SEGERSTROM CENTER FOR THE ARTS
Financial Statements
June 30, 2021
With Summarized Comparative Information
As of and for the Year Ended June 30, 2020
With Independent Auditor's Report

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ADVISORY TAX AUDIT

Segerstrom Center for the Arts
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Segerstrom Center for the Arts:

We have audited the accompanying financial statements of Segerstrom Center for the Arts (the "Center"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Center's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Withum Smith+Brown, PC

November 23, 2021

Segerstrom Center for the Arts
Statements of Financial Position
June 30, 2021
With Summarized Comparative Information as of June 30, 2020

	Net Assets Without Donor Restrictions			Net Assets With Donor	Total	
	Operating	Facilities	Total	Restrictions	2021	2020
Assets						
Cash and cash equivalents	$ 7,317,725	$ 859,588	$ 8,177,313	$ 461,499	$ 8,638,812	$ 9,382,952
Investments	9,819,634	162,656,533	172,476,167	86,254,131	258,730,298	204,117,181
Accounts receivable	71,659	-	71,659	-	71,659	34,037
Prepaid expenses	499,086	-	499,086	-	499,086	1,033,562
Contributions receivable, net	89,500	-	89,500	4,051,742	4,141,242	5,904,856
Employee retention credit receivable	1,858,836	-	1,858,836	-	1,858,836	-
Beneficial interest in irrevocable deferred gifts	6,500,000	3,500,000	10,000,000	50,533,482	60,533,482	27,740,947
Property and equipment, net	-	189,973,195	189,973,195	-	189,973,195	198,276,771
Total assets	$ 26,156,440	$ 356,989,316	$ 383,145,756	$ 141,300,854	$ 524,446,610	$ 446,490,306

The Notes to Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Financial Position
June 30, 2021
With Summarized Comparative Information as of June 30, 2020

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	
	Operating	Facilities	Total		2021	2020
Liabilities and Net Assets						
Accounts payable and accrued liabilities	$ 1,479,033	$ 53,956	$ 1,532,989	$ -	$ 1,532,989	$ 2,629,250
Bonds payable, net	-	153,405,649	153,405,649	-	153,405,649	153,256,880
Unamortized bond premium	-	16,671,239	16,671,239	-	16,671,239	20,802,296
PPP loan payable	3,546,030	-	3,546,030	-	3,546,030	3,546,030
Deferred revenue	12,654,154	975,618	13,629,772	-	13,629,772	11,377,141
Annuity payment liability	-	12,604	12,604	-	12,604	20,611
Total liabilities	17,679,217	171,119,066	188,798,283	-	188,798,283	191,632,208
Net assets						
Net assets without donor restrictions						
Undesignated	2,477,223	177,343,617	179,820,840	-	179,820,840	150,799,449
Designated for general reserves	6,000,000	-	6,000,000	-	6,000,000	2,000,000
Designated for building and information technology reserves	-	8,526,633	8,526,633	-	8,526,633	5,678,814
Total net assets without donor restrictions	8,477,223	185,870,250	194,347,473	-	194,347,473	158,478,263
Net assets with donor restrictions						
Restricted for time	-	-	-	54,585,224	54,585,224	33,441,853
Restricted for time - endowment	-	-	-	40,972,970	40,972,970	22,243,608
Restricted in perpetuity	-	-	-	45,742,660	45,742,660	40,694,374
Total net assets with donor restrictions	-	-	-	141,300,854	141,300,854	96,379,835
Total net assets	8,477,223	185,870,250	194,347,473	141,300,854	335,648,327	254,858,098
Total liabilities and net assets	$ 26,156,440	$ 356,989,316	$ 383,145,756	$ 141,300,854	$ 524,446,610	$ 446,490,306

The Notes to Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Activities
Year Ended June 30, 2021
With Summarized Comparative Information for the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	
	Operating	Facilities	Total		2021	2020
Revenues and public support						
Program revenues						
Center presentations	$ 154,893	$ -	$ 154,893	$ -	$ 154,893	$ 18,329,911
Hall rental operations	457,068	-	457,068	-	457,068	6,140,391
Education programs	717,482	-	717,482	-	717,482	1,380,585
	1,329,443	-	1,329,443	-	1,329,443	25,850,887
Other revenues						
Endowment and other investment income	1,165,826	35,487,626	36,653,452	21,929,361	58,582,813	6,409,762
Employee retention credit income	1,858,836	-	1,858,836	-	1,858,836	-
Transfers - endowment	3,200,000	(3,200,000)	-	-	-	-
	6,224,662	32,287,626	38,512,288	21,929,361	60,441,649	6,409,762
Public support						
Contributions and special events	12,523,478	6,675,296	19,198,774	31,449,647	50,648,421	9,635,893
Contributed services and gifts in-kind	117,856	-	117,856	-	117,856	221,702
Change in value of irrevocable deferred gifts	-	-	-	(3,476,389)	(3,476,389)	8,100,241
Allowance for uncollectible contributions receivable	-	-	-	85,187	85,187	592,429
	12,641,334	6,675,296	19,316,630	28,058,445	47,375,075	18,550,265
Net assets released from restrictions						
Time restriction	429,887	1,436,900	1,866,787	(1,866,787)	-	-
Time restriction - endowment	-	3,200,000	3,200,000	(3,200,000)	-	-
	429,887	4,636,900	5,066,787	(5,066,787)	-	-
Total revenues and public support	20,625,326	43,599,822	64,225,148	44,921,019	109,146,167	50,810,914

