

**Dallas Center for the Performing Arts
Foundation, Inc. and Subsidiary**

Consolidated Financial Statements
and Supplementary Information

July 31, 2024 and 2023



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8 - 9
Notes to Consolidated Financial Statements	10 - 27
Supplementary Information	
Consolidating Statement of Financial Position	29
Consolidating Statement of Activities	30



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of July 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary as of July 31, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dallas Center for the Performing Arts Foundation, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dallas Center for the Performing Arts Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 29 - 30 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



Dallas, Texas

February 12, 2025

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position
July 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,924,671	\$ 1,074,247
Cash held for capital designated net assets program	2,385,607	3,568,271
Certificates of deposit	6,000,000	8,000,000
Contributions and grants receivable, net	2,530,258	2,005,806
Accounts and other receivables, net	1,456,883	1,563,471
Prepaid expenses and other assets	880,448	1,134,313
Investments held for endowment, at fair value	16,351,608	15,088,272
Property and equipment, net	6,362,885	5,635,590
Right of use asset, net	165,954,484	172,462,503
Total assets	\$ 203,846,844	\$ 210,532,473
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued and other liabilities	\$ 7,648,664	\$ 6,988,341
Deferred revenue	4,768,326	4,688,818
Agency funds	455,054	695,897
Deferred sponsorship agreements	7,697,038	9,157,461
Bank redemption note	40,860,000	39,360,000
Bonds payable, net	12,202,053	15,183,630
Total liabilities	73,631,135	76,074,147
Net assets		
Without donor restrictions		
Operating	555,841	(1,067,505)
Capital	(53,547,517)	(52,590,373)
Total without donor restrictions	(52,991,676)	(53,657,878)
With donor restrictions	183,207,385	188,116,204
Total net assets	130,215,709	134,458,326
Total liabilities and net assets	\$ 203,846,844	\$ 210,532,473

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

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
For the Year Ended July 31, 2024

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Capital	Total		
Revenue, gains and other support					
Programming	\$ 6,279,812	\$ -	\$ 6,279,812	\$ -	\$ 6,279,812
Facility	2,715,300	-	2,715,300	-	2,715,300
City of Dallas	2,500,000	1,500,000	4,000,000	-	4,000,000
Service	7,595,992	-	7,595,992	-	7,595,992
Sponsorships	4,202,219	2,842	4,205,061	-	4,205,061
Contributions and grants	2,701,159	-	2,701,159	469,442	3,170,601
Contributions released from restriction	144,650	6,508,019	6,652,669	(6,652,669)	-
Investment income, net	402,861	-	402,861	1,911,021	2,313,882
Net assets released from restriction	461,613	-	461,613	(461,613)	-
Investment income released from restriction	175,000	-	175,000	(175,000)	-
Total revenue, gains and other support	27,178,606	8,010,861	35,189,467	(4,908,819)	30,280,648
Functional expenses					
Program services					
Programming	8,229,691	11,204	8,240,895	-	8,240,895
Education & community engagement	668,108	-	668,108	-	668,108
Facility	5,963,802	8,823,392	14,787,194	-	14,787,194
Service	3,375,192	13,151	3,388,343	-	3,388,343
Total program services	18,236,793	8,847,747	27,084,540	-	27,084,540
Management & general	5,897,659	108,853	6,006,512	-	6,006,512
Fundraising	1,420,808	11,405	1,432,213	-	1,432,213
Total functional expenses	25,555,260	8,968,005	34,523,265	-	34,523,265
Change in net assets	1,623,346	(957,144)	666,202	(4,908,819)	(4,242,617)
Net assets (deficit), beginning of year	(1,067,505)	(52,590,373)	(53,657,878)	188,116,204	134,458,326
Net assets (deficit), end of year	\$ 555,841	\$ (53,547,517)	\$ (52,991,676)	\$183,207,385	\$130,215,709

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

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
For the Year Ended July 31, 2023

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Capital	Total		
Revenues, gains (losses) and other support					
Programming	\$ 4,578,715	\$ -	\$ 4,578,715	\$ -	\$ 4,578,715
Facility	2,341,451	-	2,341,451	-	2,341,451
City of Dallas	2,676,765	1,500,000	4,176,765	-	4,176,765
Service	5,230,247	-	5,230,247	-	5,230,247
Sponsorships	4,039,028	-	4,039,028	-	4,039,028
Contributions and grants	3,372,250	-	3,372,250	136,994	3,509,244
Contributions released from restriction	436,711	6,508,019	6,944,730	(6,944,730)	-
Investment income, net	280,868	-	280,868	1,030,863	1,311,731
Net assets released from restriction	<u>425,493</u>	<u>-</u>	<u>425,493</u>	<u>(425,493)</u>	<u>-</u>
Total revenues, gains and other support	<u>23,381,528</u>	<u>8,008,019</u>	<u>31,389,547</u>	<u>(6,202,366)</u>	<u>25,187,181</u>
Functional expenses					
Program services					
Programming	6,899,527	11,204	6,910,731	-	6,910,731
Education & community engagement	619,643	-	619,643	-	619,643
Facility	5,137,546	8,518,785	13,656,331	-	13,656,331
Service	<u>2,902,661</u>	<u>28,889</u>	<u>2,931,550</u>	<u>-</u>	<u>2,931,550</u>
Total program services	15,559,377	8,558,878	24,118,255	-	24,118,255
Management & general	5,110,331	433,170	5,543,501	-	5,543,501
Fundraising	<u>1,549,928</u>	<u>886</u>	<u>1,550,814</u>	<u>-</u>	<u>1,550,814</u>
Total functional expenses	<u>22,219,636</u>	<u>8,992,934</u>	<u>31,212,570</u>	<u>-</u>	<u>31,212,570</u>
Change in net assets	1,161,892	(984,915)	176,977	(6,202,366)	(6,025,389)
Net assets (deficit), beginning of year	<u>(2,229,397)</u>	<u>(51,605,458)</u>	<u>(53,834,855)</u>	<u>194,318,570</u>	<u>140,483,715</u>
Net assets (deficit), end of year	<u>\$ (1,067,505)</u>	<u>\$ (52,590,373)</u>	<u>\$ (53,657,878)</u>	<u>\$188,116,204</u>	<u>\$134,458,326</u>

