SEGERSTROM CENTER FOR THE ARTS
Financial Statements
June 30, 2022
With Summarized Comparative Information
As of and for the Year Ended June 30, 2021
With Independent Auditor's Reports

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ADVISORY TAX AUDIT

Segerstrom Center for the Arts
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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Segerstrom Center for the Arts (the "Center"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2022, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Center's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in the report dated November 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2022, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Emphasis of a Matter

As described in Note 1, the Center adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) as of July 1, 2020.

WithumSmith+Brown, PC

November 28, 2022

Segerstrom Center for the Arts
Statements of Financial Position
June 30, 2022
With Summarized Comparative Information as of June 30, 2021

	Net Assets Without Donor Restrictions			Net Assets With Donor	Total	
	Operating	Facilities	Total	Restrictions	2022	2021
Assets						
Cash and cash equivalents	$ 9,572,439	$ 1,691,843	$ 11,264,282	$ 1,610,422	$ 12,874,704	$ 8,638,812
Investments	18,425,489	136,816,925	155,242,414	113,992,361	269,234,775	258,730,298
Accounts receivable	1,113,531	-	1,113,531	-	1,113,531	71,659
Prepaid expenses	745,583	-	745,583	-	745,583	499,086
Contributions receivable, net	465,000	-	465,000	4,506,788	4,971,788	4,141,242
Employee retention credit receivable	2,895,050	-	2,895,050	-	2,895,050	1,858,836
Beneficial interest in irrevocable deferred gifts	-	-	-	18,960,964	18,960,964	60,533,482
Property and equipment, net	-	182,417,193	182,417,193	-	182,417,193	189,973,195
Total assets	$ 33,217,092	$ 320,925,961	$ 354,143,053	$ 139,070,535	$ 493,213,588	$ 524,446,610

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

Segerstrom Center for the Arts
Statements of Financial Position
June 30, 2022
With Summarized Comparative Information as of June 30, 2021

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	
	Operating	Facilities	Total		2022	2021
Liabilities and Net Assets						
Accounts payable and accrued liabilities	$ 2,362,916	$ 1,445,226	$ 3,808,142	$ -	$ 3,808,142	$ 1,532,989
Bonds payable, net	-	153,554,427	153,554,427	-	153,554,427	153,405,649
Unamortized bond premium	-	12,457,834	12,457,834	-	12,457,834	16,671,239
PPP loan payable	-	-	-	-	-	3,546,030
Deferred revenue	21,297,249	868,211	22,165,460	-	22,165,460	13,629,772
Annuity payment liability	-	4,722	4,722	-	4,722	12,604
Total liabilities	23,660,165	168,330,420	191,990,585	-	191,990,585	188,798,283
Net assets						
Net assets without donor restrictions						
Undesignated	2,556,927	142,772,901	145,329,828	-	145,329,828	179,820,840
Designated for general reserves	7,000,000	-	7,000,000	-	7,000,000	6,000,000
Designated for building and information technology reserves	-	9,822,640	9,822,640	-	9,822,640	8,526,633
Total net assets without donor restrictions	9,556,927	152,595,541	162,152,468	-	162,152,468	194,347,473
Net assets with donor restrictions						
Restricted for time	-	-	-	23,467,752	23,467,752	54,585,224
Restricted for time - endowment	-	-	-	69,627,259	69,627,259	40,972,970
Restricted in perpetuity	-	-	-	45,975,524	45,975,524	45,742,660
Total net assets with donor restrictions	-	-	-	139,070,535	139,070,535	141,300,854
Total net assets	9,556,927	152,595,541	162,152,468	139,070,535	301,223,003	335,648,327
Total liabilities and net assets	$ 33,217,092	$ 320,925,961	$ 354,143,053	$ 139,070,535	$ 493,213,588	$ 524,446,610

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

Segerstrom Center for the Arts
Statements of Activities
Year Ended June 30, 2022
With Summarized Comparative Information for the Year Ended June 30, 2021

