

LA  
JOLLA  
PLAY  
HOUSE

**FINANCIAL STATEMENTS**

**MARCH 31, 2019 AND 2018**



Leaf & Cole, LLP  
*Certified Public Accountants*

**LA JOLLA PLAYHOUSE  
FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

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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 Financial Statements

We have audited the accompanying financial statements of La Jolla Playhouse, which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

To the Board of Directors  
La Jolla Playhouse

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*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, 2019 and 2018, 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.

Leaf & Cole LLP

San Diego, California  
July 8, 2019

**LA JOLLA PLAYHOUSE**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2019 AND 2018**

**ASSETS**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Current Assets:</b> (Notes 2, 5 and 18)						
Cash and cash equivalents:						
Operating	\$ 2,295,713	\$ 863,948	\$ 3,159,661	\$ 1,188,375	\$ 462,576	\$ 1,650,951
Reserve	810,387	-	810,387	795,626	-	795,626
Receivables, net:						
Contributions	990,330	643,333	1,633,663	496,714	120,750	617,464
Other	345,812	-	345,812	50,136	-	50,136
Prepaid production and other assets	290,499	-	290,499	254,324	-	254,324
Total Current Assets	4,732,741	1,507,281	6,240,022	2,785,175	583,326	3,368,501
<b>Noncurrent Assets:</b> (Notes 2 and 4 to 10)						
Contributions receivable, net	-	602,773	602,773	-	949,153	949,153
Property and equipment, net	12,005,911	-	12,005,911	13,004,535	-	13,004,535
Investments - Board designated	2,569,840	-	2,569,840	2,673,615	-	2,673,615
Charitable remainder unitrusts	-	4,110,621	4,110,621	-	4,159,676	4,159,676
Endowment Assets - Distributable:						
Endowment investments - US Trust	-	5,182,626	5,182,626	-	3,969,502	3,969,502
Endowment investments - Jewish Community Foundation	-	874,024	874,024	-	892,991	892,991
Beneficial interest in endowment funds held at Jewish Community Foundation	-	1,019,004	1,019,004	-	1,058,364	1,058,364
Beneficial interest in perpetual trust held at UC San Diego Foundation	-	1,940,217	1,940,217	-	1,951,642	1,951,642
Total Noncurrent Assets	14,575,751	13,729,265	28,305,016	15,678,150	12,981,328	28,659,478
<b>TOTAL ASSETS</b>	<b>\$ 19,308,492</b>	<b>\$ 15,236,546</b>	<b>\$ 34,545,038</b>	<b>\$ 18,463,325</b>	<b>\$ 13,564,654</b>	<b>\$ 32,027,979</b>

(Continued)

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

**LA JOLLA PLAYHOUSE**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**MARCH 31, 2019 AND 2018**

**LIABILITIES AND NET ASSETS**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Current Liabilities:</u></b> (Notes 2, 12 and 18)						
Accounts payable and accrued expenses	\$ 1,617,988	\$ -	\$ 1,617,988	\$ 1,075,394	\$ -	\$ 1,075,394
Deferred revenue	2,907,129	-	2,907,129	2,157,501	-	2,157,501
Current portion of noncurrent liabilities	<u>9,366</u>	<u>-</u>	<u>9,366</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>4,534,483</u>	<u>-</u>	<u>4,534,483</u>	<u>3,232,895</u>	<u>-</u>	<u>3,232,895</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 12 and 13)						
Capital lease obligation, net of current portion	39,096	-	39,096	-	-	-
Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,915,000</u>	<u>-</u>	<u>1,915,000</u>
Total Noncurrent Liabilities	<u>39,096</u>	<u>-</u>	<u>39,096</u>	<u>1,915,000</u>	<u>-</u>	<u>1,915,000</u>
Total Liabilities	<u>4,573,579</u>	<u>-</u>	<u>4,573,579</u>	<u>5,147,895</u>	<u>-</u>	<u>5,147,895</u>
<b><u>Commitments</u></b> (Notes 11 and 17)						
<b><u>Net Assets:</u></b> (Notes 2, 14 and 15)						
Without Donor Restrictions:						
Undesignated	12,165,073	-	12,165,073	10,641,815	-	10,641,815
Board designated endowment	<u>2,569,840</u>	<u>-</u>	<u>2,569,840</u>	<u>2,673,615</u>	<u>-</u>	<u>2,673,615</u>
Total Without Donor Restrictions	<u>14,734,913</u>	<u>-</u>	<u>14,734,913</u>	<u>13,315,430</u>	<u>-</u>	<u>13,315,430</u>
With Donor Restrictions:						
Purpose restrictions	-	1,775,455	1,775,455	-	625,004	625,004
Time restrictions	-	516,824	516,824	-	534,348	534,348
Perpetual in nature	<u>-</u>	<u>12,944,267</u>	<u>12,944,267</u>	<u>-</u>	<u>12,405,302</u>	<u>12,405,302</u>
Total With Donor Restrictions	<u>-</u>	<u>15,236,546</u>	<u>15,236,546</u>	<u>-</u>	<u>13,564,654</u>	<u>13,564,654</u>
Total Net Assets	<u>14,734,913</u>	<u>15,236,546</u>	<u>29,971,459</u>	<u>13,315,430</u>	<u>13,564,654</u>	<u>26,880,084</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,308,492</u>	<u>\$ 15,236,546</u>	<u>\$ 34,545,038</u>	<u>\$ 18,463,325</u>	<u>\$ 13,564,654</u>	<u>\$ 32,027,979</u>

