

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
FINANCIAL REPORT  
JUNE 30, 2021**

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Performing Arts Center of Los Angeles County

### Report on the Financial Statements

We have audited the accompanying financial statements of The Performing Arts Center of Los Angeles County, which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 Performing Arts Center of Los Angeles County 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.

**Report on Summarized Comparative Information**

We have previously audited The Performing Arts Center of Los Angeles County's 2020 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.

A handwritten signature in cursive script that reads "Singer Lewak LLP".

November 4, 2021

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021 and 2020**

**ASSETS**

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 23,485,647	\$ 9,699,356
Accounts receivable, net	2,355,293	1,310,187
Contributions receivable, net	38,213,919	23,467,784
Prepaid expenses and other assets	548,946	1,109,523
Property and equipment, net	716,168	575,178
Investments	42,075,060	29,238,387
Beneficial interest in assets held by foundation	39,132,374	31,303,936
<b>Total assets</b>	<b>\$ 146,527,407</b>	<b>\$ 96,704,351</b>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	10,345,576	5,907,920
Deferred facility fee and other deferred revenue	3,049,036	3,401,059
Accrued pension benefit obligation	3,555,396	6,467,983
Debt	22,842,437	25,562,370
<b>Total liabilities</b>	<b>39,792,445</b>	<b>41,339,332</b>

**Net Assets**

Without donor restrictions		
Undesignated	15,698,156	3,924,138
Accumulated comprehensive loss related to pension obligation	(6,758,669)	(9,692,520)
	8,939,487	(5,768,382)
With donor restrictions	97,795,475	61,133,401
<b>Total net assets</b>	<b>106,734,962</b>	<b>55,365,019</b>
<b>Total liabilities and net assets</b>	<b>\$ 146,527,407</b>	<b>\$ 96,704,351</b>

See notes to financial statements.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021  
(Summarized Information for the Year Ended June 30, 2020)**

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Operating	Capital	Total		2021	2020
<b>Revenue and support</b>						
Operating Revenue						
TMC Operations						
Center operations						
Los Angeles County funding	\$ 20,488,847	\$ -	\$ 20,488,847	\$ -	\$ 20,488,847	\$ 21,550,196
Los Angeles County in-kind utilities	4,387,384	-	4,387,384	-	4,387,384	4,690,538
Rents	3,091,749	-	3,091,749	-	3,091,749	4,161,074
Facility fees	407,586	-	407,586	-	407,586	2,738,970
Service billings	1,468,134	-	1,468,134	-	1,468,134	3,343,723
Total center operations	29,843,700	-	29,843,700	-	29,843,700	36,484,501
Park operations						
Los Angeles County funding	5,020,298	-	5,020,298	-	5,020,298	5,062,591
Los Angeles County in-kind utilities	223,355	-	223,355	-	223,355	224,823
Rents	137,166	-	137,166	-	137,166	397,612
Service billings	160,670	-	160,670	-	160,670	516,628
Total park operations	5,541,489	-	5,541,489	-	5,541,489	6,201,654
Founders Rooms operations	112,000	-	112,000	-	112,000	611,612
Total TMC Operations	35,497,189	-	35,497,189	-	35,497,189	43,297,767
TMC Arts						
Presenting	1,181,970	-	1,181,970	-	1,181,970	2,775,104
Education, Active Arts and Spotlight	384,526	-	384,526	-	384,526	541,429
Other income	4,590	-	4,590	-	4,590	92,376
Total TMC Arts	1,571,086	-	1,571,086	-	1,571,086	3,408,909
Capital improvements						
Restaurant improvement	-	401,283	401,283	-	401,283	612,804
Total capital improvements	-	401,283	401,283	-	401,283	612,804
Investment income appropriations	982,587	35,583	1,018,170	-	1,018,170	1,950,602
Interest income	11,971	361	12,332	-	12,332	47,355
Total operating revenue	38,062,833	437,227	38,500,060	-	38,500,060	49,317,437
Public support						
Contributions and net special events	3,243,884	225	3,244,109	39,003,454	42,247,563	19,960,648
Switchgear renovation	-	-	-	-	-	1,867,802
Net assets released from restrictions	10,305,253	513,758	10,819,011	(10,819,011)	-	-
Total public support	13,549,137	513,983	14,063,120	28,184,443	42,247,563	21,828,450
Total revenue and support	51,611,970	951,210	52,563,180	28,184,443	80,747,623	71,145,887

See notes to financial statements.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2021**  
**(Summarized Information for the Year Ended June 30, 2020)**

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Operating	Capital	Total		2021	2020
<b>(Continued)</b>						
<b>Expenses</b>						
Operating Expenses						
TMC Operations						
Center operations						
Facility operations	\$ 20,378,131	\$ -	\$ 20,378,131	\$ -	\$ 20,378,131	\$ 19,921,778
Stage operations	1,244,587	-	1,244,587	-	1,244,587	3,173,990
Theater operations	640,626	-	640,626	-	640,626	4,686,758
Other center operations	998,650	-	998,650	-	998,650	1,562,248
In-kind utilities	4,387,384	-	4,387,384	-	4,387,384	4,690,539
Total center operations	27,649,378	-	27,649,378	-	27,649,378	34,035,313
Park operations						
Operations	3,052,899	-	3,052,899	-	3,052,899	2,811,530
Programming	2,020,849	-	2,020,849	-	2,020,849	2,737,819
In-kind utilities	223,355	-	223,355	-	223,355	224,823
Total park operations	5,297,103	-	5,297,103	-	5,297,103	5,774,172
Founders Rooms operations	248,088	-	248,088	-	248,088	956,131
Total TMC operations	33,194,569	-	33,194,569	-	33,194,569	40,765,616
TMC Arts						
Presenting	3,039,022	-	3,039,022	-	3,039,022	6,895,313
Education, Active Arts and Spotlight	3,079,593	-	3,079,593	-	3,079,593	3,596,124
Contributions to resident companies	652,061	-	652,061	-	652,061	657,824
Other expenses	181,900	-	181,900	-	181,900	287,247
Total TMC Arts	6,952,576	-	6,952,576	-	6,952,576	11,436,508
Capital improvements						
Plaza renovation	-	94,133	94,133	-	94,133	439,656
Switchgear renovation	-	429,957	429,957	-	429,957	189,945
Mark Taper Forum debt service	-	641,776	641,776	-	641,776	1,052,005
Restaurant contract acquisition amortization	-	496,445	496,445	-	496,445	1,183,776
Annex building renovation	-	-	-	-	-	34,402
Total capital improvements	-	1,662,311	1,662,311	-	1,662,311	2,899,784
Total	40,147,145	1,662,311	41,809,456	-	41,809,456	55,101,908
Supporting services						
Administration	3,780,625	219,040	3,999,665	-	3,999,665	4,255,304
Fundraising	2,561,325	-	2,561,325	-	2,561,325	2,860,160
Total supporting services	6,341,950	219,040	6,560,990	-	6,560,990	7,115,464
Total operating expenses	46,489,095	1,881,351	48,370,446	-	48,370,446	62,217,372
<b>Change in net assets resulting from operating revenues and expenses</b>	5,122,875	(930,141)	4,192,734	28,184,443	32,377,177	8,928,515
Non-operating activities						
Loss on uncollectible promises to give, net of discount	-	-	-	(578,327)	(578,327)	(93,747)
Loss on event cancellation	(300,000)	-	(300,000)	-	(300,000)	-
Investment income (loss), net of appropriations	1,353,330	6,506,174	7,859,504	1,447,022	9,306,526	(923,058)
Change in value of beneficial interests	21,780	-	21,780	7,608,936	7,630,716	(875,963)
Other comprehensive income (loss) related to pension obligation	2,933,851	-	2,933,851	-	2,933,851	(402,724)
Fund transfer	5,576,033	(5,576,033)	-	-	-	-
Total non-operating activities	9,584,994	930,141	10,515,135	8,477,631	18,992,766	(2,295,492)
<b>Change in net assets</b>	14,707,869	-	14,707,869	36,662,074	51,369,943	6,633,023
<b>Net assets (deficit), beginning of year</b>	(5,768,382)	-	(5,768,382)	61,133,401	55,365,019	48,731,996
<b>Net assets, end of year</b>	\$ 8,939,487	\$ -	\$ 8,939,487	\$ 97,795,475	\$ 106,734,962	\$ 55,365,019

