THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

FINANCIAL REPORT

JUNE 30, 2020

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SingerLewak
Accountants & Consultants

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 statements of financial position as of June 30, 2020, 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.

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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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

November 19, 2020

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS

	2020	2019
Cash and cash equivalents	$ 9,699,356	$ 14,170,193
Accounts receivable, net	1,310,187	2,439,850
Contributions receivable, net	23,467,784	16,216,609
Prepaid expenses and other assets	1,109,523	3,303,168
Property and equipment, net	575,178	661,583
Investments	29,238,387	30,262,587
Beneficial interest in assets held by foundation	31,303,936	31,418,909
Total assets	**$ 96,704,351**	**$ 98,472,899**

LIABILITIES AND NET ASSETS

	2020	2019
Liabilities		
Accounts payable and accrued expenses	$ 5,907,920	$ 10,748,932
Deferred facility fee and other deferred revenue	3,401,059	6,359,322
Accrued pension benefit obligation	6,467,983	6,061,563
Debt	25,562,370	26,571,086
Total liabilities	**41,339,332**	**49,740,903**
Net Assets		
Without donor restrictions		
Undesignated	3,924,138	4,795,856
Accumulated comprehensive loss related to pension obligation	(9,692,520)	(9,289,796)
	(5,768,382)	(4,493,940)
With donor restrictions	61,133,401	53,225,936
Total net assets	55,365,019	48,731,996
Total liabilities and net assets	**$ 96,704,351**	**$ 98,472,899**

See notes to financial statements.

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

(Summarized Information for the Year Ended June 30, 2019)

	Without Donor Restrictions			With Donor	**Totals**	
	Operating	Capital	Total	Restrictions	**2020**	**2019**
Revenue and support						
Operating Revenue						
TMC Operations						
Center operations						
Los Angeles County funding	$ 21,550,196	$ -	$ 21,550,196	$ -	$ 21,550,196	$ 20,801,000
Los Angeles County in-kind utilities	4,690,538	-	4,690,538	-	4,690,538	5,010,576
Rents	4,161,074	-	4,161,074	-	4,161,074	4,771,894
Facility fees	2,738,970	-	2,738,970	-	2,738,970	3,515,029
Service billings	3,343,723	-	3,343,723	-	3,343,723	4,555,734
Total center operations	36,484,501	-	36,484,501	-	36,484,501	38,654,233
Park operations						
Los Angeles County funding	5,062,591	-	5,062,591	-	5,062,591	5,152,639
Los Angeles County in-kind utilities	224,823	-	224,823	-	224,823	229,503
Rents	397,612	-	397,612	-	397,612	468,797
Service billings	516,628	-	516,628	-	516,628	703,972
Total park operations	6,201,654	-	6,201,654	-	6,201,654	6,554,911
Founders Rooms operations	611,612	-	611,612	-	611,612	893,391
Total TMC Operations	43,297,767	-	43,297,767	-	43,297,767	46,102,535
TMC Arts						
Presenting	2,775,104	-	2,775,104	-	2,775,104	6,126,238
Education, Active Arts and Spotlight	541,429	-	541,429	-	541,429	811,005
Other income	92,376	-	92,376	-	92,376	380,868
Total TMC Arts	3,408,909	-	3,408,909	-	3,408,909	7,318,111
Capital improvements						
Mark Taper Forum	-	-	-	-	-	163,000
Restaurant improvement	-	612,804	612,804	-	612,804	612,804
Total capital improvements	-	612,804	612,804	-	612,804	775,804
Investment income appropriations	1,918,431	32,171	1,950,602	-	1,950,602	1,454,155
Interest income	21,539	25,816	47,355	-	47,355	78,220
Total operating revenue	48,646,646	670,791	49,317,437	-	49,317,437	55,728,825
Public support						
Contributions and net special events	5,143,980	921,768	6,065,748	13,894,900	19,960,648	13,828,745
Los Angeles County Plaza grant	-	-	-	-	-	20,735,739
Switchgear renovation	-	-	-	1,867,802	1,867,802	-
Net assets released from restrictions	5,188,776	920,597	6,109,373	(6,109,373)	-	-
Total public support	10,332,756	1,842,365	12,175,121	9,653,329	21,828,450	34,564,484
Total revenue and support	58,979,402	2,513,156	61,492,558	9,653,329	71,145,887	90,293,309