The Notes to Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Activities
Year Ended June 30, 2021
With Summarized Comparative Information for the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	
	Operating	Facilities	Total		2021	2020
Total revenues and public support	$ 20,625,326	$ 43,599,822	$ 64,225,148	$ 44,921,019	$ 109,146,167	$ 50,810,914
Expenses						
Program services						
Center presentations	4,511,098	3,568,091	8,079,189	-	8,079,189	28,243,861
Hall rental operations	1,353,326	9,596,943	10,950,269	-	10,950,269	12,606,523
Education programs	1,693,103	184,677	1,877,780	-	1,877,780	3,329,139
	7,557,527	13,349,711	20,907,238	-	20,907,238	44,179,523
Supporting services						
Management and general	5,617,406	146,241	5,763,647	-	5,763,647	7,522,449
Fundraising	1,592,434	92,619	1,685,053	-	1,685,053	3,949,571
	7,209,840	238,860	7,448,700	-	7,448,700	11,472,020
Total expenses	14,767,367	13,588,571	28,355,938	-	28,355,938	55,651,543
Changes in net assets	5,857,959	30,011,251	35,869,210	44,921,019	80,790,229	(4,840,629)
Net assets						
Beginning of year	2,619,264	155,858,999	158,478,263	96,379,835	254,858,098	259,698,727
End of year	$ 8,477,223	$ 185,870,250	$ 194,347,473	$ 141,300,854	$ 335,648,327	$ 254,858,098

The Notes to Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Functional Expenses
Year Ended June 30, 2021

	Program Services				Supporting Services			
	Center Presentations	Hall Rental Operations	Education Programs	Subtotal	Management and General	Fundraising	Subtotal	Total
Salaries and benefits								
Salaries and wages	$ 1,365,326	$ 12,880	$ 686,453	$ 2,064,659	$ 3,112,886	$ 853,240	$ 3,966,126	$ 6,030,785
Payroll taxes	306,418	2,891	90,138	399,447	335,018	106,826	441,844	841,291
Employee benefits	343,765	3,243	63,522	410,530	374,671	146,058	520,729	931,259
	2,015,509	19,014	840,113	2,874,636	3,822,575	1,106,124	4,928,699	7,803,335
Other								
Advertising	70,409	-	25,181	95,590	242,107	2,000	244,107	339,697
Bond issuance cost amortization	39,776	106,935	2,058	148,769	-	-	-	148,769
Bond interest and premium amortization	1,016,760	2,734,783	52,627	3,804,170	-	-	-	3,804,170
Building and equipment maintenance	522,669	1,334,039	43,094	1,899,802	192,037	18,292	210,329	2,110,131
Depreciation	2,511,558	6,755,225	129,992	9,396,775	146,241	92,619	238,860	9,635,635
Donor cultivation and events	-	-	-	-	-	58,607	58,607	58,607
Information technology	-	-	-	-	424,080	-	424,080	424,080
Insurance	-	-	-	-	554,195	-	554,195	554,195
Meetings, conferences, and travel	770	7	117	894	18,130	1,492	19,622	20,516
Miscellaneous	6,012	57	14,732	20,801	49,515	51,642	101,157	121,958
Postage and shipping	-	-	10,646	10,646	19,841	2,263	22,104	32,750
Printing and publication	5,220	49	-	5,269	8,091	1,723	9,814	15,083
Professional fees	10,944	103	2,482	13,529	203,748	1,876	205,624	219,153
Programming	1,873,552	-	754,656	2,628,208	-	-	-	2,628,208
Special events	-	-	-	-	-	174,783	174,783	174,783
Supplies	4,329	41	1,591	5,961	36,110	2,195	38,305	44,266
Telefunding and direct mail	-	-	-	-	-	171,437	171,437	171,437
Telephone	1,681	16	491	2,188	46,977	-	46,977	49,165
Total expenses	$ 8,079,189	$ 10,950,269	$ 1,877,780	$ 20,907,238	$ 5,763,647	$ 1,685,053	$ 7,448,700	$ 28,355,938

The Notes to Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Functional Expenses
Year Ended June 30, 2020