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

**LA JOLLA PLAYHOUSE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Operating Revenues:</u></b>						
Ticket revenue	\$ 4,431,275	\$ -	\$ 4,431,275	\$ 7,115,668	\$ -	\$ 7,115,668
Enhancements	1,947,779	-	1,947,779	5,727,825	-	5,727,825
Royalties	1,711,360	-	1,711,360	637,928	-	637,928
Distributions	460,702	-	460,702	473,282	-	473,282
Educational programs	244,319	-	244,319	210,620	-	210,620
Other income	261,316	-	261,316	176,704	-	176,704
Concessions and gift shop sales, net	8,066	-	8,066	13,086	-	13,086
Total Operating Revenues	<u>9,064,817</u>	<u>-</u>	<u>9,064,817</u>	<u>14,355,113</u>	<u>-</u>	<u>14,355,113</u>
<b><u>Contributions and Public Support:</u></b>						
Contributions	5,924,293	2,570,631	8,494,924	4,363,639	2,226,146	6,589,785
Special events	1,467,819	101,849	1,569,668	1,383,113	36,500	1,419,613
Grants	506,336	-	506,336	601,287	-	601,287
Net assets released from restriction	773,880	(773,880)	-	925,438	(925,438)	-
Total Contributions and Public Support	<u>8,672,328</u>	<u>1,898,600</u>	<u>10,570,928</u>	<u>7,273,477</u>	<u>1,337,208</u>	<u>8,610,685</u>
Total Operating Revenues, Contributions and Public Support	<u>17,737,145</u>	<u>1,898,600</u>	<u>19,635,745</u>	<u>21,628,590</u>	<u>1,337,208</u>	<u>22,965,798</u>
<b><u>Expenses:</u></b>						
<b>Program Services</b>	<u>10,899,955</u>	<u>-</u>	<u>10,899,955</u>	<u>15,294,508</u>	<u>-</u>	<u>15,294,508</u>
<b>Supporting Services:</b>						
Management and general	3,376,388	-	3,376,388	3,498,555	-	3,498,555
Fundraising	1,948,878	-	1,948,878	1,757,371	-	1,757,371
Total Supporting Services	<u>5,325,266</u>	<u>-</u>	<u>5,325,266</u>	<u>5,255,926</u>	<u>-</u>	<u>5,255,926</u>
Total Expenses	<u>16,225,221</u>	<u>-</u>	<u>16,225,221</u>	<u>20,550,434</u>	<u>-</u>	<u>20,550,434</u>
Operating Revenues, Contributions and Public Support Over Expenses	<u>1,511,924</u>	<u>1,898,600</u>	<u>3,410,524</u>	<u>1,078,156</u>	<u>1,337,208</u>	<u>2,415,364</u>

