LA JOLLA PLAYHOUSE

FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

Leaf & Cole, LLP
Certified Public Accountants

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FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of La Jolla Playhouse (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of La Jolla Playhouse, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about La Jolla Playhouse's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of La Jolla Playhouse's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about La Jolla Playhouse's ability to continue as a going concern for a reasonable period of time.

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

Leaf & Cole LLP

San Diego, California
November 20, 2023

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LA JOLLA PLAYHOUSE
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022

ASSETS

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets: (Notes 2, 4, 5, 7 and 17)						
Cash and cash equivalents and short-term investments:						
Operating	$ 4,276,139	$ 1,494,727	$ 5,770,866	$ 6,583,156	$ 1,260,737	$ 7,843,893
Reserve	1,408,913	-	1,408,913	1,405,966	-	1,405,966
Receivables, net:						
Contributions	537,702	595,000	1,132,702	734,055	20,000	754,055
Other	91,570	-	91,570	70,603	-	70,603
Prepaid production and other assets	659,447	-	659,447	471,923	-	471,923
Total Current Assets	6,973,771	2,089,727	9,063,498	9,265,703	1,280,737	10,546,440
Noncurrent Assets: (Notes 2 and 4 to 10)						
Contributions receivable, net	-	554,094	554,094	-	188,587	188,587
Property and equipment, net	8,466,047	-	8,466,047	8,828,443	-	8,828,443
Investments - Board designated	46,414,551	-	46,414,551	51,677,702	-	51,677,702
Charitable remainder unitrusts	-	4,295,097	4,295,097	-	4,707,681	4,707,681
Endowment Assets - Distributable:						
Endowment investments - Bank of America	-	14,798,342	14,798,342	-	15,336,193	15,336,193
Endowment investments - Jewish Community Foundation	-	952,817	952,817	-	1,007,104	1,007,104
Beneficial interest in endowment funds held by Jewish Community Foundation	-	1,090,476	1,090,476	-	1,201,631	1,201,631
Beneficial interest in perpetual trust held by UC San Diego Foundation	-	2,352,010	2,352,010	-	2,641,011	2,641,011
Total Noncurrent Assets	54,880,598	24,042,836	78,923,434	60,506,145	25,082,207	85,588,352
TOTAL ASSETS	$ 61,854,369	$ 26,132,563	$ 87,986,932	$ 69,771,848	$ 26,362,944	$ 96,134,792

(Continued)

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

LA JOLLA PLAYHOUSE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities: (Notes 2, 12 and 16)						
Accounts payable and accrued expenses	$ 1,847,016	$ -	$ 1,847,016	$ 1,835,310	$ -	$ 1,835,310
Deferred revenue	3,287,056	-	3,287,056	6,610,389	-	6,610,389
Current portion of noncurrent liabilities	7,705	-	7,705	11,043	-	11,043
Total Current Liabilities	5,141,777	-	5,141,777	8,456,742	-	8,456,742
Noncurrent Liabilities: (Note 12)						
Capital lease obligation, net of current portion	-	-	-	7,705	-	7,705
Total Noncurrent Liabilities	-	-	-	7,705	-	7,705
Total Liabilities	5,141,777	-	5,141,777	8,464,447	-	8,464,447
Commitments and Contingencies (Notes 11 and 16)						
Net Assets: (Notes 2, 13 and 14)						
Without Donor Restrictions:						
Undesignated	10,298,041	-	10,298,041	9,629,699	-	9,629,699
Board designated endowment	46,414,551	-	46,414,551	51,677,702	-	51,677,702
Total Without Donor Restrictions	56,712,592	-	56,712,592	61,307,401	-	61,307,401
With Donor Restrictions:						
Purpose restrictions	-	1,373,229	1,373,229	-	1,020,236	1,020,236
Time restrictions	-	386,333	386,333	-	542,597	542,597
Perpetual in nature	-	24,373,001	24,373,001	-	24,800,111	24,800,111
Total With Donor Restrictions	-	26,132,563	26,132,563	-	26,362,944	26,362,944
Total Net Assets	56,712,592	26,132,563	82,845,155	61,307,401	26,362,944	87,670,345
TOTAL LIABILITIES AND NET ASSETS	$ 61,854,369	$ 26,132,563	$ 87,986,932	$ 69,771,848	$ 26,362,944	$ 96,134,792