	Program Services				Supporting Services			
	Center Presentations	**Hall Rental Operations**	**Education Programs**	**Subtotal**	**Management and General**	**Fundraising**	**Subtotal**	**Total**
Salaries and benefits								
Salaries and wages	$ 1,894,899	$ 1,726,996	$ 1,111,808	$ 4,733,703	$ 4,474,211	$ 1,594,767	$ 6,068,978	$ 10,802,681
Payroll taxes	146,769	133,764	88,009	368,542	329,502	128,970	458,472	827,014
Employee benefits	228,171	207,954	106,901	543,026	445,000	154,666	599,666	1,142,692
	2,269,839	2,068,714	1,306,718	5,645,271	5,248,713	1,878,403	7,127,116	12,772,387
Other								
Advertising	2,456,726	-	137,034	2,593,760	13,478	35,478	48,956	2,642,716
Attraction share of receipts	-	2,178,191	-	2,178,191	-	-	-	2,178,191
Bond issuance cost amortization	73,594	73,150	2,026	148,770	-	-	-	148,770
Bond interest and premium amortization	1,869,994	1,921,203	53,215	3,844,412	-	-	-	3,844,412
Building and equipment maintenance	1,348,352	1,452,463	68,141	2,868,956	243,925	27,745	271,670	3,140,626
Depreciation	4,441,481	4,873,292	130,665	9,445,438	146,998	93,099	240,097	9,685,535
Donor cultivation and events	-	-	-	-	-	294,066	294,066	294,066
Information technology	-	-	-	-	639,433	-	639,433	639,433
Insurance	-	-	-	-	427,313	-	427,313	427,313
Meetings, conferences, and travel	12,162	11,084	18,676	41,922	249,954	6,035	255,989	297,911
Miscellaneous	1,121	1,022	15,722	17,865	65,857	68,564	134,421	152,286
Postage and shipping	9,745	8,882	1,003	19,630	16,891	4,524	21,415	41,045
Printing and publication	3,877	3,534	3,081	10,492	13,054	4,262	17,316	27,808
Professional fees	9,020	8,221	9,756	26,997	320,720	4,598	325,318	352,315
Programming	15,740,525	-	1,576,366	17,316,891	-	-	-	17,316,891
Special events	-	-	-	-	-	1,324,906	1,324,906	1,324,906
Supplies	6,762	6,163	5,795	18,720	88,610	5,447	94,057	112,777
Telefunding and direct mail	-	-	-	-	-	202,444	202,444	202,444
Telephone	663	604	941	2,208	47,503	-	47,503	49,711
Total expenses	$ 28,243,861	$ 12,606,523	$ 3,329,139	$ 44,179,523	$ 7,522,449	$ 3,949,571	$ 11,472,020	$ 55,651,543

The Notes to Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Cash Flows
Year Ended June 30, 2021
With Summarized Comparative Information for the Year Ended June 30, 2020

	2021	2020
Operating activities		
Changes in net assets	$ 80,790,229	$ (4,840,629)
Adjustments to reconcile changes in net assets		
to net cash used in operating activities		
Depreciation	9,635,635	9,685,535
Change in reserve for uncollectible pledges	(112,188)	(592,429)
Change in discount to present value	(24,431)	(457,592)
Amortization of bond issuance cost	148,769	148,770
Amortization of bond premium	(4,131,057)	(4,050,374)
Net realized gain on marketable securities	(3,714,684)	(2,001,936)
Net unrealized (gain) loss on marketable securities	(52,003,466)	535,112
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(37,622)	705,220
Prepaid expenses	534,476	364,179
Contributions receivable	1,900,233	5,958,046
Employee retention credit receivable	(1,858,836)	-
Beneficial interest in irrevocable deferred gifts	(32,792,535)	(8,100,241)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(1,096,261)	(1,990,556)
Deferred revenue	2,252,631	(3,876,993)
Annuity payment liability	(8,007)	(7,489)
Net cash used in operating activities	(517,114)	(8,521,377)
Investing activities		
Proceeds from sales and maturities of investments	55,021,972	62,802,039
Purchases of investments	(53,916,939)	(54,943,169)
Purchases of property and equipment	(1,332,059)	(1,141,818)
Net cash provided by (used in) investing activities	(227,026)	6,717,052
Financing activity		
Proceeds from issuance of PPP loan payable	-	3,546,030
Net cash provided by financing activity	-	3,546,030
Net change in cash and cash equivalents	(744,140)	1,741,705
Cash and cash equivalents		
Beginning of year	9,382,952	7,641,247
End of year	$ 8,638,812	$ 9,382,952
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 7,700,000	$ 7,700,000

The Notes to Financial Statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Segerstrom Center for the Arts (the "Center"), which opened in 1986, is a nonprofit charitable organization under section 501(c)(3) of the Internal Revenue Code ("IRC") organized for the purpose of developing and operating a major performing arts center in Orange County, California. The Center has various guilds and support groups throughout Orange County organized for fund-raising purposes. The accompanying financial statements include the accounts and activities of these groups.

Due to the impacts of the 2019 novel coronavirus ("COVID-19"), the Center temporarily ceased in-person theatrical performances on March 12, 2020 in compliance with State of California safety requirements. The Center presented virtual programs after March 12, 2020, and as new crowd-capacity limits were defined by the State of California, the Center hosted limited capacity events. In July 2021 the Center re-opened for indoor public performances.

Basis of Presentation

The financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions*:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the Board of Directors.

Net assets with donor restrictions*:* Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Center records gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as contributions without donor restrictions with the corresponding amount reclassified to net assets without donor restrictions in the accompanying statements of activities.

Endowment monies are identified in the accompanying financial statements as net assets with donor restrictions both restricted in perpetuity, which includes donor-restricted contributions, and restricted for time, which includes unspent investment income on endowments.

The Center's programs have been categorized as follows:

Center Presentations - Performances of dance, Broadway musicals, jazz, classical, and other events presented directly by the Center in its various performance venues.

Hall Rental Operations - The use of the theaters by outside organizations to present their own performances, including Pacific Chorale, Pacific Symphony, and Philharmonic Society of Orange County.