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	
	Operating	Facilities	Total		2022	2021
Revenues and public support						
Program revenues						
Center presentations	$ 21,492,760	$ -	$ 21,492,760	$ -	$ 21,492,760	$ 154,893
Hall rental operations	7,607,992	-	7,607,992	-	7,607,992	457,068
Education programs	1,281,861	-	1,281,861	-	1,281,861	717,482
	30,382,613	-	30,382,613	-	30,382,613	1,329,443
Other revenues						
Endowment and other investment (loss) income	(3,387,383)	(24,945,270)	(28,332,653)	(16,525,577)	(44,858,230)	58,582,813
Employee retention credit income	1,036,214	-	1,036,214	-	1,036,214	1,858,836
Transfers - building, IT reserves, endowment	(4,500,000)	4,500,000	-	-	-	-
	(6,851,169)	(20,445,270)	(27,296,439)	(16,525,577)	(43,822,016)	60,441,649
Public support						
Contributions of cash and other financial assets:						
Contributions and special events	11,387,461	542,065	11,929,526	16,047,628	27,977,154	50,648,421
Change in value of irrevocable deferred gifts	-	-	-	(790,131)	(790,131)	(3,476,389)
PPP loan forgiveness and SVOG grant income	13,546,030	-	13,546,030	-	13,546,030	-
Allowance for uncollectible contributions receivable	-	-	-	(21,234)	(21,234)	85,187
Contributions of nonfinancial assets:						
Contributed services and gifts in-kind	296,946	-	296,946	-	296,946	117,856
	25,230,437	542,065	25,772,502	15,236,263	41,008,765	47,375,075
Net assets released from restrictions						
Time restriction	733,505	207,500	941,005	(941,005)	-	-
	733,505	207,500	941,005	(941,005)	-	-
Total revenues and public support	49,495,386	(19,695,705)	29,799,681	(2,230,319)	27,569,362	109,146,167

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

Segerstrom Center for the Arts
Statements of Activities
Year Ended June 30, 2022
With Summarized Comparative Information for the Year Ended June 30, 2021

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	
	Operating	**Facilities**	**Total**		**2022**	**2021**
Total revenues and public support	$ 49,495,386	$ (19,695,705)	$ 29,799,681	$ (2,230,319)	$ 27,569,362	$ 109,146,167
Expenses						
Program services						
Center presentations	26,086,999	6,037,512	32,124,511	-	32,124,511	8,079,189
Hall rental operations	5,038,946	7,118,226	12,157,172	-	12,157,172	10,950,269
Education programs	3,104,529	184,584	3,289,113	-	3,289,113	1,877,780
	34,230,474	13,340,322	47,570,796	-	47,570,796	20,907,238
Supporting services						
Management and general	8,400,874	146,132	8,547,006	-	8,547,006	5,763,647
Fundraising	5,784,334	92,550	5,876,884	-	5,876,884	1,685,053
	14,185,208	238,682	14,423,890	-	14,423,890	7,448,700
Total expenses	48,415,682	13,579,004	61,994,686	-	61,994,686	28,355,938
Changes in net assets	1,079,704	(33,274,709)	(32,195,005)	(2,230,319)	(34,425,324)	80,790,229
Net assets						
Beginning of year	8,477,223	185,870,250	194,347,473	141,300,854	335,648,327	254,858,098
End of year	$ 9,556,927	$ 152,595,541	$ 162,152,468	$ 139,070,535	$ 301,223,003	$ 335,648,327

