

WALTON ARTS CENTER

June 30, 2024 and 2023

**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

Opinion

We have audited the combined financial statements of Walton Arts Center (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2024 and 2023, 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.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Walton Arts Center as of June 30, 2024 and 2023, 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 ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Combined Financial Statements section of our report. We are required to be independent of Walton Arts Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Entertainment, LLC has a fiscal year-end of March 31. The results of operations of NWA Entertainment, LLC have been included in the combined financial statements of Walton Arts Center through NWA Entertainment, LLC's fiscal year-end.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Walton Arts Center's ability to continue as a going concern for one year after the date the combined financial statements are issued.

Auditor's Responsibilities for the Audits of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Walton Arts Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Walton Arts Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
September 27, 2024

Combined Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 18,749,075	\$ 7,987,658
Certificates of deposit	1,000,000	18,200,000
Investments	38,403,766	21,846,885
Accounts receivable, net	3,297,929	3,843,464
Promises to give, current portion	2,740,437	451,867
Other current assets	5,384,725	3,121,672
Total current assets	<u>69,575,932</u>	<u>55,451,546</u>
Long-term assets		
Accounts receivable, noncurrent	4,750,490	4,963,130
Promises to give, net of current portion, discount, and allowance	1,929,194	2,502,284
Restricted investments	8,511,357	8,511,357
Property, plant, and equipment, net	41,406,599	43,600,199
Operating right-of-use assets, net	147,626	115,735
Other assets	4,099	6,335
Total long-term assets	<u>56,749,365</u>	<u>59,699,040</u>
Total assets	<u>\$ 126,325,297</u>	<u>\$ 115,150,586</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 674,072	\$ 643,292
Other current liabilities	3,271,945	2,925,293
Deferred revenue	30,027,314	26,049,862
Current maturities of long-term debt	327,540	494,713
Current portion of operating lease obligations	58,562	41,071
Total current liabilities	<u>34,359,433</u>	<u>30,154,231</u>
Long-term liabilities		
Deferred revenue, noncurrent	21,712,534	16,997,944
Long-term debt, less current maturities	5,709,169	6,033,467
Operating lease obligations, net of current portion	89,064	74,664
Total long-term liabilities	<u>27,510,767</u>	<u>23,106,075</u>
Net assets		
Without donor restrictions		
Net investment in property, plant, and equipment	31,823,561	33,504,029
Undesignated	9,814,868	7,110,230
Total without donor restrictions	41,638,429	40,614,259
With donor restrictions	22,816,668	21,276,021
Total net assets	<u>64,455,097</u>	<u>61,890,280</u>
Total liabilities and net assets	<u>\$ 126,325,297</u>	<u>\$ 115,150,586</u>

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

Combined Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue			
Grants	\$ 2,006,384	\$ -	\$ 2,006,384
Contributions	2,722,802	-	2,722,802
In-kind contributions	743,554	-	743,554
Ticket sales	22,368,936	-	22,368,936
Education class fee revenues	600	-	600
Other general sales	16,833,945	-	16,833,945
Other income	1,509,936	-	1,509,936
Sponsorships/underwriting	4,483,280	-	4,483,280
Investment income	1,011,172	163,444	1,174,616
Realized gains on investments	120,723	138,180	258,903
Unrealized gains on investments	686,469	1,977,088	2,663,557
Net assets released from restrictions	738,065	(738,065)	-
Total support and revenue	<u>53,225,866</u>	<u>1,540,647</u>	<u>54,766,513</u>
Functional expenses			
Program services	45,047,382	-	45,047,382
Supporting services			
General and administrative	5,658,040	-	5,658,040
Fundraising	1,496,274	-	1,496,274
Total functional expenses	<u>52,201,696</u>	<u>-</u>	<u>52,201,696</u>
Changes in net assets	1,024,170	1,540,647	2,564,817
Net assets - beginning of year	<u>40,614,259</u>	<u>21,276,021</u>	<u>61,890,280</u>
Net assets - end of year	<u>\$ 41,638,429</u>	<u>\$ 22,816,668</u>	<u>\$ 64,455,097</u>

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

Combined Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue			
Grants	\$ 1,370,526	\$ -	\$ 1,370,526
Contributions	2,021,700	-	2,021,700
In-kind contributions	634,282	-	634,282
Ticket sales	19,834,508	-	19,834,508
Education class fee revenues	7,120	-	7,120
Other general sales	13,783,815	-	13,783,815
Other income	1,386,530	-	1,386,530
Sponsorships/underwriting	3,944,520	-	3,944,520
Investment income	517,815	153,245	671,060
Realized gains on investments	12,471	343,507	355,978
Unrealized gains on investments	465,368	284,469	749,837
Net assets released from restrictions	<u>857,234</u>	<u>(857,234)</u>	<u>-</u>
Total support and revenue	<u>44,835,889</u>	<u>(76,013)</u>	<u>44,759,876</u>
Functional expenses			
Program services	40,731,232	-	40,731,232
Supporting services			
General and administrative	4,949,466	-	4,949,466
Fundraising	<u>1,291,916</u>	<u>-</u>	<u>1,291,916</u>
Total functional expenses	<u>46,972,614</u>	<u>-</u>	<u>46,972,614</u>
Changes in net assets	(2,136,725)	(76,013)	(2,212,738)
Net assets - beginning of year	<u>42,750,984</u>	<u>21,352,034</u>	<u>64,103,018</u>
Net assets - end of year	<u>\$ 40,614,259</u>	<u>\$ 21,276,021</u>	<u>\$ 61,890,280</u>