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

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended July 31, 2024

	Program Services				Support Services		Total
	Programming	Education & Community Engagement	Facility	Service	Management & General	Fundraising	
Payroll, benefits and staffing	\$ 592,387	\$ 272,678	\$ 2,486,636	\$ 871,341	\$ 3,714,789	\$ 774,210	\$ 8,712,041
Professional and contracted services	135,303	126,000	-	813,605	507,040	200,000	1,781,948
Facility and equipment maintenance	194,956	15,028	2,429,526	1,011,971	53,882	-	3,705,363
Occupancy and leasing costs	-	-	1,000	78,886	342,571	-	422,457
Marketing, social media and sales	932,323	159,118	6,168	1,062	61,402	218,806	1,378,879
Travel and administrative	240,296	5,150	290,654	183,404	1,203,727	34,369	1,957,600
Performance costs	5,684,426	90,134	736,376	414,923	2,021	76,889	7,004,769
In-kind	-	-	-	-	-	127,939	127,939
Depreciation and amortization	11,204	-	463,655	13,151	102,351	-	590,361
Interest and financing costs	-	-	1,865,160	-	-	-	1,865,160
Bad debt expense	-	-	-	-	18,729	-	18,729
Amortization of right of use asset	-	-	6,508,019	-	-	-	6,508,019
Grants to supported organizations	450,000	-	-	-	-	-	450,000
	<u>\$ 8,240,895</u>	<u>\$ 668,108</u>	<u>\$ 14,787,194</u>	<u>\$ 3,388,343</u>	<u>\$ 6,006,512</u>	<u>\$ 1,432,213</u>	<u>\$ 34,523,265</u>

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

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended July 31, 2023

	Program Services				Support Services		Total
	Programming	Education & Community Engagement	Facility	Service	Management & General	Fundraising	
Payroll, benefits and staffing	\$ 731,744	\$ 255,820	\$ 2,291,806	\$ 798,039	\$ 2,935,376	\$ 922,757	\$ 7,935,542
Professional and contracted services	448,401	118,398	-	671,827	565,933	200,000	2,004,559
Facility and equipment maintenance	277,242	39,519	2,170,135	943,643	55,150	1,743	3,487,432
Occupancy and leasing costs	-	-	1,000	78,741	331,160	-	410,901
Marketing, social media and sales	743,580	154,318	1,540	512	99,145	274,247	1,273,342
Travel and administrative	279,515	11,009	64,383	206,955	1,512,921	77,842	2,152,625
Performance costs	4,018,930	40,579	608,682	202,944	-	71,670	4,942,805
In-kind	-	-	-	-	-	2,555	2,555
Depreciation and amortization	11,204	-	268,256	28,889	43,816	-	352,165
Interest and financing costs	-	-	1,742,510	-	-	-	1,742,510
Amortization of right of use asset	-	-	6,508,019	-	-	-	6,508,019
Grants to supported organizations	400,115	-	-	-	-	-	400,115
	<u>\$ 6,910,731</u>	<u>\$ 619,643</u>	<u>\$ 13,656,331</u>	<u>\$ 2,931,550</u>	<u>\$ 5,543,501</u>	<u>\$ 1,550,814</u>	<u>\$ 31,212,570</u>

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

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended July 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ (4,242,617)	\$ (6,025,389)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	590,361	352,165
Amortization of debt issuance costs	30,016	22,204
Amortization of right of use asset	6,508,019	6,508,019
Net realized and unrealized gains from investments	(1,623,583)	(760,699)
Bad debt	18,729	-
Changes in operating assets and liabilities		
Contributions and grants receivable, net	(543,181)	(15,776)
Accounts and other receivables, net	114,499	359,404
Prepaid expenses and other assets	245,954	(690,155)
Accounts payable, accrued and other liabilities	660,323	3,112,629
Deferred revenue	79,508	1,720,377
Agency funds	(240,843)	(833,819)
Deferred sponsorship agreements	(1,460,423)	432,077
Due from related parties	(11,593)	-
Net cash provided by operating activities	125,169	4,181,037
Cash flows from investing activities		
Purchases of investments	(19,880,983)	(6,114,029)
Proceeds from sale of investments	20,241,230	6,250,584
Proceeds from sale (purchases) of certificates of deposits	2,000,000	(8,000,000)
Purchases of property and equipment	(1,317,656)	(2,567,198)
Net cash provided by (used in) investing activities	1,042,591	(10,430,643)
Cash flows from financing activities		
Payments on bonds issued	(1,500,000)	(1,500,000)
Cash received for long term purposes	-	100,000
Net cash used in financing activities	(1,500,000)	(1,400,000)
Net decrease in cash, cash equivalents and designated cash	(332,240)	(7,649,606)
Cash, cash equivalents and designated cash, beginning of year	4,642,518	12,292,124
Cash, cash equivalents and designated cash, end of year	\$ 4,310,278	\$ 4,642,518