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, 2022

	Program Services				Supporting Services			
	Center Presentations	Hall Rental Operations	Education Programs	Subtotal	Management and General	Fundraising	Subtotal	Total
Salaries and benefits								
Salaries and wages	$ 2,225,275	$ 845,605	$ 1,085,748	$ 4,156,628	$ 4,612,160	$ 1,500,146	$ 6,112,306	$ 10,268,934
Payroll taxes	162,146	61,615	79,468	303,229	326,396	112,429	438,825	742,054
Employee benefits	279,377	106,163	123,547	509,087	422,308	194,269	616,577	1,125,664
	2,666,798	1,013,383	1,288,763	4,968,944	5,360,864	1,806,844	7,167,708	12,136,652
Other								
Advertising	3,347,406	-	140,891	3,488,297	145,459	18,177	163,636	3,651,933
Attraction share of receipts	-	2,223,700	-	2,223,700	-	-	-	2,223,700
Bond issuance cost amortization	67,334	79,385	2,059	148,778	-	-	-	148,778
Bond interest and premium amortization	1,720,467	2,028,655	52,630	3,801,752	-	-	-	3,801,752
Building and equipment maintenance	1,541,901	1,786,475	81,865	3,410,241	303,675	32,993	336,668	3,746,909
Depreciation	4,249,711	5,010,186	129,895	9,389,792	146,132	92,550	238,682	9,628,474
Donor cultivation and events	-	-	-	-	-	432,949	432,949	432,949
Employee retention credit expense	-	-	-	-	723,762	-	723,762	723,762
Information technology	-	-	-	-	564,915	-	564,915	564,915
Insurance	-	-	-	-	548,988	-	548,988	548,988
Meetings, conferences, and travel	9,995	3,798	7,017	20,810	110,039	6,089	116,128	136,938
Miscellaneous	15,560	5,913	20,366	41,839	76,754	95,905	172,659	214,498
Postage and shipping	-	-	424	424	32,375	9,365	41,740	42,164
Printing and publication	3,825	1,454	645	5,924	42,905	15,769	58,674	64,598
Professional fees	9,338	3,548	11,346	24,232	367,518	34,147	401,665	425,897
Programming	18,490,406	-	1,546,829	20,037,235	-	-	-	20,037,235
Special events	-	-	-	-	-	3,137,057	3,137,057	3,137,057
Supplies	1,092	418	5,737	7,247	73,869	3,847	77,716	84,963
Telefunding and direct mail	-	-	-	-	-	190,872	190,872	190,872
Telephone	678	257	646	1,581	49,751	320	50,071	51,652
Total expenses	$ 32,124,511	$ 12,157,172	$ 3,289,113	$ 47,570,796	$ 8,547,006	$ 5,876,884	$ 14,423,890	$ 61,994,686

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 Cash Flows
Year Ended June 30, 2022
With Summarized Comparative Information for the Year Ended June 30, 2021

	2022	2021
Operating activities		
Changes in net assets	$ (34,425,324)	$ 80,790,229
Adjustments to reconcile changes in net assets		
to net cash provided by (used in) operating activities		
Depreciation	9,628,474	9,635,635
Change in allowance for uncollectible promises to give	21,233	(112,188)
Change in discount to present value	316,057	(24,431)
Amortization of bond issuance cost	148,778	148,769
Amortization of bond premium	(4,213,405)	(4,131,057)
Net realized loss (gain) on marketable securities	1,941,058	(3,714,684)
Net unrealized loss (gain) on marketable securities	55,780,003	(52,003,466)
Forgiveness of PPP loan	(3,546,030)	-
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(1,041,872)	(37,622)
Prepaid expenses	(246,497)	534,476
Contributions receivable	(1,167,837)	1,900,233
Employee retention credit receivable	(1,036,214)	(1,858,836)
Beneficial interest in irrevocable deferred gifts	41,572,518	(32,792,535)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	2,275,153	(1,096,261)
Deferred revenue	8,535,688	2,252,631
Annuity payment liability	(7,882)	(8,007)
Net cash provided by (used in) operating activities	74,533,901	(517,114)
Investing activities		
Proceeds from sales and maturities of investments	25,328,003	55,021,972
Purchases of investments	(93,553,540)	(53,916,939)
Purchases of property and equipment	(2,072,472)	(1,332,059)
Net cash used in investing activities	(70,298,009)	(227,026)
Net change in cash and cash equivalents	4,235,892	(744,140)
Cash and cash equivalents		
Beginning of year	8,638,812	9,382,952
End of year	$ 12,874,704	$ 8,638,812
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 fundraising purposes. The accompanying financial statements include the accounts and activities of these groups.

Due to the impacts of the 2019 novel coronavirus, 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. Additionally, American Ballet Theatre (ABT) William J. Gillespie Dance School is included in 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 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 and for 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 endowment and other investments (loss) income 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 (2.99% and 0.46% as of June 30, 2022 and 2021, 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

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

Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, or once the property and equipment have been fully depreciated, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statements of activities.