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

Combined Statements of Functional Expenses

For the Year Ended June 30, 2024

		Supporting Services		Total
	Program	General and		Functional
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Expenses</u>
Artist fees	\$ 18,250,212	\$ -	\$ -	\$ 18,250,212
Artist expense	4,996,207	-	-	4,996,207
Salaries and benefits	5,682,953	2,375,304	1,204,245	9,262,502
Accounting and consulting fees	78,469	138,733	-	217,202
Credit losses	-	-	22,500	22,500
Bank fees	1,293,428	5,540	-	1,298,968
Catering	197,488	3,988	73,773	275,249
Concessions	1,362,777	-	-	1,362,777
Contract services	3,567,040	360,835	5,495	3,933,370
Depreciation and amortization	3,701,546	251,272	-	3,952,818
Donor cultivations	-	-	94,594	94,594
Dues and subscriptions	30,567	10,217	650	41,434
Equipment rental	225,854	22,590	-	248,444
Faculty fees	53,011	-	-	53,011
In-kind donations	818,650	23,500	-	842,150
Insurance	1,482	524,062	-	525,544
Interest	-	4,080	-	4,080
Investment fees	-	35,065	-	35,065
Landscaping	-	58,920	-	58,920
Licenses	277	419,538	3,458	423,273
Marketing and advertising	1,426,642	-	-	1,426,642
Meetings	13,644	9,235	1,636	24,515
Merchandise	31,289	-	-	31,289
Miscellaneous	30,402	181,806	382	212,590
Postage and shipping	5,709	2,367	11,136	19,212
Printing and copies	28,110	7,088	15,643	50,841
Professional fees	-	5,000	-	5,000
Recruiting	-	21,089	-	21,089
Repairs and maintenance	90,675	257,078	-	347,753
Service contracts	4,539	128,065	-	132,604
Small tools and equipment	187,470	169,462	-	356,932
Sponsorship allowance	455,456	-	6,025	461,481
Staff training and travel	137,624	35,941	3,845	177,410
Supplies and stationary	226,161	74,238	52,892	353,291
Telephone	-	68,245	-	68,245
Temporary employees	2,037,208	4,057	-	2,041,265
Utilities	112,492	460,725	-	573,217
Total functional expenses	<u>\$ 45,047,382</u>	<u>\$ 5,658,040</u>	<u>\$ 1,496,274</u>	<u>\$ 52,201,696</u>

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

Combined Statements of Functional Expenses

For the Year Ended June 30, 2023

		<u>Supporting Services</u>		Total
	<u>Program</u>	<u>General and</u>	<u>Fundraising</u>	<u>Functional</u>
	<u>Services</u>	<u>Administrative</u>		<u>Expenses</u>
Artist fees	\$ 17,132,812	\$ -	\$ -	\$ 17,132,812
Artist expense	3,309,510	-	-	3,309,510
Salaries and benefits	5,205,999	2,175,515	1,058,261	8,439,775
Accounting and consulting fees	198,226	107,394	-	305,620
Bank fees	938,450	6,425	-	944,875
Catering	301,738	2,095	92,511	396,344
Concessions	1,160,958	-	-	1,160,958
Contract services	2,958,421	325,346	7,546	3,291,313
Depreciation and amortization	3,348,835	258,455	-	3,607,290
Donor cultivations	-	-	22,674	22,674
Dues and subscriptions	33,746	13,670	2,940	50,356
Equipment rental	751,342	21,828	-	773,170
Faculty fees	52,897	-	-	52,897
In-kind donations	711,102	23,500	-	734,602
Insurance	198,838	278,876	-	477,714
Interest	-	13,155	-	13,155
Investment fees	-	42,649	-	42,649
Landscaping	-	94,133	-	94,133
Licenses	-	222,339	-	222,339
Marketing and advertising	1,486,277	-	-	1,486,277
Meetings	8,705	5,524	3,363	17,592
Miscellaneous	28,990	165,181	10,930	205,101
Postage and shipping	25,079	1,896	10,184	37,159
Printing and copies	23,398	8,372	4,957	36,727
Professional fees	-	5,000	-	5,000
Recruiting	12,242	11,893	-	24,135
Repairs and maintenance	66,956	268,251	-	335,207
Service contracts	28,388	91,573	-	119,961
Small tools and equipment	130,645	126,944	-	257,589
Sponsorship allowance	427,266	-	7,251	434,517
Staff training and travel	107,857	26,808	11,644	146,309
Supplies and stationary	291,508	82,388	59,655	433,551
Telephone	904	51,553	-	52,457
Temporary employees	1,683,163	-	-	1,683,163
Utilities	106,980	518,703	-	625,683
Total functional expenses	<u>\$ 40,731,232</u>	<u>\$ 4,949,466</u>	<u>\$ 1,291,916</u>	<u>\$ 46,972,614</u>

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

Combined Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Changes in net assets	\$ 2,564,817	\$ (2,212,738)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	3,952,818	3,607,291
Accretion of discount on promises to give	(207,716)	(299,037)
Realized gains on investments	(258,903)	(355,978)
Unrealized gains on investments	(2,663,557)	(749,837)
Changes in operating assets and liabilities		
Accounts receivable	758,175	(2,317,822)
Promises to give	(1,507,764)	844,307
Other current assets	(2,263,053)	1,230,138
Accounts payable and other current liabilities	377,432	504,762
Deferred revenue	8,692,042	3,245,327
Net cash provided by operating activities	<u>9,444,291</u>	<u>3,496,413</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(1,756,982)	(1,945,481)
Purchases of certificates of deposit	-	(18,200,000)
Proceeds from redemption of certificates of deposit	17,200,000	-
Purchases of investments	(17,169,082)	(8,238,604)
Proceeds from sale of investments	3,534,661	-
Net cash provided (used) by investing activities	<u>1,808,597</u>	<u>(28,384,085)</u>
Cash flows from financing activities		
Principal payments of long-term debt	(491,471)	(498,665)
Net cash used by financing activities	<u>(491,471)</u>	<u>(498,665)</u>
Net increase (decrease) in cash and cash equivalents	10,761,417	(25,386,337)
Cash and cash equivalents - beginning of year	<u>7,987,658</u>	<u>33,373,995</u>
Cash and cash equivalents - end of year	<u>\$ 18,749,075</u>	<u>\$ 7,987,658</u>
<u>Supplementary disclosure of cash flow information</u>		
Cash paid during the year for interest	\$ 4,080	\$ 13,155
<u>Supplementary disclosure of noncash transaction</u>		
Right-of-use asset obtained in exchange for new operating lease obligations	\$ 206,079	\$ 81,207