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

LA JOLLA PLAYHOUSE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Enhancements	$ 5,175,642	$ -	$ 5,175,642	$ 1,935,000	$ -	$ 1,935,000
Ticket revenue	4,450,354	-	4,450,354	1,682,243	-	1,682,243
Distributions	3,442,700	-	3,442,700	80,778	-	80,778
Royalties	1,499,153	-	1,499,153	818,391	-	818,391
Co-production	325,000	-	325,000	-	-	-
Other income	322,812	-	322,812	174,124	-	174,124
Educational programs	112,689	-	112,689	80,509	-	80,509
Total Operating Revenues	15,328,350	-	15,328,350	4,771,045	-	4,771,045
Contributions and Public Support:						
Contributions	3,240,051	2,353,508	5,593,559	2,791,575	648,030	3,439,605
Grants	3,107,326	96,000	3,203,326	4,813,635	13,000	4,826,635
Special events	1,828,808	226,435	2,055,243	1,809,529	80,000	1,889,529
In-kind contributions	437,332	-	437,332	321,609	-	321,609
Net assets released from restriction	526,443	(526,443)	-	494,285	(494,285)	-
Total Contributions and Public Support	9,139,960	2,149,500	11,289,460	10,230,633	246,745	10,477,378
Total Operating Revenues, Contributions and Public Support	24,468,310	2,149,500	26,617,810	15,001,678	246,745	15,248,423
Expenses:						
Program Services	17,487,895	-	17,487,895	9,844,283	-	9,844,283
Supporting Services:						
Management and general	3,972,610	-	3,972,610	3,376,778	-	3,376,778
Fundraising	2,281,178	-	2,281,178	1,863,278	-	1,863,278
Total Supporting Services	6,253,788	-	6,253,788	5,240,056	-	5,240,056
Total Expenses	23,741,683	-	23,741,683	15,084,339	-	15,084,339
Operating Revenues, Contributions and Public Support Over Expenses	726,627	2,149,500	2,876,127	(82,661)	246,745	164,084

(Continued)

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

LA JOLLA PLAYHOUSE
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Other Changes in Net Assets:						
Investment (loss) gain, net	$ (5,321,436)	$ (1,567,140)	$ (6,888,576)	$ 2,516,426	$ 695,455	$ 3,211,881
Beneficial interest in perpetual trust, net	-	(289,002)	(289,002)	-	213,304	213,304
Beneficial interest in endowment funds, net	-	(111,155)	(111,155)	-	44,897	44,897
Charitable remainder unitrusts	-	(412,584)	(412,584)	-	(9,883)	(9,883)
Total Other Changes in Net Assets	(5,321,436)	(2,379,881)	(7,701,317)	2,516,426	943,773	3,460,199
Change in Net Assets	(4,594,809)	(230,381)	(4,825,190)	2,433,765	1,190,518	3,624,283
Net Assets at Beginning of Year	61,307,401	26,362,944	87,670,345	58,873,636	25,172,426	84,046,062
NET ASSETS AT END OF YEAR	$ 56,712,592	$ 26,132,563	$ 82,845,155	$ 61,307,401	$ 26,362,944	$ 87,670,345

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

LA JOLLA PLAYHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:					
Salaries and wages	$ 7,173,080	$ 2,320,618	$ 902,747	$ 3,223,365	$ 10,396,445
Other employee benefits	1,067,304	166,643	62,143	228,786	1,296,090
Payroll taxes	680,554	173,953	69,256	243,209	923,763
Pension plan expenses	382,066	47,222	14,332	61,554	443,620
Total Salaries and Related Expenses	9,303,004	2,708,436	1,048,478	3,756,914	13,059,918
Operating Expenses:					
Administrative expenses	240,761	624,814	25,089	649,903	890,664
Advertising	575,850	-	20,450	20,450	596,300
Artist creative fees	1,553,289	-	-	-	1,553,289
Depreciation	1,119,979	126,524	1,514	128,038	1,248,017
Equipment rental	84,358	34,877	-	34,877	119,235
In-kind	-	-	437,332	437,332	437,332
Insurance	423,911	211,055	7,610	218,665	642,576
Leased facilities	50,655	-	-	-	50,655
Meals and entertainment	121,031	21,057	72,577	93,634	214,665
Professional fees	181,363	202,563	160,903	363,466	544,829
Program materials	2,476,386	-	-	-	2,476,386
Special events	-	-	497,652	497,652	497,652
Travel and accomodation	1,357,308	43,284	9,573	52,857	1,410,165
Total Operating Expenses	8,184,891	1,264,174	1,232,700	2,496,874	10,681,765
Total Expenses	$ 17,487,895	$ 3,972,610	$ 2,281,178	$ 6,253,788	$ 23,741,683

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

LA JOLLA PLAYHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2022

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:					
Salaries and wages	$ 4,037,099	$ 2,175,901	$ 723,263	$ 2,899,164	$ 6,936,263
Other employee benefits	540,663	165,503	56,730	222,233	762,896
Payroll taxes	393,027	157,808	56,342	214,150	607,177
Pension plan expenses	185,702	47,310	16,960	64,270	249,972
Total Salaries and Related Expenses	5,156,491	2,546,522	853,295	3,399,817	8,556,308
Operating Expenses:					
Administrative expenses	189,309	396,981	40,668	437,649	626,958
Advertising	361,670	-	12,103	12,103	373,773
Artist creative fees	887,581	-	-	-	887,581
Depreciation	1,072,545	121,021	1,514	122,535	1,195,080
Equipment rental	11,317	22,057	-	22,057	33,374
In-kind	-	-	321,609	321,609	321,609
Insurance	182,346	136,841	4,788	141,629	323,975
Leased facilities	19,581	-	-	-	19,581
Meals and entertainment	64,750	8,946	53,174	62,120	126,870
Professional fees	173,783	110,706	97,398	208,104	381,887
Program materials	1,179,674	-	-	-	1,179,674
Special events	-	-	472,604	472,604	472,604
Travel and accomodation	545,236	33,704	6,125	39,829	585,065
Total Operating Expenses	4,687,792	830,256	1,009,983	1,840,239	6,528,031
Total Expenses	$ 9,844,283	$ 3,376,778	$ 1,863,278	$ 5,240,056	$ 15,084,339