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

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended July 31, 2024 and 2023

	2024	2023
Cash, cash equivalents and designated cash consisted of the following:		
Cash and cash equivalents	\$ 1,924,671	\$ 1,074,247
Cash held for capital designated net assets program	<u>2,385,607</u>	<u>3,568,271</u>
	<u>\$ 4,310,278</u>	<u>\$ 4,642,518</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 476,268	\$ 443,213
Supplemental schedule of noncash investing and financing activities		
Issuance of redemption note	\$ 1,500,000	\$ 1,900,000

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

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

1. NATURE OF OPERATIONS

Dallas Center for the Performing Arts Foundation, Inc. (the "Foundation") is an independent not-for-profit foundation established to construct and to operate a performing arts center (AT&T Performing Arts Center or the "Center") in the Dallas Arts District. The Center consists of the Margot and Bill Winspear Opera House, a 2,200 seat opera house; the Dee and Charles Wylie Theatre, a 575 seat theatre; Annette Strauss Artist Square, an outdoor amphitheater that holds 2,500 people; the Elaine D. and Charles A. Sammons Park, a 10 acre urban park; a separate 1,366 square feet Center Cafe building; and two underground parking areas, Lexus Red Parking and Lexus Silver Parking, that hold in excess of 850 cars. The Center was completed in 2013 and opened to the public, marking the completion of the Center construction. The venues are operated under the name of the AT&T Performing Arts Center.

Our Purpose

Shape the stage for life to thrive in Dallas

Our Vision

To be a catalyst for imaginative excellence that enables economic and artistic growth in Dallas

Our Mission

We are a vibrant cultural hub that provides, operates, and activates exceptional spaces for artists, artistic organizations, and our community

Our Commitments

- *Operate responsibly:* Serve as dutiful stewards for our campus and sustainably fulfill our mission.
- *Value artists:* Bring innovative, relevant and distinctive performances to our spaces and ensure the success of our Resident Companies and partners.
- *Care for our communities:* Be a leader in arts advocacy; listen to, empower, and uplift our artists, artistic organizations, and communities.
- *Deliver quality:* Ensure every aspect of the customer experience is enriching, impactful, and memorable.
- *Inspire the next generation:* Cultivate the future of arts through impactful arts education and community engagement programs.
- *Be inclusive:* Welcome and celebrate the histories, identities, and experiences of our audiences.
- *Energize the city:* Strengthen the vibrancy of the Dallas Arts District and make Dallas a better place.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

1. NATURE OF OPERATIONS (continued)

Dallas Center for the Performing Arts Endowment, Inc. (the "Endowment") is an independent not-for-profit charitable trust established to support and benefit the Dallas Center for the Performing Arts Foundation and small arts organizations that perform or display arts in the City of Dallas. The Endowment was founded in 2017 with a gift from the Moody Foundation, which created the Moody Fund for the Arts within the Endowment. The fund's purpose is to provide flexible grants designed to supply a source of funding to emerging artists and innovative arts organizations in Dallas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements include the assets, liabilities, net assets and changes in net assets, and cash flows of the Foundation and the Endowment. The Endowment was organized in 2017 under the laws of the state of Texas as a supporting organization of the Foundation. The Endowment is included with the Foundation in the accompanying consolidated financial statements because the Foundation has an economic interest in the organization and controls the affiliated organization's Board of Directors. All significant inter-organization transactions have been eliminated. The Foundation and the Endowment are collectively referred to as the "Foundation" throughout these consolidated financial statements.

Net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Foundation's governing board may designate net assets without restrictions for specific purposes (see Note 9).
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions can also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity, until such funds are appropriated for expenditure by the Foundation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions. Expirations of donor-imposed restrictions are reported as net assets released from restrictions. Contributions with restrictions received and expended in the same fiscal year are recorded as net assets without restrictions.

Cash and cash equivalents

At July 31, 2024 and 2023, cash and cash equivalents consists of cash on hand and all highly liquid investments with an initial maturity of three months or less from the date of purchase. Cash and cash equivalents are reported at cost which approximates fair value.

Certificates of deposit

Certificates of deposits are recorded as cost plus accrued interest and have a maturity of three months or more. Certificates of deposit are not included in the fair value hierarchy as they are carried at cost and not fair value.

Investments and investment income

The Foundation records investments in marketable securities at fair value. Fluctuations are recorded in the period in which they occur by adjusting the carrying value of such investments and recognizing a net unrealized gain or loss. Realized gains and losses are recognized in the period in which they are earned or incurred. Interest income is recorded as earned. Gain or loss on investments is reported in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by the law.

Fair value measurements

The Foundation currently records investments in marketable securities at fair value. The Foundation applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. U.S. GAAP describes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information.

Level 2 - Significant other 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.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Level 3 - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates based on available data.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. All investments for the years ended July 31, 2024 and 2023 are held at level one per the fair value hierarchy.

Accounts and other receivables

Other receivables consist of amounts owed from customers and are included on the accompanying statements of financial position at the original invoice amount less an allowance made for doubtful accounts. Management determines the amount of the allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, existing economic conditions, and by identifying troubled accounts. Based on the information available, the Foundation believes the allowance for doubtful accounts of approximately \$20,000 and \$2,000, respectively, at July 31, 2024 and 2023 is adequate. Historically, the Foundation has not experienced significant losses on other receivables.

