



**FINANCIAL STATEMENTS**

**MARCH 31, 2017**



Leaf & Cole, LLP  
*Certified Public Accountants*

**LA JOLLA PLAYHOUSE  
FINANCIAL STATEMENTS  
MARCH 31, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 23
Supplementary Information: Schedule of Functional Expenses	24



Leaf & Cole, LLP  
Certified Public Accountants  
A Partnership of Professional Corporations

## Independent Auditor's Report

To the Board of Directors  
La Jolla Playhouse

### Report on the Financial Statements

We have audited the accompanying financial statements of La Jolla Playhouse, which comprise the statement of financial position as of March 31, 2017, and the related statements of activities 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 La Jolla Playhouse as of March 31, 2017, 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***

The 2016 financial statements of La Jolla Playhouse were audited by other auditors who expressed an unmodified audit opinion on those audited financial statements in their report dated September 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of functional expenses for the year ended March 31, 2017 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Leaf & Cole LLP  
San Diego, California  
July 7, 2017

**LA JOLLA PLAYHOUSE**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**ASSETS**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
<b>Current Assets:</b> (Notes 2, 5 and 16)					
Cash and cash equivalents:					
Operating	\$ 2,224,164	\$ 561,026	\$ -	\$ 2,785,190	\$ 1,213,472
Reserve	262,448	-	-	262,448	992,909
Receivables, net:					
Contributions	374,898	394,413	-	769,311	1,822,509
Other	331,517	-	-	331,517	219,575
Prepaid production and other assets	629,896	-	-	629,896	444,684
Total Current Assets	<u>3,822,923</u>	<u>955,439</u>	<u>-</u>	<u>4,778,362</u>	<u>4,693,149</u>
<b>Noncurrent Assets:</b> (Notes 2 to 9)					
Contributions receivable, net	-	-	-	-	37,464
Property and equipment, net	14,010,616	-	-	14,010,616	15,078,708
Investments - Board designated	2,550,430	-	-	2,550,430	2,450,986
Charitable remainder unitrusts	-	126,615	3,853,461	3,980,076	3,691,945
Endowment Assets - Distributable:					
Endowment investments - US Trust	(4,695)	-	3,000,000	2,995,305	-
Endowment investments - Jewish Community Foundation	(149,341)	-	1,000,000	850,659	810,004
Beneficial interest in endowment funds held at Jewish Community Foundation	-	-	1,055,273	1,055,273	-
Beneficial interest in endowment funds held at San Diego Foundation	-	-	-	-	2,861,316
Beneficial interest in perpetual trust held at UC San Diego Foundation	-	-	1,851,375	1,851,375	1,725,972
Total Noncurrent Assets	<u>16,407,010</u>	<u>126,615</u>	<u>10,760,109</u>	<u>27,293,734</u>	<u>26,656,395</u>
<b>TOTAL ASSETS</b>	<u>\$ 20,229,933</u>	<u>\$ 1,082,054</u>	<u>\$ 10,760,109</u>	<u>\$ 32,072,096</u>	<u>\$ 31,349,544</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b> (Notes 2, 11 and 16)					
Accounts payable and accrued expenses	\$ 1,413,022	\$ -	\$ -	\$ 1,413,022	\$ 1,185,016
Deferred revenue	4,654,851	-	-	4,654,851	2,364,948
Current portion of notes payable	278,764	-	-	278,764	-
Total Current Liabilities	<u>6,346,637</u>	<u>-</u>	<u>-</u>	<u>6,346,637</u>	<u>3,549,964</u>
<b>Noncurrent Liabilities:</b> (Note 11)					
Notes payable, net of current portion	1,915,000	-	-	1,915,000	5,043,226
Total Noncurrent Liabilities	<u>1,915,000</u>	<u>-</u>	<u>-</u>	<u>1,915,000</u>	<u>5,043,226</u>
Total Liabilities	<u>8,261,637</u>	<u>-</u>	<u>-</u>	<u>8,261,637</u>	<u>8,593,190</u>
<b>Commitments</b> (Notes 10 and 15)					
<b>Net Assets</b> (Notes 2, 12 and 13)	<u>11,968,296</u>	<u>1,082,054</u>	<u>10,760,109</u>	<u>23,810,459</u>	<u>22,756,354</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 20,229,933</u>	<u>\$ 1,082,054</u>	<u>\$ 10,760,109</u>	<u>\$ 32,072,096</u>	<u>\$ 31,349,544</u>

The accompanying notes are an integral part of the financial statements.