(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, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Other Changes in Net Assets:</u></b>						
Investment income (loss), net	\$ (92,441)	\$ (126,868)	\$ (219,309)	\$ 114,942	\$ 256,361	\$ 371,303
Charitable remainder unitrusts	-	(49,055)	(49,055)	-	179,600	179,600
Beneficial interest in endowment funds, net	-	(39,360)	(39,360)	-	3,091	3,091
Beneficial interest in perpetual trust, net	-	(11,425)	(11,425)	-	100,267	100,267
Total Other Changes in Net Assets	<u>(92,441)</u>	<u>(226,708)</u>	<u>(319,149)</u>	<u>114,942</u>	<u>539,319</u>	<u>654,261</u>
Change in Net Assets	1,419,483	1,671,892	3,091,375	1,193,098	1,876,527	3,069,625
Net Assets at Beginning of Year	<u>13,315,430</u>	<u>13,564,654</u>	<u>26,880,084</u>	<u>12,122,332</u>	<u>11,688,127</u>	<u>23,810,459</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 14,734,913</u>	<u>\$ 15,236,546</u>	<u>\$ 29,971,459</u>	<u>\$ 13,315,430</u>	<u>\$ 13,564,654</u>	<u>\$ 26,880,084</u>

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



**LA JOLLA PLAYHOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
<b><u>Salaries and Related Expenses:</u></b>					
Salaries and wages	\$ 4,657,246	\$ 1,915,228	\$ 627,980	\$ 2,543,208	\$ 7,200,454
Other employee benefits	645,148	136,864	42,571	179,435	824,583
Payroll taxes	438,279	148,088	53,892	201,980	640,259
Pension plan expenses	253,779	38,438	7,289	45,727	299,506
Total Salaries and Related Expenses	5,994,452	2,238,618	731,732	2,970,350	8,964,802
<b><u>Operating Expenses:</u></b>					
Administrative expenses	129,497	584,997	10,094	595,091	724,588
Advertising	489,113	-	13,221	13,221	502,334
Artist creative fees	945,851	-	-	-	945,851
Depreciation	1,059,459	148,833	9,959	158,792	1,218,251
Equipment rental	17,900	43,980	-	43,980	61,880
In-kind	-	-	587,443	587,443	587,443
Insurance	261,198	125,114	5,232	130,346	391,544
Leased facilities	115,139	-	-	-	115,139
Meals and entertainment	45,085	31,530	32,997	64,527	109,612
Professional fees	121,311	154,626	132,072	286,698	408,009
Program materials	1,042,677	-	-	-	1,042,677
Special events	-	-	404,565	404,565	404,565
Travel and accomodation	678,273	48,690	21,563	70,253	748,526
Total Operating Expenses	4,905,503	1,137,770	1,217,146	2,354,916	7,260,419
<b>Total Program and Supporting Services Expenses</b>	<b>\$ 10,899,955</b>	<b>\$ 3,376,388</b>	<b>\$ 1,948,878</b>	<b>\$ 5,325,266</b>	<b>\$ 16,225,221</b>

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

**LA JOLLA PLAYHOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
<b><u>Salaries and Related Expenses:</u></b>					
Salaries and wages	\$ 6,116,553	\$ 1,980,100	\$ 641,699	\$ 2,621,799	\$ 8,738,352
Other employee benefits	837,162	120,818	52,321	173,139	1,010,301
Payroll taxes	590,360	153,758	53,389	207,147	797,507
Pension plan expenses	347,704	32,257	7,559	39,816	387,520
Total Salaries and Related Expenses	7,891,779	2,286,933	754,968	3,041,901	10,933,680
<b><u>Operating Expenses:</u></b>					
Administrative expenses	168,674	659,752	14,123	673,875	842,549
Advertising	443,808	-	13,826	13,826	457,634
Artist creative fees	1,374,749	-	-	-	1,374,749
Depreciation	1,040,240	137,019	10,685	147,704	1,187,944
Equipment rental	159,360	41,003	-	41,003	200,363
In-kind	-	-	389,242	389,242	389,242
Insurance	351,679	118,259	5,130	123,389	475,068
Leased facilities	116,458	-	-	-	116,458
Meals and entertainment	62,634	34,893	29,371	64,264	126,898
Professional fees	126,485	143,065	129,353	272,418	398,903
Program materials	2,561,166	-	-	-	2,561,166
Special events	-	-	389,204	389,204	389,204
Travel and accomodation	997,476	77,631	21,469	99,100	1,096,576
Total Operating Expenses	7,402,729	1,211,622	1,002,403	2,214,025	9,616,754
<b>Total Program and Supporting Services Expenses</b>	<b>\$ 15,294,508</b>	<b>\$ 3,498,555</b>	<b>\$ 1,757,371</b>	<b>\$ 5,255,926</b>	<b>\$ 20,550,434</b>