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

Notes to Combined Financial Statements

June 30, 2024 and 2023

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, 2024 through June 30, 2024, NWA had revenue of approximately \$9,614,000 and expenses of approximately \$4,827,000. During the period of April 1, 2023 through June 30, 2023, NWA had revenue of approximately \$12,300,000 and expenses of approximately \$7,437,000.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.
- d. **Revenue recognition** – Ticket sales are recognized as revenue as events occur. 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.

The Center had approximately \$14,094,000 in deferred ticket sales and facility fees and \$22,000,000 in deferred sponsorships for the year ended June 30, 2024. The Center had approximately \$15,132,000 in deferred ticket sales and \$19,000,000 in deferred sponsorships for the year ended June 30, 2023.

Notes to Combined Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (cont.)

Sponsorships are recognized over the period in which consideration has been provided by the sponsor to the Center.

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 revenue 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.

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 on 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 \$743,554 and \$634,282 for the years ended June 30, 2024 and 2023, 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.

- e. **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.

Notes to Combined Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (cont.)

- f. **Investments** – Marketable securities are reported at their fair values on 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 on 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.
- g. **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. The allowance for credit losses was \$22,500 at June 30, 2024. The Center had no allowance for credit losses at June 30, 2023.
- h. **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. There was no allowance at June 30, 2024 or 2023.
- i. **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 changes in collection items during the years ended June 30, 2024 or 2023.

- j. **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.

Notes to Combined Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (cont.)

- k. **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 the years ended June 30, 2024 or 2023.
- l. **Leases** – The Center determines if an arrangement is a lease at inception of the arrangement and classifies it as an operating lease or finance lease, recognizing a right-of-use asset on its combined statements of financial position. A lease liability is recorded to represent the obligation to make lease payments over the term of the lease. Operating leases are comprised principally of equipment used in operations. The Center records right-of-use assets and lease liabilities based on the present value of future minimum lease payments. When the rate implicit in the lease is not readily determinable, the Center's incremental borrowing rate is used to calculate the present value of future lease payments. These assets and liabilities are included in the Center's accompanying combined statements of financial position as operating lease right-of use assets, net, current portion of operating lease obligations, and operating lease obligations, net of current portion. Lease expense for operating leases is recognized on a straight-line basis over the lease term. All operating lease cash payments are presented within net cash provided by operating activities on the Center's accompanying combined statements of cash flows. The Center has elected not to recognize right-of-use assets and lease obligations for leases with an initial term of 12 months or less.
- m. **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.
- n. **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 \$191,000 and \$214,000 of prepaid advertising was included in other current assets on the accompanying combined statements of financial position at June 30, 2024 and 2023, respectively. Advertising expense was \$1,426,642 and \$1,486,277 for the years ended June 30, 2024 and 2023, respectively.
- o. **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, 2024 or 2023.

Notes to Combined Financial Statements

June 30, 2024 and 2023

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 2020. 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, 2024 and 2023, the Center did not recognize any interest or penalties. The Center did not have any interest or penalties accrued at June 30, 2024 or 2023.

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>2024</u>	<u>2023</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 18,749,075	\$ 7,987,658
Certificates of deposit	1,000,000	18,200,000
Investments	46,915,123	30,358,242
Accounts receivable	8,048,419	8,806,594
Promises to give, net	<u>4,669,631</u>	<u>2,954,151</u>
Total financial assets at year-end	79,382,248	68,306,645
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	1,929,194	2,502,284
Restricted-purpose spending rate distribution and appropriations	738,065	657,000
Accounts receivable, noncurrent	<u>4,750,490</u>	<u>4,963,130</u>
Financial assets available to meet general expenditures within one year	<u>\$ 63,453,142</u>	<u>\$ 51,672,874</u>

Notes to Combined Financial Statements

June 30, 2024 and 2023

2. **Liquidity and Availability of Resources (cont.)**

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.

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.

	2024		2023	
	Carrying <u>Amount</u>	Bank <u>Balance</u>	Carrying <u>Amount</u>	Bank <u>Balance</u>
Insured (FDIC)	\$ 15,959,183	\$ 16,194,636	\$ 25,527,478	\$ 24,951,448
Uninsured/uncollateralized	<u>3,780,858</u>	<u>1,652,802</u>	<u>660,180</u>	<u>725,317</u>
Total deposits	<u>\$ 19,740,041</u>	<u>\$ 17,847,438</u>	<u>\$ 26,187,658</u>	<u>\$ 25,676,765</u>

Notes to Combined Financial Statements

June 30, 2024 and 2023

4. **Investments**

Investments are composed of the following:

	<u>2024</u>	<u>2023</u>
Fair market value		
Money market	\$ 15,172,947	\$ 1,241,274
Certificate of deposit	944,617	1,775,113
Fixed income	7,344,917	5,932,977
Equity	4,084,894	3,489,741
Alternative	51,080	143,116
University of Arkansas Investment Pool		
Money market	270,433	177,761
Equity securities		
U.S.	5,292,767	4,212,917
International	2,936,134	2,630,851
Emerging markets	1,178,317	1,031,009
Global managers	-	675,489
Hedge funds	1,970,300	1,866,482
Venture capital/private equity	5,833,634	5,457,238
Fixed income	<u>1,835,083</u>	<u>1,724,274</u>
Total fair market value	<u>\$ 46,915,123</u>	<u>\$ 30,358,242</u>
Total cost	<u>\$ 34,893,538</u>	<u>\$ 20,313,745</u>