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

LA JOLLA PLAYHOUSE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ (4,825,190)	$ 3,624,283
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,248,017	1,195,080
Net realized and unrealized loss (gain) on investments	4,957,838	(2,036,329)
Appropriation of endowment earnings	3,442,700	80,778
Endowment contributions	(1,936,745)	-
Endowment investment loss (gain)	1,337,158	(336,926)
Changes in assets and liabilities:		
Receivables, net	(765,121)	(28,879)
Prepaid production and other assets	(187,524)	(4,611)
Accounts payable and accrued expenses	11,706	616,593
Deferred revenue	(3,323,333)	2,718,603
Net Cash (Used in) Provided by Operating Activities	(40,494)	5,828,592
Cash Flows From Investing Activities:		
Investment sales/maturities/(purchases), net	897,320	(1,709,704)
Purchase of property and equipment	(885,621)	(162,964)
Change in fair value of charitable remainder unitrusts	412,584	9,883
Change in fair value of benefical interest in endowment funds	111,155	(44,897)
Change in fair value benefical interest in perpetual trust	289,001	(213,304)
Net Cash Provided by (Used in) Investing Activities	824,439	(2,120,986)
Cash Flows From Financing Activities:		
Payments on capital lease obligation	(11,043)	(10,453)
Endowment contributions	1,936,745	-
Endowment distributions	(3,442,700)	(80,778)
Endowment investment (loss) gain	(1,337,158)	336,926
Net Cash (Used in) Provided by Financing Activities	(2,854,156)	245,695
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash	(2,070,211)	3,953,301
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	9,157,859	5,204,558
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 7,087,648	$ 9,157,859

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

Note 1 - Organization:

The Theater and Arts Foundation of San Diego County dba La Jolla Playhouse (the "Playhouse") is a place where artists and audiences come together to create what's new and next in American Theatre. From Tony Award- winning plays and musicals to imaginative programs for young audiences, to interactive experiences outside our theatre walls, the Playhouse brings people together to inspire discussion and open pathways to new ways of thinking. A visit to the Playhouse is an invitation to harness the transformative power of theatre to explore the here and now – and together, expand our world's compassion, understanding, and hope.

Founded in 1947 by Gregory Peck, Dorothy McGuire, and Mel Ferrer, the Playhouse was revived in 1983, and is currently led by 2017 Tony Award-winning Artistic Director Christopher Ashley and Managing Director Debby Buchholz. Playhouse artists and audiences have taken part in the development of new plays and musicals, including mounting 114 world premieres, commissioning 67 new works, and sending 33 productions to Broadway, garnering a total of 38 Tony Awards including the 1993 Tony Award for Outstanding Regional Theatre.

La Jolla Playhouse's mission is to advance theatre as an art form, telling stories that inspire empathy and create a dialogue toward a more just future. With our intrepid spirit and eclectic, artist-driven approach we will continue to cultivate a local, national and global following with an insatiable appetite for audacious work.

We provide unfettered creative opportunities for a community of artists of all backgrounds and abilities. We are committed to being a permanent safe harbor for unsafe and surprising work, offering a glimpse of the new and the next in American theatre.

Our mission and goals are realized through:

- Reaching 100,000+ patrons annually, the Playhouse's subscription season is comprised of six productions each year, including world premieres and new works, as well as reimagined classics. Our plays reflect a diverse range of voices, theatrical styles, and subject matter, and involve artists and production staff reflective of San Diego's multicultural communities.

- Without Walls (WOW) is the Playhouse's acclaimed immersive and site-inspired theatre program designed to break barriers by moving beyond the boundaries of a traditional four-walled theatre space. The Playhouse regularly commissions and presents site-specific works, as well as its popular WOW Festival.

- New Play Development is fulfilled by supporting the creation of new work and developing artists and companies through such programs as Page To Stage (a full production that allows input from the audience throughout the run during nightly talkbacks); DNA New Work Series (providing artists with rehearsal time, space, and resources, and holding readings and workshops open to the public); a robust commissioning program, the Artist-in-Residence Program (a multi-month residency where artists can develop new projects); and the Theatre-in-Residence Program (a multi-year residency for San Diego- area companies without a permanent home).

Note 1 - Organization: (Continued)

- The Playhouse is dedicated to educational enrichment through the arts, reaching 35,000 people annually through Education & Outreach programs and partnering with San Diego schools/cultural organizations. The Playhouse commissions a new play for students each year 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 training and other educational resources for teachers adhering to standards-based curricula; and provides access opportunities for patrons of all ages. We offer engaging and rigorous summer programming for students in 3rd-12th grade, including technical theatre training and a Conservatory for High School Students. Additionally, the Playhouse invites adult lifelong learners through our Spotlight On program to collaborate in classes in acting, improvisation, musical theatre, and technical theatre.