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

**LA JOLLA PLAYHOUSE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 3,091,375	\$ 3,069,625
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation	1,218,251	1,187,943
Net realized and unrealized loss (gain) on investments	98,145	(507,999)
Note payable and accrued interest expense forgiven	(2,007,269)	-
Appropriation of endowment earnings	460,702	473,282
Endowment contributions	(654,356)	(1,426,835)
Endowment investment gain	(54,766)	(499,197)
<b>Changes in assets and liabilities:</b>		
Receivables, net	(965,495)	(515,925)
Prepaid production and other assets	(36,175)	375,572
Accounts payable and accrued expenses	570,039	(337,628)
Deferred revenue	749,628	(2,497,350)
Net Cash Provided by (Used in) Operating Activities	<u>2,470,079</u>	<u>(678,512)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment sales/maturities/(purchases), net	(1,479,072)	(931,167)
Purchase of property and equipment	(103,331)	(181,862)
Change in fair value of charitable remainder unitrusts	49,055	(179,600)
Change in fair value of beneficial interest in endowment funds	39,360	(3,091)
Change in fair value beneficial interest in perpetual trust	11,425	(100,267)
Net Cash Used in Investing Activities	<u>(1,482,563)</u>	<u>(1,395,987)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Payments on capital lease obligation	(3,010)	-
Payments on notes payable	-	(278,764)
Endowment contributions	654,356	1,426,835
Endowment distributions	(170,157)	(173,830)
Endowment investment gain	54,766	499,197
Net Cash Provided by Financing Activities	<u>535,955</u>	<u>1,473,438</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,523,471	(601,061)
Cash and Cash Equivalents at Beginning of Year	<u>2,446,577</u>	<u>3,047,638</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 3,970,048</u></u>	<u><u>\$ 2,446,577</u></u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u><u>\$ 798</u></u>	<u><u>\$ 85,046</u></u>
<b><u>Supplemental Disclosure of Noncash Investing and Financing Activities:</u></b>		
Equipment purchased under capital lease	<u><u>\$ 51,472</u></u>	<u><u>\$ -</u></u>
Equipment included in accounts payable	<u><u>\$ 64,824</u></u>	<u><u>\$ -</u></u>

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

**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**Note 1 - Organization:**

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 101 world premieres, commissioning 52 new works, and sending 32 productions to Broadway garnering a total of 38 Tony Awards, including the 1993 Tony Award for Outstanding Regional Theatre.

The 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. A safe harbor for the unsafe and surprising, the Playhouse is the place to look in order to get a glimpse of what is about to happen on the American Theatre landscape.

Our mission and goals are realized through:

- Reaching 100,000+ patrons annually, the Playhouse’s mainstage 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 biennial 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 holds 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).
- 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 3<sup>rd</sup>-12<sup>th</sup> 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.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**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.

**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.

**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

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

**Fair Value Measurements (Continued)**

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

- Investments in 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 at 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 \$5,234 and \$9,329 at March 31, 2019 and 2018, respectively. The provision for uncollectible contributions receivable totaled \$69,523 and \$69,773 at March 31, 2019 and 2018, respectively.

**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.

**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

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

**Capitalization and Depreciation (Continued)**

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 \$1,218,251 and \$1,187,943 for the years ended March 31, 2019 and 2018, 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 2019 and 2018.

**Accrued Vacation**

Accumulated unpaid vacation totaling \$316,308 and \$273,733 at March 31, 2019 and 2018, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

**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 \$2,507,558 and \$1,942,841 March 31, 2019 and 2018, 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 \$300,000 and \$25,000 at March 31, 2019 and 2018, respectively.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

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

**Revenue and Expense Recognition (Continued)**

**Gift Certificates**

Gift certificates are recognized as revenue when they are redeemed. Unredeemed gift certificates included in deferred revenue totaled \$51,075 and \$60,710 at March 31, 2019 and 2018, 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 \$48,496 and \$128,950 at March 31, 2019 and 2018, 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.