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 Center'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 canceled. 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 represents 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 is 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 Center's estimate of the nonredeemed gift certificates recognized in Center presentations revenue, was not material to the financial statements as of June 30, 2022 and 2021. Total contract assets which are included in accounts receivable as of June 30, 2022, 2021, and 2020 were $1,113,531, $71,659, and $34,307, respectively. Total contract liabilities which are included in deferred revenue as of June 30, 2022, 2021, and 2020 were $22,165,460, $13,629,772, and $11,377,141, 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 Nonfinancial Assets

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which 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.

The Center adopted the requirements of the new guidance as of July 1, 2020, utilizing the modified retrospective method of transition. No adjustments to net assets as of July 1, 2020 were necessary. The Center applied the new guidance using the practical expedient provided in Topic 958 that allows the guidance to be applied only to contributed nonfinancial assets that were contributed as of July 1, 2020. Adoption of the new guidance does not have a significant impact on the Center's financial position, results of activities or cash flows.

Donated materials and other nonfinancial contributions are reflected in the accompanying financial statements at their estimated market values at date of receipt. 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 fundraising 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 professional services, advertising, airline tickets and other miscellaneous items that were used for purposes of operating activities. Contributed services and gifts in kind in the amounts of $296,946 and $117,856 are recorded as income and expense in the statements of activities for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 were $3,651,933 and $339,697, 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, 2022 and 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 FASB Accounting Standards Codification (“ASC”) 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities (see 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 as follows:

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 and number of performances
Building and equipment maintenance	Square footage and number of performances
Depreciation	Square footage and number of performances
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 premium, building and equipment maintenance, and depreciation, were allocated based on relative number of performances and rehearsals during the fiscal year.

Leases

The Center categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. The Center had no finance leases during 2022 and 2021.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Center accounts for these other services as a component of the lease.

Lease liabilities are recognized at the present value of the fixed lease payments, using a weighted average discount rate based on similarly secured borrowings available to the Center. Right of use ("ROU") assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Recent Accounting Pronouncement - Adopted

In February 2016, the FASB issued an ASU amending the accounting for leases. The Center adopted the new standard effective July 1, 2021, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Center utilized the practical expedient available under the guidance. Further, the Center elected to implement the package of practical expedients, whereby the Center did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to statements of activities or cash flows.

Upon adoption, the Center did not recognize a ROU assets related to its leased property and equipment as it did not have a material effect on the financial statements. Corresponding lease liabilities were also not recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

Subsequent Events

The Center evaluated subsequent events through November 28, 2022, the date these financial statements were issued. 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 program 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, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Financial assets at year-end		
Cash and equivalents	$ 12,874,704	$ 8,638,812
Investments	269,234,775	258,730,298
Accounts receivable	1,113,531	71,659
Contributions receivable	4,971,788	4,141,242
Employee retention credit receivable	2,895,050	1,858,836
Beneficial interest in irrevocable deferred gifts	18,960,964	60,533,482
Total financial assets	310,050,812	333,974,329
Less financial assets not available for general expenditures within one year due to donor-imposed restrictions		
Restricted for time	(20,851,911)	(53,354,719)
Restricted for time - endowment	(69,627,259)	(40,972,970)
Restricted in perpetuity	(45,975,524)	(45,742,660)
	(136,454,694)	(140,070,349)
Less financial assets not available for general expenditures within one year due to internal designations		
Designated for general reserves	(7,000,000)	(6,000,000)
Designated for building and information technology repairs	(9,822,640)	(8,526,633)
	(16,822,640)	(14,526,633)
Less financial assets earmarked to cover future obligations on fixed rate bonds		
Cash earmarked to facilities fund	(1,691,843)	(859,588)
Investments earmarked to facilities fund	(136,816,925)	(162,656,533)
	(138,508,768)	(163,516,121)
Financial assets available to meet general expenditures within one year	$ 18,264,710	$ 15,861,226

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, 2022 and 2021 consist of domestic equity mutual funds, international equity mutual funds, fixed income mutual funds, and alternative investments.