**LA JOLLA PLAYHOUSE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
<b><u>Operating Revenues:</u></b>					
Ticket revenue	\$ 4,599,681	\$ -	\$ -	\$ 4,599,681	\$ 4,897,683
Enhancements	686,217	-	-	686,217	2,642,898
Co-production	531,944	-	-	531,944	100,000
Investment income and distributions, net	461,794	-	-	461,794	77,561
Other income	369,996	-	-	369,996	569,381
Royalties	348,408	-	-	348,408	488,333
Educational programs	256,293	-	-	256,293	207,041
Concessions and gift shop sales	16,061	-	-	16,061	12,215
Total Operating Revenues	<u>7,270,394</u>	<u>-</u>	<u>-</u>	<u>7,270,394</u>	<u>8,995,112</u>
<b><u>Contributions and Public Support:</u></b>					
Contributions	6,493,087	922,676	1,000,000	8,415,763	6,765,546
Special events	1,630,366	-	-	1,630,366	1,588,388
Grants	611,622	-	-	611,622	557,912
Net assets released from restriction	945,255	(945,255)	-	-	-
Total Contributions and Public Support	<u>9,680,330</u>	<u>(22,579)</u>	<u>1,000,000</u>	<u>10,657,751</u>	<u>8,911,846</u>
Total Operating Revenues, Contributions and Public Support	<u>16,950,724</u>	<u>(22,579)</u>	<u>1,000,000</u>	<u>17,928,145</u>	<u>17,906,958</u>
<b><u>Program and Supporting Services:</u></b>					
<b>Program Services</b>	<u>11,895,492</u>	<u>-</u>	<u>-</u>	<u>11,895,492</u>	<u>13,149,713</u>
<b>Supporting Services:</b>					
Management and general	3,200,612	-	-	3,200,612	2,816,097
Fundraising	1,473,831	-	-	1,473,831	1,131,952
Total Supporting Services	<u>4,674,443</u>	<u>-</u>	<u>-</u>	<u>4,674,443</u>	<u>3,948,049</u>
Total Program and Supporting Services	<u>16,569,935</u>	<u>-</u>	<u>-</u>	<u>16,569,935</u>	<u>17,097,762</u>
<b><u>Other Operating Expenses:</u></b>					
Special events	627,871	-	-	627,871	528,325
Restaurant	204,867	-	-	204,867	217,145
Concession and gift shop	14,817	-	-	14,817	20,579
Total Other Operating Expenses	<u>847,555</u>	<u>-</u>	<u>-</u>	<u>847,555</u>	<u>766,049</u>
Total Expenses	<u>17,417,490</u>	<u>-</u>	<u>-</u>	<u>17,417,490</u>	<u>17,863,811</u>
Operating Revenues, Contributions and Public Support Over Expenses	<u>(466,766)</u>	<u>(22,579)</u>	<u>1,000,000</u>	<u>510,655</u>	<u>43,147</u>
<b><u>Other Changes in Net Assets:</u></b>					
Realized and unrealized gains (losses), net	(173,428)	-	200,875	27,447	8,722
Charitable remainder unitrusts	-	3,703	284,428	288,131	(251,859)
Beneficial interest in endowment funds, net	-	-	102,469	102,469	(218,271)
Beneficial interest in perpetual trust, net	-	-	125,403	125,403	(124,753)
Loss on disposal of property and equipment	-	-	-	-	(84,013)
Total Other Changes in Net Assets	<u>(173,428)</u>	<u>3,703</u>	<u>713,175</u>	<u>543,450</u>	<u>(670,174)</u>
Change in Net Assets	(640,194)	(18,876)	1,713,175	1,054,105	(627,027)
Net Assets at Beginning of Year	<u>12,608,490</u>	<u>1,100,930</u>	<u>9,046,934</u>	<u>22,756,354</u>	<u>23,383,381</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 11,968,296</u>	<u>\$ 1,082,054</u>	<u>\$ 10,760,109</u>	<u>\$ 23,810,459</u>	<u>\$ 22,756,354</u>

The accompanying notes are an integral part of the financial statements.

**LA JOLLA PLAYHOUSE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 1,054,105	\$ (627,027)
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	1,200,007	1,210,989
Loss on disposal of property and equipment	-	84,013
Net realized and unrealized losses on investments	(37,812)	154,866
Board designated endowment funds distributions	127,440	133,414
Permanently restricted contributions	(1,000,000)	(1,204,801)
Permanently restricted distributions	69,549	179,415
Permanently restricted income	(782,724)	415,898
<b>Changes in assets and liabilities:</b>		
Receivables, net	978,720	(49,032)
Prepaid production and other assets	(185,212)	(114,196)
Accounts payable and accrued expenses	228,006	336,100
Deferred revenue	2,289,903	(353,161)
Net Cash Provided by Operating Activities	<u>3,941,982</u>	<u>166,478</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment sales/maturities/(purchases), net	(3,225,032)	137,994
Purchase of property and equipment	(131,915)	(152,667)
Charitable remainder unitrusts	(288,131)	251,859
Beneficial interest in endowment funds	1,806,043	(949,941)
Beneficial interest in perpetual trust	(125,403)	124,753
Net Cash Used in Investing Activities	<u>(1,964,438)</u>	<u>(588,002)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Payments on notes payable	(2,849,462)	(943,837)
Permanently restricted contributions	1,000,000	1,204,801
Permanently restricted distributions	(69,549)	(179,415)
Permanently restricted income	782,724	(415,898)
Net Cash Used in Financing Activities	<u>(1,136,287)</u>	<u>(415,898)</u>
Increase (Decrease) in Cash and Cash Equivalents	841,257	(837,422)
Cash and Cash Equivalents at Beginning of Year	<u>2,206,381</u>	<u>3,043,803</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 3,047,638</u>	<u>\$ 2,206,381</u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u>\$ 144,556</u>	<u>\$ 169,887</u>

The accompanying notes are an integral part of the financial statements.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 1 - Organization:**

The Theater and Arts Foundation of San Diego County dba La Jolla Playhouse (the “Playhouse”) is a not-for-profit, professional theatre in residence founded in 1947 by Gregory Peck, Dorothy McGuire and Mel Ferrer. It was revived in 1983 and is now led by Artistic Director Christopher Ashley and Managing Director Michael S. Rosenberg. The Playhouse’s storied production history of new plays and musicals and re-imagined classics includes 90 world premieres and 48 commissions. These productions have merited over 300 major honors, including 35 Tony Awards for productions that have transferred to Broadway and the 1993 Tony Award for Outstanding Regional Theatre. Playhouse-born productions have gone on to Broadway and stages around the world.