**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 \$108,548 and \$83,106 at March 31, 2019 and 2018, 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 \$513,049 and \$245,980 for the years ended March 31, 2019 and 2018, respectively, which have been recorded as contributions revenue and operating expenses in the statement of activities.

The Playhouse received in-kind donations totaling \$74,394 and \$143,261 for the years ended March 31, 2019 and 2018, respectively, which have been recorded as contributions revenue and operating expenses in the statement of activities.



**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**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, 2019 and 2018. 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, 2019, 2018, 2017 and 2016 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**

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.

**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.

**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

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

**Accounting Pronouncements Adopted**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes that affected the Playhouse’s financial statements include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Playhouse has adopted this ASU as of and for the year ended March 31, 2019. The Playhouse has reclassified certain accounts in the 2018 financial statements to conform with the current year financial statement presentation including the reclassification of underwater endowments totaling \$107,009 at March 31, 2018 from net assets without donor restrictions to net asset with donor restrictions.

**Subsequent Events**

The Playhouse has evaluated subsequent events through July 8, 2019, 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.

**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, 2019 AND 2018**

**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, 2019:

Cash and cash equivalents, net of designated reserves	\$ 3,159,661
Contributions receivable, net	1,633,663
Other receivables	345,812
Appropriation of endowment earnings	460,000
Financial assets available to meet general expenditures within one year	<u>\$ 5,599,136</u>

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 \$2,569,840 of its resources without donor restrictions for reserves. 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 Directors.

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 15.

**Note 4 - Fair Value Measurements:**

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

	2019			Balance at March 31, 2019
	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	\$ 6,528,678	\$ -	\$ -	\$ 6,528,678
Common stocks	385,798	-	-	385,798
Jewish Community Foundation	-	874,024	-	874,024
Charitable remainder unitrusts (Note 8)	-	-	4,110,621	4,110,621
Beneficial interest in endowment funds (Note 9)	-	-	1,019,004	1,019,004
Beneficial interest in perpetual trust (Note 10)	-	-	1,940,217	1,940,217
	<u>\$ 6,914,476</u>	<u>\$ 874,024</u>	<u>\$ 7,069,842</u>	<u>\$ 14,858,342</u>

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**Note 4 - Fair Value Measurements: (Continued)**

	2018			
	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, 2018
Mutual, index and exchange traded funds	\$ 6,203,145	\$ -	\$ -	\$ 6,203,145
Common stocks	257,212	-	-	257,212
8ewish Community Foundation	-	892,991	-	892,991
Charitable remainder unitrusts (Note 8)	-	-	4,159,676	4,159,676
Beneficial interest in endowment funds (Note 9)	-	-	1,058,364	1,058,364
Beneficial interest in perpetual trust (Note 10)	-	-	1,951,642	1,951,642
	<u>\$ 6,460,357</u>	<u>\$ 892,991</u>	<u>\$ 7,169,682</u>	<u>\$ 14,523,030</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.

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:

2019				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrusts	\$ 4,110,621	Present value of expected cash flows	Investment yield Discount rate	5.800% 2.04% - 3.0%
Beneficial interest in endowment funds	\$ 1,019,004	Valuation of underlying assets as provided by fund managers	Base price	N/A
Beneficial interest in perpetual trust	\$ 1,940,217	Valuation of underlying assets as provided by third party trustee	Base price	N/A

  

2018				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrusts	\$ 4,159,676	Present value of expected cash flows	Investment yield Discount rate	5.865% 2.04% - 3.0%
Beneficial interest in endowment funds	\$ 1,058,364	Valuation of underlying assets as provided by fund managers	Base price	N/A
Beneficial interest in perpetual trust	\$ 1,951,642	Valuation of underlying assets as provided by third party trustee	Base price	N/A

**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**Note 5 - Contributions Receivable:**

Contributions receivable consist of the following at March 31:

	<u>2019</u>	<u>2018</u>
Current:		
Due in less than one year	\$ 1,703,186	\$ 687,237
Less: Provision for uncollectible accounts	<u>(69,523)</u>	<u>(69,773)</u>
Total Current, Net	<u>1,633,663</u>	<u>617,464</u>
Noncurrent:		
Due in less than one year - endowment pledge	-	666,667
Due in one to five years	633,334	300,000
Less: Discounts to present value	<u>(30,561)</u>	<u>(17,514)</u>
Total Noncurrent, Net	<u>602,773</u>	<u>949,153</u>
Total Contributions Receivable, Net	<u>\$ 2,236,436</u>	<u>\$ 1,566,617</u>

The contributions receivable have been discounted to their present value using a discount rate of 2.03% to 2.32% at March 31, 2019 and 2018.

**Note 6 - Property and Equipment:**

Property and equipment consist of the following at March 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 3,564,735	\$ 3,564,735
Building and improvements	1,478,125	1,478,125
Leasehold improvements	20,266,896	20,260,896
Production equipment	1,430,834	1,305,370
Furniture and equipment	1,087,619	1,122,669
Work in progress	-	1,431
Subtotal	<u>27,828,209</u>	<u>27,733,226</u>
Less: Accumulated depreciation	<u>(15,822,298)</u>	<u>(14,728,691)</u>
Property and Equipment, Net	<u>\$ 12,005,911</u>	<u>\$ 13,004,535</u>

**Note 7 - Investments:**

Investments consist of the following at March 31:

	<u>2019</u>	<u>2018</u>
Mutual, index and exchange traded funds	\$ 6,528,678	\$ 6,203,145
Jewish Community Foundation	874,024	892,991
Money market funds	813,950	159,595
Common stocks	385,798	257,212
Cash surrender value of life insurance	<u>24,040</u>	<u>23,165</u>
Total Investments	<u>\$ 8,626,490</u>	<u>\$ 7,536,108</u>

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**Note 7 - Investments: (Continued)**

The Playhouse maintains certain investments at JCF under a custodial agreement. These funds are classified as permanently restricted 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 Pool which invests 59% in domestic and international equities, 38% in fixed income and 3% in real assets at March 31, 2019.

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 70,185	\$ 187,194	\$ 257,379
Net realized and unrealized losses	(18,976)	(79,169)	(98,145)
Investment fees	(16,874)	(27,568)	(44,442)
Endowment fund	333,926	(207,325)	126,601
Total Investment Income (Loss) and Distributions	<u>\$ 368,261</u>	<u>\$ (126,868)</u>	<u>\$ 241,393</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 60,594	\$ 142,064	\$ 202,658
Net realized and unrealized gains	198,647	309,352	507,999
Investment fees	(17,935)	(21,967)	(39,902)
Endowment fund	346,918	(173,088)	173,830
Total Investment Income and Distributions	<u>\$ 588,224</u>	<u>\$ 256,361</u>	<u>\$ 844,585</u>

**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 \$7,044,848 and \$7,333,030 at March 31, 2019 and 2018, 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, 2019 and 2018.

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

	2019	2018
Balance at Beginning of Year	\$ 4,159,676	\$ 3,980,076
Change in discount and fair value	<u>(49,055)</u>	<u>179,600</u>
Balance at End of Year	<u>\$ 4,110,621</u>	<u>\$ 4,159,676</u>

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**Note 9 - Beneficial Interest in Endowment Funds:**

The Playhouse has a beneficial interest in endowment funds held at JCF. The funds held at JCF are invested in the Endowment Pool, which invests 54% in domestic and international equities, 11% 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.

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

	<u>2019</u>	<u>2018</u>
Balance at Beginning of Year	\$ 1,058,364	\$ 1,055,273
Investment gains	24,187	116,716
Investment fees	(11,226)	(11,392)
Distributions	<u>(52,321)</u>	<u>(102,233)</u>
Balance at End of Year	<u>\$ 1,019,004</u>	<u>\$ 1,058,364</u>

**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 permanently restricted.

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

	<u>2019</u>	<u>2018</u>
Balance at Beginning of Year	\$ 1,951,642	\$ 1,851,375
Change in fair value	62,855	171,864
Distributions	<u>(74,280)</u>	<u>(71,597)</u>
Balance at End of Year	<u>\$ 1,940,217</u>	<u>\$ 1,951,642</u>

**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 (5.50% at March 31, 2019). The line-of-credit matures on November 30, 2019 and is secured by all assets of the Playhouse. There was no outstanding balance at March 31, 2019 and 2018.