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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 statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in certificates of deposit, common stocks 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 ("JCF") 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, JCF, 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 8)
- Beneficial interests in endowment funds held by JCF are considered Level 3 assets, and are reported at the fair value of the underlying assets as reported by the fund manager. (Note 9)
- 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 10)

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 $2,410 at March 31, 2023 and 2022. The provision for uncollectible contributions receivable totaled $9,950 and $10,000 at March 31, 2023 and 2022, respectively.

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 support without donor restrictions, 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 support with donor restrictions. Absent donor stipulations regarding how 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 net assets with donor restrictions to net assets without donor restrictions at that time.

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

Building and improvements	15 - 30 years
Leasehold improvements	5 - 30 years
Production equipment	5 years
Furniture and equipment	3 - 5 years

Depreciation totaled $1,248,017 and $1,195,080 for the years ended March 31, 2023 and 2022, 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 2023 and 2022.

Accrued Vacation

Accumulated unpaid vacation totaling $464,675 and $470,045 at March 31, 2023 and 2022, respectively, is accrued when incurred, and included in accounts payable and accrued expenses.

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 $2,573,174 and $1,818,219 at March 31, 2023 and 2022, 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 $540,000 and $2,205,000 at March 31, 2023 and 2022, respectively.

Royalties

Royalties represent revenue earned under agreements with other performing arts-related entities from the performance of specific productions that were originally developed, produced or created by the Playhouse. Revenue is recognized as others perform the productions as the Playhouse's performance obligation for the provision of the rights to use of its production is completed.

Gift Certificates

Gift certificates are recognized as revenue when they are redeemed. Unredeemed gift certificates included in deferred revenue totaled $160,564 and $152,997 at March 31, 2023 and 2022, 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 $13,318 and $15,496 at March 31, 2023 and 2022, respectively.

Contributions

Contributions are recognized when the donor makes a promise to give to the Playhouse that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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.

Note 2 - Significant Accounting Policies: (Continued)

Revenue and Expense Recognition (Continued)

Grants

On July 14, 2021, the Playhouse was awarded a Shuttered Venue Operators Grant ("SVOG") from the U.S. Small Business Administration ("SBA") in the amount of $2,010,457 and received the funding on July 19, 2021. On September 24, 2021, the Playhouse was awarded a supplemental SVOG from the SBA in the amount of $1,901,858 and received the funding on November 5, 2021. This cost-reimbursement federal grant is eligible to cover expenses for the period of March 20, 2020 through June 30, 2022. As a condition to receiving distributions, grant recipients must agree to certain terms and conditions, including, among other things, that the funds are being used for eligible expenses as defined by the SBA. SVOG payments are recorded as deferred revenue upon receipt of the SVOG funding from the SBA. Grant revenue is recognized to the extent that eligible expenses have been incurred. The Playhouse incurred $624,920 and $3,287,395 of eligible expenses during the year end March 31, 2023 and 2022, respectively, and thus recognized the $624,920 and $3,287,395 as grant revenue during the year end March 31, 2023 and 2022, respectively. The remaining SVOG funding totaling $-0- and $624,920 that was not used for eligible expenses were reported as and included in deferred revenue at March 31, 2023 and 2022, respectively.

Contributed Units in a Limited Partnership

On December 31, 2019, the Playhouse received contributed units in a limited partnership. The Playhouse owns less than a 20-percent interest in the partnership and has no voting rights. The income from the limited partnership, which is not guaranteed, will be recognized as distributions are received by the Playhouse. The Playhouse received cash distributions of $965,650 and $721,074 for the years ended March 31, 2023 and 2022, respectively.

Operating Expenses

Production costs (labor and materials) and marketing expenses relating to future productions are deferred until the year in which the production is presented. Prepaid production and marketing expenses which are included in prepaid production and other assets totaled $388,381 and $352,740 at March 31, 2023 and 2022, 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 $377,925 and $264,183 for the years ended March 31, 2023 and 2022, respectively, which have been recorded as in-kind contributions and operating expenses in the statements of activities.

The Playhouse received in-kind donations totaling $59,407 and $57,426 for the years ended March 31, 2023 and 2022, respectively, which have been recorded as in-kind contributions and operating expenses in the statements of activities.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Support (Continued)

The following table summarizes donated services and goods measured at fair value received for the years ended March 31:

2023				
Items Donated	**Revenue Recognized**	**Utilization in Programs/Activities**	**Donor Restrictions**	**Valuation Techniques and Inputs**
Rental equipment and design services	$373,650	Program services and fundraising	No associated donor restrictions	Donated services from consultants are valued at the estimated fair value based on current rates for similar services.
Food and catering	$45,015	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Flowers	$12,000	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Advertising	$2,650	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Supplies	$2,392	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Video editing and photography services	$1,625	Program services and fundraising	No associated donor restrictions	Donated services from consultants are valued at the estimated fair value based on current rates for similar services.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Support (Continued)

2022				
Items Donated	**Revenue Recognized**	**Utilization in Programs/Activities**	**Donor Restrictions**	**Valuation Techniques and Inputs**
Rental equipment and design services	$255,309	Program services and fundraising	No associated donor restrictions	Donated services from consultants are valued at the estimated fair value based on current rates for similar services.
Food and catering	$33,010	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Video editing and photography services	$16,650	Program services and fundraising	No associated donor restrictions	Donated services from consultants are valued at the estimated fair value based on current rates for similar services.
Flowers	$8,300	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Training classes	$5,000	General and administrative	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Legal services	$1,890	General and administrative	No associated donor restrictions	Donated services from attorneys are valued at the estimated fair value based on current rates for similar legal services.
DJ services	$1,450	Program services and fundraising	No associated donor restrictions	Donated services from consultants are valued at the estimated fair value based on current rates for similar services.