See notes to financial statements.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2021  
(Summarized Information for the Year Ended June 30, 2020)**

	Program Services				Supporting Services			Total	
	Operations	Arts	Capital	Total	Management	Fundraising	Total	2021	2020
Expenses									
Salaries and wages	\$ 9,590,698	\$ 2,090,568	\$ -	\$ 11,681,266	\$ 2,425,918	\$ 1,604,472	\$ 4,030,390	\$ 15,711,656	\$ 23,770,017
Pension contributions	782,507	87,525	-	870,032	101,261	72,669	173,930	1,043,962	1,455,666
Other employee benefits	1,322,119	111,595	-	1,433,714	197,904	118,742	316,646	1,750,360	2,328,002
Payroll taxes	780,678	132,510	-	913,188	125,929	112,343	238,272	1,151,460	1,811,410
Fees for service	711,244	1,268,316	29,393	2,008,953	582,207	147,866	730,073	2,739,026	2,682,082
Advertising and promotion	173,399	144,338	-	317,737	-	2,899	2,899	320,636	190,289
Office	286,960	78,895	3,340	369,195	182,786	165,755	348,541	717,736	1,136,474
Information technology	169,321	16,600	-	185,921	107,991	14,844	122,835	308,756	186,658
Occupancy	-	-	-	-	-	-	-	-	5,477
Travel	51	17,422	-	17,473	8,375	1,484	9,859	27,332	954,840
Conferences and meetings	2,645	2,773	-	5,418	3,465	1,864	5,329	10,747	83,097
Interest	4,276	10	589,561	593,847	148	-	148	593,995	1,136,655
Depreciation and amortization	127,641	48,028	239,918	415,587	55,915	6,178	62,093	477,680	1,461,033
Insurance	984,191	5,054	-	989,245	132,850	-	132,850	1,122,095	1,219,017
Capital projects	1,218,492	-	800,099	2,018,591	-	-	-	2,018,591	1,207,569
Maintenance	11,692,182	18,787	-	11,710,969	20,183	138	20,321	11,731,290	10,732,499
Artist fees	370,593	694,533	-	1,065,126	1,025	8,365	9,390	1,074,516	2,506,351
Production	974,705	432,887	-	1,407,592	2,378	2,543	4,921	1,412,513	2,056,136
Grants and other assistance	-	763,447	-	763,447	-	-	-	763,447	768,049
Other	133,134	435,467	-	568,601	33,675	181,633	215,308	783,909	1,727,456
Utilities	4,610,739	-	-	4,610,739	-	-	-	4,610,739	4,915,362
Total expenses by function	33,935,575	6,348,755	1,662,311	41,946,641	3,982,010	2,441,795	6,423,805	48,370,446	62,334,139
Direct Benefits to Donors	-	-	-	-	-	-	-	-	(116,767)
Allocations	(741,006)	603,821	-	(137,185)	17,655	119,530	137,185	-	-
<b>Total</b>	<b>\$ 33,194,569</b>	<b>\$ 6,952,576</b>	<b>\$ 1,662,311</b>	<b>\$ 41,809,456</b>	<b>\$ 3,999,665</b>	<b>\$ 2,561,325</b>	<b>\$ 6,560,990</b>	<b>\$ 48,370,446</b>	<b>\$ 62,217,372</b>

See notes to financial statements.



**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY**

**STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 51,369,943	\$ 6,633,023
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Comprehensive (income) loss related to pension obligation	(2,933,851)	402,724
Depreciation and amortization	237,762	245,653
Amortization of bond issuance costs	42,622	31,604
Amortization of bond premium	(291,975)	(34,687)
Gain on extinguishment of debt	21,780	-
Amortization of contract acquisition costs	197,296	1,183,776
Bad debt expense (recovery)	19,964	(15,700)
Loss on uncollectible promises to give	578,327	93,747
Realized and unrealized (gain) loss on investments	(9,510,046)	33,973
Change in value of beneficial interests	(7,608,936)	875,963
Change in operating assets and liabilities:		
Accounts receivable, net	(1,046,606)	1,132,447
Contributions receivable, net	(15,344,426)	(7,329,222)
Prepaid expenses and other assets	363,285	1,009,869
Beneficial interest in assets held by foundation	(7,828,438)	114,973
Accounts payable and accrued expenses	4,459,983	(4,842,871)
Deferred facility fee and other deferred revenue	(352,023)	(2,958,263)
Accrued pension benefit obligation	21,264	3,696
Net cash provided by (used in) operating activities	12,395,925	(3,419,295)

See notes to financial statements.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY**

**STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	\$ (378,759)	\$ (159,248)
Collections of notes receivable	1,499	(2,784)
Purchases of investments	(5,134,372)	-
Proceeds from sale of investments	<u>198,161</u>	<u>879,748</u>
Net cash provided by (used in) investing activities	<u>(5,313,471)</u>	<u>717,716</u>
<b>Cash flows from financing activities</b>		
Principal payments of capital leases	(69,580)	(78,774)
Principal payments on loan payable	(400,000)	(400,000)
Principal payments of bonds payable	(21,829,771)	(525,000)
Proceeds from issuance of bonds	19,784,668	-
Endowment fund investment income	<u>7,608,936</u>	<u>(875,963)</u>
Net cash provided by (used in) financing activities	<u>5,094,253</u>	<u>(1,879,737)</u>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents</b>	12,176,707	(4,581,316)
<b>Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year</b>	<u>11,308,940</u>	<u>15,890,256</u>
<b>Cash, cash equivalents, and restricted cash and cash equivalents, end of year</b>	<b><u>\$ 23,485,647</u></b>	<b><u>\$ 11,308,940</u></b>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	<b><u>\$ 593,996</u></b>	<b><u>\$ 1,136,655</u></b>
<b>Supplemental schedule of noncash investing and financing activities</b>		
Equipment purchased under capital leases	<b><u>\$ 138,683</u></b>	<b><u>\$ -</u></b>
<b>Reconciliation of cash, cash equivalents, and restricted cash and cash equivalents to the statement of financial position:</b>		
Cash and cash equivalents	<b><u>\$ 23,485,647</u></b>	<b><u>\$ 9,699,356</u></b>
Cash and cash equivalents included in investments	<u>-</u>	<u>1,609,584</u>
	<b><u>\$ 23,485,647</u></b>	<b><u>\$ 11,308,940</u></b>

See notes to financial statements.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – DESCRIPTION OF OPERATIONS**

The Performing Arts Center of Los Angeles County, doing business as “The Music Center” (TMC), is a nonprofit public benefit corporation organized to encourage and foster the presentation of the arts at the Performing Arts Center complex.

The Performing Arts Center complex includes the Dorothy Chandler Pavilion, the Mark Taper Forum, the Ahmanson Theatre, the Walt Disney Concert Hall (WDCH) and the Plaza and is home to the Los Angeles Philharmonic Association, the Center Theatre Group, the Los Angeles Opera Company and the Los Angeles Master Chorale (collectively, the “Resident Companies”). TMC manages the Performing Arts Center complex on behalf of the County of Los Angeles, which owns the facilities, presents performances at the complex consisting mainly of dance ensembles and provides arts education services to school children throughout Los Angeles County. TMC operates under an agreement with the County of Los Angeles to both maintain the facilities and present performances. The agreement expires June 25, 2064. TMC manages Grand Park under an agreement with the County of Los Angeles through June 30, 2031.

TMC also solicits contributions to support its cultural and educational programs, as well as to fund expansion of and improvements to the complex. Several community volunteer groups and the board of directors provide annual financial support.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The accompanying statement of activities and statement of functional expenses include certain prior-year summarized, comparative information in total (but not by net asset class or function). Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with The Music Center’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash Equivalents

Cash equivalents include all highly liquid investments with a purchased maturity of three months or less, which are neither held nor restricted by donors for long-term purposes.

Contributions Receivable

TMC records unconditional contributions receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. TMC discounts contributions receivable that are expected to be collected in future periods using a risk-adjusted rate of return based on the United States Treasury rate. The provision for allowances for uncollectible amounts is determined based on historical collection rates and specific identification of uncollectible accounts.

Property and Equipment

Under the terms of a sublease agreement with the County of Los Angeles, TMC transfers title of buildings, leasehold improvements, and certain furniture and equipment upon purchase to the County of Los Angeles. TMC expenses these purchases as they are incurred. The aggregate expenditure of such items amounted to \$2,030,042 and \$1,206,471 for the years ended June 30, 2021 and 2020, respectively. Property and equipment for which TMC retains title is recorded at cost and depreciated using the straight-line method over the estimated three to ten-year useful lives of the related assets.

Investments

Investments are initially recorded at cost, if purchased, or at fair value at the date of donation if contributed. Subsequent to acquisition, investments are reported at fair value based upon market quotations, or if managed by fund managers, the fair value information provided by them. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividends income, realized and unrealized capital gains and losses, less external investment expenses. Net investment return/(loss) is recognized as net assets without donor restrictions, unless its use is restricted by donors to a specified purpose or future period.

Beneficial Interests in Assets Held by Foundation

Donors have established and funded trusts and endowments that are administered and controlled by organizations other than TMC. Under the terms of these trust/endowment agreements, TMC has the irrevocable right to receive all or a portion of the income earned on the trusts and endowments in perpetuity.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Beneficial Interests in Assets Held by Foundation (Continued)

TMC recognizes its beneficial interests and the changes in these trusts and endowments as perpetually restricted net assets based on the fair value of the assets. Distributions of investment income from these trusts and endowments are included in change in value of beneficial interest and investment income appropriations in the accompanying statement of activities and reflected as net assets without donor restrictions, unless their use is restricted by donors to a specified purpose or future period.

Works of Art

In conformity with the practice followed by many cultural institutions, art objects purchased by or donated to TMC are not included in the statement of financial position. TMC's collection consists of art objects that are on exhibition. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed regularly. Purchased collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or in net assets with donor restrictions if restricted by donors.

Deferred Facility Fee and Other Deferred Revenue

Deferred facility fee and other deferred revenue represents payments received in advance of services rendered and relates principally to facility fee, restaurant construction, advance ticket sales, and education division activities. Revenue is recognized as obligations are satisfied.

Due to / from Resident Companies

Amounts due from Resident Companies included in accounts receivable totaled \$1,702,517 and \$766,146 as of June 30, 2021 and 2020, respectively. Amounts payable to Resident Companies included in accounts payable and accrued expenses totaled \$579,404 and \$655,915 as of June 30, 2021 and 2020, respectively.

Debt

Debt consists primarily of bonds payable, loan payable and capital lease obligations.

Bonds payable are reported on a net basis. The basis is the sum of gross bonds payable plus bond premium less bond discount and bond issuance costs. Premiums and discounts are deferred and amortized over the life of the bonds. Issuance costs are deferred and amortized over the life of the bonds using the effective interest rate method.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Asset Classification

To ensure observance of certain constraints and restrictions placed on the use of resources, TMC reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. These net assets are classified based on the existence or absence of donor-imposed restrictions in the statement of activities that reflects the changes in those categories of net assets.

- *Net assets without donor restrictions* are not restricted by donors, or the donor-imposed restrictions have expired.
- *Net assets with donor restrictions* include those assets which have been limited by donors to later periods of time or for specified purposes. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor restriction is fulfilled, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from net assets with donor restrictions. Contributions received during the year whose restrictions are met in the same year are recorded and classified as net assets without donor restrictions.

Revenue Recognition

Revenue and public support are recorded when earned. Unconditional promises to give are recorded as contributions in the period such contributions are made based on the present value of the estimated future cash flows. All unconditional gifts, bequests and other public support are included in net assets without donor restrictions unless they are specifically restricted by the donor's terms of the gift or grant instrument or require the passage of time.

The County of Los Angeles provides utilities for The Music Center per the operating agreement. The accompanying statement of activities includes the estimated fair value of the cost of these utilities as operating revenue with an equivalent amount reflected as operating expenses.

Contributions to Resident Companies

The Blue Ribbon, one of TMC's community volunteer groups, provides annual support to the Resident Companies. The giving amount and distribution to Resident Companies is at the discretion of the board of directors.