La Jolla Playhouse’s mission is to advance theatre as an art form and as a vital social, moral and political platform by providing unfettered creative opportunities for the leading artists of today and tomorrow. With our youthful spirit and eclectic, artist-driven approach we will continue to cultivate a local and national following with an insatiable appetite for audacious and diverse work. In the future, San Diego's La Jolla Playhouse will be considered singularly indispensable to the worldwide theatre landscape as we become a permanent safe harbor for the unsafe and surprising. The day will come when it will be essential to enter the La Jolla Playhouse village in order to get a glimpse of what is about to happen in American theatre.

Our mission and goals are realized through:

- Reaching 100,000+ patrons annually, the Playhouse mainstage season is comprised of six productions each year, including world premieres and new works. Our plays reflect an international range of theatrical styles and subject matters and involve artists and production staff reflective of San Diego’s diverse cultural communities.
- Without Walls (WoW) is the Playhouse’s acclaimed site-specific theatre program designed to break barriers by moving beyond the boundaries of a traditional four-walled theatre space. It gives the Playhouse the opportunity to commission/present site-specific works, and includes a biennial, multi-day festival.
- New Play Development is fulfilled by supporting the creation of new work and developing artists and companies. Programs include Page To Stage (new works are developed throughout their main-stage engagement and allow input from the audience, cast and creative team during nightly talkbacks), DNA New Work Series (the Playhouse provides artists with rehearsal time, space and resources and holds readings and workshops open to the public) and the Artist in Residence Program.
- The Playhouse is dedicated to educational enrichment through the arts, reaching 35,000 people through Education & Outreach programs each year and collaborating with San Diego schools/cultural organizations. The Playhouse commissions a new play for students and tours it to local schools; places theatre artists into schools for in-school residencies and afterschool programs; invites students to engage in on-site professional theatre experiences; provides educational resources for teachers adhering to required curriculum; and provides access opportunities for patrons of all ages.



**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 2 - Significant Accounting Policies:**

**Accounting Method**

The financial statements of the Playhouse have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation**

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted - Resources that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted - Include net assets subject to donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Playhouse in accordance with those specified by the donor. Restricted contributions, investment gains or investment income whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets. Temporarily restricted net assets are increased by gifts for which the donor-imposed restrictions have not yet been met.
- Permanently restricted - Includes net assets restricted by donors for investment in perpetuity. The Playhouse is permitted to expend part or all of the income and appreciation. Once appropriated for spending, investment returns increase unrestricted net assets.

The FASB has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 2 - Significant Accounting Policies: (Continued)**

**Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Playhouse's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in common stock and mutual, index and exchange traded funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments held at Jewish Community Foundation are considered Level 2 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Jewish Community Foundation, since these funds are valued by the fund manager and are not traded in an active market.
- Beneficial interest in charitable remainder unitrusts are considered Level 3 assets and are reported at fair value based on management's assumptions about the expected investment return on the underlying trust assets, an applicable discount rate and the life expectancy of the donor. (Note 7)
- Beneficial interests in endowment funds held at Jewish Community Foundation and San Diego Foundation, are considered Level 3 assets and are reported at the fair value of the underlying assets as reported by the fund manager. (Note 8)
- Beneficial interest in perpetual trust is considered a Level 3 asset which represents the fair value of the underlying assets as reported by the third party trustee. (Note 9)

**Provision for Uncollectible Accounts**

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful other receivables totaled \$68,607 and \$-0- at March 31, 2017 and 2016, respectively. The provision for uncollectible contributions receivable totaled \$25,393 and \$100,000 at March 31, 2017 and 2016, respectively.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 2 - Significant Accounting Policies: (Continued)**

**Capitalization and Depreciation**

The Playhouse capitalizes all expenditures in excess of \$2,000 for property and equipment at cost and has an estimated life of greater than three years, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, the Playhouse reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Playhouse reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and improvements	20 - 30 years
Leasehold improvements	5 - 30 years
Production equipment	5 years
Furniture and equipment	5 years

Depreciation totaled \$1,200,007 and \$1,210,989 for the years ended March 31, 2017 and 2016, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

**Impairment of Real Estate**

The Playhouse reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 and 2016.

**Accrued Vacation**

Accumulated unpaid vacation totaling \$260,348 and \$265,629 at March 31, 2017 and 2016, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 2 - Significant Accounting Policies: (Continued)**

**Revenue and Expense Recognition**

**Ticket Revenue**

Ticket sales are recognized in the statement of activities on a specific-performance basis. Revenues from ticket sales associated with future productions are deferred until the fiscal year in which the production is presented. Deferred revenue from advanced ticket sales totaled \$2,627,995 and \$2,091,277 at March 31, 2017 and 2016, respectively.

**Co-production and Enhancements**

Income received from co-production and enhancements are received from others to expand budgets for specific Playhouse productions. Revenue is recognized when the related production is performed. Deferred co-production and enhancements totaled \$1,950,000 and \$175,000 at March 31, 2017 and 2016, respectively.

