



FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

**LA JOLLA PLAYHOUSE
FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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
January 4, 2021

LA JOLLA PLAYHOUSE
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND 2019

ASSETS

	2020			2019		
	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	\$ 1,028,271	\$ 463,761	\$ 1,492,032	\$ 2,295,713	\$ 863,948	\$ 3,159,661
Reserve	1,400,807	-	1,400,807	810,387	-	810,387
Receivables, net:						
Contributions	4,194,989	1,405,834	5,600,823	990,330	643,333	1,633,663
Other	72,711	-	72,711	345,812	-	345,812
Prepaid production and other assets	422,852	-	422,852	290,499	-	290,499
Total Current Assets	7,119,630	1,869,595	8,989,225	4,732,741	1,507,281	6,240,022
Noncurrent Assets: (Notes 2 and 4 to 10)						
Contributions receivable, net	-	597,965	597,965	-	602,773	602,773
Property and equipment, net	11,003,583	-	11,003,583	12,005,911	-	12,005,911
Investments - Board designated	39,504,571	-	39,504,571	2,569,840	-	2,569,840
Charitable remainder unitrusts	-	3,567,283	3,567,283	-	4,110,621	4,110,621
Endowment Assets - Distributable:						
Endowment investments - Bank of America	-	9,553,383	9,553,383	-	5,182,626	5,182,626
Endowment investments - Jewish Community Foundation	-	812,312	812,312	-	874,024	874,024
Beneficial interest in endowment funds held by Jewish Community Foundation	-	911,354	911,354	-	1,019,004	1,019,004
Beneficial interest in perpetual trust held by UC San Diego Foundation	-	1,818,803	1,818,803	-	1,940,217	1,940,217
Total Noncurrent Assets	50,508,154	17,261,100	67,769,254	14,575,751	13,729,265	28,305,016
TOTAL ASSETS	\$ 57,627,784	\$ 19,130,695	\$ 76,758,479	\$ 19,308,492	\$ 15,236,546	\$ 34,545,038

(Continued)

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

LA JOLLA PLAYHOUSE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities: (Notes 2 and 12)						
Accounts payable and accrued expenses	\$ 1,533,935	\$ -	\$ 1,533,935	\$ 1,617,988	\$ -	\$ 1,617,988
Deferred revenue	2,937,522	-	2,937,522	2,907,129	-	2,907,129
Current portion of noncurrent liabilities	9,895	-	9,895	9,366	-	9,366
Total Current Liabilities	<u>4,481,352</u>	<u>-</u>	<u>4,481,352</u>	<u>4,534,483</u>	<u>-</u>	<u>4,534,483</u>
Noncurrent Liabilities: (Note 12)						
Capital lease obligation, net of current portion	29,201	-	29,201	39,096	-	39,096
Total Noncurrent Liabilities	<u>29,201</u>	<u>-</u>	<u>29,201</u>	<u>39,096</u>	<u>-</u>	<u>39,096</u>
Total Liabilities	<u>4,510,553</u>	<u>-</u>	<u>4,510,553</u>	<u>4,573,579</u>	<u>-</u>	<u>4,573,579</u>
Commitments and Contingencies (Notes 11 and 16)						
Net Assets: (Notes 2, 13 and 14)						
Without Donor Restrictions:						
Undesignated	13,612,660	-	13,612,660	12,165,073	-	12,165,073
Board designated endowment	39,504,571	-	39,504,571	2,569,840	-	2,569,840
Total Without Donor Restrictions	<u>53,117,231</u>	<u>-</u>	<u>53,117,231</u>	<u>14,734,913</u>	<u>-</u>	<u>14,734,913</u>
With Donor Restrictions:						
Purpose restrictions	-	833,793	833,793	-	1,775,455	1,775,455
Time restrictions	-	467,136	467,136	-	516,824	516,824
Perpetual in nature	-	17,829,766	17,829,766	-	12,944,267	12,944,267
Total With Donor Restrictions	<u>-</u>	<u>19,130,695</u>	<u>19,130,695</u>	<u>-</u>	<u>15,236,546</u>	<u>15,236,546</u>
Total Net Assets	<u>53,117,231</u>	<u>19,130,695</u>	<u>72,247,926</u>	<u>14,734,913</u>	<u>15,236,546</u>	<u>29,971,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,627,784</u>	<u>\$ 19,130,695</u>	<u>\$ 76,758,479</u>	<u>\$ 19,308,492</u>	<u>\$ 15,236,546</u>	<u>\$ 34,545,038</u>