Property and equipment

Expenditures for property and equipment are stated at cost or, if donated, at their estimated fair value at the date of donation. Such donations are recorded as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when donated or acquired assets are placed in service.

The Foundation capitalizes property and equipment with a cost greater than \$5,000 and a useful life of greater than one year. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture, equipment, and software	3 - 15 years
Leasehold improvements	5 - 40 years

The Foundation reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation or amortization period may need to be changed. The Foundation does not believe there are any indicators that would require an adjustment of the carrying value of its long-lived assets or their remaining useful lives at July 31, 2024 or 2023.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Facility lease

On December 15, 2005, the Foundation entered into agreements with The City of Dallas (the "City") for the use of certain parcels of land and together with any permanent buildings and other improvements thereafter erected on the land, collectively referred to as the "Premises".

The initial term of the lease is 40 years, commencing on the date of the certificate of occupancy for the Premises and expiring on the last day of the month in which the 40 year anniversary occurs. The City granted the Foundation the right and option to renew and extend the term for 5 consecutive renewal terms of 10 years each. The annual base rent for the initial term is \$1,000 and the same rent will be due for each renewal term.

The Foundation received this promise to use, manage and operate the Premises during the term beginning January 29, 2010 and the City retains legal title to the land, building and improvements. The fair value of the Premises at inception was approximately \$260,321,000 and is being amortized (approximately \$6,508,000 in 2024 and 2023) over the remaining expected term of the lease of 40 years. The amortization is included in net assets released from restrictions and as part of facility expenses. The initial fair value of the Premises, net of accumulated amortization, is classified as right of use asset and net assets with donor restrictions in the accompanying consolidated statements of financial position.

Agency funds

The Foundation is the recipient of certain contributions or ticket sales receipts for which it is not the beneficiary. Accordingly, the proceeds collected from these activities are included in the accompanying consolidated statements of financial position included in cash and cash equivalents with a corresponding liability.

Bond issuance costs

In accordance with the accrual basis of accounting, bond issuance costs that are attributable to loans with an expected maturity of one year or less are expensed immediately. Bond issuance costs associated with loans having terms in excess of one year are capitalized and amortized to interest expense using the straight-line method over the term of the loan. Unamortized bond issuance costs are a direct deduction from bonds payable on the accompanying consolidated statements of financial position.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivables

The Foundation recognizes contributions when they are received or unconditionally pledged and records these amounts as net assets without donor restrictions or net assets with donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Contributions expected to be collected within one year are reported at their net realizable value. Contributions that are promised in one year but are not expected to be collected until after the end of the year are discounted to present value of estimated future cash flows using a discounted rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The Foundation records an allowance for doubtful accounts which is estimated based on management's analysis of the specific contributions receivable, in addition to a reserve based on historical collection experience, type of contribution, and nature of the fund-raising activity.

Conditional promises to give are not included as revenue or contributions receivable until such time as the barriers and right of release/return have been overcome. The Foundation received various conditional promises to give which depend on the occurrence of future events that will bind the donor to pay on a particular date. Due to the uncertainty of the occurrence of the events, the contributions will not be recorded until the conditions are substantially met. The Foundation had \$3,600,000 and \$3,700,000 at July 31, 2024 and 2023, of conditional promises to give upon settlement of the donor's estate or upon certain funding commitments related to the capital campaign. In addition, the cumulative matching bond redemption note, referenced in Note 7, is considered a conditional contribution as of July 31, 2024 and 2023.

Revenue recognition, deferred revenue and deferred sponsorship agreements

The Foundation generates revenue and support from multiple sources. Revenue is recognized when earned. Programming generates revenue from the sale of tickets to scheduled shows and special events held at the Center and other venues. Education and community programs revenue primarily consists of ticket sales, commissions and parking fees. The Foundation receives revenue per an agreement with the City of Dallas for operating and maintenance expenses and additionally receives revenues for the Foundation offering and implementing programs as outlined by the City of Dallas. Facility revenue includes resident company office occupancy rental payments and rental income and other event fees collected from performances held at the Center. The Foundation also generates revenue from specific services including box office, parking, food and beverage, event rentals, and database administration.

Cash received related to performances or special events that have not occurred as of the end of the fiscal year are deferred. Such deferred revenue is subsequently recognized upon occurrence of the related performances or special events. Deferred revenue associated with specific shows or series of shows, including ticket sales, facility fees, and handling fees are recognized on an event basis in the month in which the show closes.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition, deferred revenue and deferred sponsorship agreements (continued)

Sponsorship revenue not associated with a specific presentation or event is recognized according to the schedule in each sponsorship agreement and is generally time specific. Sponsorships related to a single show or event are recognized during the month of closure of the specific presentation or event. Series sponsorships are amortized on a pro-rata basis across the series. Sponsorship payments received before earned are recorded as a deferred sponsorship agreement liability until earned.

Sponsorship arrangements

The Foundation has entered into several multi-year sponsorship agreements. In fiscal years 2024 and 2023, approximately \$4,205,000 and \$4,039,000, respectively, was recognized as revenue under the various agreements. The sponsorship agreements require certain annual performance standards including signage, program recognition, tickets and parking. The agreements also include termination provisions and, in one agreement, a refund obligation for funds already received in the approximate amount of \$7,697,000 and \$9,157,000 at July 31, 2024 and 2023, respectively, if the agreement is terminated which is included in deferred sponsorship agreements on the accompanying consolidated statements of financial position. At July 31, 2023, the Foundation had approximately \$700,000 as committed considerations from the sponsorship agreements that was to be collected over the remainder of the agreement. At July 31, 2024, the outstanding committed considerations had been collected.