**Gift Certificates**

Gift certificates are recognized as revenue when they are redeemed. Unredeemed gift certificates included in deferred revenue totaled \$56,073 and \$56,819 at March 31, 2017 and 2016, respectively.

**Educational and Other Programs or Events**

Income received in advance for educational and other programs or events is deferred and recognized in the period in which the program or event occurs. Educational and other programs or events included in deferred revenue totaled \$20,783 and \$41,852 at March 31, 2017 and 2016, respectively.

**Contributions**

Contributions are recognized when the donor makes a promise to give in writing to the Playhouse that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. When the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 2 - Significant Accounting Policies: (Continued)**

**Operating Expenses**

Costumes, scenery costs and stage properties for productions are charged to expense when incurred. Production costs (labor and materials) relating to future productions are deferred until the year in which the production is presented. Marketing expenses for the Playhouse's programs are charged to expense as incurred. Prepaid production expenses which are included in prepaid production and other assets totaled \$479,597 and \$240,535 at March 31, 2017 and 2016, respectively.

**Donated Services and Support**

The Playhouse utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services meeting the requirements above, totaled \$284,489 and \$343,974 for the years ended March 31, 2017 and 2016, respectively, which have been recorded as contributions revenue and operating expenses in the statement of activities.

The Playhouse received in-kind donations totaling \$128,202 and \$102,957 for the years ended March 31, 2017 and 2016, respectively, which have been recorded as contributions revenue and operating expenses in the statement of activities.

**Allocated Expenses**

Expenses by function have been allocated among program and supporting service classifications on the basis of internal records and estimates made by the Playhouse's management.

**Income Taxes**

The Playhouse is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code except on net income derived from unrelated business activities. The Playhouse did not have any unrelated business activity at March 31, 2017 and 2016. The Playhouse believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Playhouse is not a private foundation.

The Playhouse's Return of Organization Exempt from Income Tax for the years ended March 31, 2017, 2016, 2015 and 2014 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 2 - Significant Accounting Policies: (Continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Playhouse considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Risks and Uncertainties**

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

The Playhouse invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

**Comparative Totals for March 31, 2016**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Playhouse's financial statements for the year ended March 31, 2016, from which the summarized information was derived.

**Subsequent Events**

The Playhouse has evaluated subsequent events through July 7, 2017, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed which are not already disclosed in these notes.

**Reclassification**

The Playhouse has reclassified certain prior year information to conform with the current year presentation.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 3 - Fair Value Measurements:**

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at March 31:

	2017			Balance at March 31, 2017
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual, index and exchange traded funds:				
U.S. equity	\$ 1,921,307	\$ -	\$ -	\$ 1,921,307
Fixed income	1,319,265	-	-	1,319,265
International developed	681,884	-	-	681,884
Emerging markets	321,384	-	-	321,384
Hedge funds specific strategy	206,412	-	-	206,412
Real estate	167,162	-	-	167,162
Commodities	135,272	-	-	135,272
Common stocks:				
U.S. large cap	661,215	-	-	661,215
U.S. mid cap	23,143	-	-	23,143
International developed	18,713	-	-	18,713
Jewish Community Foundation	-	850,659	-	850,659
Charitable remainder unitrusts (Note 7)	-	-	3,980,076	3,980,076
Beneficial interest in endowment funds (Note 8)	-	-	1,055,273	1,055,273
Beneficial interest in perpetual trust (Note 9)	-	-	1,851,375	1,851,375
	<u>\$ 5,455,757</u>	<u>\$ 850,659</u>	<u>\$ 6,886,724</u>	<u>\$ 13,193,140</u>

	2016			Balance at March 31, 2016
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual, index and exchange traded funds:				
U.S. equity	\$ 732,544	\$ -	\$ -	\$ 732,544
Fixed income	722,145	-	-	722,145
International developed	413,474	-	-	413,474
Emerging markets	203,978	-	-	203,978
Hedge funds specific strategy	156,151	-	-	156,151
Real estate	139,507	-	-	139,507
Commodities	47,038	-	-	47,038
Jewish Community Foundation	-	810,004	-	810,004
Charitable remainder unitrusts (Note 7)	-	-	3,691,945	3,691,945
Beneficial interest in endowment funds (Note 8)	-	-	2,861,316	2,861,316
Beneficial interest in perpetual trust (Note 9)	-	-	1,725,972	1,725,972
	<u>\$ 2,414,837</u>	<u>\$ 810,004</u>	<u>\$ 8,279,233</u>	<u>\$ 11,504,074</u>

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in the Notes as indicated above.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 3 - Fair Value Measurements: (Continued)**

The following table represents the Playhouse's Level 3 financial instruments, the valuation techniques used to measure the fair value of the financial instruments, and the significant unobservable inputs and the range of values for those inputs for the years ended March 31:

		2017		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrusts	\$ 3,980,076	Present value of expected cash flows	Investment yield Discount rate	5.865% 2.04% - 3%
Beneficial interest in endowment funds	\$ 1,055,273	Valuation of underlying assets as provided by fund managers	Base Price	N/A
Beneficial interest in perpetual trust	\$ 1,851,375	Valuation of underlying assets as provided by third party trustee	Base Price	N/A