Service Billings

TMC undertakes specialty maintenance, construction, production and event activities for the Resident Companies, other affiliated entities and the County of Los Angeles. TMC performs the activity and incurs the costs, then receives reimbursement for the costs.

**THE PERFORMING ARTS CENTER OF  
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NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited based on management's estimates. Expenses allocated include depreciation and amortization, insurance which are allocated based on square footage basis, as well as general office expenses, information technology and other expenses which are allocated based on the basis of estimates of time and effort.

Income Taxes

TMC is a California nonprofit public benefit corporation and is generally exempt from federal and state income taxes under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701(d). Accordingly, no provision for income taxes is included in the accompanying financial statements.

TMC recognizes the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances.

Fair Value of Financial Instruments

U.S. GAAP defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. U.S. GAAP does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

U.S. GAAP establishes a three-level valuation hierarchy of valuation techniques that is based on observable and unobservable inputs. Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. The first two inputs that may be used to measure fair value are considered observable and the last unobservable and include the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

**THE PERFORMING ARTS CENTER OF  
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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value of Financial Instruments (Continued)

At June 30, 2021, TMC has financial assets that consist of investments in equity, bonds and fixed income securities, which are measured at fair value using quoted prices for identical assets in an active market. The basis of fair value for TMC's investments and investments held for capital improvement project differs depending on the investment type. For certain investments, market value is based on quoted market prices. These are classified within Level 1 of the valuation hierarchy. Investments utilizing net asset value per share (NAV) as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

During the years ended June 30, 2021 and 2020, there were no changes to TMC's valuation techniques that had, or are expected to have, a material impact on the financial statements.

Measure of Operations

The surplus or (deficit) of total revenue and support over total expenses, presented as change in net assets resulting from operating revenues and expenses on the statement of activities, includes all unrestricted operating and capital revenues and expenses that are an integral part of TMC's programs and supporting activities, including unrestricted public support and net assets released from donor restrictions to support operating and capital improvement activities.

The measure of operations also includes distributions from the endowment and investments made in accordance with TMC's spending policies. The measure of operations excludes investment returns which exceed or are less than the distributions determined by the spending policy, adjustments for pension obligations, loss on uncollectible promises to give, net of discounts and other non-recurring activities.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the Statement of Activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Management is in the process of evaluating the impact of this accounting pronouncement.



**THE PERFORMING ARTS CENTER OF  
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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements (Continued)

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined-benefit pension plans and other post-retirement plans. ASU 2018-14 will be effective for fiscal years ending after December 15, 2021. Management is in the process of evaluating the impact of this accounting pronouncement.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances the presentation and disclosure of contributed nonfinancial assets including fixed assets (such as, land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU should be applied on a retrospective basis and effective for fiscal years beginning after June 15, 2021. Management is in the process of evaluating the impact of this accounting pronouncement.

**NOTE 3 – RISKS AND UNCERTAINTIES**

Concentration of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject TMC to concentrations of credit risk consist primarily of cash and cash equivalents, investments (including the beneficial interest held by MCF) and pledges and receivables. TMC places its cash and cash equivalents with high-credit, quality financial institutions. These account balances usually exceed federally insured limits. To date, TMC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with cash and cash equivalents.

TMC holds significant investments in the form of debt and equity securities with third-party money managers and with MCF. TMC has never sustained a loss on any investment due to nonperformance by these third parties and does not anticipate any nonperformance by these third parties in the future.

TMC routinely assesses the financial strength of its debtors and believes that the promises to give and receivables credit risk exposure is limited. Financial instruments that potentially subject TMC to concentrations of credit risk consist primarily of receivables. As of June 30, 2021, three donors represented approximately 95% of contributions receivable. As of June 30, 2020, three donors represented approximately 89% of contributions receivable.

**THE PERFORMING ARTS CENTER OF  
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NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 – RISKS AND UNCERTAINTIES (Continued)**

COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. On March 12, 2020, TMC was ordered by the County of Los Angeles Public Health Department to temporarily postpone or cancel non-essential group events (“County Order”). To date, the County Order remains in place. To comply with the County Order, TMC cancelled all indoor events and began hosting outdoor socially distanced events. The COVID-19 pandemic has negatively affected TMC operating activity, but the financial impact has been nominal due primarily to annual funding received from the County of Los Angeles.

**NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

The Music Center’s organizational structure, as reflected on the statement of activities, is comprised of three activities: TMC Operations, TMC Arts, and Supporting Services.

TMC Operations are primarily funded by the County of Los Angeles and secondly by rents collected from the Resident Companies. Los Angeles County provides funding in two equal six-month installments during the fiscal year. Rents from Resident Companies are collected monthly. Due to the timing of the payments, TMC maintains sufficient liquidity to fund Operations.

TMC Arts is funded by tickets sold for its events and by contributions from donors that may contain restrictions. Those restrictions require that resources be used in a certain manner or period. TMC maintains adequate resources to meet those responsibilities to its donors; therefore, certain financial assets may not be available for general expenditure within one year.

Supporting Services are funded by earned income and public support without donor restrictions.

As part of its liquidity management, TMC structures its financial assets to be available as general expenditures, liabilities and other obligations become due. TMC invests its cash in overnight money market accounts. From time to time, the Board may designate amounts to TMC’s cash reserve for future use. With the Board’s approval, amounts from TMC invested cash reserve can be used in the event of an unanticipated liquidity need.

Investments within these financial statements are reported in accordance with TMC’s valuation policy as of June 30, 2021. Macroeconomic factors related to COVID-19 may result in material changes in those valuations for future periods.

The below reflects TMC’s financial assets as of June 30, 2021 and 2020, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year from June 30, 2021 and 2020.

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)**

Financial assets that are available within one year to meet cash needs as of June 30:

	2021	2020
Cash and cash equivalents	\$ 23,485,647	\$ 9,699,356
Accounts and notes receivables	2,355,293	1,293,431
Contributions receivable due in 2022	2,545,087	2,627,012
Investments	10,230,702	3,872,018
<b>Financial assets at year-end</b>	<b><u>\$ 38,616,729</u></b>	<b><u>\$ 17,491,817</u></b>
Less amounts unavailable for general expenditures due to:		
Time or purpose restrictions	(14,730,631)	(3,827,336)
Investments subject to board approval	(10,230,702)	(3,872,018)
Plus amounts expected to be appropriated from:		
Endowments (5% spending rate)	1,255,480	1,085,160
Investments (appropriation)	500,043	436,612
<b>Financial assets available to meet general expenditures within one year</b>	<b><u>\$ 15,410,919</u></b>	<b><u>\$ 11,314,235</u></b>