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

(Summarized Information for the Year Ended June 30, 2019)

	Without Donor Restrictions			With Donor	Totals	
	Operating	Capital	Total	Restrictions	2020	2019
(Continued)						
Expenses						
Operating Expenses						
TMC Operations						
Center operations						
Facility operations	$ 19,921,778	$ -	$ 19,921,778	$ -	$ 19,921,778	$ 19,340,080
Stage operations	3,173,990	-	3,173,990	-	3,173,990	3,927,530
Theater operations	4,686,758	-	4,686,758	-	4,686,758	6,171,753
Other center operations	1,562,248	-	1,562,248	-	1,562,248	1,839,024
In-kind utilities	4,690,539	-	4,690,539	-	4,690,539	5,010,577
Total center operations	34,035,313	-	34,035,313	-	34,035,313	36,288,964
Park operations						
Operations	2,811,530	-	2,811,530	-	2,811,530	2,856,794
Programming	2,737,819	-	2,737,819	-	2,737,819	3,088,047
In-kind utilities	224,823	-	224,823	-	224,823	229,503
Total park operations	5,774,172	-	5,774,172	-	5,774,172	6,174,344
Founders Rooms operations	956,131	-	956,131	-	956,131	1,273,081
Total TMC operations	40,765,616	-	40,765,616	-	40,765,616	43,736,389
TMC Arts						
Presenting	6,895,313	-	6,895,313	-	6,895,313	7,832,663
Education, Active Arts and Spotlight	3,596,124	-	3,596,124	-	3,596,124	4,322,921
Contributions to resident companies	657,824	-	657,824	-	657,824	714,518
Other expenses	287,247	-	287,247	-	287,247	460,426
Total TMC Arts	11,436,508	-	11,436,508	-	11,436,508	13,330,528
Capital improvements						
Plaza renovation	-	439,656	439,656	-	439,656	28,451,204
Switchgear renovation	-	189,945	189,945	-	189,945	-
Mark Taper Forum debt service	-	1,052,005	1,052,005	-	1,052,005	1,074,731
Restaurant contract acquisition amortization	-	1,183,776	1,183,776	-	1,183,776	1,183,776
Annex building renovation	-	34,402	34,402	-	34,402	696,255
Total capital improvements	-	2,899,784	2,899,784	-	2,899,784	31,405,966
Total operating expenses	52,202,124	2,899,784	55,101,908	-	55,101,908	88,472,883
Supporting services						
Administration	4,022,178	233,126	4,255,304	-	4,255,304	4,097,437
Fundraising	2,709,825	150,335	2,860,160	-	2,860,160	2,673,136
Total supporting services	6,732,003	383,461	7,115,464	-	7,115,464	6,770,573
Total expenses	58,934,127	3,283,245	62,217,372	-	62,217,372	95,243,456
Change in net assets resulting from operating revenues and expenses	45,275	(770,089)	(724,814)	9,653,329	8,928,515	(4,950,147)
Non-operating activities						
Loss on uncollectible promises to give, net of discount	-	-	-	(93,747)	(93,747)	(268,839)
Investment income (loss), net of appropriations	(181,610)	34,706	(146,904)	(776,154)	(923,058)	873,621
Change in value of beneficial interests	-	-	-	(875,963)	(875,963)	19,368
Other comprehensive loss related to pension obligation	(402,724)	-	(402,724)	-	(402,724)	(1,009,402)
Fund transfer	(735,383)	735,383	-	-	-	-
Total non-operating activities	(1,319,717)	770,089	(549,628)	(1,745,864)	(2,295,492)	(385,252)
Change in net assets	(1,274,442)	-	(1,274,442)	7,907,465	6,633,023	(5,335,399)
Net assets (deficit), beginning of year	(4,493,940)	-	(4,493,940)	53,225,936	48,731,996	54,117,425
Adjustment upon adoption of ASC 606	-	-	-	-	-	(50,030)
Net assets (deficit), end of year	**$ (5,768,382)**	**$ -**	**$ (5,768,382)**	**$ 61,133,401**	**$ 55,365,019**	**$ 48,731,996**

See notes to financial statements.

