>

For investment securities traded in a market that is not active, fair value is determined using unobservable inputs or value drivers and is generally determined using expected cash flow and appropriate risk-adjusted discount rates. Expected cash flows are based primarily on the contractual cash flows of the instrument, and the risk-adjusted discount rate is typically the contractual coupon rate of the instrument on the measurement date, adjusted for changes in interest rate spreads of the yields on comparable corporate or municipal bonds and yields on U.S. treasuries between the date of purchase and the measurement date.

The Center has utilized information provided by the University of Arkansas Investment Pool to value its investment and determined that the pool investments are managed by the University of Arkansas Foundation and are considered a Level 2 asset, which is the expected cash flow if the pooled investments were liquidated. At June 30, 2021, the asset allocation of the investment pool consisted of approximately (49.8%) investment in equities with the remaining allocation invested in, hedge funds (10.0%), fixed income notes and bonds (5.4%), private equity, venture capital and partnerships (30.2%), along with cash and cash equivalents (4.6%). At June 30, 2020, the asset allocation of the investment pool consisted of approximately (52.1%) investment in equities with the remaining allocation invested in, hedge funds (13.1%), fixed income notes and bonds (6.7%), private equity, venture capital and partnerships (21.3%), along with cash and cash equivalents (6.8%).

**Notes to Combined Financial Statements****June 30, 2021 and 2020****17. Subsequent Events**

On April 10, 2021, NWA was granted loan forgiveness from the Small Business Administration for the PPP loan's principal balance of \$263,100, plus accrued interest. See Note 9.

On July 2, 2021, the Council received \$9,864,805 in grants from the Shuttered Venue Operators Grant program.

The Center evaluated the events and transactions to its June 30, 2021 combined statement of financial position date and determined there were no additional significant events, other than noted above, to report through September 30, 2021, which is the date the Center issued its combined financial statements.

**Independent Auditor's Report on Supplementary Information**

Board of Directors  
Walton Arts Center  
Fayetteville, Arkansas

We have audited the combined financial statements of Walton Arts Center (a nonprofit organization) as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon dated September 30, 2021, which contained an unmodified opinion on those combined financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole.

The supplementary information is presented for the purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



Certified Public Accountants

Little Rock, Arkansas  
September 30, 2021

# WALTON ARTS CENTER

## Combining Statement of Financial Position

**June 30, 2021**

<u>Assets</u>	Walton Arts Center Council, <u>Inc.</u>	NWA Entertainment, <u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>	Walton Arts Center Foundation, <u>Inc.</u>	<u>Combined</u>
<b>Current assets</b>						
Cash and cash equivalents	\$ 14,631,801	\$ 90,113	\$ -	\$ 14,721,914	\$ -	\$ 14,721,914
Certificates of deposit	3,000,000	-	-	3,000,000	-	3,000,000
Investments	3,300,182	-	-	3,300,182	10,943,597	14,243,779
Accounts receivable	142,072	1,483,821	-	1,625,893	-	1,625,893
Promises to give, current portion	1,505,222	-	-	1,505,222	-	1,505,222
Other current assets	100,773	180,709	784,815	1,066,297	-	1,066,297
<b>Total current assets</b>	<u>22,680,050</u>	<u>1,754,643</u>	<u>784,815</u>	<u>25,219,508</u>	<u>10,943,597</u>	<u>36,163,105</u>
<b>Long-term assets</b>						
Accounts receivable, noncurrent	905,000	2,385,000	-	3,290,000	-	3,290,000
Promises to give, net of current portion, discount and allowance	5,767,660	-	-	5,767,660	-	5,767,660
Restricted investments	-	-	-	-	8,511,357	8,511,357
Property, plant and equipment, net	46,258,451	405,785	-	46,664,236	-	46,664,236
Investment in subsidiary	(340,831)	-	340,831	-	-	-
Intangible assets, finite-lived, net	-	10,808	-	10,808	-	10,808
<b>Total long-term assets</b>	<u>52,590,280</u>	<u>2,801,593</u>	<u>340,831</u>	<u>55,732,704</u>	<u>8,511,357</u>	<u>64,244,061</u>
<b>Total assets</b>	<u>\$ 75,270,330</u>	<u>\$ 4,556,236</u>	<u>\$ 1,125,646</u>	<u>\$ 80,952,212</u>	<u>\$ 19,454,954</u>	<u>\$ 100,407,166</u>