Note 2 - Significant Accounting Policies: (Continued)

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses that are allocated include administrative expenses, artistic creative fees, depreciation, insurance, professional fees, program materials, salaries and wages, employee benefits, and payroll taxes which are allocated based on estimates of time and effort spent by each employee allocated to the program or supporting function. The percentage of total salaries of the program or supporting function is used to allocate expenses.

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, 2023 and 2022. 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, 2023, 2022, 2021, and 2020 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements 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. Cash and cash equivalents that are donor-restricted or board designated funds are held for long-term purposes and are not included in cash and cash equivalents. Certificates of deposits and treasury bills that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity. The following is a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows at March 31:

	2023	2022
Cash and cash equivalents and restricted cash:		
Operating	$ 5,678,735	$ 7,751,890
Reserve	1,408,913	1,405,966
Total Cash and Cash Equivalents and Restricted Cash	$ 7,087,648	$ 9,157,856

Note 2 - Significant Accounting Policies: (Continued)

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 statements of financial position.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Playhouse is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Playhouse's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Playhouse's donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Playhouse's financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Reclassification

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

Subsequent Events

The Playhouse has evaluated subsequent events through November 20, 2023, 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.

Accounting Pronouncements Adopted

In September 2020, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958).* ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. There were no changes to the Playhouse's financial position nor changes to net assets upon adoption of the new standard. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements. This standard is applied on a modified retrospective basis. FASB ASC 842 was adopted April 1, 2022 with certain practical expedients available. The adoption had no material impact on the 2022 financial statements.

Note 3 - Liquidity and Availability

The Playhouse regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Playhouse considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated reserve funds, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Playhouse considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at March 31:

	2023	2022
Cash and cash equivalents, net of reserves	$ 5,770,866	$ 7,843,893
Contributions receivable, net	1,132,702	754,055
Less: Contributions receivable endowment	(500,000)	-
Other receivables	91,570	70,603
Endowment distributions	3,281,000	2,976,000
Financial assets available to meet cash needs for general expenditures within one year	$ 9,776,138	$ 11,644,551

In addition to financial assets available to meet general expenditures over the next 12 months, the Playhouse utilizes short-term financing through its line-of-credit, with available borrowings of $1,100,000 as described in Note 11. The Playhouse operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Playhouse's governing board has designated $46,414,551 of its resources without donor restrictions for reserves and a board-designated endowment fund. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Trustees.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments are available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 14.

Note 4 - Fair Value Measurements:

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

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2023
Mutual and exchange traded funds	$ 51,451,219	$ -	$ -	$ 51,451,219
Stock	5,782,183	-	-	5,782,183
Hedge funds	-	-	1,699,949	1,699,949
Private equity	-	-	676,773	676,773
Jewish Community Foundation	-	952,817	-	952,817
Charitable remainder unitrusts (Note 8)	-	-	4,295,097	4,295,097
Beneficial interest in endowment funds (Note 9)	-	-	1,090,476	1,090,476
Beneficial interest in perpetual trust (Note 10)	-	-	2,352,010	2,352,010
	$ 57,233,402	$ 952,817	$ 10,114,305	$ 68,300,524

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2022
Mutual and exchange traded funds	$ 55,675,956	$ -	$ -	$ 55,675,956
Stock	7,024,604	-	-	7,024,604
Hedge funds	-	-	1,709,118	1,709,118
Private equity	-	-	368,020	368,020
Jewish Community Foundation	-	1,007,104	-	1,007,104
Charitable remainder unitrusts (Note 8)	-	-	4,707,681	4,707,681
Beneficial interest in endowment funds (Note 9)	-	-	1,201,631	1,201,631
Beneficial interest in perpetual trust (Note 10)	-	-	2,641,011	2,641,011
	$ 62,700,560	$ 1,007,104	$ 10,627,461	$ 74,335,125

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.