		2016		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrusts	\$ 3,691,945	Present value of expected cash flows	Investment yield Discount rate	5.865% 2.04% - 3.50%
Beneficial interest in endowment funds	\$ 2,861,316	Valuation of underlying assets as provided by fund managers	Base Price	
Beneficial interest in perpetual trust	\$ 1,725,972	Valuation of underlying assets as provided by third party trustee	Base Price	N/A

**Note 4 - Investments:**

Investments consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Mutual, index and exchange traded funds	\$ 4,752,686	\$ 2,414,837
Jewish Community Foundation	850,659	810,004
Common stocks	703,071	-
Money market funds	67,683	13,145
Cash surrender value of life insurance	22,295	23,004
Total Investments	<u>\$ 6,396,394</u>	<u>\$ 3,260,990</u>



**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 4 - Investments: (Continued)**

The Playhouse maintains certain investments at Jewish Community Foundation under a custodial agreement. These funds are classified as permanently restricted for the amounts which must be maintained in perpetuity. The funds held at Jewish Community Foundation are invested in investment pools. The Playhouse funds are invested in the Long Term Pool which invests 58.5% in domestic and international equities, 38% in fixed income and 3.5% in real assets at March 31, 2017.

The following schedule summarizes the investment return for the years ended March 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Interest and dividend income	\$ 83,389	\$ -	\$ -	\$ 83,389	\$ 53,012
Net realized and unrealized gains (losses) on investments	37,812	-	200,875	238,687	(154,866)
Investment fees	<u>(29,824)</u>	-	-	<u>(29,824)</u>	-
Investment Income (Loss)	<u>\$ 91,377</u>	<u>\$ -</u>	<u>\$ 200,875</u>	<u>\$ 292,252</u>	<u>\$ (101,854)</u>

**Note 5 - Contributions Receivable:**

Contributions receivable consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Current:		
Due in less than one year	\$ 794,704	\$ 1,922,509
Less: Provision for uncollectible accounts	<u>(25,393)</u>	<u>(100,000)</u>
Total Current, Net	<u>769,311</u>	<u>1,822,509</u>
Noncurrent:		
Due in one to five years	-	41,042
Less: Discounts to present value	<u>-</u>	<u>(3,578)</u>
Total Noncurrent, Net	<u>-</u>	<u>37,464</u>
Total Contributions Receivable, Net	<u>\$ 769,311</u>	<u>\$ 1,859,973</u>

The contributions receivable have been discounted to their present value using a discount rate of 2.5% at March 31, 2016.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 6 - Property and Equipment:**

Property and equipment consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 3,564,735	\$ 3,564,735
Building and improvements	1,478,125	1,478,125
Leasehold improvements	20,171,419	20,578,385
Production equipment	653,366	641,497
Furniture and equipment	2,117,892	1,819,019
Website development	88,131	-
Subtotal	<u>28,073,668</u>	<u>28,081,761</u>
Less: Accumulated depreciation	<u>(14,063,052)</u>	<u>(13,003,053)</u>
Property and Equipment, Net	<u>\$ 14,010,616</u>	<u>\$ 15,078,708</u>

**Note 7 - Charitable Remainder Unitrusts:**

The Playhouse has been named as the remainder beneficiary of charitable remainder unitrusts (“Unitrusts”) which are reported at fair value. These Unitrusts are established and funded by the donors and provide for a distribution annually to the donors during their lifetimes. Upon the death of the donors, ranging from 15% to 100% of the remaining value of the Unitrusts will be distributed to the Playhouse subject to donor restrictions. The assets held in the Unitrusts totaling \$7,499,929 and \$7,200,522 at March 31, 2017 and 2016, respectively have been discounted to their present values of the remainder interest using discount rates ranging from 2.04% to 3.50% at March 31, 2017 and 2016.

The activity of the Unitrusts consisted of the following for the years ended March 31:

	<u>2017</u>			<u>2016</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Balance at Beginning of Year	\$ 122,912	\$ 3,569,033	\$ 3,691,945	\$ 3,943,804
Change in discount and fair value	<u>3,703</u>	<u>284,428</u>	<u>288,131</u>	<u>(251,859)</u>
Balance at End of Year	<u>\$ 126,615</u>	<u>\$ 3,853,461</u>	<u>\$ 3,980,076</u>	<u>\$ 3,691,945</u>

**Note 8 - Beneficial Interest in Endowment Funds:**

**Jewish Community Foundation**

The Playhouse has a beneficial interest in endowment funds held at Jewish Community Foundation (“JCF”). The funds held at JCF are invested in the Endowment Pool, which invests 55% in domestic and international equities, 10% in fixed income and 5% in real assets consisting of REITS and/or commodities, and in mutual funds which invests in equities and fixed income securities and 30% in multi-strategy investments. These funds are classified as permanently restricted as they must be maintained in perpetuity.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 8 - Beneficial Interest in Endowment Funds: (Continued)**

The activity of the beneficial interest in endowment funds held at JCF consisted of the following for the years ended March 31:

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ -	\$ -
Contribution	1,000,000	-
Investment gains	59,839	-
Investment fees	(4,566)	-
Balance at End of Year	<u>\$ 1,055,273</u>	<u>\$ -</u>

**San Diego Foundation**

The Playhouse had a beneficial interest in endowment funds held at San Diego Foundation (“SDF”), which were classified as permanently restricted as they were required to be maintained in perpetuity. The beneficial interest held at SDF was invested in a portfolio of equity and debt securities, which are structured for long-term return. The assets of the beneficial interest in endowment funds held at SDF were transferred to the Playhouse in August 2016 and are held at US Trust as permanently restricted investments.