**NOTE 5 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following as of June 30:

	2021	2020
Amounts due		
In less than one year	\$ 2,650,112	\$ 2,684,917
In one to five years	21,574,150	15,556,000
In more than five years	16,500,000	8,224,150
Total gross contributions receivable	40,724,262	26,465,067
Less		
Allowance for uncollectible amounts	(156,835)	(143,586)
Present value discount	(2,353,508)	(2,853,697)
Total contributions receivable, net	<b><u>\$ 38,213,919</u></b>	<b><u>\$ 23,467,784</u></b>

**THE PERFORMING ARTS CENTER OF  
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**NOTE 6 – INVESTMENTS**

Investments consisted of the following as of June 30:

	2021	2020
MCF Investments (NAV)	\$ 42,075,060	\$ 27,628,803
Money market funds (Level 1)	-	1,609,584
<b>Total</b>	<b>\$ 42,075,060</b>	<b>\$ 29,238,387</b>

As of June 30, 2020, money market funds included in investments represent remaining proceeds from the California Infrastructure and Economic Development Bank Revenue Bond issuance. The balances were held in trust funds in accordance with the provisions of the bond agreement (see Note 10).

The following tables summarize TMC’s investments with MCF as of June 30, 2021 and 2020, which are valued using the fair value practical expedient of net asset value in accordance with U.S. GAAP:

	2021	2020
Investments		
Harris Reserve	\$ 4,902,699	\$ 3,872,018
TMC Reserve	5,328,003	-
Harris Dance	4,968,178	3,748,462
Blue Ribbon	1,075,147	713,468
Investments held for capital improvements	25,801,033	19,294,855
<b>Total</b>	<b>\$ 42,075,060</b>	<b>\$ 27,628,803</b>

The following table represents MCF’s financial instruments which are valued using a fair value practical expedient for the year ended June 30, 2021, the valuation technique used to measure the fair value of the financial instruments and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range
Beneficial interests	\$ 39,132,374	Net asset value	Discount rate	1.94%–7.90%

**THE PERFORMING ARTS CENTER OF  
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**NOTE 6 – INVESTMENTS (Continued)**

The following table represents MCF’s financial instruments which are valued using a fair value practical expedient for the year ended June 30, 2020, the valuation technique used to measure the fair value of the financial instruments and the significant unobservable inputs and the ranges of values for those inputs:

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range</u>
Beneficial interests	\$ 31,303,936	Net asset value	Discount rate	1.94%–7.90%
<u>2021</u>				
	<u>Fair Value</u>	<u>Unfunded Redemption Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>MCF investments</b>				
MCF unitized fund <sup>(a)</sup>	\$ 40,520,315	\$ -	daily to annually	90–120 days
MCF partnership interest and other funds <sup>(b)</sup>	1,338,460	1,407	when partnership ceases	n/a
MCF cash	<u>216,285</u>	<u>-</u>		
<b>Total MCF investments</b>	<b><u>\$ 42,075,060</u></b>	<b><u>\$ 1,407</u></b>		
<u>2020</u>				
	<u>Fair Value</u>	<u>Unfunded Redemption Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>MCF investments</b>				
MCF unitized fund <sup>(a)</sup>	\$ 26,545,146	\$ -	daily to annually	90–120 days
MCF partnership interest and other funds <sup>(b)</sup>	936,145	183,974	when partnership ceases	n/a
MCF cash	<u>147,512</u>	<u>-</u>		
<b>Total MCF investments</b>	<b><u>\$ 27,628,803</u></b>	<b><u>\$ 183,974</u></b>		

**THE PERFORMING ARTS CENTER OF  
LOS ANGELES COUNTY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 – INVESTMENTS (Continued)**

Unfunded commitments are commitments by MCF and are expected to be funded from TMC's investment in the MCF unitized fund. Unfunded commitments are presented in Investments in the statement of financial position.

- (a) The unitized fund is operated by MCF. Under the terms of the agreement with MCF, TMC may withdraw funds upon 90 days' notice or longer, since TMC's withdrawal ability is subject to the redemption notice period and frequencies of the underlying funds in which MCF has invested. Accordingly, a brief summary of the underlying funds is included below.

Approximately 47% and 35% of this fund includes investments in equity funds mirroring S&P 500 sector weighting by June 30, 2021 and 2020, respectively. The fair value of the investments in this category has been estimated using asset values per share of the investments and can be redeemed quarterly with 60 days' notice.

Approximately 15% and 15% of this fund includes investments in international (non-U.S.) equity funds by June 30, 2021 and 2020, respectively. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed monthly with a ten-day notice period. Restrictions include a provision where the fund may suspend redemptions when it is impossible to determine the net asset value or in other emergency situations.

Approximately 14% and 13% of this fund includes investments in emerging market equity funds by June 30, 2021 and 2020, respectively. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed quarterly or on the 1<sup>st</sup> or 15<sup>th</sup> of each month with 60-day, 30-day or 1-day notice, respectively. Restrictions include a provision where the fund may suspend redemptions when it is impossible to determine the net asset value or in other emergency situations.

Approximately 8% and 8% of this fund includes investments in long-term and short-term equity-focused hedge funds by June 30, 2021 and 2020, respectively. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed annually on January 1 or quarterly/annually, depending on share class with a 100-day, 60-day and 45-day notice period, respectively. Restrictions include a provision where 90% of investment can be withdrawn at once with the remainder paid out 30 days after the completion of the fund's annual audit, subject to withdrawal restrictions of underlying managers.

**THE PERFORMING ARTS CENTER OF  
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NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 – INVESTMENTS (Continued)**

Approximately 9% and 22% of this fund includes investments in absolute return funds and emerging market long- and short-term funds by June 30, 2021 and 2020, respectively. The fair values of the investments in this category are based on net asset values per share of the investments and can be redeemed upon various frequencies quarterly or annually. Investments representing 87% of the value of the investments in this category are subject to lockups or gates whereby the general partner retains the right to limit withdrawals from all limited partners to 20–25% of aggregated limited partner capital on any one withdrawal date. Further restrictions provide that 90–95% of these same investments can be withdrawn at once with the remainder to be paid out 30–45 days after completion of the fund’s annual audit. Funds may elect to suspend distributions when it is impossible to determine net asset values or any other emergency situations.

Approximately 4% and 5% of this fund includes investments in high-quality, fixed income funds by June 30, 2021 and 2020, respectively. The fair values of investments in this category are based on quoted market prices and can be redeemed daily with a one-day notice period, with no withdrawal restriction. However, the fund may elect to distribute securities in lieu of cash.

Approximately 2% and 2% of this fund includes cash and cash equivalents by June 30, 2021 and 2020, respectively.

- (b) This category includes investments in private equity partnerships, venture capital partnerships, real estate partnerships, distressed debt partnerships, energy sector partnerships and oil and gas partnerships. The fair value of the investments in this category has been estimated using the net asset value per share of the investments. All investments in this category cannot be redeemed other than by liquidation of partnerships over the estimated time period of 2021 through 2035. Restrictions are such that investment must be held until the partnership ends or interests are sold on secondary markets.