<u>Liabilities and Net Assets</u>	Walton Arts Center Council, <u>Inc.</u>	NWA Entertainment, <u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>	Walton Arts Center Foundation, <u>Inc.</u>	<u>Combined</u>
Current liabilities						
Accounts payable	\$ 279,484	\$ 10,377	\$ -	\$ 289,861	\$ -	\$ 289,861
Other current liabilities	1,031,966	547,337	-	1,579,303	-	1,579,303
Deferred revenue	2,988,597	7,097,130	7,241,541	17,327,268	-	17,327,268
Current maturities of long-term debt	492,587	263,100	-	755,687	-	755,687
Total current liabilities	<u>4,792,634</u>	<u>7,917,944</u>	<u>7,241,541</u>	<u>19,952,119</u>	<u>-</u>	<u>19,952,119</u>
Long-term liabilities						
Deferred revenue, noncurrent	13,880,827	2,763,333	-	16,644,160	-	16,644,160
Long-term debt, less current maturities	7,021,138	-	-	7,021,138	-	7,021,138
Total long-term liabilities	<u>20,901,965</u>	<u>2,763,333</u>	<u>-</u>	<u>23,665,298</u>	<u>-</u>	<u>23,665,298</u>
Due to (from)	<u>12,240,936</u>	<u>(5,784,210)</u>	<u>(6,456,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets						
Without donor restrictions						
Net investment in property, plant and equipment	35,244,726	-	405,785	35,650,511	-	35,650,511
Undesignated	(1,409,931)	-	(405,785)	(1,815,716)	(64,092)	(1,879,808)
Total without donor restrictions	33,834,795	-	-	33,834,795	(64,092)	33,770,703
With donor restrictions	3,500,000	-	-	3,500,000	19,519,046	23,019,046
Members' deficit	-	(340,831)	340,831	-	-	-
Total net assets	<u>37,334,795</u>	<u>(340,831)</u>	<u>340,831</u>	<u>37,334,795</u>	<u>19,454,954</u>	<u>56,789,749</u>
Total liabilities and net assets	<u>\$ 75,270,330</u>	<u>\$ 4,556,236</u>	<u>\$ 1,125,646</u>	<u>\$ 80,952,212</u>	<u>\$ 19,454,954</u>	<u>\$ 100,407,166</u>

See independent auditor's report on supplementary information.



# WALTON ARTS CENTER

## Combining Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	Walton Arts Center Council, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants	\$ 3,071,705	\$ -	\$ 3,071,705
Contributions	1,490,258	-	1,490,258
Ticket sales	67,622	-	67,622
Education class fee revenues	110	-	110
Other general sales	402,880	-	402,880
Other income	260,566	-	260,566
Sponsorships/underwriting	5,146,000	-	5,146,000
Investment income (loss)	(34,421)	-	(34,421)
Realized gains on investments	-	-	-
Unrealized gains on investments	-	-	-
Transfers from the Foundation	814,000	-	814,000
Gain on debt forgiveness	1,255,400	-	1,255,400
Net assets released from restrictions	-	-	-
Total support and revenue	12,474,120	-	12,474,120
Expenses			
Program services	5,863,648	-	5,863,648
Supporting services			
General and administrative	2,455,909	-	2,455,909
Fund-raising	589,373	-	589,373
Total expenses	8,908,930	-	8,908,930
Changes in net assets from operations	3,565,190	-	3,565,190
Other changes			
Distribution to member	-	-	-
Deficit in earnings of subsidiary	(1,221,854)	-	(1,221,854)
Total other changes	(1,221,854)	-	(1,221,854)
Changes in net assets	2,343,336	-	2,343,336
Net assets - beginning of year	31,491,459	3,500,000	34,991,459
Net assets - end of year	\$ 33,834,795	\$ 3,500,000	\$ 37,334,795