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

(Summarized Information for the Year Ended June 30, 2019)

	Program Services				Supporting Services			Total	
	Operations	Arts	Capital	Total	Management	Fundraising	Total	2020	2019
Expenses									
Salaries and wages	$ 15,698,409	$ 3,742,921	$ 14,196	$ 19,455,526	$ 2,572,681	$ 1,741,810	$ 4,314,491	$ 23,770,017	$ 25,427,117
Pension contributions	1,168,822	108,054	-	1,276,876	111,063	67,727	178,790	1,455,666	1,555,902
Other employee benefits	1,856,293	163,956	-	2,020,249	177,438	130,315	307,753	2,328,002	2,702,945
Payroll taxes	1,368,335	190,824	-	1,559,159	133,488	118,763	252,251	1,811,410	2,033,570
Fees for service	640,582	1,186,505	47,127	1,874,214	634,172	173,696	807,868	2,682,082	3,481,362
Advertising and promotion	101,610	55,113	-	156,723	1,356	32,210	33,566	190,289	824,683
Office	401,888	327,017	2,620	731,525	221,900	183,049	404,949	1,136,474	1,423,664
Information technology	109,877	11,729	-	121,606	46,519	18,533	65,052	186,658	112,634
Occupancy	500	2,977	-	3,477	-	2,000	2,000	5,477	3,814
Travel	30,889	887,236	-	918,125	25,572	11,143	36,715	954,840	285,273
Conferences and meetings	13,742	10,952	-	24,694	51,229	7,174	58,403	83,097	146,568
Interest	6,604	67	1,129,506	1,136,177	464	14	478	1,136,655	1,054,035
Depreciation and amortization	146,813	38,995	1,215,381	1,401,189	52,180	7,664	59,844	1,461,033	1,438,910
Insurance	1,102,795	4,272	-	1,107,067	111,950	-	111,950	1,219,017	1,166,680
Capital projects	716,615	-	490,954	1,207,569	-	-	-	1,207,569	29,965,823
Maintenance	10,639,451	55,445	-	10,694,896	28,276	9,327	37,603	10,732,499	9,768,240
Artist fees	219,956	2,270,650	-	2,490,606	6,845	8,900	15,745	2,506,351	2,618,789
Production	1,515,812	366,181	-	1,881,993	19,519	154,624	174,143	2,056,136	3,568,997
Grants and other assistance	-	768,049	-	768,049	-	-	-	768,049	870,719
Other	881,618	614,363	-	1,495,981	39,100	192,375	231,475	1,727,456	2,227,457
Utilities	4,915,362	-	-	4,915,362	-	-	-	4,915,362	5,240,080
Total expenses by function	41,535,973	10,805,306	2,899,784	55,241,063	4,233,752	2,859,324	7,093,076	62,334,139	95,917,262
Direct Benefits to Donors	-	-	-	-	-	(116,767)	(116,767)	(116,767)	(673,806)
Allocations	(770,357)	631,202	-	(139,155)	21,552	117,603	139,155	-	-
Total	**$ 40,765,616**	**$ 11,436,508**	**$ 2,899,784**	**$ 55,101,908**	**$ 4,255,304**	**$ 2,860,160**	**$ 7,115,464**	**$ 62,217,372**	**$ 95,243,456**

See notes to financial statements.

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 6,633,023	$ (5,335,399)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Comprehensive loss related to pension obligation	402,724	1,009,402
Depreciation and amortization	245,653	223,702
Amortization of bond issuance costs	31,604	31,432
Amortization of contract acquisition costs	1,183,776	1,183,776
Bad debt expense	78,047	385,017
Loss from disposal of property and equipment	-	15,153
Contributed investment securities	(783,979)	(364,693)
Realized and unrealized (gain) loss on investments and securities	33,973	(876,478)
Adjustment upon adoption of Topic 606	-	(50,030)
Amortization of bond premium	(34,687)	(34,126)
Contributions to beneficial interests Investment income	875,963	(19,368)
Change in operating assets and liabilities:		
Accounts receivable, net	1,132,447	(487,887)
Contributions receivable, net	(7,329,222)	3,418,995
Prepaid expenses and other assets	1,009,869	(1,194,983)
Beneficial interest in assets held by foundation	114,973	(505,843)
Accounts payable and accrued expenses	(4,842,871)	2,964,169
Deferred facility fee and other deferred revenue	(2,958,263)	212,291
Accrued pension benefit obligation	3,696	93,684
Net cash provided by (used in) operating activities	(4,203,274)	668,814

See notes to financial statements.