**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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:

	<u>2019</u>	<u>2018</u>
Cost	\$ 51,472	\$ -
Less: Accumulated depreciation	<u>(3,431)</u>	<u>-</u>
Net Book Value	<u>\$ 48,041</u>	<u>\$ -</u>

Future minimum capital lease payments are as follows:

<u>Years Ended March 31</u>	
2020	\$ 11,798
2021	11,798
2022	11,798
2023	11,798
2024	<u>7,861</u>
Total	55,053
Less: Amount representing interest	<u>(6,591)</u>
Capital Lease Obligation	<u>\$ 48,462</u>

**Note 13 - Notes Payable:**

The Playhouse had two notes payable held by a Trustee of the Board amounting to \$1,915,000 which were outstanding as of March 31, 2018. On February 1, 2019 the Trustee forgave the repayment of the two notes and the outstanding accrued interest associated with the two notes which amounted to \$92,269. There were no other notes payable outstanding as of March 31, 2019.



**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**Note 14 - Net Assets With Donor Restrictions:**

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

	<u>2019</u>	<u>2018</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Contributions with purpose restrictions	\$ 1,674,020	\$ 415,670
Unappropriated endowment earnings	<u>101,435</u>	<u>209,334</u>
Total Subject to Expenditure for Specified Purpose	<u>1,775,455</u>	<u>625,004</u>
<b>Subject to the Passage of Time:</b>		
Contributions with time restrictions	436,034	450,142
Charitable remainder unitrust	<u>80,790</u>	<u>84,206</u>
Total Subject to the Passage of Time	<u>516,824</u>	<u>534,348</u>
<b>Perpetual in Nature:</b>		
Endowments (Note 15)	<u>12,944,267</u>	<u>12,405,302</u>
Total Net Assets with Donor Restrictions	<u>\$ 15,236,546</u>	<u>\$ 13,564,654</u>

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:

	<u>2019</u>	<u>2018</u>
<b>Purpose Restrictions Accomplished:</b>		
Sustainable organizational information	\$ 467,225	\$ 257,500
Education and training	75,000	15,000
Military support	50,000	-
Innovation night	36,500	205,025
Conservatory	12,500	12,500
Artistic enrichment	-	73,000
Condo loan match	<u>-</u>	<u>288,413</u>
Total Purpose Restrictions Accomplished	<u>641,225</u>	<u>851,438</u>
<b>Time Restrictions Fulfilled</b>	<u>132,655</u>	<u>74,000</u>
Total Net Assets Released from Restrictions	<u>\$ 773,880</u>	<u>\$ 925,438</u>

**Note 15 - 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 ("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.

**LA JOLLA PLAYHOUSE  
NOTES TO FINANCIAL STATEMENTS  
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**Note 15 - 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 \$125,976 and \$107,009 at March 31, 2019 and 2018, 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 spending policy is to disburse 0% to no more than 5% 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.

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.

**LA JOLLA PLAYHOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 15 - Endowment Net Assets: (Continued)**

Endowment composition by type of fund at March 31:

	2019			Total
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	
Donor restricted endowment funds:				
US Trust	\$ -	\$ 101,435	\$ 5,081,191	\$ 5,182,626
Jewish Community Foundation	-	-	874,024	874,024
Beneficial interest in endowment fund	-	-	1,019,004	1,019,004
Beneficial interest in perpetual trust held at UCSDF	-	-	1,940,217	1,940,217
Charitable remainder unitrust	-	-	4,029,831	4,029,831
Board designated reserve funds	2,569,840	-	-	2,569,840
Total	<u>\$ 2,569,840</u>	<u>\$ 101,435</u>	<u>\$ 12,944,267</u>	<u>\$ 15,615,542</u>