Education Programs - The many arts education activities of the Center include: In-school Arts Teach and Arts Connect Programs, onstage events which bring children to Segerstrom Center for a performing arts experience, Summer at the Center for at-risk students, and participation in other countywide educational activities. Launched in September 2015, the American Ballet Theatre (ABT) William J. Gillespie Dance School is a new addition to the Center's education programs. The Center also commenced a series of Community Engagement activities in 2015 to deepen the relationship and involvement of the Orange County community, making a new school of dance and music called Studio D.

Comparative Data

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of the year ended June 30 of the prior year from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers highly liquid investments and investments with original maturities of three months or less to be cash and cash equivalents. The Center places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Marketable Securities

The Center reports its investments at fair value. Investment income from endowments is reported as time-restricted income unless it is appropriated for expenditure, in which case it is recognized as income without donor restrictions. Unrealized and realized gains or losses have been recorded as return on endowment and other investments in the statements of activities.

Beneficial Interest in Irrevocable Deferred Gifts

Contributions, including unconditional promises to give, are recognized as revenue in the period received. The Center is also a beneficiary in certain trusts. The Center recognizes as revenue the present value of the estimated future benefits to be received upon distribution of irrevocable trusts for which the Center is beneficiary but is not the trustee. The present value discount on those future benefits is computed using the three-year U.S. Treasury note rate as of the statement of financial position dates (0.46% and 0.18% as of June 30, 2021 and 2020, respectively). Changes in the present value discount amount and overall value of the Center's beneficial interest in these trusts are recognized in the statements of activities. When these gifts are revocable in nature, they are not reflected in the financial statements. The Center also recognizes as revenue the cash surrender value of the insurance policies for which the Center is the beneficiary.

Property and Equipment

Property and equipment are stated at cost and primarily represent expenditures associated with the construction of the Center. The building, equipment, and furniture are depreciated using the straight-line method over estimated useful lives of 3 to 40 years. Works of art have been capitalized at cost if purchased and their fair value at the date of donation if contributed. Works of art are considered inexhaustible and thus are not depreciated.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an 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 (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue from Contracts with Customers

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Center expects to be entitled in exchange for those goods or services.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Center performs the following steps: (i) identify contracts with customers; (ii) Identify performance obligations, a performance obligation is a promise in a contract to transfer a distinct good or service to the customer; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the Center satisfies each performance obligation.

The following summarizes the Organization’s performance obligations:

Ticket Sales

Ticket sales represent the sums actually paid for individual tickets of admission to a production of the Center including handling and other fees. Tickets and the related fees are nonrefundable at the time of receipt unless a performance is cancelled. The Center estimates the number of cancellations and records a reserve if deemed material. The Center allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Center. Tickets purchased in advance are recorded as contract liabilities by the Center. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Admission is recognized at a specific point in time, which is when the performance related to the ticket is complete.

Education Income

Education income represent income received for customer participation in education programs. Fees for tuition services are set by the Center and are set forth in the agreements with customers. Fees for tuition will vary based on program selection. The Center offers discounts and scholarships, which are immaterial in nature. Payments received in advance for education programs are recorded as contract liabilities by the Center. Advanced education payments are recorded as revenue when the education program is complete. Tuition is refundable under certain circumstances, such as cancellation of the program. The total yearly adjustment for refunded tuition is immaterial to the Center. Tuition and education income are recognized over a period of time, which is the length of the education program.

The timing of revenue recognition, billings, and cash collections results in receivables and contract liabilities in the statements of financial position. Additionally, the Center records deferred revenue for the sale of gift certificates, which are recorded as revenue upon the redemption of those gift cards for tickets at the completion of the related performance. Breakage income from gift certificates, which is the Organization's estimate of the nonredeemed gift certificates recognized in Center Presentations revenue, was not material to the financial statements as of June 30, 2021 and 2020. Total contract assets which are included in accounts receivable as of June 30, 2021, 2020, and 2019 were $71,659, $34,307, and $739,257, respectively. Total contract liabilities which are included in deferred revenue as of June 30, 2021, 2020, and 2020 were $13,629,772, $11,377,141, and $15,254,134, respectively.

Hall Rental Operations

Hall rental operations income represents income earned by the Center for the rental of its facilities to outside organizations for their own performances. Deposits received in advance of usage are recorded as deferred revenue by the Center. Revenue is recognized upon completion of the rental terms in the contract.

Contributions

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Center's policy is to record restricted gifts that are received and spent in the same year as unrestricted support.

Contributed property and equipment are recorded at fair value at the date of donation. In the absence of explicit donor stipulations, contributions of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions and are released from restriction over the donor-imposed time restricted period.

Unconditional promises to give are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Contributed Services and Gifts In-Kind

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the Center's fund-raising campaigns and other activities. Only those amounts that meet the criteria above are recorded in the accompanying financial statements.

The Center has received donations of various services and noncash assets, such as legal fees, advertising, and merchandise that were used for purposes of operating activities. Contributed services and gifts in-kind in the amounts of $117,856 and $221,702 are recorded as income and expense in the statements of activities for the years ended June 30, 2021 and 2020, respectively. Additionally, the Center received other noncash donations that would not ordinarily be purchased by the Center.

Deferred Revenue
Box office receipts and theater rental income attributable to future events are included in cash and cash equivalents or investments and reflected as deferred revenue until the event has occurred, at which time the revenue will be earned.