Donated goods and services

Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. During the years ended July 31, 2024 and 2023, the Foundation received donated goods and services with a recorded fair value of \$127,939 and \$2,555, respectively. Such donated goods and services are included within contribution revenue in the accompanying statements of activities and in-kind expense in the accompanying statements of functional expenses.

Functional allocation of expenses

The costs, including depreciation and amortization expense, of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services benefited. Depreciation is booked based on the assets location and purpose.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

The Foundation uses advertising to promote its programs. The production costs of advertising are expensed as incurred and include direct media, promotional items, and advertising contracts for public relations development. For the years ended July 31, 2024 and 2023, advertising costs were approximately \$1,020,000 and \$850,000, respectively. These expenses are included in marketing, social media, and sales expenses in the accompanying consolidated statements of functional expenses.

Income taxes

The Foundation has been recognized by the Internal Revenue Service as a nonprofit corporation exempt from federal income tax on its income, under Section 501(c)(3) of the Internal Revenue Code. The Foundation does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended July 31, 2024 and 2023, there were no interest or penalties recorded or included in the consolidated financial statements. The Foundation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

New accounting pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions and reasonable and supportable forecasts and generally applies to financial assets held at amortized cost and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented net of the amount expected to be collected by using an allowance for expected credit losses.

The Foundation adopted the standard effective August 1, 2023. The adoption of the standard did not have a material impact on the Foundation's financial statements.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

In October 2024, the Foundation and the Banks responsible for the Letters of Credit associated with the 2008 Bonds (the Bonds) entered into an agreement to redeem the outstanding bonds. The Foundation refinanced its portion of the Bonds totaling \$4,500,000 with a term loan from another banking institution for the Foundation's portion of the Bonds redeemed. Concurrently, the Banks redeemed their portion of the Bond obligations, terminated the letters of credit, and terminated their rights to the Bank Redemption Note for \$400,000 in consideration from the Foundation. The new \$4,500,000 term note will maintain the same repayment schedule as the Bond agreement dated May 14, 2018 with an annual interest rate of 3.8%.

The Foundation has evaluated subsequent events after the consolidated statement of financial position date of July 31, 2024 through February 12, 2025, the date the consolidated financial statements were available to be issued and has determined there are no additional adjustments and/or disclosures required.

3. LIQUIDITY AND FUNDS AVAILABLE

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

Financial assets:	
Cash	\$ 1,924,671
Cash held for capital designated net assets program	2,385,607
Certificates of deposit	6,000,000
Contributions and grants receivable, net	2,530,258
Accounts and other receivables, net	1,456,883
Investments held for endowment, at fair value	<u>16,351,608</u>
	<u>30,649,027</u>
Less amounts unavailable for general expenditure within one year:	
Original donor-restricted endowment gift amount and amounts required to be maintained in perpetuity by donor	(12,600,000)
Unexpended endowment earnings on donor-restricted endowment	(1,884,899)
Contributions and grants receivable, net due in greater than one year	(1,411,994)
Other donor restricted funds	<u>(666,311)</u>
	<u>(16,563,204)</u>
Less amounts unavailable to management without Board's approval	
Cash held for designated net assets program due in greater than one year	<u>(443,856)</u>
	<u>(443,856)</u>

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

3. LIQUIDITY AND FUNDS AVAILABLE (continued)

\$ 13,641,967

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consisted of the following:

	2024	2023
Less than one year	\$ 1,118,264	\$ 138,153
One to five years	1,500,000	2,000,000
	<u>2,618,264</u>	<u>2,138,153</u>
Less: discounts to net present value	(88,006)	(132,347)
	<u>(88,006)</u>	<u>(132,347)</u>
	<u>\$ 2,530,258</u>	<u>\$ 2,005,806</u>

Unconditional promises to give are primarily from individuals and corporations located in or near Dallas, Texas, and are reflected at present value of estimated future cash flows using a discount rate of 2.58%, as of both July 31, 2024 and 2023.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

5. INVESTMENTS HELD FOR THE ENDOWMENT, AT FAIR VALUE

Investments held for endowment, at fair value, consisted of the following level one investments:

	2024	2023
Bond mutual funds		
US fixed income	\$ 4,589,451	\$ 4,653,881
Equity mutual funds		
US large cap equity	5,106,991	5,699,058
US mid cap equity	2,654,507	578,578
US small cap equity	922,134	100,603
EAFE equity	-	992,166
European large cap equity	-	768,674
Japanese large cap equity	-	603,441
Asia ex-Japan equity	-	188,488
Emerging market equity	1,024,428	1,088,048
Global equity	-	243,365
International equity	1,770,539	-
	11,478,599	10,262,421
Cash and cash equivalents held for investments	283,558	171,970
	\$ 16,351,608	\$ 15,088,272

6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

	2024	2023
Furniture, equipment and software	\$ 16,338,415	\$ 15,232,714
Leasehold improvements	419,855	419,855
Work in progress	1,749,183	1,537,228
	18,507,453	17,189,797
Less: accumulated depreciation and amortization	(12,144,568)	(11,554,207)
	\$ 6,362,885	\$ 5,635,590

Depreciation expense for the years ended July 31, 2024 and 2023 were \$530,361 and \$352,165, respectively.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

7. BONDS PAYABLE

In 2008 the Foundation issued \$151,020,000 of variable rate, tax exempt demand bonds (the "2008 Bonds") payable to the Dallas Performing Arts Cultural Facilities Corporation. The proceeds were used to refund existing bonds payable and associated issuance costs. The 2008 Bonds mature on September 1, 2041, and bear interest at a weekly interest rate as determined by the remarketing agents. The interest rates on the outstanding bonds averaged 3.14% to 3.96% for Series 2008-A and 2008-B, respectively, at July 31, 2024 and 0.95% to 3.49% for Series 2008-A and 2008-B, respectively, at July 31, 2023.