The activity of the beneficial interest in endowment funds held at SDF consisted of the following for the years ended March 31:

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 2,861,316	\$ 1,911,375
Contributions	100,000	1,168,212
Investment gains (losses)	50,951	(77,673)
Investment fees	(3,755)	(14,308)
Distributions	-	(126,290)
Transfer to investments	(3,008,512)	-
Balance at End of Year	<u>\$ -</u>	<u>\$ 2,861,316</u>

**Note 9 - Beneficial Interest in Perpetual Trust:**

The Playhouse is a beneficiary of a perpetual trust (the “Trust”). A beneficial interest in a perpetual trust is an arrangement in which the donor establishes and funds a perpetual trust for the benefit of one or more non-profit beneficiaries. The assets are administered and managed by the UC San Diego Foundation, and are invested in a portfolio of equity and debt securities, which are structured for long-term return. Under the terms of the arrangement, the Playhouse has an irrevocable right to receive the investment income earned on the Trust in perpetuity. The Playhouse’s interest in the Trust is recorded at fair value and is classified as permanently restricted.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 9 - Beneficial Interest in Perpetual Trust: (Continued)**

The activity in the beneficial interest in perpetual trust is as follows for the years ended March 31:

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 1,725,972	\$ 1,850,725
Change in fair value	194,952	(58,090)
Distributions	<u>(69,549)</u>	<u>(66,663)</u>
Balance at End of Year	<u>\$ 1,851,375</u>	<u>\$ 1,725,972</u>

**Note 10 - Line-of-Credit:**

The Playhouse has a line-of-credit with Union Bank in the amount of \$1,100,000 with interest at the Wall Street Journal Prime Rate plus 5% (9% at March 31, 2017). The line-of-credit matures on November 30, 2017, and is secured by all assets of the Playhouse. There was no outstanding balance at March 31, 2017 and 2016.

**Note 11 - Notes Payable:**

Notes payable consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Note payable which is held by Northern Trust, N.A in the original amount of \$5,000,000 and bears interest at prime less 1% or LIBOR plus 1.70% both of which include a 1.75% floor rate (4.75% at March 31, 2017), due May 30, 2017. The note is secured by a deed of trust on the Playhouse's real property as well as a Trustee's and the Trustee's spouse's personal assets. The note was paid in full April 2017.	\$ 278,764	\$ 3,128,226
Note payable which is held by Trustee of the Board in the original amount of \$1,800,000 and bears interest at 4.46% per annum, payable annually, with repayments made from restaurant profits, due March 2027. Unsecured. Accrued interest payable totaled \$19,245 and \$19,478 at March 31, 2017 and 2016, respectively.	1,750,000	1,750,000
Note payable which is held by Trustee of the Board in the original amount of \$165,000 and bears interest at 4.24% per annum with repayments made from restaurant profits, due November 2027. Unsecured. Accrued interest payable totaled \$1,725 and \$1,725 at March 31, 2017 and 2016, respectively.	<u>165,000</u>	<u>165,000</u>
Total Notes Payable	2,193,764	5,043,226
Less Current Portion	<u>(278,764)</u>	<u>-</u>
Notes Payable, Net	<u>\$ 1,915,000</u>	<u>\$ 5,043,226</u>

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 11 - Notes Payable: (Continued)**

Future principal payments on the notes payable are as follows:

<u>Years Ended</u> <u>March 31</u>		
2018	\$	278,764
2019		-
2020		-
2021		-
2022		-
Thereafter		<u>1,915,000</u>
	\$	<u><u>2,193,764</u></u>

**Note 12 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Contributions with time restrictions	\$ 394,413	\$ 357,848
Contributions with purpose restrictions	561,026	620,600
Charitable remainder unitrusts	<u>126,615</u>	<u>122,912</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,082,054</u>	<u>\$ 1,101,360</u>

Net assets totaling \$945,255 were released from donor restrictions due to the satisfaction of purpose or time restrictions during the year ended March 31, 2017.

**Note 13 - Endowment Net Assets:**

The Playhouse's endowment was established to provide general support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Playhouse manages its Board designated endowment and has funds held in beneficial interests at Jewish Community Foundation ("JCF") and San Diego Foundation Fund ("SDF") and a beneficial interest in a perpetual trust held at the UC San Diego Foundation ("UCSDF").

The beneficial interest in endowment funds held by the Playhouse, JCF, SDF and UCSDF are managed in accordance with UPMIFA. The investment objectives are to maintain the purchasing power (real value) of the endowment funds. From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Playhouse to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets totaled \$154,036 and \$-0- at March 31, 2017 and 2016, respectively.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 13 - Endowment Net Assets: (Continued)**

Permanently restricted net assets are comprised of:

- The original value of gifts donated to the fund.
- The original value of the Playhouse funds transferred to the fund.
- The original value of subsequent gifts donated to the fund.
- Investment income and realized and unrealized gains and losses on investments.
- Less: Distributions from the fund in accordance with the spending policy

Investment and spending policies have been adopted for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Playhouse endowment funds are invested in a diversified portfolio which is structured for long-term total return. The Playhouse's spending policy is to disburse 4% to 6% of the total portfolio determined annually and payable quarterly.