Advertising Expenses
The Center pays for the advertising of Broadway shows and other presentations held at the Center in advance of the actual running of the event. These advanced payments are recorded as prepaid expenses on the Center's statements of financial position until the running of the show or presentation ends. At that point, the Center reclassifies the entire amount of prepaid advertising expenses related to that particular show or presentation as program expense in the Center's statements of activities. Total advertising expenses incurred during the years ended June 30, 2021 and 2020 were $339,697 and $2,642,716, respectively.

Income Taxes
The Center is exempt from federal and state income taxes under IRC Section 501(c)(3) and Section 23701 of the California Revenue and Taxation Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Center has not been determined by the Internal Revenue Service ("IRS") to be a "private foundation" within the meaning of the IRC Section 509(a).

The Center is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. As a matter of course, various taxing authorities, including the IRS, have the authority to regularly audit the Center.

There were no tax years open to examination by major tax jurisdictions as of June 30, 2021. The Center does not believe its financial statements include (or reflect) any uncertain tax positions. Further, there are no income tax related penalties and interest included in these financial statements.

Use of Estimates
The preparation of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements
The carrying value of financial instruments in the financial statements approximates fair value.

The Center follows the fair value measurement provisions of the ASC for fair value measurements of financial assets and financial liabilities (Note 3) and for fair value measurements of nonfinancial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. The ASC defines fair value as 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.

The assets that are recorded at fair value on a recurring basis are investments and beneficial interest in irrevocable deferred gifts. The Center has no financial liabilities or nonfinancial items that are recorded at fair value on a recurring basis.

The ASC establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities. The Center's Level 1 assets include domestic equity mutual funds, international equity mutual funds, fixed income mutual funds, and U.S. Treasury bills.

Level 2 - Fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Center's Level 2 assets include alternative investments.

Level 3 - Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Center's Level 3 assets include beneficial interest in irrevocable deferred gifts.

Fair value estimates are made at a specific point in time based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from an offering from a onetime sale of an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The expenses that are allocated using a specific methodology include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Bond interest and amortization	Square footage
Building and equipment maintenance	Square footage
Depreciation	Square footage
Other	Direct usage

Certain expenses reported on the accompanying statements of functional expenses, such as advertising, attraction share of receipts, information technology, insurance, professional fees, programming, special events, and other expenses, have been allocated to programs based on direct usage. Certain costs split between the Center Presentations and Rental Hall Operations, such as bond interest and amortization, building and equipment maintenance, and depreciation, were allocated based on relative number of performances and rehearsals during the fiscal year.

Adoption of Accounting Principle
In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurement (Topic 820) *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 eliminates and modifies certain existing reporting requirements related to fair value measurements. The Center adopted ASU 2018-13 in the year ended June 30, 2021, and the adoption did not have a material impact on the Center's financial statements.

Recent Accounting Pronouncements Not Yet Adopted
In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for the Center's year ending June 30, 2022, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Center's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU 2016-02 expands disclosure requirements for both lessees and lessors and will be effective for the Center's year ending June 30, 2022. The Center is in the process of assessing the potential impact of the ASU on its financial statements.

Subsequent Events
The Center evaluated subsequent events through November 23, 2021, the date these financial statements were issued. Except for the matter noted in Notes 14 and 15, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. AVAILABILITY AND LIQUIDITY

The Center receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions or in accordance with time restrictions related to irrevocable deferred gifts and contributions receivable. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such gifts is used to fund programs and supporting services. Additionally, the Center receives revenues without donor restrictions from entertainment and services provided to performing arts organizations and the general public.

The Center considers the aforementioned revenues and public support to be available to meet cash needs for all general expenditures. General expenditures include all programmatic and supporting service expenses that are expected to be paid in the subsequent year.

The Center manages its cash available to meet operating needs by following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term financial sustainability strategic goals will be achieved.

To uphold these principals, the Center's Finance Committee meets on a periodic basis to provide strategic oversight of the Center's operating budget. In doing so, the Center strives to maintain financial assets available to meet current operating expenditures and to cover future obligations of fixed rate bonds issued by the Center. Additionally, the Board of Directors has designated certain assets as reserves for operations and maintenance of buildings and equipment that can be accessed in times of financial hardship or unbudgeted maintenance or repairs. The Board of Directors has also created a quasi-endowment account, the earnings of which, in conjunction with the earnings from donor-restricted endowments, help fund the ongoing operations of the Center. The Center's investment policy includes an endowment spending rate up to 5% of the endowment funds' market value over a rolling twelve-quarter average. During the years ended June 30, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

The following table represents the Center's financial assets available for general expenditure within one year as of June 30, 2021 and 2020:

	2021	2020
Financial assets at year-end		
Cash and equivalents	$ 8,638,812	$ 9,382,952
Investments	258,730,298	204,117,181
Accounts receivable	71,659	34,037
Contributions receivable	4,141,242	5,904,856
Employee retention credit receivable	1,858,836	-
Beneficial interest in irrevocable deferred gifts	60,533,482	27,740,947
Total financial assets	333,974,329	247,179,973
Less financial assets not available for general expenditures within one year due to donor-imposed restrictions		
Restricted for time	(53,354,719)	(26,794,883)
Restricted for time - endowment	(40,972,970)	(22,243,608)
Restricted in perpetuity	(45,742,660)	(40,694,374)
	(140,070,349)	(89,732,865)
Less financial assets not available for general expenditures within one year due to internal designations		
Designated for general reserves	(6,000,000)	(2,000,000)
Designated for building and information technology repairs	(8,526,633)	(5,678,814)
	(14,526,633)	(7,678,814)
Less financial assets earmarked to cover future obligations on fixed rate bonds		
Cash earmarked to facilities fund	(859,588)	(453,962)
Investments earmarked to facilities fund	(162,656,533)	(132,726,125)
	(163,516,121)	(133,180,087)
Financial assets available to meet general expenditures within one year	$ 15,861,226	$ 16,588,207

The Center's cash flows have seasonal variations due to timing of subscription series renewals and single tickets sales. As described in Note 1, the Center's endowment funds consist of donor-restricted endowments. The Center's endowment policy provides for an annual distribution for operating purposes.

3. ASSETS RECORDED AT FAIR VALUE

Investments as of June 30, 2021 and 2020 consist of domestic equity mutual funds, international equity mutual funds, fixed income mutual funds, U.S. Treasury bills, and alternative equity mutual funds.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2021 and 2020:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments				
Domestic equity mutual funds	$ 136,694,041	$ -	$ -	$ 136,694,041
International equity mutual funds	54,307,568	-	-	54,307,568
Fixed income mutual funds	51,997,766	-	-	51,997,766
Alternative investments	-	15,730,923	-	15,730,923
	242,999,375	15,730,923	-	258,730,298
Beneficial interest in irrevocable deferred gifts	-	-	60,533,482	60,533,482
Total	$ 242,999,375	$ 15,730,923	$ 60,533,482	$ 319,263,780

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments				
Domestic equity mutual funds	$ 68,128,790	$ -	$ -	$ 68,128,790
International equity mutual funds	41,972,469	-	-	41,972,469
Fixed income mutual funds	67,942,603	-	-	67,942,603
U.S. Treasury bills	13,006,805	-	-	13,006,805
Alternative investments	-	13,066,514	-	13,066,514
	191,050,667	13,066,514	-	204,117,181
Beneficial interest in irrevocable deferred gifts	-	-	27,740,947	27,740,947
Total	$ 191,050,667	$ 13,066,514	$ 27,740,947	$ 231,858,128

Investment income for the years ended June 30, 2021 and 2020 is summarized as follows:

	2021	2020
Interest and dividend income	$ 3,477,573	$ 5,149,337
Investment fees	(614,755)	(228,672)
Realized and unrealized gains	55,719,995	1,489,097
	$ 58,582,813	$ 6,409,762

During the year ended June 30, 2021, there were transfers of $1,500,000 out of Level 3 assets into Level 1 assets. During the years ended June 30, 2021 and 2020, there were no purchases of Level 3 assets.

4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. The Center has a reserve in its allowance for uncollectible accounts, which is equal to 100% for all past due unconditional promises to give and 10% of all unconditional promises to give expected to be collected in the future. Unconditional promises to give that are expected to be collected in future years are also recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using the three-year U.S. Treasury note rate applicable in the year in which the promise was made. Amortization of the discount is included in contributions revenue, which was 0.46% and 0.18% for the years ended June 30, 2021 and 2020.

Included in contributions receivable at June 30, 2021 and 2020 are the following unconditional promises to give:

	2021	2020
Amounts due in		
Less than one year	$ 1,230,505	$ 2,092,738
One to five years	2,832,500	3,493,000
More than five years	855,000	1,232,500
Total promises to give	4,918,005	6,818,238
Less: Allowance for uncollectibles	(480,851)	(593,039)
Less: Unamortized discount	(295,912)	(320,343)
Net contributions receivable	$ 4,141,242	$ 5,904,856

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consist of the following:

	2021	2020
Land	$ 10,605,606	$ 10,605,607
Building - Theater I and II	306,037,086	305,930,708
Equipment and furniture	49,935,053	48,709,371
Fine arts	1,100,000	1,100,000
	367,677,745	366,345,686
Less: Accumulated depreciation	(177,704,550)	(168,068,915)
	$ 189,973,195	$ 198,276,771

Depreciation expense totaled $9,635,635 and $9,685,535 for the years ended June 30, 2021 and 2020, respectively.

6. DESIGNATED NET ASSETS

The Center has designated funds for specific purposes which are presented in the accompanying statements of financial position as net assets without donor restrictions.

Net assets designated for general reserves have been allocated to provide for extraordinary operational expenses when they occur. Additions to the reserve totaled $4,000,000 during the year ended June 30, 2021. There were no additions to the reserve during year ended June 30, 2020.

Net assets designated for building and information technology reserves have been allocated to provide for long-term maintenance of the facility and replacement of theatrical and other equipment. Additions to the reserve totaled $4,179,879 and $1,563,855, including interest earned and unrealized gains on these funds of $679,879 and $63,855 during the years ended June 30, 2021 and 2020, respectively. The reserve was reduced by $1,332,059 and $1,141,819 for capital improvements during the years ended June 30, 2021 and 2020, respectively.