The 2008 bonds are backed by letters of credit issued by financial institutions which originally expired on December 31, 2021. The Foundation and the Banks responsible for the letters of credit associated with the 2008 bonds reached an agreement on May 14, 2018 to restructure the terms of the outstanding debt. The restructuring amended dates for bonds' retirement and expiration of the letters of credit to December 31, 2025.

In December 2020, the Foundation reached an agreement on terms to amend the obligations of the Foundation to its financial institutions in connection with the 2008 Letter of Credit and Reimbursement Agreements. Under this amendment, the financial institutions have agreed to release the remaining Capital Campaign pledges from their security agreement and allow the Foundation to request that all these donors convert such outstanding pledges to operational cash. As the Foundation receives these pledges, the financial institutions will redeem the Series 2008-A Bonds and the Series 2008-B Bonds in an aggregate amount equal to the actual amount of the Capital Campaign pledges received and converted by the Foundation. The amount of such redemptions made by the Banks will not exceed \$3,650,000 in the aggregate, or \$1,825,000 for each Bank. Prior to finalizing the December 2020 Agreement, the donors provided their consent to allow the Foundation to convert the future Capital Campaign pledges into general operating proceeds.

Any redemptions made by the financial institutions under the new terms will be converted to indebtedness represented by the applicable Bank Redemption Note and applied against the amount of redemptions required to be made by the Foundation pursuant to the terms of the Reimbursement Agreements.

The Foundation is required to make minimum redemptions of bonds outstanding each year ending December 31. Beginning in 2018, the Foundation may draw upon a separate letter of credit issued by financial institutions enabling matching redemptions starting with those amounts redeemed by the Foundation after December 1, 2017, up to a cumulative amount of \$48,620,000 as per the March 16, 2021 amended and restated Bond Redemption note. The balance of the letter of credit is reflected as a long-term liability which accrues interest at a rate of 2.85% per annum. In the event that the Foundation produces excess cash from operations or capital activities for the five-year period following the final bond redemption, this cash will be used to repay the accrued principal and interest on the note. At the end of the five-year period, any outstanding principal and interest remaining will be forgiven by the banks contingent upon the Foundation making all minimum payments during this period. The outstanding balance of the bank redemption note at July 31, 2024 and 2023 is \$40,860,000 and \$39,360,000, respectively.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

7. BONDS PAYABLE (continued)

The Foundation's minimum redemption requirements and the financial institution's commitments to matching redemptions are detailed below:

<u>Year ending July 31,</u>	<u>Foundation</u>	<u>Bank Commitment</u>	<u>Total</u>
2025	\$ 1,500,000	\$ 1,600,000	\$ 3,100,000
2026	<u>3,000,000</u>	<u>6,160,000</u>	<u>9,160,000</u>
	<u>\$ 4,500,000</u>	<u>\$ 7,760,000</u>	<u>\$ 12,260,000</u>

The total redemptions of the Bonds at July 31, 2024, were \$138,760,000. The total remaining outstanding Bonds at July 31, 2024 is \$12,260,000, net of unamortized debt issuance costs of \$57,947.

The total redemptions of the Bonds at July 31, 2023 were \$135,760,000. The total remaining outstanding Bonds at July 31, 2023 was \$15,260,000, net of unamortized debt issuance costs of \$76,370.

8. ENDOWMENT

The Foundation's endowment consists of numerous accounts established for a variety of purposes including donor-restricted endowment funds. The net assets of endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation of relevant law

The Board of Trustees of the Foundation has interpreted the Texas enacted version of the Uniform Prudent Management of Institutional Funds Act (Texas UPMIFA) 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 Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment explicitly requested to be held in perpetuity 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 is classified within net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Texas UPMIFA.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

8. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with Texas UPMIFA, the Foundation 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 Foundation 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 Foundation; and
7. The investment policies of the Foundation.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the real purchasing power of the endowment. Endowment assets are invested to yield a level of return to meet the objectives of the fund while adhering to a prudent level of risk.

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 requires the Foundation to retain as a fund of perpetual donation. Deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies typically result from unfavorable market fluctuations that occur shortly after the investment of new contributions restricted in perpetuity and continued appropriation for certain programs deemed prudent by the Board. Subsequent gains that restore the fair value of assets of the endowment fund to the required level are classified as an increase in net assets with donor restrictions. No deficiencies of this nature exist in donor-restricted endowment funds as of July 31, 2024 and 2023.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

8. ENDOWMENT (continued)

Spending policy and how investments objectives relate to spending policy

The Foundation has a policy for appropriating for distribution each year, if requested, up to 4.5% of its endowment fund's trailing twelve-quarter average of the endowment's total asset value, with the expectation that, over time, the total real return (return net of inflation) from investments will exceed the endowment's pay-out rate, thus allowing real growth of the endowment assets. The Moody endowment fund has a separate spending policy to appropriate for distribution each year up to 4% of a rolling twelve-quarter average of the fair market value of the endowment. In establishing this policy, the Foundation considered the long-term expected return on its investments' assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Strategies employed for achieving objectives

The Foundation investment objective is to earn inflation-offsetting returns that preserve the real value of the assets and, where possible, earn enhanced returns to achieve the spending objectives of the operations supported by the endowments. The endowment assets are invested in a diversified investment portfolio designed to achieve a balance of income and growth objectives within prudent risk constraints.