The following tables set forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2022 and 2021:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments				
Domestic equity mutual funds	$ 151,854,653	$ -	$ -	$ 151,854,653
International equity mutual funds	53,247,116	-	-	53,247,116
Fixed income mutual funds	42,710,479	-	-	42,710,479
Alternative investments	-	21,422,527	-	21,422,527
	247,812,248	21,422,527	-	269,234,775
Beneficial interest in irrevocable deferred gifts	-	-	18,960,964	18,960,964
	$ 247,812,248	$ 21,422,527	$ 18,960,964	$ 288,195,739

	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
	$ 242,999,375	$ 15,730,923	$ 60,533,482	$ 319,263,780

Investment income for the years ended June 30, 2022 and 2021 is summarized as follows:

	2022	2021
Interest and dividend income	$ 4,327,781	$ 3,477,573
Investment fees	(479,451)	(614,755)
Realized and unrealized (losses) gains	(48,706,560)	55,719,995
	$ (44,858,230)	$ 58,582,813

During the years ended June 30, 2022 and 2021, there were transfers of $58,669,824 and $1,500,000 out of Level 3 assets into Level 1 assets, respectively. During the years ended June 30, 2022 and 2021, 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 2.99% and 0.46% for the years ended June 30, 2022 and 2021.

Included in contributions receivable at June 30, 2022 and 2021 are the following unconditional promises to give:

	2022	2021
Amounts due in		
Less than one year	$ 2,615,841	$ 1,230,505
One to five years	2,837,500	2,832,500
More than five years	632,500	855,000
Total promises to give	6,085,841	4,918,005
Less: Allowance for uncollectibles	(502,084)	(480,851)
Less: Unamortized discount	(611,969)	(295,912)
Net contributions receivable	$ 4,971,788	$ 4,141,242

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consist of the following:

	2022	2021
Land	$ 10,605,606	$ 10,605,606
Building - Theater I and II	306,471,286	306,037,086
Equipment and furniture	51,573,325	49,935,053
Fine arts	1,100,000	1,100,000
	369,750,217	367,677,745
Less: Accumulated depreciation	(187,333,024)	(177,704,550)
	$ 182,417,193	$ 189,973,195

Depreciation expense totaled $9,628,474 and $9,635,635 for the years ended June 30, 2022 and 2021, 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 $1,000,000 and $4,000,000 during the years ended June 30, 2022 and 2021, respectively.

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 $3,368,479 and $4,179,879, respectively, including interest earned and unrealized (losses) gains on these funds of $(1,131,521) and $679,879 during the years ended June 30, 2022 and 2021, respectively. The reserve was reduced by $2,072,472 and $1,332,059 for capital improvements during the years ended June 30, 2022 and 2021, 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 38 individual funds.

Changes in Endowment Net Assets for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions For Time	With Donor Restrictions In Perpetuity	Total
Endowment net assets, July 1, 2021	$ -	$ 40,972,970	$ 45,742,660	$ 86,715,630
Support				
Contributions	-	14,397,479	4,982	14,402,461
Gift annuity adjustment	-	-	7,882	7,882
Investment return				
Investment income	-	1,560,222	-	1,560,222
Investment fees	-	(479,451)	-	(479,451)
Net depreciation (realized and unrealized)	-	(17,606,348)	-	(17,606,348)
Transfers from beneficial interest in irrevocable deferred gifts	-	30,782,387	220,000	31,002,387
	$ -	$ 69,627,259	$ 45,975,524	$ 115,602,783

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

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 Center 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 Directors' 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 year ended June 30, 2022, there was no endowment draw taken (none required), and during the year ended June 30, 2021, there was an endowment draw of $3,200,000, respectively, as reflected in the statements of activities. The endowment draw taken during the years ended June 30, 2022 and 2021 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 bonds issued are as follows:

The Series 2016 ten-year fixed rate bond was issued in June 2016 for an aggregate amount of $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 bond was issued in July 2016 for an aggregate amount of $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 bond was issued in December 2017 for an aggregate amount of $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 semiannual 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.

Amortization expense associated with the cost of issuing the above-mentioned bonds totaled $148,778 and $148,769 for the years ended June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, interest expense, net of bond premium amortization, amounted to $3,801,752 and $3,804,170, respectively, and bond premium amortization amounted to $4,213,405 and $4,131,057 for the years ended June 30, 2022 and 2021, respectively.