(Continued)

	2020	2019
Cash flows from investing activities		
Purchases of property and equipment	$ (159,248)	$ (199,486)
Collections of notes receivable	(2,784)	(70,930)
Purchases of investments	-	(65,100)
Proceeds from sale of investments	1,663,727	384,693
Net cash provided by investing activities	1,501,695	49,177
Cash flows from financing activities		
Principal payments of capital leases	(78,774)	(84,176)
Proceeds from loan payable	-	5,000,000
Principal payments on loan payable	(400,000)	-
Principal payments of bonds payable	(525,000)	(500,000)
Endowment fund investment income	(875,963)	19,368
Net cash provided by (used in) financing activities	(1,879,737)	4,435,192
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	(4,581,316)	5,153,183
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	15,890,256	10,737,073
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	**$ 11,308,940**	**$ 15,890,256**
Supplemental disclosures of cash flow information		
Cash paid for interest	**$ 1,136,655**	**$ 1,054,035**
Reconciliation of Cash, cash equivalents, and restricted cash and cash equivalents to the statement of financial position:		
Cash and cash equivalents	**$ 9,699,356**	**$ 14,170,193**
Cash and cash equivalents included in investments	**1,609,584**	**1,720,063**
	$ 11,308,940	**$ 15,890,256**

See notes to financial statements.

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, 2021.

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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>
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, 2019, from which the summarized information was derived.

<u>Reclassifications</u>
Certain reclassifications have been made to the prior year’s balances in order to conform to the current year’s presentation. Such reclassifications or title changes had no effect on change in net assets as previously reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 using the accrual method of accounting. 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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.

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 since the inception of TMC and its predecessors through June 30, 2020 and 2019 was $114,352,035 and $113,145,564, respectively, including $1,206,471 and $29,965,822 of purchases for the years ended June 30, 2020 and 2019, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Due to / from Resident Companies
Amounts due from Resident Companies included in accounts receivable totaled $766,146 and $898,658 as of June 30, 2020 and 2019, respectively. Amounts payable to Resident Companies included in accounts payable and accrued expenses totaled $655,915 and $639,692 as of June 30, 2020 and 2019, respectively.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and includes changes to the Internal Revenue Code for refundable payroll tax credits and deferment of employer payments for social security tax. TMC is currently evaluating the impact of the CARES Act.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)
At June 30, 2020, 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. Some investments are based on unobservable inputs such as cash flows, discount rates and alternative investments, which are not corroborated by market data; these are classified within Level 3 of the fair value hierarchy. Investments utilizing net asset value as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

During the years ended June 30, 2020 and 2019, there were no changes to TMC's valuation techniques that had, or are expected to have, a material impact on the financial statements.

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.

With respect to investments, 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.

With respect to promises to give and receivables, 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. TMC's ten largest donors accounted for 98% and 98% of the contributions receivable at June 30, 2020 and 2019, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations Without Donor Restrictions
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.

Change in Accounting Principle
During the year ended June 30, 2020, TMC adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The adoption of this ASU did not have a material effect on the financial statements.

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. Early adoption is permitted. Management is in the process of evaluating the impact of this accounting pronouncement.

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 with early adoption permitted. Management is in the process of evaluating the impact of this accounting pronouncement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
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 14, 2021, and interim periods within fiscal years beginning after June 15, 2022. Early adoption is permitted. Management is in the process of evaluating the impact of this accounting pronouncement.

NOTE 3 – 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.

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 in-person events, public gatherings, and education programs. 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 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

Given the uncertainty over the progression of the virus and governmental emergency orders, such as the County Order, there is no timetable for when operations will begin to resume or return to normal.

Investments within these financial statements are reported in accordance with TMC's valuation policy as of June 30, 2020. 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, 2020 and 2019, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year from June 30, 2020 and 2019.