Endowment composition

Endowment net asset composition by type of fund is as follows as of July 31:

	2024	2023
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 12,600,000	\$ 12,600,000
Unexpended endowment earnings	3,736,798	2,462,390
	16,336,798	15,062,390
	\$ 16,336,798	\$ 15,062,390

Changes in endowment net assets for the fiscal years ended July 31, 2024 and 2023 is as follows:

	With Donor Restrictions
Balance, July 31, 2022	\$ 14,457,020
Net realized and unrealized loss	759,945
Interest and dividends, net	270,918
Appropriation of endowment earnings	(425,493)

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

8. ENDOWMENT (continued)

Endowment composition (continued)

Balance, July 31, 2023	15,062,390
Net realized and unrealized gains	1,626,576
Interest and dividends, net	284,653
Appropriation of endowment earnings	<u>(636,821)</u>
Balance, July 31, 2024	<u>\$ 16,336,798</u>

9. DESIGNATED NET ASSET PROGRAM

Commencing in July 2021, the Foundation's board of directors approved establishing a Designated Net Asset Program (DNAP) to address the Foundation's highest priority capital maintenance projects. This unrestricted fund can be adjusted as the Foundation executes or observes the need for additional capital projects. The total designated amount from July 2021 to July 2024 is \$8,292,415. As of July 31, 2024 and 2023, there was \$2,385,607 and \$3,568,271, respectively, remaining in the DNAP.

The annual five-year outlays are shown below:

Year ending July 31,

2025	\$ 1,941,751
2026	<u>443,856</u>
	<u>\$ 2,385,607</u>

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions showed a deficit of \$52,991,676 and \$53,657,878, respectively, at July 31, 2024 and 2023. This deficit reflects the shortfall if all liabilities were immediately payable with existing net assets without donor restrictions. Furthermore, the deficit reflects the Foundation having transferred all facility assets to the City of Dallas, however having retained the bond debt associated with construction funding. Management believes the Foundation has sufficient funds to meet its current operating requirements as the bond principal payments are not due until maturity on 12/31/2025. See additional discussion of bond principal payments in subsequent events in Note 2.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at July 31:

	<u>2024</u>	<u>2023</u>
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Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

	2024	2023
Subject to the passage of time:		
Time restricted for specific use in future years	\$ 250,000	\$ 125,000
Right of use asset	<u>165,954,484</u>	<u>172,462,503</u>
	<u>166,204,484</u>	<u>172,587,503</u>
Subject to purpose restrictions:		
Bond redemptions	492,859	292,859
Other	<u>173,452</u>	<u>173,452</u>
	<u>666,311</u>	<u>466,311</u>
Subject to the Foundation's spending policy and appropriations:		
Investments in perpetuity (including amounts above original gift amount of \$2,600,000), the income from which is expendable to support:		
Center maintenance	1,794,143	1,637,607
Center operations	975,567	890,831
Promotion of arts in the community	1,681,981	1,595,782
Moody Fund for the Arts	<u>11,884,899</u>	<u>10,938,170</u>
	<u>16,336,590</u>	<u>15,062,390</u>
	<u>\$ 183,207,385</u>	<u>\$ 188,116,204</u>

Net assets with donor restrictions released from restriction were as follows during the years ended July 31:

	2024	2023
Time restrictions expired	\$ (125,000)	\$ (125,000)
Purpose restrictions accomplished	(19,650)	(311,711)
Amortization of right of use asset	(6,508,019)	(6,508,019)
Appropriation of endowment earnings	(461,613)	(425,493)
Investment income released from restriction	<u>(175,000)</u>	<u>-</u>
	<u>\$ (7,289,282)</u>	<u>\$ (7,370,223)</u>

12. COMMITMENTS AND CONTINGENCIES

From time to time, the Foundation is subject to certain claims and contingent liabilities that arise in the normal course of business. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the Foundation's financial position.

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

13. EMPLOYEE BENEFIT PLAN

The Foundation has a defined contribution employee benefit plan under Section 403(b) of the Internal Revenue Code. The Plan covers all eligible employees on the first day of employment. Each eligible employee may contribute to the plan. Matching contributions are given by the Foundation to each eligible participant and are based on the employee's contributions up to \$4,000. The matching contribution percentage, determined by management of the Foundation, was fifty percent for 2024 and 2023, with a maximum matching contribution of \$2,000. Employer matching contributions paid under this plan for the years ended July 31, 2024 and 2023 were \$145,041 and \$142,510, respectively.

14. CONCENTRATIONS AND CREDIT RISKS

The Foundation maintains its cash and cash equivalents in bank accounts which, at times, exceed federally insured limits. The Foundation has not experienced any such losses in such accounts and believes it is not exposed to significant credit risk on cash.

At July 31, 2024, contributions receivable from one donor equaled approximately 78% of the total contributions receivable. At July 31, 2023, contributions receivable from one donor equaled approximately 93% of the total contributions receivable.

Under an agreement with the City of Dallas ("the City"), the land and building of the Foundation are the property of the City and the City has granted the Foundation the use of the land and building at well below market cost through 2045. The Foundation records this lease as a right of use asset on the consolidated statement of financial position.