Note 4 - 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:

2023

Instrument		Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Hedge funds	$	1,699,949	Valuation of underlying assets as provided by fund managers	Base price	N/A
Private equity	$	676,773	Valuation of underlying assets as provided by fund managers	Base price	N/A
				Investment yield	0.0%
Charitable remainder unitrusts	$	4,295,097	Present value of expected cash flows	Discount rate	2.04% - 3.0%
Beneficial interest in endowment funds	$	1,090,476	Valuation of underlying assets as provided by fund managers	Base price	N/A
Beneficial interest in perpetual trust	$	2,352,010	Valuation of underlying assets as provided by third-party trustee	Base price	N/A

2022

Instrument		Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Hedge funds	$	1,709,118	Valuation of underlying assets as provided by fund managers	Base price	N/A
Private equity	$	368,020	Valuation of underlying assets as provided by fund managers	Base price	N/A
				Investment yield	0.0%
Charitable remainder unitrusts	$	4,707,681	Present value of expected cash flows	Discount rate	2.04% - 3.0%
Beneficial interest in endowment funds	$	1,201,631	Valuation of underlying assets as provided by fund managers	Base price	N/A
Beneficial interest in perpetual trust	$	2,641,011	Valuation of underlying assets as provided by third-party trustee	Base price	N/A

Note 5 - Contributions Receivable:

Contributions receivable consist of the following at March 31:

	2023	2022
Current:		
Due in less than one year	$ 1,142,652	$ 764,055
Less: Provision for uncollectible accounts	(9,950)	(10,000)
Total Current, Net	1,132,702	754,055
Noncurrent:		
Due in one-to-five years	600,000	200,000
Less: Discounts to present value	(45,906)	(11,413)
Total Noncurrent, Net	554,094	188,587
Total Contributions Receivable, Net	$ 1,686,796	$ 942,642

The contributions receivable have been discounted to their present value using a discount rate of 4.06% at March 31, 2023 and a discount rate ranging from 2.28% to 2.45% at March 31, 2022.

Note 6 - Property and Equipment:

Property and equipment consist of the following at March 31:

	2023	2022
Land	$ 3,564,735	$ 3,564,735
Building and improvements	1,478,125	1,478,125
Leasehold improvements	20,870,067	20,235,668
Production equipment	1,802,874	1,567,650
Furniture and equipment	1,088,217	1,032,011
Work in progress	-	40,208
Subtotal	28,804,018	27,918,397
Less: Accumulated depreciation	(20,337,971)	(19,089,954)
Property and Equipment, Net	$ 8,466,047	$ 8,828,443

Note 7 - Investments:

Investments consist of the following at March 31:

	2023	2022
Mutual, index, and exchange traded funds	$ 51,451,219	$ 55,675,956
Money market funds	1,574,984	2,209,360
Common stocks	5,782,183	7,024,604
Hedge funds	1,699,949	1,709,118
Private equity	676,773	368,020
Jewish Community Foundation	952,817	1,007,104
Cash surrender value of life insurance	27,785	26,837
Total Investments	$ 62,165,710	$ 68,020,999

Note 7 - Investments: (Continued)

The Playhouse maintains certain investments at JCF under a custodial agreement. These funds are classified as perpetual in nature for the amounts which must be maintained in perpetuity. The funds held at JCF are invested in investment pools. The Playhouse funds are invested in the Long-Term ESG Focused Pool, which invests 76% in domestic and international equities and 26% in fixed income at March 31, 2023.

Investments are classified as follows in the statements of financial position at March 31:

	2023	2022
Investments – Board designated	$ 46,414,551	$ 51,677,702
Endowment investments – Bank of America	14,798,342	15,336,193
Endowment investments – Jewish Community Foundation	952,817	1,007,104
Total Investments	$ 62,165,710	$ 68,020,999

The following schedule summarizes the investment return on investments and interest-bearing accounts for the years ended March 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 1,148,981	$ 368,426	$ 1,517,407
Net realized and unrealized loss	(3,709,872)	(1,247,966)	(4,957,838)
Investment fees	(178,216)	(52,333)	(230,549)
Endowment fund	(2,807,433)	(635,267)	(3,442,700)
Total Investment Loss and Distributions	$ (5,546,540)	$ (1,567,140)	$ (7,113,680)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 1,097,551	$ 364,655	$ 1,462,206
Net realized and unrealized gain	1,815,273	382,612	2,197,885
Investment fees	(190,452)	(51,812)	(242,264)
Endowment fund	(80,778)	-	(80,778)
Total Investment Income and Distributions	$ 2,641,594	$ 695,455	$ 3,337,049

Note 8 - 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 $6,879,421 and $7,810,013 at March 31, 2023 and 2022, respectively, have been discounted to their present values of the remainder interest using discount rates ranging from 2.04% to 3.00%, at March 31, 2023 and 2022, respectively.

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

	2023	2022
Balance at Beginning of Year	$ 4,707,681	$ 4,717,564
Change in discount and fair value	(412,584)	(9,883)
Balance at End of Year	$ 4,295,097	$ 4,707,681

Note 9 - Beneficial Interest in Endowment Funds:

The Playhouse has a beneficial interest in endowment funds held by JCF. The funds held by JCF are invested in the Endowment Pool, which invests 47% in domestic and international equities, 25% in fixed income, 15% private assets, and 13% hedge funds. These funds are classified as perpetual in nature and they must be maintained in perpetuity.

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

	2023	2022
Balance at Beginning of Year	$ 1,201,631	$ 1,156,734
Investment (loss) gain	(47,340)	51,786
Investment fees	(7,831)	(6,889)
Distributions	(55,984)	-
Balance at End of Year	$ 1,090,476	$ 1,201,631

Note 10 - 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 ("UCSDF") 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 perpetual in nature.