Financial assets that are available within one year to meet cash needs as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 9,699,356	$ 14,170,193
Accounts and notes receivables	1,293,431	2,363,404
Contributions receivable due in 2021	2,627,012	1,487,886
Investments	3,872,018	4,044,292
Financial assets at year-end	**$ 17,491,817**	**$ 22,065,775**
Less amounts unavailable for general expenditures due to:		
Time or purpose restrictions	(3,827,336)	(2,474,695)
Investments subject to board approval	(3,872,018)	(4,044,292)
Plus amounts expected to be appropriated from:		
Endowments (5% spending rate)	1,085,160	1,080,814
Investments (appropriation)	436,612	1,378,729
Financial assets available to meet general expenditures within one year	**$ 11,314,235**	**$18,006,331**

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

As defined in U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, TMC uses the market approach. Based on this approach, TMC utilizes certain assumptions about the risk or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, TMC is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

The following tables represent TMC's fair value hierarchy for its financial assets measured at fair value on a recurring basis, except those measured by using net asset value (NAV) per share as a practical expedient as identified in the following, as of June 30, 2020 and 2019:

	2020				
	Level 1	Level 2	Level 3	Measured at NAV	Total
Investments	$ 1,609,584	$ -	$ -	$ 8,333,948	$ 9,943,532
Investments held for capital improvement projects	-	-	-	19,294,855	19,294,855
Beneficial Interests	-	-	-	31,303,936	31,303,936
Total	**$ 1,609,584**	**$ -**	**$ -**	**$ 58,932,739**	**$ 60,542,323**

	2019				
	Level 1	Level 2	Level 3	Measured at NAV	Total
Investments	$ 1,720,063	$ -	$ -	$ 9,282,375	$ 11,002,438
Investments held for capital improvement projects	-	-	-	19,260,149	19,260,149
Beneficial Interests	-	-	-	31,418,909	31,418,909
Total	**$ 1,720,063**	**$ -**	**$ -**	**$ 59,961,433**	**$ 61,681,496**

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (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:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range
Beneficial interests	$ 31,303,936	Net asset value	Discount rate	1.94%-7.90%

The following table represents MCF's financial instruments which are valued using a fair value practical expedient for the year ended June 30, 2019, 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	$ 31,418,909	Net asset value	Discount rate	1.94%-7.90%

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Amounts due		
In less than one year	$ 2,684,917	$ 1,565,643
In one to five years	15,556,000	9,710,000
In more than five years	8,224,150	8,974,150
Total gross contributions receivable	26,465,067	20,249,793
Less		
Allowance for uncollectible amounts	(143,586)	(159,287)
Present value discount	(2,853,697)	(3,873,897)
Total contributions receivable, net	**$ 23,467,784**	**$ 16,216,609**

NOTE 6 – INVESTMENTS

Investments consisted of the following as of June 30, 2020 and 2019:

	2020	2019
MCF Investments	$ 27,628,803	$ 28,542,524
Money market funds	1,609,584	1,720,063
Total	**$ 29,238,387**	**$ 30,262,587**

As of June 30, 2020 and 2019, 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 (Note 10).

The following tables summarize TMC's investments with MCF as of June 30, 2020 and 2019, which are valued using the fair value practical expedient of net asset value in accordance with U.S. GAAP:

	2020	2019
Investments		
Harris Reserve	$ 3,872,018	$ 4,044,292
Harris Dance	3,748,462	4,508,568
Blue Ribbon	713,468	729,515
Investments held for capital improvements	19,294,855	19,260,149
Total	**$ 27,628,803**	**$ 28,542,524**

NOTE 6 – INVESTMENTS (Continued)

	2020			
	Fair Value	Unfunded Redemption Commitments	Redemption Frequency	Redemption Notice Period
MCF investments				
MCF unitized fund [(a)]	$ 26,545,146	$ -	daily to annually	90–120 days
MCF partnership interest and other funds [(b)]	936,145	180,191	when partnership ceases	n/a
MCF cash	147,512	-		
Total MCF investments	**$ 27,628,803**	**$ 180,191**		

	2019			
	Fair Value	Unfunded Redemption Commitments	Redemption Frequency	Redemption Notice Period
MCF investments				
MCF unitized fund [(a)]	$ 27,145,350	$ -	daily to annually	90–120 days
MCF partnership interest and other funds [(b)]	1,300,172	183,974	when partnership ceases	n/a
MCF cash	97,002	-		
Total MCF investments	**$ 28,542,524**	**$ 183,974**		

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.