The City of Dallas revenue represents a grant from the City which is conditioned upon the Foundation organizing and presenting specific events. As of July 31, 2024 and 2023, the Foundation recognized \$4,000,000 and \$4,176,765, respectively, as the barriers the grant was conditioned upon were met.

15. RELATED PARTIES

Related parties include members of the Board of Directors and affiliated organizations they exercise significant control over. There were contributions receivable from related parties of approximately \$1,010,000 and \$2,291,000 respectively, at July 31, 2024 and 2023.

SUPPLEMENTARY INFORMATION

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidating Statement of Financial Position
July 31, 2024
(With Comparative Totals for 2023)

ASSETS

	<u>Endowment</u>	<u>Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>	<u>2023 Total</u>
Cash and cash equivalents	\$ 10,965	\$ 1,913,706	\$ -	\$ 1,924,671	\$ 1,074,247
Cash held for capital designated net assets program	-	2,385,607	-	2,385,607	3,568,271
Certificates of deposit	-	6,000,000	-	6,000,000	8,000,000
Contributions and grants receivable, net	-	2,530,258	-	2,530,258	2,005,806
Accounts and other receivables, net	-	1,437,253	-	1,437,253	1,563,471
Intercompany receivable	-	47,032	(47,032)	-	-
Prepaid expenses and other assets	21,276	878,802	-	900,078	1,134,313
Investments held for endowment, at fair value	11,899,709	4,451,899	-	16,351,608	15,088,272
Property and equipment, net	-	6,362,885	-	6,362,885	5,635,590
Right of use asset, net	-	165,954,484	-	165,954,484	172,462,503
	<u>\$ 11,931,950</u>	<u>\$ 191,961,926</u>	<u>\$ (47,032)</u>	<u>\$ 203,846,844</u>	<u>\$ 210,532,473</u>

LIABILITIES AND NET ASSETS

	<u>Endowment</u>	<u>Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>	<u>2023 Total</u>
Liabilities					
Accounts payable, accrued and other liabilities	\$ 19	\$ 7,648,645	\$ -	\$ 7,648,664	\$ 6,988,341
Intercompany payable	47,032	-	(47,032)	-	-
Deferred revenue	-	4,768,326	-	4,768,326	4,688,818
Agency funds	-	455,054	-	455,054	695,897
Deferred sponsorship agreements	-	7,697,038	-	7,697,038	9,157,461
Bank redemption note	-	40,860,000	-	40,860,000	39,360,000
Bonds payable, net	-	12,202,053	-	12,202,053	15,183,630
Total liabilities	<u>47,051</u>	<u>73,631,116</u>	<u>(47,032)</u>	<u>73,631,135</u>	<u>76,074,147</u>
Net assets					
Without donor restrictions	-	(52,991,884)	-	(52,991,884)	(53,657,878)
With donor restrictions	11,884,899	171,322,694	-	183,207,593	188,116,204
Total net assets	<u>11,884,899</u>	<u>118,330,810</u>	<u>-</u>	<u>130,215,709</u>	<u>134,458,326</u>
	<u>\$ 11,931,950</u>	<u>\$ 191,961,926</u>	<u>\$ (47,032)</u>	<u>\$ 203,846,844</u>	<u>\$ 210,532,473</u>

Dallas Center for the Performing Arts Foundation, Inc. and Subsidiary
Consolidating Statement of Activities
For The Year Ended July 31, 2024
(With Comparative Totals for 2023)

	<u>Endowment</u>	<u>Foundation</u>	<u>Total</u>	<u>2023 Total</u>
Revenues, gains (losses) and other support				
Programming	\$ -	\$ 6,279,812	\$ 6,279,812	\$ 4,578,715
Education and community	-	-	-	561,748
Facility	-	2,715,300	2,715,300	2,341,451
City of Dallas	-	4,000,000	4,000,000	4,176,765
Service	-	7,595,992	7,595,992	4,668,499
Sponsorships	-	4,205,061	4,205,061	4,039,028
Contributions and grants	-	3,170,601	3,170,601	3,509,244
Investment income (loss), net	<u>1,408,342</u>	<u>905,540</u>	<u>2,313,882</u>	<u>1,311,731</u>
Total revenues, gains (losses) and other support	<u>1,408,342</u>	<u>28,872,306</u>	<u>30,280,648</u>	<u>25,187,181</u>
Functional expenses				
Program services				
Programming	451,000	7,789,895	8,240,895	6,910,731
Education & community engagement	-	668,108	668,108	619,643
Facility	-	14,787,194	14,787,194	13,656,331
Services	-	3,388,343	3,388,343	2,931,550
Total program services	<u>451,000</u>	<u>26,633,540</u>	<u>27,084,540</u>	<u>24,118,255</u>
Management and general	10,613	5,995,899	6,006,512	5,543,501
Fundraising	<u>-</u>	<u>1,432,213</u>	<u>1,432,213</u>	<u>1,550,814</u>
Total functional expenses	<u>461,613</u>	<u>34,061,652</u>	<u>34,523,265</u>	<u>31,212,570</u>
Changes in net assets	946,729	(5,189,346)	(4,242,617)	(6,025,389)
Net assets, beginning of year	<u>10,938,170</u>	<u>123,520,156</u>	<u>134,458,326</u>	<u>140,483,715</u>
Net assets, end of year	<u>\$ 11,884,899</u>	<u>\$ 118,330,810</u>	<u>\$ 130,215,709</u>	<u>\$ 134,458,326</u>