Note 10 - Beneficial Interest in Perpetual Trust: (Continued)

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

	2023	2022
Balance at Beginning of Year	$ 2,641,011	$ 2,427,707
Change in fair value	(202,978)	294,082
Distributions	(86,023)	(80,778)
Balance at End of Year	$ 2,352,010	$ 2,641,011

Note 11 - 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 (8.00% at March 31, 2023). The line-of-credit matures on September 27, 2024. Secured by all assets of the Playhouse. There was no outstanding balance at March 31, 2023 and 2022.

Note 12 - Capital Lease Obligation:

The Playhouse leases equipment under a capital lease expiring in November 2023. The economic substance of the lease is that the Playhouse is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Playhouse's assets and liabilities. The leased property under the capital lease consists of the following at March 31:

	2023	2022
Cost	$ 51,472	$ 51,472
Less: Accumulated depreciation	(44,609)	(34,312)
Net Book Value	$ 6,863	$ 17,160

Future minimum capital lease payments are as follows:

Years Ended March 31	
2024	$ 7,866
Less: Amount representing interest	(161)
Capital Lease Obligation	$ 7,705

Note 13 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of the following at March 31:

	2023	2022
Subject to Expenditure for Specified Purpose:		
Contributions with purpose restrictions	$ 1,373,229	$ 1,020,236
Total Subject to Expenditure for Specified Purpose	1,373,229	1,020,236
Subject to the Passage of Time:		
Contributions with time restrictions	308,848	449,088
Charitable remainder unitrust	77,485	93,509
Total Subject to the Passage of Time	386,333	542,597
Perpetual in Nature:		
Endowments (Note 14)	24,373,001	24,800,111
Total Net Assets with Donor Restrictions	$ 26,132,563	$ 26,362,944

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended March 31:

	2023	2022
Purpose Restrictions Accomplished:		
Education and training	$ 132,332	$ 149,800
Innovation night	55,000	15,000
Production	44,660	-
GALA	25,000	25,000
Artistic enrichment	8,951	10,000
Total Purpose Restrictions Accomplished	265,943	199,800
Time Restrictions Fulfilled	260,500	294,485
Total Net Assets Released from Restrictions	$ 526,443	$ 494,285

Note 14 - 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 JCF and a beneficial interest in a perpetual trust held at UCSDF.

The beneficial interest in endowment funds held by the Playhouse, JCF, and UCSDF are managed in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 ("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.

Note 14 - Endowment Net Assets: (Continued)

The Playhouse considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Playhouse has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Playhouse has underwater endowment funds totaling $47,183 and $-0- at March 31, 2023 and 2022, respectively.

Net assets with donor restrictions in perpetuity 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 investment policy includes an endowment distribution rate of up to 5% of the endowment funds market value over a rolling twelve-quarter average with distributions 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.

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.

Note 14 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at March 31:

	2023			
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Donor-restricted endowment funds:				
Bank of America	$ -	$ 2,118,418	$ 12,679,924	$ 14,798,342
Jewish Community Foundation	-	-	952,817	952,817
Beneficial interest in endowment fund	-	-	1,090,476	1,090,476
Beneficial interest in perpetual trust held by UCSDF	-	-	2,352,010	2,352,010
Charitable remainder unitrust	-	-	4,217,611	4,217,611
Board-designated reserve funds	46,414,551	-	-	46,414,551
Endowment pledge receivable	-	-	961,745	961,745
Total	$ 46,414,551	$ 2,118,418	$ 22,254,583	$ 70,787,552

	2022			
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Donor-restricted endowment funds:				
Bank of America	$ -	$ 2,996,003	$ 12,340,190	$ 15,336,193
Jewish Community Foundation	-	7,104	1,000,000	1,007,104
Beneficial interest in endowment fund	-	-	1,201,631	1,201,631
Beneficial interest in perpetual trust held by UCSDF	-	-	2,641,011	2,641,011
Charitable remainder unitrust	-	-	4,614,171	4,614,171
Board-designated reserve funds	51,677,702	-	-	51,677,702
Total	$ 51,677,702	$ 3,003,107	$ 21,797,003	$ 76,477,812

Note 14 - Endowment Net Assets: (Continued)

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

	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at March 31, 2021	$ 49,142,935	$ 2,312,231	$ 21,540,855	$ 72,996,021
Investment income	2,514,767	690,876	336,926	3,542,569
Contributions	20,000	-	-	20,000
Appropriation of endowment assets for expenditure	-	-	(80,778)	(80,778)
Endowment Net Assets at March 31, 2022	$ 51,677,702	$ 3,003,107	$ 21,797,003	$ 76,477,812
Investment (loss) income	(2,714,444)	(249,422)	(1,337,158)	(4,301,024)
Contributions	116,719	-	1,936,745	2,053,464
Appropriation of endowment assets for expenditure	(2,665,426)	(635,267)	(142,007)	(3,442,700)
Endowment Net Assets at March 31, 2023	$ 46,414,551	$ 2,118,418	$ 22,254,583	$ 70,787,552

Note 15 - Lease Income:

The Playhouse entered into a Food Management Services agreement for the operation of the restaurant, James' Place. During the term of the agreement James' Place shall pay the Playhouse 5% of monthly gross sales on all items sold by James' Place on the premise of the Playhouse. Beginning in March 2020, the Playhouse has provided COVID-19 rent relief to James' Place restaurant by waiving the base rent until January 1, 2021. The base rent was also abated from the period commencing September 1, 2022 through April 30, 2023. The term of the agreement set to expire June 24, 2023 has been extended for two six-month terms through June 24, 2024. Lease income totaled $5,443 and $5,927 for the years ended March 31, 2023 and 2022, respectively.