**NOTE 7 – RESTAURANT, FOOD AND BEVERAGE SERVICE AND CATERING AGREEMENT**

During 2003, TMC executed an agreement that licensed RA Music, Inc. (RA Music) to operate and manage the Performing Arts Center’s restaurants, catering and other food service operations (the “Agreement”). Under the Agreement, RA Music pays TMC monthly license fees based upon a percentage of the gross receipts generated by the Food Service Operations. In addition, RA Music paid \$7,330,000 to TMC principally to help fund leasehold improvements to the Food Service Operations premises. RA Music exercised options to extend the Agreement through August 15, 2020 by making additional payments of \$200,000 for the first renewal period and \$1,000,000 for the second renewal period.

**THE PERFORMING ARTS CENTER OF  
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**NOTE 7 – RESTAURANT, FOOD AND BEVERAGE SERVICE AND CATERING AGREEMENT (Continued)**

Under the Agreement, TMC is obligated to pay for repairs and replacement of all restaurant and food service equipment except for routine maintenance. As RA Music desires to expend funds on upgrading select equipment (“Improvement Expenditures”), it was agreed, subject to consent provisions by TMC and RA Music that RA Music could expend funds on Improvement Expenditures and that RA Music will receive a credit equal to the amount of the cost of these Improvement Expenditures against the \$1,000,000 Renewal Requirement.

Leasehold improvement costs incurred for Food Service Operations premises have been capitalized and are being amortized ratably over the 17-year life of the agreement beginning in 2004.

As of June 30, 2021 and 2020, net contract acquisition costs included in prepaid expenses and other assets on the accompanying statements of financial position were \$0 and \$197,296, respectively.

TMC initially reflected receipts of \$7,330,000 for the construction contribution as deferred revenue. Beginning in 2004, with the opening of the related food service facilities, these amounts are being recognized ratably as restaurant improvement revenue over the 17-year life of the agreement.

Deferred revenue related to the construction contribution at June 30, 2021 and 2020, was \$0 and \$102,134, respectively.

TMC recognized \$102,134 and \$612,804 as restaurant improvement revenue related to the construction contribution during each of the years ended June 30, 2021 and 2020, respectively.

TMC recognized \$0 and \$964,604 in license fees for food service operations from RA Music for the years ended June 30, 2021 and 2020, respectively. License fees for food service operations were included in Center Operations, Rents on the accompanying statement of activities.

On September 15, 2020, TMC executed an agreement that licensed Levy Premium Foodservice Limited Partnership (Levy) to operate and manage the Performing Arts Center’s restaurants, catering, and other food service operations (the “Agreement”). Under the Agreement, Levy pays TMC monthly license fees based upon a percentage of the gross receipts generated by the Food Service Operations. In addition, Levy shall pay \$7,500,000 to TMC principally to help fund leasehold improvements to the Food Service Operations premises. An additional payment of \$3,500,000 shall be made by Levy on the seventh anniversary of the agreement for foodservice facility operations.



**THE PERFORMING ARTS CENTER OF  
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**NOTE 7 – RESTAURANT, FOOD AND BEVERAGE SERVICE AND CATERING AGREEMENT (Continued)**

The agreement provides various termination conditions to end the agreement. If Levy were to exercise its termination rights, TMC would be required to repay Levy the unamortized portion of the construction contribution. The agreement stipulates that for such purposes, the construction contribution should be amortized on a straight-line basis over 10 years in the event of default or the term of the agreement when agreement is terminated for any other reason.

Leasehold improvement costs incurred for Food Service Operations premises will be capitalized and reflected as contract acquisition costs. These costs will be amortized ratably over the 15-year life of the agreement.

At June 30, 2021, there is \$0 included in deferred revenue relating to the construction contribution.

TMC recognized \$299,149 in restaurant improvement income for the year ended June 30, 2021. TMC recognized \$0 in license fees for food service operations from Levy for the year ended June 30, 2021.

**NOTE 8 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 1,261,956	\$ 1,231,101
Assets held under lease	643,103	504,264
Furniture, phone, and office equipment	451,268	431,605
Automotive equipment	6,487	6,487
Construction in Progress	<u>192,109</u>	<u>2,706</u>
	2,554,923	2,176,163
Accumulated depreciation	<u>(1,838,755)</u>	<u>(1,600,985)</u>
<b>Property and equipment, net</b>	<b><u>\$ 716,168</u></b>	<b><u>\$ 575,178</u></b>

**THE PERFORMING ARTS CENTER OF  
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**NOTE 9 – BENEFICIAL INTERESTS**

As of June 30, 2021 and 2020, TMC’s beneficial interests administered and controlled by other organizations are as follows:

	2021	2020
Split-interest agreements – Harris Trust and Maiorani Trust	\$ 863,802	\$ 717,554
Music Center Foundation	38,268,572	30,586,382
<b>Total</b>	<b>\$ 39,132,374</b>	<b>\$ 31,303,936</b>

The majority of the split interests represent TMC’s 6.25% interest in the Harris Trust, which is invested in marketable investments held by a trustee. The trust fund is allocated at the discretion of the board of directors of the Harris Trust which is expected to be distributed at a rate of 5% of the value per year.

**NOTE 10 – DEBT**

Bonds Payable

In May 2007, the California Infrastructure and Economic Development Bank issued the California Infrastructure and Economic Development Bank Revenue Bonds (Performing Arts Center of Los Angeles County Series 2007) (the “2007 Bonds”) with a total borrowing of \$27,530,000 on behalf of TMC. The purpose of issuing the Bonds was to finance the Mark Taper Forum capital improvement project.

On September 1, 2020, pursuant to an indenture (the “Indenture”) by the California Infrastructure and Economic Development Bank (the “Issuer”), the 2007 Bonds were refinanced by \$16,545,000 of tax-exempt bonds (the “2020 Bonds”). The 2020 Bonds were issued with fixed interest rates ranging from 4.00% to 5.00%. A premium totaling \$3,356,658 was received, and debt issuance costs of \$538,352 were incurred upon the sale of the bonds.

The Issuer lent the proceeds of the 2020 Bonds to TMC pursuant to a loan agreement between the Issuer and TMC. Such proceeds received by the Music Center were used to (i) refund all of the outstanding 2007 Bonds and (ii) finance the cost of issuance of the 2020 Bonds. The bond premium and issuance costs are being amortized over the life of the bonds using the effective interest method. During the year ended June 30, 2021, TMC’s estimated arbitrage rebate tax liability was deemed zero

**THE PERFORMING ARTS CENTER OF  
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**NOTE 10 – DEBT (Continued)**

The 2020 Bonds are limited to obligations of the Issuer payable solely from revenues from TMC. The loan payments are general obligations of TMC. No specific property is pledged under the loan agreement. There is no reserve fund and no financial covenant associated with these bonds.