The annual aggregate maturities of bonds payable are as follows:

2023	$ -
2024	48,000,000
2025	32,000,000
2026	-
2027	42,000,000
Thereafter	32,000,000
Less: Deferred bond issuance costs	(445,573)
	$ 153,554,427

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 Plan permits eligible employees to make voluntary contributions not in excess of the IRS limits. 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 $349,917 and $185,600 during the years ended June 30, 2022 and 2021, respectively.

10. 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.

11. CONCENTRATIONS OF LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENT

Certain employees of the Center and 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 on June 30, 2023.

12. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included the following:

	2022	2021
Advertising	$ 76,400	$ -
Airline tickets	15,600	38,200
Professional services	199,607	51,063
Other	5,339	28,593
	$ 296,946	$ 117,856

The Center recognized contributed nonfinancial assets within revenue, including contributed advertising, airline tickets, professional services and other miscellaneous items. In valuing the contributed nonfinancial assets, the Center used donor stated prices or the Center estimated the cost to acquire at local retailers in the area. Unless otherwise noted, contributed nonfinancial assets did not have any donor-imposed restrictions.

Contributed advertising was utilized to raise awareness for shows and the Center itself. Contributed airline tickets were used to pay for travel for Center employees and performers. Contributed professional services were utilized to provide legal counsel to the Center.

13. PAYCHECK PROTECTION PROGRAM ("PPP") LOAN

On May 2, 2020, the Center issued an unsecured promissory note (the "PPP Loan") for $3,546,030 through programs established under the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Center was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. On January 26, 2022, the Center was informed that its application for forgiveness of $3,546,030 of the PPP Loan was approved. Accordingly, the Center recorded as forgiveness of debt in the accompanying statement of activities. Since the PPP Loan was over $2,000,000, the Company's loan forgiveness application will be subject to review and potential audit by the SBA.

14. SHUTTERED VENUE OPERATORS GRANT

On June 24, 2021, the Center was awarded a Shuttered Venue Operators Grant 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, and was extended to June 30, 2022. Allowable qualifying expenses incurred through June 30, 2022 were $10,000,000, which has been recognized as revenue during the year ended June 30, 2022.

15. EMPLOYEE RETENTION CREDIT

The Center has applied for the employee retention credit in the amount of $2,895,050. 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 years ended June 30, 2022 and 2021, the Center recorded revenue totaling $1,036,214 and $1,858,836, respectively, which is included in employee retention credit income in the accompanying statements of activities.

SUPPLEMENTARY INFORMATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of Segerstrom Center for the Arts (the "Center"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith+Brown, PC

November 28, 2022

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Segerstrom Center for the Arts' (the "Center") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2022. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards"*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Withum Smith+Brown, PC

November 28, 2022

Segerstrom Center for the Arts
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grant / Pass-Through Grantor / Program	Federal Assistance Listing #	Pass-Through Entity Identifying #	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of the Departmental Offices				
Coronavirus State and Local Fiscal Recovery Funds				
Passed through:				
County of Orange	21.027	N/A	$ 20,000	$ 20,000
			20,000	20,000
U.S. Small Business Administration				
Shuttered Venue Operators Grant	59.075		-	10,000,000
			-	10,000,000
Grand totals			$ 20,000	$ 10,020,000

See Independent Auditor's Reports.

1. GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities in all the federal financial assistance programs of the Segerstrom Center for the Arts (the "Center"). All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies or not-for-profit organizations is included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures are reported on the statements of functional expenses as program services and management and general. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations or capitalization policies required by accounting principles generally accepted in the United States of America.

4. INDIRECT COSTS

The Center does not have a federally negotiated indirect cost rate, nor has it elected to use the 10% de minimis cost rate as covered in Section 200.414 in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Segerstrom Center for the Arts
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section 1 - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No
Identification of major federal programs:	
Shuttered Venue Operators Grant – CFDA #59.075	
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee?	No

Section 2 - Financial Statement Findings

No matters were reported.

Section 3 - Federal Award Findings and Questioned Costs

No matters were reported.

Section 4 - Schedule of Prior Year Audit Findings and Questioned Costs

None noted.

See Independent Auditor's Reports.