7. ENDOWMENT

The Center has adopted the accounting standard for endowments of not-for-profit organizations. A key component of the accounting standard is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity as net assets with donor restrictions for purpose or time, until appropriated for expenditure. Adoption of this standard did not affect the financial position or changes in net assets of the Center.

The accounting standard provides guidance with respect to the accounting for donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which the State of California has enacted. In addition, the accounting standard requires expanded disclosures for all endowment funds. Based on its interpretation of the provisions of UPMIFA and the accounting standard, the Center has determined that retaining its existing policies regarding net asset classification of its donor-restricted endowment funds is appropriate. The historic dollar value of donor-restricted endowment contributions is reported as net assets with donor restrictions in perpetuity.

The Center's endowment consists of 10 individual funds.

Changes in Endowment Net Assets for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions For Time	With Donor Restrictions In Perpetuity	Total
Endowment net assets,				
July 1, 2020	$ -	$ 22,243,608	$ 40,694,374	$ 62,937,982
Support				
Contributions	-	-	5,040,279	5,040,279
Gift annuity adjustment	-	-	8,007	8,007
Investment return				
Investment income	-	968,684	-	968,684
Investment fees	-	(614,754)	-	(614,754)
Net appreciation (realized and unrealized)	-	21,575,432	-	21,575,432
Appropriation of endowment for expenditure	3,200,000	(3,200,000)	-	-
Expenditure of appropriated funds	(3,200,000)	-	-	(3,200,000)
	$ -	$ 40,972,970	$ 45,742,660	$ 86,715,630

Changes in Endowment Net Assets for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions For Time	With Donor Restrictions In Perpetuity	Total
Endowment net assets,				
July 1, 2019	$ -	$ 24,026,046	$ 40,685,844	$ 64,711,890
Support				
Contributions	-	-	1,040	1,040
Gift annuity adjustment	-	-	7,490	7,490
Investment return				
Investment income	-	1,267,783	-	1,267,783
Investment fees	-	(228,672)	-	(228,672)
Net appreciation (realized and unrealized)	-	278,451	-	278,451
Appropriation of endowment for expenditure	3,100,000	(3,100,000)	-	-
Expenditure of appropriated funds	(3,100,000)	-	-	(3,100,000)
	$ -	$ 22,243,608	$ 40,694,374	$ 62,937,982

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that provides continued financial stability for the Center and a revenue stream for spending on the Center’s mission. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that ensures safety through diversification while obtaining a competitive rate of return with the secondary objective to maintain liquidity. The Center expects its endowment funds over time to provide an average rate of return of approximately 6% – 8% annually.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The Center targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center's investment policy includes an endowment spending rate of up to 5% of the endowment funds' market value over a rolling twelve-quarter average. This spending rate constitutes the Board of Director's annual appropriation for spending endowment earnings. These spending assumptions are intended to allow for the immediate spending of a portion of the income of the portfolio, provide a target rate of return for the endowment fund for the Center, and provide a sustainable spending level that will allow for support of the Center's initiatives in fulfilling its mission, while maintaining the purchasing power of the endowment fund's assets. During the years ended June 30, 2021 and 2020, the endowment draw taken was $3,200,000 and $3,100,000, respectively, as reflected in the statements of activities. The endowment draw taken during the years ended June 30, 2021 and 2020 was less than the allowable 5% rolling twelve-quarter average.

8. BONDS PAYABLE

Beginning in July 2004, the Center caused a series of tax-exempt bonds to be issued by the California Infrastructure and Economic Development Bank (the "I Bank").

The proceeds from the sale of these bond issues were loaned by the I Bank to the Center at an interest rate equal to the rate borne by the bonds and were used by the Center to finance the cost of construction and equipping of additional performance venues adjacent to its existing performing arts venues, as well as the cost of the construction of a pedestrian plaza.

The original bond issues have been re-financed multiple times since 2004. The current outstanding bond issues are as follows:

The Series 2016 ten-year fixed rate bonds issued in June 2016 ($42,000,000). The bonds were issued with a 5.00% coupon rate with a 2.07% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $11,072,460. This premium will be paid to bond holders by the Center as part of the semiannual interest payments over the ten-year life of the bond. The Series 2016 bond matures on July 1, 2026.

The Series 2016 B seven-year fixed rate bonds issued in July 2016 ($48,000,000). The bonds were issued with a 5.00% coupon rate with a 1.56% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $10,752,480. This premium will be paid to bond holders by the Center as part of the semiannual interest payments over the seven-year life of the bond. The Series 2016 bond matures on July 1, 2023.

The Series 2017 fixed rate bonds issued in December 2017 ($64,000,000). These bonds were issued with two maturity dates, seven and ten years. One half of the series, $32,000,000, has a 5.00% coupon rate with a 2.23% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $5,721,280. This premium will be paid to bond holders by the Center as part of the semi-annual interest payments, over the seven- year life of the bond. This portion of the Series 2017 bond matures on January 1, 2025. The second half, also $32,000,000, has a 5.00% coupon rate with a 2.56% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $6,855,040. This premium will be paid to bond holders by the Center as part of the semiannual interest payments over the ten-year life of the bond. This portion of the Series 2017 bond matures on January 1, 2028.

Under the terms of an agreement for the bonds payable, the Center is required to meet minimal levels of liquidity and debt service ratios. The Center was in compliance at June 30, 2021.