Note 16 - Commitments and Contingencies:

Pension Plans

The Playhouse sponsors a 403(b) pension plan with a discretionary employer match covering substantially all of its non-union 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 $106,133 and $105,574 for the years ended March 31, 2023 and 2022, respectively.

The Playhouse also participates in pension and health and welfare benefit plans subject to collective bargaining agreements. Amounts contributed to these plans totaled $1,245,147 and $544,524 for the years ended March 31, 2023 and 2022, respectively.

Note 16 - Commitments and Contingencies: (Continued)

Rental Space Lease Agreement

The Playhouse has a lease with the University of California, San Diego ("UCSD") related to the restaurant that was amended in September 2021. The term of the lease was extended for forty-nine months commencing May 25, 2019 and ending June 24, 2023. The monthly rent is based on 5% of monthly gross restaurant sales. Due to COVID-19, UCSD has provided rent relief to the Playhouse by waiving the rent for the months of April 2020 through December 2020 with rent resuming January 1, 2021. The term of the lease set to expire June 24, 2023 has been extended through June 24, 2024. Rent expense for the space totaled $14,449 and $5,927 for the years ended March 31, 2023 and 2022, respectively.

Contracts

The Playhouse entered into a contract with the UCSD, 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 UCSD's Department of Theatre and Dance. The Playhouse is allowed the use the theatres at no cost. The contract expires on 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:

Years Ended March 31		
2024	$	967,703
2025		424,381
2026		314,584
Total	$	1,706,668

Consolidated Appropriations Act Paycheck Protection Program

In April 2021, the Playhouse received a loan totaling $1,793,257 from the SBA under the CARES Act Paycheck Protection Program ("PPP2"). The loan is forgivable to the extent that the Playhouse meets the terms and conditions of the PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due in April 2026. The Playhouse has included the loan totaling $-0- and $1,793,257 in deferred revenue at March 31, 2023 and 2022, respectively. The loan balance of $1,793,257 was forgiven by the SBA and recognized as revenue on October 25, 2022.

Note 16 - Commitments and Contingencies: (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") agreement runs from April 15, 2017 through April 14, 2022 and has been extended for one year with no changes to terms and wages were frozen through April 14, 2023. On July 7, 2022, the agreement was extended for a second time for one year through April 14, 2024 with increases to health payments and fee payments. This agreement governs the terms by which directors and choreographers work in LORT theatres.

The Agreement between LORT and United Scenic Artists ("USA") which covers designers runs from July 11, 2017 through June 30, 2022, has been extended for one year with no changes to terms and wages were frozen through June 30, 2023. On October 22, 2022, the agreement was extended for a second time for one year through June 30, 2024. The minimum fees were increased, all other terms remained the same.

The current agreement between LORT and Actors' Equity Association ("AEA") runs from February 13, 2023 through June 27, 2027. The agreement governs the terms by which actors and stage managers work in LORT theatres.

The agreement between the Playhouse and the Musicians' Association of San Diego, Local 325, AFM was executed February 28, 2022 for a term of 5 years, from March 30, 2020 through March 30, 2025.

Certain Playhouse production employees are represented by International Alliance of Theatrical and Stage Employees ("IATSE"), Local 122. The current collective bargaining agreement was executed September 17, 2021 for a term of 5 years, from March 30, 2020 through March 29, 2025.

Note 17 - Transactions with University of California, San Diego:

The Playhouse conducts a significant number of transactions with UCSD. The Playhouse paid UCSD for leasehold improvements and equipment totaling $705,079 and $-0- for the years ended March 31, 2023 and 2022, respectively. The Playhouse also paid UCSD for parking permits, rent, and general operations totaling $212,204 and $70,939 for the years ended March 31, 2023 and 2022, respectively, with $14,001 and $18,440 remaining as a payable at March 31, 2023 and 2022, respectively. The Playhouse also provides services to UCSD during productions performed by UCSD's Department of Theatre and Dance, primarily consisting of staffing and janitorial services totaling $180,360 and $188,503, which is included in other income for the years ended March 31, 2023 and 2022, respectively, with $66,850 and $64,943 remaining as a receivable at March 31, 2023 and 2022, respectively.

Note 18 - Related Party Transactions:

Contributions and public support revenue include approximately $1,886,198 and $1,427,431 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, 2023 and 2022, respectively, of which approximately $301,928 and $110,000 was due from Trustees of the Board at March 31, 2023 and 2022, respectively.