NWA Entertainment, LLC			Eliminations	Consolidated		
Without Donor Restrictions	With Donor Restrictions	Total	Total	Without Donor Restrictions	With Donor Restrictions	Total
\$ 128,008	\$ -	\$ 128,008	\$ -	\$ 3,199,713	\$ -	\$ 3,199,713
784,241	-	784,241	-	2,274,499	-	2,274,499
3,792	-	3,792	-	71,414	-	71,414
-	-	-	-	110	-	110
78,492	-	78,492	-	481,372	-	481,372
88,282	-	88,282	-	348,848	-	348,848
75,000	-	75,000	-	5,221,000	-	5,221,000
-	-	-	-	(34,421)	-	(34,421)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	814,000	-	814,000
-	-	-	-	1,255,400	-	1,255,400
-	-	-	-	-	-	-
<u>1,157,815</u>	<u>-</u>	<u>1,157,815</u>	<u>-</u>	<u>13,631,935</u>	<u>-</u>	<u>13,631,935</u>
1,456,009	-	1,456,009	-	7,319,657	-	7,319,657
634,470	-	634,470	-	3,090,379	-	3,090,379
289,190	-	289,190	-	878,563	-	878,563
<u>2,379,669</u>	<u>-</u>	<u>2,379,669</u>	<u>-</u>	<u>11,288,599</u>	<u>-</u>	<u>11,288,599</u>
(1,221,854)	-	(1,221,854)	-	2,343,336	-	2,343,336
(1,620,000)	-	(1,620,000)	1,620,000	-	-	-
-	-	-	1,221,854	-	-	-
<u>(1,620,000)</u>	<u>-</u>	<u>(1,620,000)</u>	<u>2,841,854</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,841,854)	-	(2,841,854)	2,841,854	2,343,336	-	2,343,336
2,501,023	-	2,501,023	(2,501,023)	31,491,459	3,500,000	34,991,459
<u>\$ (340,831)</u>	<u>\$ -</u>	<u>\$ (340,831)</u>	<u>\$ 340,831</u>	<u>\$ 33,834,795</u>	<u>\$ 3,500,000</u>	<u>\$ 37,334,795</u>

See independent auditor's report on supplementary information.

## WALTON ARTS CENTER

### Combining Statement of Activities and Changes in Net Assets (cont.)

For the Year Ended June 30, 2021

	Walton Arts Center Foundation, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants	\$ -	\$ -	\$ -
Contributions	-	-	-
Ticket sales	-	-	-
Education class fee revenues	-	-	-
Other general sales	-	-	-
Other income	-	-	-
Sponsorships/underwriting	-	-	-
Investment income (loss)	-	87,364	87,364
Realized gains on investments	-	273,201	273,201
Unrealized gains on investments	-	5,191,246	5,191,246
Transfers from the Foundation	-	-	-
Gain on debt forgiveness	-	-	-
Net assets released from restrictions	814,000	(814,000)	-
Total support and revenue	814,000	4,737,811	5,551,811
Expenses			
Program services	814,000	-	814,000
Supporting services			
General and administrative	64,092	-	64,092
Fund-raising	-	-	-
Total expenses	878,092	-	878,092
Changes in net assets from operations	(64,092)	4,737,811	4,673,719
Other changes			
Distribution to member	-	-	-
Deficit in earnings of subsidiary	-	-	-
Total other changes	-	-	-
Changes in net assets	(64,092)	4,737,811	4,673,719
Net assets - beginning of year	-	14,781,235	14,781,235
Net assets - end of year	\$ (64,092)	\$ 19,519,046	\$ 19,454,954

Eliminations	Combined		
<u>Total</u>	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>
\$ -	\$ 3,199,713	\$ -	\$ 3,199,713
-	2,274,499	-	2,274,499
-	71,414	-	71,414
-	110	-	110
-	481,372	-	481,372
-	348,848	-	348,848
-	5,221,000	-	5,221,000
-	(34,421)	87,364	52,943
-	-	273,201	273,201
-	-	5,191,246	5,191,246
(814,000)	-	-	-
-	1,255,400	-	1,255,400
-	814,000	(814,000)	-
(814,000)	13,631,935	4,737,811	18,369,746
(814,000)	7,319,657	-	7,319,657
-	3,154,471	-	3,154,471
-	878,563	-	878,563
(814,000)	11,352,691	-	11,352,691
-	2,279,244	4,737,811	7,017,055
-	-	-	-
-	-	-	-
-	-	-	-
-	2,279,244	4,737,811	7,017,055
-	31,491,459	18,281,235	49,772,694
\$ -	\$ 33,770,703	\$ 23,019,046	\$ 56,789,749

See independent auditor's report on supplementary information.