The 2020 Bonds bear a fixed net interest cost of 3.18% with an arbitrage yield of 2.12%. Interest payments are due to the Trustee annually.

Capital Leases

TMC acquired various leases between 2017 to 2021. The leases will expire on various dates through 2026.

Loan Payable

In May 2019, TMC entered into a loan agreement with Los Angeles County for \$5,000,000 requiring annual payments of \$400,000 maturing in September 2024.

The interest rate is variable based on the County’s cost of commercial paper, administrative cost of the underwriting commercial bank, and insurance cost. Interest expense during the years ended June 30, 2021 and 2020 was \$10,106 and \$122,525, respectively.

Future payments of debt are as follows for the years ended June 30:

<u>Years Ending</u>	<u>Bonds Payable</u>	<u>Capital Lease Obligation</u>	<u>Loans Payable</u>	<u>Total</u>
2022	\$ 450,000	\$ 106,294	\$ 400,000	\$ 956,294
2023	475,000	26,425	400,000	901,425
2024	500,000	27,677	3,400,000	3,927,677
2025	525,000	28,989	-	553,989
2026	550,000	30,366	-	580,366
Thereafter	<u>13,355,000</u>	-	-	<u>13,355,000</u>
Total	15,855,000	219,751	4,200,000	20,274,751
Unamortized bond premium, net	3,070,463	-	-	3,070,463
Unamortized bond issuance costs	<u>(502,777)</u>	-	-	<u>(502,777)</u>
<b>Total debt, net</b>	<b><u>\$ 18,422,686</u></b>	<b><u>\$ 219,751</u></b>	<b><u>\$ 4,200,000</u></b>	<b><u>\$22,842,437</u></b>

**THE PERFORMING ARTS CENTER OF  
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**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets were available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
TMC Arts		
Active Arts	\$ 48,625	\$ 48,697
Blue Ribbon	12,987,269	9,816,971
Dance	17,664,235	16,153,626
Education	13,383,833	10,885,474
General	29,379,239	7,729,559
Spotlight	<u>3,356,650</u>	<u>1,921,917</u>
Total TMC Arts	76,819,851	46,556,244
Restricted - General	9,415,439	-
Capital	2,985,548	3,087,680
Founders	13,500	11,200
Other restricted for the passage of time	<u>8,561,137</u>	<u>11,478,277</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 97,795,475</u></b>	<b><u>\$ 61,133,401</u></b>

Beneficial interest in perpetual trust consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Beneficial interests in perpetual trust at		
Music Center Foundation	\$ 30,747,705	\$ 23,367,819
Other institutions	863,802	717,554
Promises to give to be placed into perpetual trust at the Music Center Foundation	<u>7,520,867</u>	<u>7,218,563</u>
<b>Total</b>	<b><u>\$ 39,132,374</u></b>	<b><u>\$ 31,303,936</u></b>

Although beneficial interests in perpetual trusts are not subject to UPMIFA, TMC has elected to include a description of the general investment and distribution policies currently being followed by MCF.

Return Objectives and Risk Parameters

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

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**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Spending Policy and How the Investment Objectives Relate to the Spending Policy

MCF has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value (excluding pledges receivable) over the prior twelve quarters through the preceding fiscal year in which the distribution is planned. In establishing this policy, MCF considered the long-term expected return on its endowment and operating expenses. Accordingly, over the long term, MCF expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with MCF's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts.

MCF considers the following factors in making a determination to appropriate funds for distribution:

1. The duration and preservation of the fund
2. The purposes of MCF and the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MCF
7. The investment policies of MCF

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**NOTE 12 – RETIREMENT PLANS**

Defined-pension Plan

TMC sponsors a defined-benefit pension plan (the Plan) which was frozen, effective October 1, 2009. Benefits are based on years of service and employees' annual compensation.

The following tables set forth the Plan's financial information as of June 30,:

	<b>2021</b>	<b>2020</b>
<i>Change in benefit obligation</i>		
Benefit obligation, beginning of year	\$ 26,873,979	\$ 25,986,407
Service cost	51,450	51,650
Interest cost	761,973	837,916
Actuarial gain (loss)	(121,674)	1,144,334
Benefits paid and estimated expenses	(1,103,700)	(1,146,328)
Benefit obligation, end of year	26,462,028	26,873,979
<i>Change in plan assets</i>		
Fair value of plan assets, beginning of year	20,405,996	19,924,844
Actual return	3,575,821	1,612,157
Benefits and expenses paid	(1,075,185)	(1,131,005)
Fair value of plan assets, end of year	22,906,632	20,405,996
<b>Funded status</b>	<b>\$ (3,555,396)</b>	<b>\$ (6,467,983)</b>
<i>Components of net periodic cost</i>		
Service cost	\$ 51,450	\$ 51,650
Interest cost	761,973	837,916
Expected return on plan assets	(1,039,865)	(1,111,465)
Recognized actuarial loss	247,706	225,595
<b>Net periodic benefit cost</b>	<b>\$ 21,264</b>	<b>\$ 3,696</b>
<i>Items not yet recognized as a component of net periodic benefit cost</i>		
Actuarial loss	\$ 6,758,669	\$ 9,692,520

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic benefit cost at June 30, 2021 and 2020, consist of actuarial losses (gains) of (\$2,686,145) and \$628,319, respectively. In addition to service and interest costs, the components of projected postretirement benefit costs for fiscal year 2021 will include the amortization of the actual loss of \$247,706.

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**NOTE 12 – RETIREMENT PLANS (Continued)**

Defined-pension Plan (Continued)

The accumulated benefit obligation for the Plan at June 30, 2021 and 2020 was \$26,462,028 and \$26,873,979, respectively.

	<b>2021</b>	<b>2020</b>
<i>Weighted-average assumptions used to determine benefit obligations</i>		
Discount rate	2.95%	2.90%
Rate of compensation increase	2.70%	3.00%
 <i>Weighted-average assumptions used to determine net periodic benefit cost</i>		
Discount rate	2.95%	2.90%
Expected return on plan assets	5.00%	5.25%
Rate of compensation increase	2.70%	3.00%

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2022	\$ 1,222,803
2023	1,220,470
2024	1,223,915
2025	1,254,771
2026	1,298,336
2027–2031	7,302,032
	<b><u>\$ 13,522,327</u></b>

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 743,038	\$ -	\$ -	\$ 743,038
Fixed income	591,016	10,642,467	-	11,233,483
Common stocks	9,968,992	13,919	7,538	9,990,449
Real estate investment trust	256,031	-	-	256,031
Commodities	683,631	-	-	683,631
<b>Total</b>	<b><u>\$ 12,242,708</u></b>	<b><u>\$ 10,656,386</u></b>	<b><u>\$ 7,538</u></b>	<b><u>\$ 22,906,632</u></b>