5. **Promises to Give, Net**

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

	<u>2024</u>	<u>2023</u>
Amounts due in		
Less than one year	\$ 2,740,437	\$ 451,867
One to five years	<u>2,290,000</u>	<u>2,710,000</u>
Unconditional promises to give before unamortized discount	5,030,437	3,161,867
Less unamortized discount	<u>360,806</u>	<u>207,716</u>
Net unconditional promises to give	<u>\$ 4,669,631</u>	<u>\$ 2,954,151</u>

The unamortized discount rate for new pledges was 5.30% for the years ended June 30, 2024 and 2023.

Notes to Combined Financial Statements

June 30, 2024 and 2023

6. **Property, Plant, and Equipment**

Property, plant, and equipment consist of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 3,505,000	\$ 3,505,000
Building	28,651,588	28,629,475
Leasehold improvements	24,310,951	24,116,112
Equipment and furniture	5,775,318	5,518,588
Computer hardware and software	6,294,018	4,856,523
Artwork	257,428	213,628
Construction in progress	<u>85,015</u>	<u>282,414</u>
	68,879,318	67,121,740
Less accumulated depreciation	<u>27,472,719</u>	<u>23,521,541</u>
Property, plant, and equipment, net	<u>\$ 41,406,599</u>	<u>\$ 43,600,199</u>

Depreciation expense was \$3,950,582 and \$3,605,054 for the years ended June 30, 2024 and 2023, respectively.

7. **Lines of Credit**

The Center has a \$2,500,000 unsecured line of credit with a bank with a fixed rate of 8.50% at June 30, 2024. The line of credit matures on December 31, 2025. The Center had no outstanding balance on the line of credit at June 30, 2024 or 2023.

The Center had a \$1,500,000 unsecured line of credit with a bank with a variable interest rate. The line of credit matured on November 5, 2023.

8. **Long-Term Debt**

Long-term debt consists of the following:

	<u>2024</u>	<u>2023</u>
Unsecured note payable with the Walton Family Foundation, bearing interest at 0%, with annual payments and a balloon payment of \$5,044,230 in January 2028.	\$ 6,036,709	\$ 6,361,007

Notes to Combined Financial Statements

June 30, 2024 and 2023

8. Long-Term Debt (cont.)

	<u>2024</u>	<u>2023</u>
Note payable with a certain financial institution, bearing interest at 4.91%, monthly payments of \$15,894. Note was paid in full during fiscal 2024.	\$ -	\$ 167,173
	6,036,709	6,528,180
Less current maturities	<u>327,540</u>	<u>494,713</u>
Long-term debt, less current maturities	<u>\$ 5,709,169</u>	<u>\$ 6,033,467</u>

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

Fiscal Year Ending	
2025	\$ 327,540
2026	330,816
2027	334,123
2028	<u>5,044,230</u>
	<u>\$ 6,036,709</u>

9. Leases*Lessee*

The Center and NWA lease various assets under operating lease agreements.

Future annual payments under the operating lease obligations are as follows:

Fiscal Year Ending	
2025	\$ 69,032
2026	46,272
2027	46,272
2028	46,272
2029	<u>34,704</u>
Total lease payments	242,552
Less imputed interest	<u>94,926</u>
Total lease obligations	147,626
Less current portion	<u>58,562</u>
Operating lease obligations, net of current portion	<u>\$ 89,064</u>

Notes to Combined Financial Statements

June 30, 2024 and 2023

9. Leases (cont.)

The Center and NWA recognized operating lease cost and other information associated with their leases as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	<u>\$ 47,348</u>	<u>\$ 47,348</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating lease obligations	\$ 42,350	\$ 42,350
Right-of-use assets obtained in exchange for new operating lease obligations	206,079	81,207
Weighted-average remaining lease term - operating lease obligations	3.97 years	3.1 years
Weighted-average discount rate - operating lease obligations	4.71%	5.50%

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 on the accompanying combined statements of activities and changes in net assets.

Lessor

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. As the leases are classified as operating leases, lease income is recorded as other income on the accompanying combined statements of activities and changes in net assets.

The following is a schedule by year of future minimum rental receipts required under the operating lease agreements:

Fiscal Year Ending	
2025	\$ 156,870
2026	<u>47,387</u>
Total minimum rental receipts	<u>\$ 204,257</u>

Notes to Combined Financial Statements

June 30, 2024 and 2023

9. **Leases (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.

10. **Net Assets With Donor Restrictions**

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

	<u>2024</u>	<u>2023</u>
With donor restrictions		
Council		
Restricted land	\$ 3,500,000	\$ 3,500,000
Foundation		
Education	1,309,144	1,101,082
Long-term maintenance	2,942,695	2,548,580
Maintenance	3,034,585	2,622,908
Operations	2,262,900	1,950,479
Program	<u>1,255,987</u>	<u>1,041,615</u>
Total with donor restrictions	<u>14,305,311</u>	<u>12,764,664</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>\$ 22,816,668</u>	<u>\$ 21,276,021</u>

The Center owns land that is restricted to use that will remain in effect through 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.

Notes to Combined Financial Statements

June 30, 2024 and 2023

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>2024</u>	<u>2023</u>
Restricted-purpose spending rate distribution and appropriations		
Foundation income	\$ 738,065	\$ 857,234

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 \$267,949 and \$186,093 to the Plan for the years ended June 30, 2024 and 2023, respectively, which is included in salaries and benefits in the accompanying combined statements of functional expenses.