**WALTON ARTS CENTER**

**Combining Statement of Functional Expenses**

**For the Year Ended June 30, 2021**

	Walton Arts Center Council, Inc.				NWA	
	Program Services	Supporting Services		Total	Program Services	Supporting
		General and Administrative	Fund-raising			General and Administrative
Artist fees	\$ 213,398	\$ -	\$ -	\$ 213,398	\$ (18,603)	\$ -
Artist expense	10,207	-	-	10,207	1,179	-
Salaries and benefits	2,483,131	1,148,118	554,382	4,185,631	596,914	264,167
Accounting and consulting fees	4,600	62,013	-	66,613	-	-
Bank fees	44,994	5,733	-	50,727	41,532	323
Catering	2,542	179	-	2,721	3,414	-
Concessions	35,411	-	-	35,411	40,890	-
Contract services	130,073	102,059	14,500	246,632	73,443	117,850
Depreciation and amortization	2,643,291	239,837	-	2,883,128	215,454	2,236
Donor cultivations	-	-	4,991	4,991	-	-
Dues and subscriptions	18,636	5,610	2,250	26,496	5,580	-
Equipment rental	5,399	11,912	-	17,311	27,945	22,829
Faculty fees	61,800	-	-	61,800	-	-
In-kind donations	5,000	7,500	-	12,500	147,123	-
Insurance	-	167,808	-	167,808	134,600	-
Interest	-	29,499	-	29,499	-	-
Investment fees	-	-	-	-	-	-
Landscaping	-	8,740	-	8,740	-	46,008
Licenses	717	102,421	-	103,138	-	39,008
Marketing and advertising	124,147	-	-	124,147	80,391	-
Meetings	3,535	486	30	4,051	62	-
Miscellaneous	-	91,048	-	91,048	-	7,831
Postage and shipping	7,679	599	5,638	13,916	103	368
Printing and copies	-	-	7,418	7,418	40	-
Professional fees	-	-	-	-	-	280
Recruiting expenses	-	5,530	-	5,530	-	-
Repairs and maintenance	16,270	14,431	-	30,701	1,082	76,314
Service contracts	4,072	82,047	-	86,119	-	2,076
Small tools and equipment	12,518	32,963	-	45,481	3,864	13,190
Sponsorship allowance	-	-	-	-	4,161	-
Staff training and travel	4,143	865	-	5,008	642	1,094
Supplies and stationary	19,443	44,669	106	64,218	22,979	906
Telephone	-	40,776	-	40,776	-	17,890
Temporary employees	12,642	-	58	12,700	40,063	-
Transfers to the Council	-	-	-	-	-	-
Utilities	-	251,066	-	251,066	33,151	22,100
<b>Total functional expenses</b>	<b>\$ 5,863,648</b>	<b>\$ 2,455,909</b>	<b>\$ 589,373</b>	<b>\$ 8,908,930</b>	<b>\$ 1,456,009</b>	<b>\$ 634,470</b>

Entertainment, LLC			Consolidated			
Services			Supporting Services			
Fund-raising	Total	Eliminations	Program Services	General and Administrative	Fund-raising	Total
\$ -	\$ (18,603)	\$ -	\$ 194,795	\$ -	\$ -	\$ 194,795
-	1,179	-	11,386	-	-	11,386
287,428	1,148,509	-	3,080,045	1,412,285	841,810	5,334,140
-	-	-	4,600	62,013	-	66,613
-	41,855	-	86,526	6,056	-	92,582
-	3,414	-	5,956	179	-	6,135
-	40,890	-	76,301	-	-	76,301
-	191,293	-	203,516	219,909	14,500	437,925
-	217,690	-	2,858,745	242,073	-	3,100,818
380	380	-	-	-	5,371	5,371
-	5,580	-	24,216	5,610	2,250	32,076
-	50,774	-	33,344	34,741	-	68,085
-	-	-	61,800	-	-	61,800
-	147,123	-	152,123	7,500	-	159,623
-	134,600	-	134,600	167,808	-	302,408
-	-	-	-	29,499	-	29,499
-	-	-	-	-	-	-
-	46,008	-	-	54,748	-	54,748
-	39,008	-	717	141,429	-	142,146
-	80,391	-	204,538	-	-	204,538
785	847	-	3,597	486	815	4,898
-	7,831	-	-	98,879	-	98,879
-	471	-	7,782	967	5,638	14,387
-	40	-	40	-	7,418	7,458
-	280	-	-	280	-	280
-	-	-	-	5,530	-	5,530
-	77,396	-	17,352	90,745	-	108,097
-	2,076	-	4,072	84,123	-	88,195
-	17,054	-	16,382	46,153	-	62,535
-	4,161	-	4,161	-	-	4,161
-	1,736	-	4,785	1,959	-	6,744
597	24,482	-	42,422	45,575	703	88,700
-	17,890	-	-	58,666	-	58,666
-	40,063	-	52,705	-	58	52,763
-	-	-	-	-	-	-
-	55,251	-	33,151	273,166	-	306,317
<u>\$ 289,190</u>	<u>\$ 2,379,669</u>	<u>\$ -</u>	<u>\$ 7,319,657</u>	<u>\$ 3,090,379</u>	<u>\$ 878,563</u>	<u>\$ 11,288,599</u>