	2018			Total
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	
Donor restricted endowment funds:				
US Trust	\$ -	\$ 209,334	\$ 3,760,168	\$ 3,969,502
Jewish Community Foundation	-	-	892,991	892,991
Beneficial interest in endowment funds	-	-	1,058,364	1,058,364
Beneficial interest in perpetual trust held at UCSDF	-	-	1,951,642	1,951,642
Charitable remainder unitrust	-	-	4,075,470	4,075,470
Board designated reserve funds	2,673,615	-	-	2,673,615
Endowment pledge receivable	-	-	666,667	666,667
Total	<u>\$ 2,673,615</u>	<u>\$ 209,334</u>	<u>\$ 12,405,302</u>	<u>\$ 15,288,251</u>

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, 2017	\$ 2,550,430	\$ -	\$ 10,606,073	\$ 13,156,503
Investment income	240,188	338,801	589,845	1,168,834
Contributions	9,361	-	1,426,835	1,436,196
Appropriation of endowment assets for expenditure	(126,364)	(129,467)	(217,451)	(473,282)
Endowment Net Assets at March 31, 2018	2,673,615	209,334	12,405,302	15,288,251
Investment income	23,001	55,870	54,766	133,637
Contributions	-	-	654,356	654,356
Appropriation of endowment assets for expenditure	(126,776)	(163,769)	(170,157)	(460,702)
Endowment Net Assets at March 31, 2019	<u>\$ 2,569,840</u>	<u>\$ 101,435</u>	<u>\$ 12,944,267</u>	<u>\$ 15,615,542</u>

**LA JOLLA PLAYHOUSE**  
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**Note 16 - Lease Income:**

The Playhouse entered into a Food Management Services agreement for the operation of the restaurant, James' Place, which expires May 1, 2019. 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 \$59,900 and \$64,850 for the years ended March 31, 2019 and 2018, respectively. The following is a schedule of future minimum payments to be received under the lease:

<u>Years Ended</u> <u>March 31</u>	
2020	\$ <u>4,800</u>

**Note 17 - 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 \$93,721 and \$89,391 for the years ended March 31, 2019 and 2018, respectively.

The Playhouse also participates in pension and health and welfare benefit plans subject to collective bargaining agreements. Amounts contributed to these plans totaled \$708,742 and \$994,338 for the years ended March 31, 2019 and 2018, respectively.

**Office Equipment Lease Agreement**

The Playhouse entered into various lease agreements for office equipment which expire between August 15, 2019 and December 6, 2023. Lease expense totaled \$41,372 and \$41,003 for the years ended March 31, 2019 and 2018, 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 \$2,392 plus additional rent based on percentage of gross restaurant sales. Rent expense for the space totaled \$28,423 and \$27,703 for the years ended March 31, 2019 and 2018, respectively.

**LA JOLLA PLAYHOUSE  
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**Note 17 - Commitments: (Contracts)**

**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 UCSD's Department of 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:

Years Ended March 31	
2020	\$ 833,485
2021	593,031
2022	257,447
2023	7,865
Total	\$ 1,691,828

**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 2017 and runs from July 11, 2017 through June 30, 2022. 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' Association of San Diego, Local 325, AFM will be in effect through March 31, 2020.

Certain Playhouse production employees are represented by International Alliance of Theatrical and Stage Employees (IATSE), Local 122. The collective bargaining agreement was executed January 9, 2017 for a term of 3 years, through March 29, 2020.

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**Note 18 - 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 \$244,473 and \$601,059 for the years end March 31, 2019 and 2018, respectively with \$4,393 and \$70,073 remaining as a payable at March 31, 2019 and 2018, 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 \$91,989 and \$298,823 which is included in miscellaneous revenue for the years end March 31, 2019 and 2018, respectively with \$26,356 and \$31,128 remaining as a receivable at March 31, 2019 and 2018, respectively.

**Note 19 - Related Party Transactions:**

As discussed in Note 13, the Playhouse had loan agreements with a Trustee of the Board pursuant to which the Playhouse borrowed \$1,915,000 related to the construction of the restaurant. During the year ended March 31, 2019, the lender forgave these loans and the associated accrued interest expense of \$92,269 and the Playhouse recorded a contribution totaling \$2,007,269.

Contributions and public support revenue includes approximately \$4,830,000 and \$3,116,000 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, 2019 and 2018, respectively, of which, approximately \$499,000 and \$568,000 was due from Trustees of the Board at March 31, 2019 and 2018, respectively.