JCF's endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total return. JCF's spending policy is to disburse 5% of the value of the fund annually, based on a historical average value of the fund. The calculation is based on the average value of the fund for twelve quarters prior to the date of the distribution.

SDF's endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return. SDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

UCSDF endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total return. UCSDF's spending policy is determined annually, based upon endowment principal market value over the last 60 months.

Endowment composition by type of fund at March 31:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds:				
US Trust	\$ (4,695)	\$ -	\$ 3,000,000	\$ 2,995,305
Jewish Community Foundation	(149,341)	-	1,000,000	850,659
Beneficial interest in endowment fund held at JCF	-	-	1,055,273	1,055,273
Beneficial interest in perpetual trust held at UCSDF	-	-	1,851,375	1,851,375
Charitable remainder unitrust	-	-	3,853,461	3,853,461
Board designated reserve funds	2,550,430	-	-	2,550,430
Total	<u>\$ 2,396,394</u>	<u>\$ -</u>	<u>\$ 10,760,109</u>	<u>\$ 13,156,503</u>

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 13 - Endowment Net Assets: (Continued)**

	2016			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor restricted endowment funds:				
Jewish Community Foundation	\$ -	\$ -	\$ 890,613	\$ 890,613
Beneficial interest in endowment funds held at SDF	-	-	2,861,316	2,861,316
Beneficial interest in perpetual trust held at UCSDF	-	-	1,725,972	1,725,972
Charitable remainder unitrust	-	-	3,569,033	3,569,033
Board designated reserve funds	2,450,986	-	-	2,450,986
Total	<u>\$ 2,450,986</u>	<u>\$ -</u>	<u>\$ 9,046,934</u>	<u>\$ 11,497,920</u>

Changes in endowment net assets for the years ended March 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at March 31, 2015	\$ 2,645,663	\$ -	\$ 8,437,446	\$ 11,083,109
Investment loss	(101,854)	-	(357,487)	(459,341)
Contributions	12,872	-	1,204,801	1,217,673
Appropriation of endowment assets for expenditure	<u>(105,695)</u>	<u>-</u>	<u>(237,826)</u>	<u>(343,521)</u>
Endowment Net Assets at March 31, 2016	2,450,986	-	9,046,934	11,497,920
Investment income	100,567	162,753	782,724	1,046,044
Contributions	-	-	1,000,000	1,000,000
Appropriation of endowment assets for expenditure	<u>(155,159)</u>	<u>(162,753)</u>	<u>(69,549)</u>	<u>(387,461)</u>
Endowment Net Assets at March 31, 2017	<u>\$ 2,396,394</u>	<u>\$ -</u>	<u>\$ 10,760,109</u>	<u>\$ 13,156,503</u>

**Note 14 - Lease Income:**

The Playhouse entered into a Food Management Services agreement for the operation of the restaurant, James' Place, which expires January 1, 2020. The monthly rent was \$10,000 per month plus additional rent based on percentage of gross restaurant sales through November 30, 2016. Effective December 1, 2016, the rent is based on a daily rate of \$250 per day when the Playhouse is presenting and \$100 for all other days. Lease income totaled \$99,000 and \$120,000 for the years ended March 31, 2017 and 2016, respectively. The following is a schedule of future minimum payments to be received under the leases:

<u>Year Ended March 31</u>	
2018	\$ 39,500
2019	34,500
2020	25,500
Total	<u>\$ 99,500</u>

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 15- Commitments:**

**Pension Plans**

The Playhouse sponsors a 403(b) pension plan with a discretionary employer match covering substantially all of its nonunion employees. Each employee's total contribution may not exceed the maximum allowable under current regulations. The Playhouse matches 100% of employee contributions up to 3% of compensation. Matching contributions under this plan totaled \$84,637 and \$98,032 for the years ended March 31, 2017 and 2016, respectively.

The Playhouse also participates in pension and health and welfare benefit plans subject to collective bargaining agreements. Amounts contributed to these plans totaled \$419,785 and \$466,452 for the years ended March 31, 2017 and 2016, respectively.

**Office Equipment Lease Agreement**

The Playhouse entered into various lease agreements for office equipment which expire in November 2020. Lease expense totaled \$42,655 and \$43,709 for the years ended March 31, 2017 and 2016, respectively.

**Rental Space Lease Agreement**

The Playhouse has a lease with the University of California, San Diego related to the restaurant that expires May 25, 2019. The monthly rent is \$2,212 plus additional rent based on percentage of gross restaurant sales. Rent expense for the space totaled \$26,542 and \$25,000 for the years ended March 31, 2017 and 2016, respectively.

**Contracts**

The Playhouse entered into a contract with the University of California, San Diego whereby the use of the Mandell Weiss Theatre, the Mandel Weiss Forum Theatre and the Sheila and Hughes Potiker Theatre is shared by the Playhouse and University of California, San Diego's Department and Theatre and Dance. The Playhouse is allowed the use the theatres at no cost. The contract expires in December 31, 2050.

The Playhouse has entered into various contracts for services with employees and independent contractors for future productions and services.