Amortization expense associated with the cost of issuing the above-mentioned bonds totaled $148,769 and $148,770 for the years ended June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, interest expense, net of bond premium amortization, amounted to $3,804,170 and $3,844,412, respectively, and bond premium amortization amounted to $4,131,057 and $4,050,374 for the years ended June 30, 2021 and 2020, respectively.

The annual aggregate maturities of bonds payable are as follows:

2022	$ -
2023	-
2024	48,000,000
2025	32,000,000
2026	-
Thereafter	74,000,000
Less: Deferred bond issuance costs	(594,351)
	$ 153,405,649

9. RETIREMENT PLANS

Defined Contribution Retirement Plan

The Center has a defined contribution retirement plan (the “Plan”) available to substantially all of the nonunion employees of the Center after they attain the service requirement of one year and 1,000 hours, which is determined as of June 30 and December 31. Once eligible, the Center may make discretionary and/or matching participant contributions in amounts set by the Center. The employee’s vested percentage in the Plan for each year of service is as follows:

Years of Service	Vested Percentage
2	20%
3	40%
4	60%
5	80%
6	100%

Costs of the retirement Plan are funded as they are incurred, and employer contributions to the Plan amounted to $185,600 and $305,573 during the years ended June 30, 2021 and 2020, respectively.

10. LEASES

The Center has entered into various operating lease agreements for office equipment that provide for monthly rental amounts ranging from $79 to $2,037 and expiring through October 2024. Future minimum lease payments under noncancelable operating leases as of June 30, 2021 are as follows:

2022	$ 64,768
2023	43,274
2024	43,274
2025	4,521
	$ 155,837

Rent and equipment lease expense totaled $69,776 and $64,814 for the years ended June 30, 2021 and 2020, respectively.

11. LITIGATION

The Center is involved in litigation arising in the normal course of its operations. Management, having consulted with its legal counsel, believes that these matters will not, either individually or in aggregate, have any material adverse impact on its operating results or financial position.

12. CONCENTRATIONS OF LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENT

Certain employees of the Center, stage employees, are subject to a collective bargaining agreement. Employees subject to the agreement approximate 35% of the Center’s labor force. Although management has no indication of any work stoppages and believes any would be unlikely, any such labor disruption could cause a severe impact on the Center’s operations. Additionally, under the Center’s collective bargaining agreement, any work stoppages are prohibited for the term of the contract. The Center’s collective bargaining agreement is set to expire in June 30, 2022.

13. POTENTIAL IMPACT OF COVID-19 AND PPP LOAN PAYABLE

Management continues to evaluate the COVID-19 virus in the United States and its impact on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Center’s financial condition and changes in net assets, the specific impact is not readily determinable as of the date of these financial statements.

On May 2, 2020, the Center received an unsecured loan in the amount of $3,546,030 under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). This loan is guaranteed by the Small Business Administration ("SBA") and is for a two-year term at a 1.0% interest rate. Under the PPP, the Center can have the entire loan forgiven if the proceeds are used to fund payroll and other allowable expenses within the defined 24-week period after the PPP loan was disbursed ("Covered Period"), and otherwise satisfied PPP retirements. If the PPP loan is not forgiven, monthly principal and interest payments are deferred until 10 months after the end of the Covered Period or March 2, 2021. The Center intends to follow the PPP restrictions so that the entire loan will be forgiven. Since the PPP loan was over $2,000,000, the Center's loan forgiveness application will be subject to review and potential audit by the SBA. The Center has applied for forgiveness, and the application is pending approval as of the date of these financial statements. The Center will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received. There is no certainty that any or all of the PPP loan will be forgiven.

Future maturities of the PPP loan, assuming it is not forgiven, are as follows:

Years ending June 30	
2022	$ 3,546,030
	$ 3,546,030

14. SHUTTERED VENUE OPERATORS GRANT AND SUBSEQUENT EVENT

On June 24, 2021, the Center was awarded a Shuttered Venue Operators Grant ("SVOG") from the SBA in the amount of $10,000,000 and received the money in July 2021. This cost-reimbursable federal grant is eligible to cover expenses for the period of March 20, 2020 through December 31, 2021. As a condition to receiving distributions, grant recipients must agree to certain terms and conditions, including, among other things, that the funds are being used for eligible expenses as defined by the SBA. Because SVOG payments are conditional upon having incurred eligible expenses, and because noncompliance with the terms and conditions is grounds for recoupment by the SBA of some or all of the payments, SVOG payments are recorded as conditional contributions. Contribution revenue is recognized to the extent that eligible expenses have been incurred and not reimbursed from other sources. The Center did not incur any eligible expenses that were not reimbursed from other sources during the year ended June 30, 2021, and thus no receivable was recorded as of June 30, 2021, and no revenue has been recognized during the year ended June 30, 2021. Subsequent to year-end, the Center received an extension allowing coverage of expense through June 30, 2022.

15. EMPLOYEE RETENTION CREDIT AND SUBSEQUENT EVENT

The Center has applied for the employee retention credit in the amount of $1,858,836. The credit will be claimed against the Center's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended June 30, 2021, the Center recorded revenue totaling $1,858,836, which is included in employee retention credit revenue in the accompanying statement of activities and changes in net assets.