See independent auditor's report on supplementary information.

**WALTON ARTS CENTER**

**Combining Statement of Functional Expenses (cont.)**

**For the Year Ended June 30, 2021**

	Walton Arts Center Foundation, Inc.			
		Supporting Services		
	Program Services	General and Administrative	Fund-raising	Total
Artist fees	\$ -	\$ -	\$ -	\$ -
Artist expense	-	-	-	-
Salaries and benefits	-	-	-	-
Accounting and consulting fees	-	9,500	-	9,500
Bank fees	-	-	-	-
Catering	-	-	-	-
Concessions	-	-	-	-
Contract services	-	-	-	-
Depreciation and amortization	-	-	-	-
Donor cultivations	-	-	-	-
Dues and subscriptions	-	-	-	-
Equipment rental	-	-	-	-
Faculty fees	-	-	-	-
In-kind donations	-	-	-	-
Insurance	-	-	-	-
Interest	-	-	-	-
Investment fees	-	48,092	-	48,092
Landscaping	-	-	-	-
Licenses	-	-	-	-
Marketing and advertising	-	-	-	-
Meetings	-	-	-	-
Miscellaneous	-	1,500	-	1,500
Postage and shipping	-	-	-	-
Printing and copies	-	-	-	-
Professional fees	-	5,000	-	5,000
Recruiting expenses	-	-	-	-
Repairs and maintenance	-	-	-	-
Service contracts	-	-	-	-
Small tools and equipment	-	-	-	-
Sponsorship allowance	-	-	-	-
Staff training and travel	-	-	-	-
Supplies and stationary	-	-	-	-
Telephone	-	-	-	-
Temporary employees	-	-	-	-
Transfers to the Council	814,000	-	-	814,000
Utilities	-	-	-	-
	814,000	-	-	814,000
Total functional expenses	\$ 814,000	\$ 64,092	\$ -	\$ 878,092

<u>Eliminations</u>	<u>Combined</u>			
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Functional Expenses</u>
		<u>General and Administrative</u>	<u>Fund-raising</u>	
\$ -	\$ 194,795	\$ -	\$ -	\$ 194,795
-	11,386	-	-	11,386
-	3,080,045	1,412,285	841,810	5,334,140
-	4,600	71,513	-	76,113
-	86,526	6,056	-	92,582
-	5,956	179	-	6,135
-	76,301	-	-	76,301
-	203,516	219,909	14,500	437,925
-	2,858,745	242,073	-	3,100,818
-	-	-	5,371	5,371
-	24,216	5,610	2,250	32,076
-	33,344	34,741	-	68,085
-	61,800	-	-	61,800
-	152,123	7,500	-	159,623
-	134,600	167,808	-	302,408
-	-	29,499	-	29,499
-	-	48,092	-	48,092
-	-	54,748	-	54,748
-	717	141,429	-	142,146
-	204,538	-	-	204,538
-	3,597	486	815	4,898
-	-	100,379	-	100,379
-	7,782	967	5,638	14,387
-	40	-	7,418	7,458
-	-	5,280	-	5,280
-	-	5,530	-	5,530
-	17,352	90,745	-	108,097
-	4,072	84,123	-	88,195
-	16,382	46,153	-	62,535
-	4,161	-	-	4,161
-	4,785	1,959	-	6,744
-	42,422	45,575	703	88,700
-	-	58,666	-	58,666
-	52,705	-	58	52,763
(814,000)	-	-	-	-
-	33,151	273,166	-	306,317
<u>\$ (814,000)</u>	<u>\$ 7,319,657</u>	<u>\$ 3,154,471</u>	<u>\$ 878,563</u>	<u>\$ 11,352,691</u>

See independent auditor's report on supplementary information.