13. **Commitments and Contingencies**

The Center had several construction, repair, and maintenance projects in various stages of completion. There were no unfulfilled contract commitments for the years ended June 30, 2024 or 2023.

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, 2024 and 2023 was approximately \$5.0 million and \$5.2 million, respectively, of unrecognized revenue, which will be recognized into revenue over the sponsorship period.

At June 30, 2024 and 2023, the Center had no artist fees that exceeded 10% of total artist fees.

The Center had one major contributor that accounted for 25% of total contribution and grant revenue during fiscal 2024. The Center had one major contributor that accounted for 18% of total contribution and grant revenue during fiscal 2023.

Notes to Combined Financial Statements**June 30, 2024 and 2023****14. Concentrations of Risk (cont.)**

At June 30, 2024, the Center had significant promises to give by three donors that exceeded 10% of total promises to give balances. These donors accounted for 44% of the balance at June 30, 2024. At June 30, 2023, the Center had significant promises to give by four donors that exceeded 10% of total promises to give balances. These donors accounted for 92% of the balance at June 30, 2023.

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, 2024 and 2023

15. **Endowments** (cont.)

Endowment net asset and activity is as follows:

	<u>With Donor Restrictions</u>
Endowment net assets at July 1, 2022	\$ 17,710,449
Distributions	(673,000)
Expenses	(42,650)
Investment income, net	<u>781,222</u>
Endowment net assets at June 30, 2023	17,776,021
Distributions	(703,000)
Expenses	(35,064)
Investment income, net	<u>2,278,710</u>
Endowment net assets at June 30, 2024	<u>\$ 19,316,667</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, 2024 or 2023.

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, 2024 and 2023

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, 2024 and 2023

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>Total</u>
<u>June 30, 2024</u>			
Fixed income	\$ 7,344,917	\$ -	\$ 7,344,917
Equity	4,084,894	-	4,084,894
Alternative	-	51,080	51,080
Investment pool funds held by the University of Arkansas			
Investment Pool	<u>-</u>	<u>19,316,668</u>	<u>19,316,668</u>
	<u>\$ 11,429,811</u>	<u>\$ 19,367,748</u>	<u>\$ 30,797,559</u>
<u>June 30, 2023</u>			
Fixed income	\$ 5,932,977	\$ -	\$ 5,932,977
Equity	3,489,741	-	3,489,741
Alternative	-	143,116	143,116
Investment pool funds held by the University of Arkansas			
Investment Pool	<u>-</u>	<u>17,776,021</u>	<u>17,776,021</u>
	<u>\$ 5,932,977</u>	<u>\$ 17,776,021</u>	<u>\$ 27,341,855</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, 2024, the asset allocation of the investment pool consisted of approximately (48.7%) investment in equities with the remaining allocation invested in hedge funds (10.2%), fixed income notes and bonds (9.5%), private equity, venture capital, and partnerships (30.2%), along with cash and cash equivalents (1.4%). At June 30, 2023, the asset allocation of the investment pool consisted of approximately (48.1%) investment in equities with the remaining allocation invested in hedge funds (10.5%), fixed income notes and bonds (9.7%), private equity, venture capital, and partnerships (30.7%), along with cash and cash equivalents (1.0%).

Notes to Combined Financial Statements

June 30, 2024 and 2023

17. **Subsequent Events Evaluation Date**

The Center evaluated the events and transactions to its June 30, 2024 combined statement of financial position date and determined there were no significant events to report through September 27, 2024, 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, 2024 and 2023, and have issued our report thereon dated September 27, 2024, 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 27, 2024

Combining Statement of Financial Position

June 30, 2024

<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>
Current assets						
Cash and cash equivalents	\$ 18,011,925	\$ 737,150	\$ -	\$ 18,749,075	\$ -	\$ 18,749,075
Certificates of deposit	1,000,000	-	-	1,000,000	-	1,000,000
Investments	27,598,455	-	-	27,598,455	10,805,311	38,403,766
Accounts receivable, net	1,058,913	2,239,016	-	3,297,929	-	3,297,929
Promises to give, current portion	2,740,437	-	-	2,740,437	-	2,740,437
Other current assets	165,191	392,012	4,827,522	5,384,725	-	5,384,725
Total current assets	<u>50,574,921</u>	<u>3,368,178</u>	<u>4,827,522</u>	<u>58,770,621</u>	<u>10,805,311</u>	<u>69,575,932</u>
Long-term assets						
Accounts receivable, noncurrent	1,130,000	3,620,490	-	4,750,490	-	4,750,490
Promises to give, net of current portion, discount, and allowance	1,929,194	-	-	1,929,194	-	1,929,194
Restricted investments	-	-	-	-	8,511,357	8,511,357
Property, plant, and equipment, net	41,139,777	266,822	-	41,406,599	-	41,406,599
Operating right-of-use assets, net	126,983	20,643	-	147,626	-	147,626
Investment in subsidiary	2,954,014	-	(2,954,014)	-	-	-
Other assets	-	4,099	-	4,099	-	4,099
Total long-term assets	<u>47,279,968</u>	<u>3,912,054</u>	<u>(2,954,014)</u>	<u>48,238,008</u>	<u>8,511,357</u>	<u>56,749,365</u>
Total assets	<u>\$ 97,854,889</u>	<u>\$ 7,280,232</u>	<u>\$ 1,873,508</u>	<u>\$ 107,008,629</u>	<u>\$ 19,316,668</u>	<u>\$ 126,325,297</u>

See independent auditor's report on supplementary information.

Combining Statement of Financial Position (cont.)