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**NOTE 12 – RETIREMENT PLANS (Continued)**

Defined-pension Plan (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 544,312	\$ -	\$ -	\$ 544,312
Fixed income	456,586	10,002,049	-	10,458,635
Common stocks	8,739,129	-	7,701	8,746,830
Real estate investment trust	37,913	-	-	37,913
Commodities	<u>618,306</u>	<u>-</u>	<u>-</u>	<u>618,306</u>
<b>Total</b>	<b><u>\$ 10,396,246</u></b>	<b><u>\$ 10,002,049</u></b>	<b><u>\$ 7,701</u></b>	<b><u>\$ 20,405,996</u></b>

During the year ended June 30, 2020, TMC changed the basis of estimating assumed discount rates utilized to determine benefit obligations and net periodic benefit cost, as the COVID-19 outbreak required adjustment to the assumptions to better reflect the discount rates at which the pension obligation could be settled effectively at the reporting period. In accordance with U.S. GAAP, the change in accounting estimate should be accounted for prospectively. The accompanying statement of financial position includes an increase in the funded status of the pension obligation of \$1,922,090 resulting from this change in discount rate.

Defined-contribution Plan

TMC also sponsors a defined-contribution plan covering eligible employees. Participants can elect to contribute 3% to 25% of their pretax annual compensation, as defined in the Plan, subject to Internal Revenue Service withholding rules. TMC contributes 100% of the first 3% and 50% of the next 2% of the base compensation that a participant contributes to the plan. Employer contributions to the plan amounted to \$329,567 and \$403,773 during the years ended June 30, 2021 and 2020, respectively.

Pension Liability

TMC also participates in several multiemployer pension plans based upon collective bargaining agreements. The plans are outlined in the table below. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status is available at each plan’s year end. The zone status is based on information that TMC received from the plan sponsor, and as required by the PPA, is certified by the plan’s actuary. Except for American Federation of Musicians and Employers Pension Fund, certified as red zone; all the plans shown below are certified as green zone status for the plan years ended 2021 and 2020. Similarly, none of the plans imposed a surcharge as part of their respective collective bargaining agreements. In addition, TMC would be responsible for any withdrawal liability under the agreements with the unions.



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**NOTE 12 – RETIREMENT PLANS (Continued)**

Pension Liability (Continued)

	EIN	Contributions from TMC		Agreement Expiration
		2021	2021	
Pension Fund I.A.T.S.E. Local 33 Trust Fund	95-6377503/001	\$ 99,316	\$ 361,346	07/31/2021 <sup>(a)</sup>
League – ATPAM Pension Fund	13-298856/001	6,366	41,311	09/01/2024 <sup>(b)</sup>
Fund of the International Union of Operating Engineers and Participating Employers	36-6052390/001	284,946	291,378	10/31/2021 <sup>(c)</sup>
American Federation of Musicians and Employers Pension Fund	51-6120204/001	320	18,656	08/31/2021 <sup>(d)</sup>

(a) The agreement expired on July 31, 2021 but a tentative agreement has been reached on a five-year successor agreement which is scheduled to be voted on by union membership at the end of October 2021.

(b) Extended effective August 31, 2019 and terminating on September 1, 2024.

(c) The agreement is in effect from November 1, 2016 to and including October 31, 2021, and from year to year thereafter, subject to amendment or modification affecting changes and conditions of employment; it being understood that either party wishing to amend or to terminate this agreement shall give the other party written notice sixty (60) days prior to November 1, 2021, that changes are desired. The Music Center is part of a multi-employer CBA with Local 501 that is negotiated by the Building Owners and Managers Association of Greater Los Angeles.

(d) The agreement expired August 31, 2021. Negotiations have not yet begun on a successor agreement.

**NOTE 13 – CAPITAL PROJECTS**

The Music Center receives funding from the County of Los Angeles for capital purposes, operations, or capital improvements. For the years ended June 30, 2021 and 2020, TMC received additional funding from the County of Los Angeles for capital purposes of \$0 and \$1,867,802, respectively.

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

Employment Agreements

On October 16, 2019, TMC entered into an employment agreement with a key executive employee with a minimum annual salary of \$750,000 for five years with one-year renewals. The agreement was approved by the Board of Directors, on terms previously approved by the Compensation Committee. This key executive employee is entitled to an annual bonus of up to 30% of base compensation, which is determined by the Compensation Committee. As of June 30, 2021, the minimum future payments under this agreement for future years ending June 30 are summarized below:

2022	\$ 750,000
2023	750,000
2024	750,000
2025	<u>218,750</u>
<b>Total</b>	<b><u>\$ 2,468,750</u></b>

In the years ended June 30, 2021 and 2020, three key executive employees participated in the Supplemental Savings Plan, the deferral amount of which is determined in accordance with Internal Revenue Code §457(e)(15). Total deferred compensation related to the Supplemental Savings Plan was \$428,736 and \$311,702 at June 30, 2021 and 2020, respectively, and is reflected as an accrued expense in the accompanying statements of financial position.

Legal Proceedings

The Music Center is, from time to time, the subject of litigation, claims and assessments arising out of matters occurring in its normal business operations. The Music Center has insurance coverage to provide protection against certain contingencies. In the opinion of management, resolution of these matters will not have a material adverse effect on TMC’s financial position or results of operations.

County Audits

The Music Center and County of Los Angeles have, since the early 1960s, entered into various agreements related to the operation of the Performing Arts Center complex. The Music Center is subject to inspection and audit by the County for funds related to TMC operations and, accordingly, the potential exists for adjustments of funding, past and/or future, resulting from such audits. The liability, if any, which may potentially result from these periodic audits cannot be reasonably estimated and TMC therefore has no provision for such within its financial statements.

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**NOTE 15 – RELATED PARTY TRANSACTIONS**

Annual campaign contributions and promises to give received from the board of directors totaled \$1,154,297 and \$13,456,791 for the years ended June 30, 2021 and 2020, respectively. These contributions and promises to give are reported under public support in the statement of activities or deferred revenue in the statement of financial position, depending on the program the contribution relates to.

On September 14, 2020, TMC entered into a master technology services agreement with a resident company. The agreement expires September 14, 2021 and is subject to automatic one-year renewals unless cancelled 60 days prior to the end of the initial or renewal term. Technology services expense under this agreement amounted to \$158,129 for the year ended June 30, 2021.

**NOTE 16 – SUBSEQUENT EVENTS**

Management evaluated all activity through November 4, 2021, the date on which the financial statements were available to be issued.

On July 14, 2021, TMC received a conditional \$10,000,000 Grant under the SBA's Shuttered Venue Operators Grant Program (SVOG) as authorized under the American Rescue Plan Act. The SVOG Program provides funds to support the ongoing operations of eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, relevant museum operators, motion picture theater operators, and talent representatives who have experienced significant revenue losses due to the effects of the COVID-19 pandemic.