Future annual payment requirements to fulfill the lease agreements and contracts are as follows:

<u>Years Ended</u> <u>March 31</u>	
2018	\$ 137,374
2019	68,989
2020	26,076
2021	6,117
Total	<u>\$ 238,556</u>



**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)**

**Note 15- Commitments: (Continued)**

**Collective Bargaining Agreements**

Substantially all actors, directors, choreographers, designers and musicians employed by the Playhouse are subject to collective bargaining. The League of Resident Theatres (LORT) and the Stage Directors and Choreographers Society, Inc. (SDC) completed negotiations on a new agreement which runs from April 15, 2017 through April 14, 2022 and which governs the terms by which directors and choreographers work in LORT theatres. The agreement between LORT and United Scenic Artists (USA) which covers designers was renegotiated in 2012 and runs through June 30, 2017. The current agreement between LORT and Actors Equity Association will be in effect through February 13, 2022. The agreement between the Playhouse and the musicians' union will be in effect through March 31, 2020.

In October 2015, certain non-union represented Playhouse production employees voted to be represented by International Alliance of Theatrical and Stage Employees (IATSE), Local 122. Since October 2015, members of the Playhouse's management have met regularly with a bargaining committee comprised of the Playhouse's management and representatives from IATSE, Local 122, and the Playhouse's production staff to negotiate a collective bargaining agreement. The collective bargaining agreement was executed January 9, 2017 for a term of 3 years.

**Note 16 - Transactions with University of California, San Diego:**

The Playhouse conducts a significant amount of transactions with the University of California, San Diego ("UCSD"). The Playhouse paid UCSD for joint staff, parking permits, rent and general operations totaling approximately \$651,000 and \$1,259,000 for the years end March 31, 2017 and 2016, respectively with \$363,000 and \$208,000 remaining as a payable at March 31, 2017 and 2016, respectively. The Playhouse also provides services to UCSD during productions performed by University of California, San Diego's Department and Theatre and Dance primarily consisting of staffing and janitorial services totaling approximately \$264,000 and \$438,000 which is included in miscellaneous revenue for the years end March 31, 2017 and 2016, respectively with \$162,000 and \$117,000 remaining as a receivable at March 31, 2017 and 2016, respectively.

**Note 17 - Related Party Transactions:**

As discussed in Note 11, the Playhouse has loan agreements with a Trustee of the Board pursuant to which the Playhouse borrowed \$1,900,000 related to the construction of the restaurant. As discussed in Note 11, the same Trustee and her spouse guaranteed a loan of \$5,000,000 (with a balance of \$278,764 at March 31, 2017).

Contributions and public support revenue includes approximately \$4,532,000 and \$3,324,000 from Trustees of the Board and was provided as an individual gift or through a philanthropic organization or corporate giving program during the years ended March 31, 2017 and 2016, respectively, of which, approximately, \$288,000 and \$902,000 was due from Trustees of the Board at March 31, 2017 and 2016, respectively.

**LA JOLLA PLAYHOUSE**  
**SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
<b>Salaries and Related Expenses:</b>					
Salaries and wages	\$ 4,943,055	\$ 1,693,174	\$ 744,520	\$ 2,437,694	\$ 7,380,749
Other employee benefits	327,889	131,952	70,335	202,287	530,176
Payroll taxes	523,923	127,365	59,869	187,234	711,157
Pension plan expenses	467,843	28,125	8,453	36,578	504,421
Total Salaries and Related Expenses	<u>6,262,710</u>	<u>1,980,616</u>	<u>883,177</u>	<u>2,863,793</u>	<u>9,126,503</u>
<b>Operating Expenses:</b>					
Accounting fees	133,494	136,302	14,962	151,264	284,758
Advertising fees	597,563	20,000	12,964	32,964	630,527
Bad debt	-	-	250	250	250
Computer	516	123,114	-	123,114	123,630
Depreciation	953,688	142,122	10,685	152,807	1,106,495
Dues and subscriptions	6,586	34,550	3,069	37,619	44,205
Equipment rental	128,991	68	-	68	129,059
Equipment rental and maintenance	-	72,963	-	72,963	72,963
In-kind	-	93,125	319,566	412,691	412,691
Insurance	273,390	94,413	5,617	100,030	373,420
Interest	-	59,510	-	59,510	59,510
Legal fees	-	37,922	-	37,922	37,922
License and filing fees	-	1,115	-	1,115	1,115
Meals and entertainment	54,062	40,459	9,753	50,212	104,274
Miscellaneous	231,745	7,064	19,866	26,930	258,675
Office expense	1,118,767	162,837	15,549	178,386	1,297,153
Professional fees	1,301,304	116,493	161,757	278,250	1,579,554
Housing	88,012	-	-	-	88,012
Postage and shipping	103,423	12,203	5,238	17,441	120,864
Printing and publication	312,539	-	5,500	5,500	318,039
Telephone	2,500	33,336	-	33,336	35,836
Travel	183,210	32,400	5,878	38,278	221,488
Utilities	131,236	-	-	-	131,236
Website	11,756	-	-	-	11,756
Total Operating Expenses	<u>5,632,782</u>	<u>1,219,996</u>	<u>590,654</u>	<u>1,810,650</u>	<u>7,443,432</u>
<b>Total Program and Supporting Services Expenses</b>	<u>\$ 11,895,492</u>	<u>\$ 3,200,612</u>	<u>\$ 1,473,831</u>	<u>\$ 4,674,443</u>	<u>\$ 16,569,935</u>