June 30, 2024

<u>Liabilities and Net Assets</u>	Walton Arts Center Council, Inc.	NWA Entertainment, LLC	<u>Eliminations</u>	<u>Consolidated</u>	Walton Arts Center Foundation, Inc.	<u>Combined</u>
Current liabilities						
Accounts payable	\$ 526,863	\$ 147,209	\$ -	\$ 674,072	\$ -	\$ 674,072
Other current liabilities	1,326,006	1,945,939	-	3,271,945	-	3,271,945
Deferred revenue	2,829,417	17,584,217	9,613,680	30,027,314	-	30,027,314
Current maturities of long-term debt	327,540	-	-	327,540	-	327,540
Current portion of operating lease obligations	37,919	20,643	-	58,562	-	58,562
Total current liabilities	<u>5,047,745</u>	<u>19,698,008</u>	<u>9,613,680</u>	<u>34,359,433</u>	<u>-</u>	<u>34,359,433</u>
Long-term liabilities						
Deferred revenue, noncurrent	15,350,263	6,362,271	-	21,712,534	-	21,712,534
Long-term debt, less current maturities	5,709,169	-	-	5,709,169	-	5,709,169
Operating lease obligations, net of current portion	89,064	-	-	89,064	-	89,064
Total long-term liabilities	<u>21,148,496</u>	<u>6,362,271</u>	<u>-</u>	<u>27,510,767</u>	<u>-</u>	<u>27,510,767</u>
Due to (from)	<u>26,520,219</u>	<u>(21,734,062)</u>	<u>(4,786,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets						
Without donor restrictions						
Net investment in property, plant, and equipment	31,556,739	-	266,822	31,823,561	-	31,823,561
Undesignated	10,081,690	-	(266,822)	9,814,868	-	9,814,868
Total without donor restrictions	41,638,429	-	-	41,638,429	-	41,638,429
With donor restrictions	3,500,000	-	-	3,500,000	19,316,668	22,816,668
Members' equity	-	2,954,015	(2,954,015)	-	-	-
Total net assets	<u>45,138,429</u>	<u>2,954,015</u>	<u>(2,954,015)</u>	<u>45,138,429</u>	<u>19,316,668</u>	<u>64,455,097</u>
Total liabilities and net assets	<u>\$ 97,854,889</u>	<u>\$ 7,280,232</u>	<u>\$ 1,873,508</u>	<u>\$ 107,008,629</u>	<u>\$ 19,316,668</u>	<u>\$ 126,325,297</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, 2024

	Walton Arts Center Council, Inc.			NWA Entertainment, LLC				Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue										
Grants	\$ 1,936,384	\$ -	\$ 1,936,384	\$ 70,000	\$ -	\$ 70,000	\$ -	\$ 2,006,384	\$ -	\$ 2,006,384
Contributions	2,124,436	-	2,124,436	598,366	-	598,366	-	2,722,802	-	2,722,802
In-kind contributions	123,854	-	123,854	619,700	-	619,700	-	743,554	-	743,554
Ticket sales	5,741,900	-	5,741,900	16,627,036	-	16,627,036	-	22,368,936	-	22,368,936
Education class fee revenues	600	-	600	-	-	-	-	600	-	600
Other general sales	2,901,446	-	2,901,446	13,932,499	-	13,932,499	-	16,833,945	-	16,833,945
Other income	839,719	-	839,719	1,170,217	-	1,170,217	(500,000)	1,509,936	-	1,509,936
Sponsorships/underwriting	1,720,168	-	1,720,168	2,763,112	-	2,763,112	-	4,483,280	-	4,483,280
Investment income	1,011,172	-	1,011,172	-	-	-	-	1,011,172	-	1,011,172
Realized gains on investments	120,723	-	120,723	-	-	-	-	120,723	-	120,723
Unrealized gains on investments	686,469	-	686,469	-	-	-	-	686,469	-	686,469
Transfers from the Foundation	687,000	-	687,000	-	-	-	-	687,000	-	687,000
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-
Total support and revenue	17,893,871	-	17,893,871	35,780,930	-	35,780,930	(500,000)	53,174,801	-	53,174,801
Functional expenses										
Program services	15,738,704	-	15,738,704	29,808,678	-	29,808,678	(500,000)	45,047,382	-	45,047,382
Supporting services										
General and administrative	3,838,482	-	3,838,482	1,768,493	-	1,768,493	-	5,606,975	-	5,606,975
Fundraising	1,166,415	-	1,166,415	329,859	-	329,859	-	1,496,274	-	1,496,274
Total functional expenses	20,743,601	-	20,743,601	31,907,030	-	31,907,030	(500,000)	52,150,631	-	52,150,631
Changes in net assets from operations	(2,849,730)	-	(2,849,730)	3,873,900	-	3,873,900	-	1,024,170	-	1,024,170
Other changes										
Distribution to member	-	-	-	(2,000,000)	-	(2,000,000)	2,000,000	-	-	-
Equity in earnings of subsidiary	3,873,900	-	3,873,900	-	-	-	(3,873,900)	-	-	-
Total other changes	3,873,900	-	3,873,900	(2,000,000)	-	(2,000,000)	(1,873,900)	-	-	-
Changes in net assets	1,024,170	-	1,024,170	1,873,900	-	1,873,900	(1,873,900)	1,024,170	-	1,024,170
Net assets - beginning of year	40,614,259	3,500,000	44,114,259	1,080,115	-	1,080,115	(1,080,115)	40,614,259	3,500,000	44,114,259
Net assets - end of year	\$ 41,638,429	\$ 3,500,000	\$ 45,138,429	\$ 2,954,015	\$ -	\$ 2,954,015	\$ (2,954,015)	\$ 41,638,429	\$ 3,500,000	\$ 45,138,429