NOTE 6 – INVESTMENTS (Continued)

(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 35% and 27% of this fund includes investments in equity funds mirroring S&P 500 sector weighting by June 30, 2020 and 2019, 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 18% of this fund includes investments in international (non-U.S.) equity funds by June 30, 2020 and 2019, 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 13% and 13% of this fund includes investments in emerging market equity funds by June 30, 2020 and 2019, 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 1st or 15th 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 15% of this fund includes investments in long-term and short-term equity-focused hedge funds by June 30, 2020 and 2019, 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.

NOTE 6 – INVESTMENTS (Continued)

Approximately 22% and 14% of this fund includes investments in absolute return funds and emerging market long- and short-term funds by June 30, 2020 and 2019, 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 5% and 5% of this fund includes investments in high-quality, fixed income funds by June 30, 2020 and 2019, 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 8% of this fund includes cash and cash equivalents by June 30, 2020 and 2019, 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 2020 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.

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, 2020 and 2019, net contract acquisition costs included in prepaid expenses and other assets on the accompanying statements of financial position were $197,296 and $1,381,072, 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, 2020 and 2019 was $102,134 and $714,938, respectively.

TMC recognized $612,804 as restaurant improvement revenue related to the construction contribution during each of the years ended June 30, 2020 and 2019.

TMC recognized $964,604 and $1,336,600 in license fees for food service operations from RA Music for the years ended June 30, 2020 and 2019, respectively. License fees for food service operations were included in Center Operations, Rents on the accompanying statement of activities.

NOTE 8 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Computer equipment	$ 1,231,101	$ 1,009,054
Assets held under lease	504,264	504,264
Furniture, phone and office equipment	431,605	431,605
Automotive equipment	6,487	6,487
Construction in Progress	2,706	65,505
	2,176,163	2,016,915
Accumulated depreciation	(1,600,985)	(1,355,332)
Property and equipment, net	**$ 575,178**	**$ 661,583**

NOTE 9 – BENEFICIAL INTERESTS

As of June 30, 2020 and 2019, TMC's beneficial interests administered and controlled by other organizations are as follows:

	2020	2019
Split-interest agreements – Harris Trust and Maiorani Trust	$ 717,554	$ 766,148
Music Center Foundation	30,586,382	30,652,761
Total	**$ 31,303,936**	**$ 31,418,909**

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 first 75% of the trust fund is being distributed to the beneficiaries at a rate of 5% per year over the ten-year period starting 2006. The remaining 25% of the trust fund, to be allocated at the discretion of the board of directors of the Harris Trust, is expected to be distributed in the same manner as the first 75% of the fund.

In October 2015, 75% of the current value of the Harris Trust was distributed. Each year thereafter, the trust shall continue to distribute at least 5% of the remaining 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 "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. The Bonds consist of serial and term bonds that mature from December 1, 2009 to December 1, 2042.

The Bonds were issued at a net premium of $943,809. Bonds issuance costs incurred amounted to $834,021, which are amortized over the term of the Bonds. The net Bonds payable at June 30, 2020 reflects the gross Bonds payable plus premium less bond issuance costs. The amortization of the Bonds' premium costs were $34,687 and $34,126 during the years ended June 30, 2020 and 2019, respectively. The amortization of the Bonds' issuance costs was $31,604 and $31,432 during the years ended June 30, 2020 and 2019, respectively.

Interest rates on the Bonds are 4.30% and 4.38% for the years ending June 30, 2021 and 2022, respectively. Interest rate on Bonds for the years ending June 30, 2023 through June 30, 2043 is 5%.

Interest expense during the years ended June 30, 2020 and 2019 was $1,006,981 and $1,029,309, respectively. Interest expense was included in capital improvements expense, Mark Taper Forum on the statement of activities.