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, 2024

	Walton Arts Center Foundation, Inc.				Combined		
	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue							
Grants	\$ -	\$ -	\$ -	\$ -	\$ 2,006,384	\$ -	\$ 2,006,384
Contributions	-	-	-	-	2,722,802	-	2,722,802
In-kind contributions	-	-	-	-	743,554	-	743,554
Ticket sales	-	-	-	-	22,368,936	-	22,368,936
Education class fee revenues	-	-	-	-	600	-	600
Other general sales	-	-	-	-	16,833,945	-	16,833,945
Other income	-	-	-	-	1,509,936	-	1,509,936
Sponsorships/underwriting	-	-	-	-	4,483,280	-	4,483,280
Investment income	-	163,444	163,444	-	1,011,172	163,444	1,174,616
Realized gains on investments	-	138,180	138,180	-	120,723	138,180	258,903
Unrealized gains on investments	-	1,977,088	1,977,088	-	686,469	1,977,088	2,663,557
Transfers from the Foundation	-	-	-	(687,000)	-	-	-
Net assets released from restrictions	<u>738,065</u>	<u>(738,065)</u>	<u>-</u>	<u>-</u>	<u>738,065</u>	<u>(738,065)</u>	<u>-</u>
Total support and revenue	<u>738,065</u>	<u>1,540,647</u>	<u>2,278,712</u>	<u>(687,000)</u>	<u>53,225,866</u>	<u>1,540,647</u>	<u>54,766,513</u>
Functional expenses							
Program services	687,000	-	687,000	(687,000)	45,047,382	-	45,047,382
Supporting services							
General and administrative	51,065	-	51,065	-	5,658,040	-	5,658,040
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,496,274</u>	<u>-</u>	<u>1,496,274</u>
Total functional expenses	<u>738,065</u>	<u>-</u>	<u>738,065</u>	<u>(687,000)</u>	<u>52,201,696</u>	<u>-</u>	<u>52,201,696</u>
Changes in net assets from operations	<u>-</u>	<u>1,540,647</u>	<u>1,540,647</u>	<u>-</u>	<u>1,024,170</u>	<u>1,540,647</u>	<u>2,564,817</u>
Other changes							
Distribution to member	-	-	-	-	-	-	-
Equity in earnings of subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	-	1,540,647	1,540,647	-	1,024,170	1,540,647	2,564,817
Net assets - beginning of year	<u>-</u>	<u>17,776,021</u>	<u>17,776,021</u>	<u>-</u>	<u>40,614,259</u>	<u>21,276,021</u>	<u>61,890,280</u>
Net assets - end of year	<u>\$ -</u>	<u>\$ 19,316,668</u>	<u>\$ 19,316,668</u>	<u>\$ -</u>	<u>\$ 41,638,429</u>	<u>\$ 22,816,668</u>	<u>\$ 64,455,097</u>

See independent auditor's report on supplementary information.

WALTON ARTS CENTER

Combining Statement of Functional Expenses

For the Year Ended June 30, 2024

	Walton Arts Center Council, Inc.				NWA Entertainment, LLC					Consolidated			
	Supporting Services				Supporting Services					Supporting Services			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total	Eliminations	Program Services	General and Administrative	Fundraising	Total
Artist fees	\$ 4,557,946	\$ -	\$ -	\$ 4,557,946	\$ 13,692,266	\$ -	\$ -	\$ 13,692,266	\$ -	\$ 18,250,212	\$ -	\$ -	\$ 18,250,212
Artist expense	391,043	-	-	391,043	4,605,164	-	-	4,605,164	-	4,996,207	-	-	4,996,207
Salaries and benefits	3,568,196	1,598,580	909,393	6,076,169	2,114,757	776,724	294,852	3,186,333	-	5,682,953	2,375,304	1,204,245	9,262,502
Accounting and consulting fees	78,469	129,233	-	207,702	-	-	-	-	-	78,469	129,233	-	207,702
Credit losses	-	-	-	-	-	-	22,500	22,500	-	-	-	22,500	22,500
Bank fees	321,008	4,118	-	325,126	972,420	1,422	-	973,842	-	1,293,428	5,540	-	1,298,968
Catering	90,717	3,988	73,773	168,478	106,771	-	-	106,771	-	197,488	3,988	73,773	275,249
Concessions	142,224	-	-	142,224	1,220,553	-	-	1,220,553	-	1,362,777	-	-	1,362,777
Contract services	650,937	265,328	5,495	921,760	2,916,103	95,507	-	3,011,610	-	3,567,040	360,835	5,495	3,933,370
Depreciation and amortization	3,701,546	186,120	-	3,887,666	-	65,152	-	65,152	-	3,701,546	251,272	-	3,952,818
Donor cultivations	-	-	86,559	86,559	-	-	8,035	8,035	-	-	-	94,594	94,594
Dues and subscriptions	26,161	7,021	325	33,507	4,406	3,196	325	7,927	-	30,567	10,217	650	41,434
Equipment rental	98,951	14,783	-	113,734	626,903	7,807	-	634,710	(500,000)	225,854	22,590	-	248,444
Faculty fees	53,011	-	-	53,011	-	-	-	-	-	53,011	-	-	53,011
In-kind donations	100,354	23,500	-	123,854	718,296	-	-	718,296	-	818,650	23,500	-	842,150
Insurance	-	305,478	-	305,478	1,482	218,584	-	220,066	-	1,482	524,062	-	525,544
Interest	-	4,080	-	4,080	-	-	-	-	-	-	4,080	-	4,080
Investment fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Landscaping	-	29,635	-	29,635	-	29,285	-	29,285	-	-	58,920	-	58,920
Licenses	247	281,457	3,458	285,162	30	138,081	-	138,111	-	277	419,538	3,458	423,273
Marketing and advertising	730,627	-	-	730,627	696,015	-	-	696,015	-	1,426,642	-	-	1,426,642
Meetings	10,065	9,195	1,416	20,676	3,579	40	220	3,839	-	13,644	9,235	1,636	24,515
Merchandise	-	-	-	-	31,289	-	-	31,289	-	31,289	-	-	31,289
Miscellaneous	9,080	145,464	382	154,926	21,322	34,842	-	56,164	-	30,402	180,306	382	211,090
Postage and shipping	1,649	1,723	11,099	14,471	4,060	644	37	4,741	-	5,709	2,367	11,136	19,212
Printing and copies	20,763	7,088	15,643	43,494	7,347	-	-	7,347	-	28,110	7,088	15,643	50,841
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Recruiting	-	21,089	-	21,089	-	-	-	-	-	-	21,089	-	21,089
Repairs and maintenance	62,444	56,934	-	119,378	28,231	200,144	-	228,375	-	90,675	257,078	-	347,753
Service contracts	4,539	94,539	-	99,078	-	33,526	-	33,526	-	4,539	128,065	-	132,604
Small tools and equipment	101,934	111,847	-	213,781	85,536	57,615	-	143,151	-	187,470	169,462	-	356,932
Sponsorship allowance	-	-	6,025	6,025	455,456	-	-	455,456	-	455,456	-	6,025	461,481
Staff training and travel	96,854	34,407	-	131,261	40,770	1,534	3,845	46,149	-	137,624	35,941	3,845	177,410
Supplies and stationary	76,232	74,178	52,847	203,257	149,929	60	45	150,034	-	226,161	74,238	52,892	353,291
Telephone	-	38,909	-	38,909	-	29,336	-	29,336	-	-	68,245	-	68,245
Temporary employees	843,707	4,057	-	847,764	1,193,501	-	-	1,193,501	-	2,037,208	4,057	-	2,041,265
Transfers to the Council	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	385,731	-	385,731	112,492	74,994	-	187,486	-	112,492	460,725	-	573,217
Total functional expenses	\$ 15,738,704	\$ 3,838,482	\$ 1,166,415	\$ 20,743,601	\$ 29,808,678	\$ 1,768,493	\$ 329,859	\$ 31,907,030	\$ (500,000)	\$ 45,047,382	\$ 5,606,975	\$ 1,496,274	\$ 52,150,631

See independent auditor's report on supplementary information.

WALTON ARTS CENTER

Combining Statement of Functional Expenses (cont.)

For the Year Ended June 30, 2024

	Walton Arts Center Foundation, Inc.					Combined			
	Supporting Services					Supporting Services			Total
	Program Services	General and Administrative	Fundraising	Total	Eliminations	Program Services	General and Administrative	Fundraising	Functional Expenses
Artist fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,250,212	\$ -	\$ -	\$ 18,250,212
Artist expense	-	-	-	-	-	4,996,207	-	-	4,996,207
Salaries and benefits	-	-	-	-	-	5,682,953	2,375,304	1,204,245	9,262,502
Accounting and consulting fees	-	9,500	-	9,500	-	78,469	138,733	-	217,202
Credit losses	-	-	-	-	-	-	-	22,500	22,500
Bank fees	-	-	-	-	-	1,293,428	5,540	-	1,298,968
Catering	-	-	-	-	-	197,488	3,988	73,773	275,249
Concessions	-	-	-	-	-	1,362,777	-	-	1,362,777
Contract services	-	-	-	-	-	3,567,040	360,835	5,495	3,933,370
Depreciation and amortization	-	-	-	-	-	3,701,546	251,272	-	3,952,818
Donor cultivations	-	-	-	-	-	-	-	94,594	94,594
Dues and subscriptions	-	-	-	-	-	30,567	10,217	650	41,434
Equipment rental	-	-	-	-	-	225,854	22,590	-	248,444
Faculty fees	-	-	-	-	-	53,011	-	-	53,011
In-kind donations	-	-	-	-	-	818,650	23,500	-	842,150
Insurance	-	-	-	-	-	1,482	524,062	-	525,544
Interest	-	-	-	-	-	-	4,080	-	4,080
Investment fees	-	35,065	-	35,065	-	-	35,065	-	35,065
Landscaping	-	-	-	-	-	-	58,920	-	58,920
Licenses	-	-	-	-	-	277	419,538	3,458	423,273
Marketing and advertising	-	-	-	-	-	1,426,642	-	-	1,426,642
Meetings	-	-	-	-	-	13,644	9,235	1,636	24,515
Merchandise	-	-	-	-	-	31,289	-	-	31,289
Miscellaneous	-	1,500	-	1,500	-	30,402	181,806	382	212,590
Postage and shipping	-	-	-	-	-	5,709	2,367	11,136	19,212
Printing and copies	-	-	-	-	-	28,110	7,088	15,643	50,841
Professional fees	-	5,000	-	5,000	-	-	5,000	-	5,000
Recruiting	-	-	-	-	-	-	21,089	-	21,089
Repairs and maintenance	-	-	-	-	-	90,675	257,078	-	347,753
Service contracts	-	-	-	-	-	4,539	128,065	-	132,604
Small tools and equipment	-	-	-	-	-	187,470	169,462	-	356,932
Sponsorship allowance	-	-	-	-	-	455,456	-	6,025	461,481
Staff training and travel	-	-	-	-	-	137,624	35,941	3,845	177,410
Supplies and stationary	-	-	-	-	-	226,161	74,238	52,892	353,291
Telephone	-	-	-	-	-	-	68,245	-	68,245
Temporary employees	-	-	-	-	-	2,037,208	4,057	-	2,041,265
Transfers to the Council	687,000	-	-	687,000	(687,000)	-	-	-	-
Utilities	-	-	-	-	-	112,492	460,725	-	573,217
Total functional expenses	\$ 687,000	\$ 51,065	\$ -	\$ 738,065	\$ (687,000)	\$ 45,047,382	\$ 5,658,040	\$ 1,496,274	\$ 52,201,696

See independent auditor's report on supplementary information.