The proceeds received from the Bonds issuance were required to be deposited with a trustee in four funds: project fund, debt service reserve fund, capitalized interest fund and costs of issuance fund. The following proceeds from the Bonds issuance, included in investments on the accompanying statements of financial position, were remaining in the debt service reserve fund at June 30:

	2020	2019
Total money market funds	**$ 1,609,584**	**$ 1,720,063**

Capital Leases
TMC acquired various leases between fiscal years 2013 to 2018. The leases will expire on various dates through fiscal year 2023.

NOTE 10 – DEBT (Continued)

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 2023. 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, 2020 and 2019 was $122,525 and $12,727, respectively.

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

Years Ending	Bonds Payable	Capital Lease Obligation	Loans Payable	Total
2021	$ 545,000	$ 69,580	$ 400,000	$ 1,014,580
2022	570,000	56,764	400,000	1,026,764
2023	595,000	24,300	3,800,000	4,419,300
2024	630,000	-	-	630,000
2025	660,000	-	-	630,000
Thereafter	17,795,000	-	-	17,795,000
Total	20,795,000	150,644	4,600,000	25,545,644
Unamortized bond premium, net	422,242	-	-	422,242
Unamortized bond issuance costs	(405,516)	-	-	(405,516)
Total debt, net	**$ 20,811,726**	**$ 150,644**	**$ 4,600,000**	**$25,562,370**

Outstanding amounts of Bonds payable at June 30, 2020 were refinanced on September 1, 2020 (Note 16).

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were available for the following purposes as of June 30, 2020 and 2019:

	2020	2019
TMC Arts		
Dance	$ 16,153,626	$ 16,482,394
Education	10,885,474	11,908,540
Blue Ribbon	9,816,971	9,231,091
General	7,729,559	-
Spotlight	1,921,917	2,018,089
Active Arts	48,697	50,000
	46,556,244	39,690,114
Capital	3,087,680	1,563,810
Founders	11,200	573,386
Other restricted for the passage of time	11,478,277	11,398,626
Total net assets with donor restrictions	**$ 61,133,401**	**$ 53,225,936**

Beneficial interest in perpetual trust consists of the following:

	2020	2019
Beneficial interests in perpetual trust at		
Music Center Foundation	$ 23,367,819	$ 23,496,957
Other institutions	717,554	766,148
Promises to give to be placed into perpetual trust		
at the Music Center Foundation	7,218,563	7,155,804
Total	**$ 31,303,936**	**$ 31,418,909**

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.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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.

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

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, 2020 and 2019:

	2020	2019
Change in benefit obligation		
Benefit obligation, beginning of year	$ 25,986,407	$ 24,105,738
Service cost	51,650	26,000
Interest cost	837,916	940,947
Actuarial gain	1,144,334	1,945,114
Benefits paid and estimated expenses	(1,146,328)	(1,031,392)
Benefit obligation, end of year	26,873,979	25,986,407
Change in plan assets		
Fair value of plan assets, beginning of year	19,924,844	19,147,261
Actual return	1,612,157	1,836,585
Benefits and expenses paid	(1,131,005)	(1,059,002)
Fair value of plan assets, end of year	20,405,996	19,924,844
Funded status	**$ (6,467,983)**	**$ (6,061,563)**
Components of net periodic cost		
Service cost	$ 51,650	$ 26,000
Interest cost	837,916	940,947
Expected return on plan assets	(1,111,465)	(1,067,499)
Recognized actuarial loss	225,595	194,236
Net periodic benefit cost	**$ 3,696**	**$ 93,684**
Items not yet recognized as a component of net periodic benefit cost		
Actuarial loss	$ 9,692,520	$ 9,289,796

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic benefit cost at June 30, 2020 and 2019 consist of actuarial losses of $628,319 and $1,203,638, 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 $225,595.

NOTE 12 – RETIREMENT PLANS (Continued)

Defined-pension Plan (Continued)
The accumulated benefit obligation for the Plan at June 30, 2020 and 2019 was $26,873,979 and $25,986,407, respectively.

	2020	2019
Weighted-average assumptions used to determine benefit obligations		
Discount rate	2.90%	3.30%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	2.90%	3.30%
Expected return on plan assets	5.25%	5.75%
Rate of compensation increase	3.00%	3.00%

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

2021	$ 1,173,103
2022	1,190,269
2023	1,183,570
2024	1,192,040
2025	1,218,750
2025–2029	7,004,093
	$ 12,961,825

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

	Level 1	Level 2	Level 3	Total
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	618,306	-	-	618,306
Total	**$ 10,396,246**	**$ 10,002,049**	**$ 7,701**	**$ 20,405,996**

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, 2019:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 457,729	$ -	$ -	$ 457,729
Fixed income	689,720	9,530,459	-	10,220,179
Common stocks	8,643,651	-	1,160	8,644,811
Real estate investment trust	54,018	-	-	54,018
Commodities	546,562	1,545	-	548,107
Total	**$ 10,391,680**	**$ 9,532,004**	**$ 1,160**	**$ 19,924,844**

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 $403,773 and $387,590 during the years ended June 30, 2020 and 2019, 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 2020 and 2019. 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.

NOTE 12 – RETIREMENT PLANS (Continued)

Pension Liability (Continued)

	EIN	Contributions from TMC 2020	Contributions from TMC 2019	Agreement Expiration
Pension Fund I.A.T.S.E. Local 33 Trust Fund	95-6377503/001	$ 361,346	$ 466,784	07/31/2020[a]
League – ATPAM Pension Fund	13-298856/001	41,311	43,462	09/01/2024[b]
Fund of the International Union of Operating Engineers and Participating Employers	36-6052390/001	291,378	259,944	10/31/2021[c]
American Federation of Musicians and Employers Pension Fund	51-6120204/001	18,656	43,250	08/31/2021[d]

(a) The agreement is in full force and effect from January 1, 2018 until and including July 31, 2020 and thereafter from year to year, unless either party gives notice in writing to the other from March 1, 2020 through May 1, 2020, or during a like period in subsequent years, proposing modifications or amendments.

(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.

(d) The agreement shall be in effect during the period commencing September 1, 2016, and continuing through August 31, 2021, and from year to year thereafter unless written notice is given by either party to the other of its desire to terminate or modify the 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, 2020 and 2019, TMC received additional funding from the County of Los Angeles for capital purposes of $1,867,802 and $20,735,739, respectively.

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, 2020, the minimum future payments under this agreement for future years ending June 30 are summarized below:

2021	$ 750,000
2022	750,000
2023	750,000
2024	750,000
2025	218,750
Total	**$ 3,218,750**

In the years ended June 30, 2020 and 2019, 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 $311,702 and $265,046 at June 30, 2020 and 2019, 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.

NOTE 15 – RELATED PARTY TRANSACTIONS

Annual campaign contributions and promises to give received from the board of directors totaled $13,456,791 and $4,931,079 for the years ended June 30, 2020 and 2019, 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.

NOTE 16 – SUBSEQUENT EVENTS

Management evaluated all activity through November 19, 2020 (the date the financial statements were available to be issued) and concluded no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

On September 1, 2020, pursuant to an indenture by the California Infrastructure and Economic Development Bank, 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 $3,356,678 was received, and debt issuance costs of $539,789 were incurred upon the sale of the bonds.

On September 8, 2020, TMC received a $25,000,000 gift to benefit new programming initiatives including an annual, free summer concert, open to all, to be held outdoors on the newly named Jerry Moss Plaza, located at The Music Center; sustain and enhance The Music Center's commitment to free and low-cost events; and formally launch arts partnerships with community organizations to help uplift artists and their work, with an emphasis on Black, Indigenous, and People of Color (BIPOC) artists. The pledge will be fulfilled in annual payments of $1,250,000 beginning December 31, 2020.

On September 15, 2020, TMC executed an agreement that licensed a hospitality management company (Operator) to operate and manage TMC's restaurants, catering and other food service operations for a term of 15 years. Under the agreement, the Operator will pay TMC monthly license fees based upon a percentage of the gross receipts generated by the Food Service Operations. In addition, the operator will pay $7,000,000 to TMC principally to help fund leasehold improvements to the Food Service Operations premises.

The disruption resulting from the COVID-19 pandemic is currently expected to be temporary, but there is considerable uncertainty around the duration and TMC expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.