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

LA JOLLA PLAYHOUSE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating Revenues:</u>						
Ticket revenue	\$ 4,481,958	\$ -	\$ 4,481,958	\$ 4,431,275	\$ -	\$ 4,431,275
Enhancements	2,720,195	-	2,720,195	1,947,779	-	1,947,779
Royalties	1,133,282	-	1,133,282	1,711,360	-	1,711,360
Distributions	460,763	-	460,763	460,702	-	460,702
Educational programs	453,844	-	453,844	244,319	-	244,319
Other income	189,717	-	189,717	261,316	-	261,316
Co-Production	52,000	-	52,000	-	-	-
Concessions and gift shop sales, net	772	-	772	8,066	-	8,066
Total Operating Revenues	<u>9,492,531</u>	<u>-</u>	<u>9,492,531</u>	<u>9,064,817</u>	<u>-</u>	<u>9,064,817</u>
<u>Contributions and Public Support:</u>						
Contributions	44,162,494	6,844,700	51,007,194	5,924,293	2,570,631	8,494,924
Special events	1,586,291	40,000	1,626,291	1,467,819	101,849	1,569,668
Grants	537,360	-	537,360	506,336	-	506,336
Net assets released from restriction	1,206,321	(1,206,321)	-	773,880	(773,880)	-
Total Contributions and Public Support	<u>47,492,466</u>	<u>5,678,379</u>	<u>53,170,845</u>	<u>8,672,328</u>	<u>1,898,600</u>	<u>10,570,928</u>
Total Operating Revenues, Contributions and Public Support	<u>56,984,997</u>	<u>5,678,379</u>	<u>62,663,376</u>	<u>17,737,145</u>	<u>1,898,600</u>	<u>19,635,745</u>
<u>Expenses:</u>						
Program Services	<u>13,223,066</u>	<u>-</u>	<u>13,223,066</u>	<u>10,899,955</u>	<u>-</u>	<u>10,899,955</u>
Supporting Services:						
Management and general	3,320,391	-	3,320,391	3,376,388	-	3,376,388
Fundraising	2,031,181	-	2,031,181	1,948,878	-	1,948,878
Total Supporting Services	<u>5,351,572</u>	<u>-</u>	<u>5,351,572</u>	<u>5,325,266</u>	<u>-</u>	<u>5,325,266</u>
Total Expenses	<u>18,574,638</u>	<u>-</u>	<u>18,574,638</u>	<u>16,225,221</u>	<u>-</u>	<u>16,225,221</u>
Operating Revenues, Contributions and Public Support Over Expenses	<u>38,410,359</u>	<u>5,678,379</u>	<u>44,088,738</u>	<u>1,511,924</u>	<u>1,898,600</u>	<u>3,410,524</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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Other Changes in Net Assets:						
Investment loss, net	\$ (28,041)	\$ (1,011,828)	\$ (1,039,869)	\$ (92,441)	\$ (126,868)	\$ (219,309)
Charitable remainder unitrusts	-	(543,338)	(543,338)	-	(49,055)	(49,055)
Beneficial interest in endowment funds, net	-	(107,650)	(107,650)	-	(39,360)	(39,360)
Beneficial interest in perpetual trust, net	-	(121,414)	(121,414)	-	(11,425)	(11,425)
Total Other Changes in Net Assets	<u>(28,041)</u>	<u>(1,784,230)</u>	<u>(1,812,271)</u>	<u>(92,441)</u>	<u>(226,708)</u>	<u>(319,149)</u>
Change in Net Assets	38,382,318	3,894,149	42,276,467	1,419,483	1,671,892	3,091,375
Net Assets at Beginning of Year	<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>
NET ASSETS AT END OF YEAR	<u>\$ 53,117,231</u>	<u>\$ 19,130,695</u>	<u>\$ 72,247,926</u>	<u>\$ 14,734,913</u>	<u>\$ 15,236,546</u>	<u>\$ 29,971,459</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, 2020

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 5,351,751	\$ 1,940,451	\$ 731,191	\$ 2,671,642	\$ 8,023,393
Other employee benefits	766,537	159,950	52,296	212,246	978,783
Payroll taxes	509,008	144,375	55,034	199,409	708,417
Pension plan expenses	301,686	36,353	14,011	50,364	352,050
Total Salaries and Related Expenses	6,928,982	2,281,129	852,532	3,133,661	10,062,643
<u>Operating Expenses:</u>					
Administrative expenses	250,680	496,641	11,390	508,031	758,711
Advertising	640,328	-	14,559	14,559	654,887
Artist creative fees	1,518,712	-	-	-	1,518,712
Depreciation	1,056,062	168,764	1,388	170,152	1,226,214
Equipment rental	80,556	29,073	-	29,073	109,629
In-kind	-	-	315,116	315,116	315,116
Insurance	304,750	122,752	5,731	128,483	433,233
Leased facilities	46,484	-	-	-	46,484
Meals and entertainment	70,335	18,886	45,020	63,906	134,241
Professional fees	141,493	139,817	109,344	249,161	390,654
Program materials	1,343,514	-	-	-	1,343,514
Special events	-	-	654,683	654,683	654,683
Travel and accomodation	841,170	63,329	21,418	84,747	925,917
Total Operating Expenses	6,294,084	1,039,262	1,178,649	2,217,911	8,511,995
Total Expenses	\$ 13,223,066	\$ 3,320,391	\$ 2,031,181	\$ 5,351,572	\$ 18,574,638

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	
<u>Salaries and Related Expenses:</u>					
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
<u>Operating Expenses:</u>					
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
Total Expenses	\$ 10,899,955	\$ 3,376,388	\$ 1,948,878	\$ 5,325,266	\$ 16,225,221

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

**LA JOLLA PLAYHOUSE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 42,276,467	\$ 3,091,375
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,226,214	1,218,251
Net realized and unrealized loss on investments	1,288,234	98,145
Note payable and accrued interest expense forgiven	-	(2,007,269)
Appropriation of endowment earnings	460,763	460,702
Endowment contributions	(6,556,678)	(654,356)
Endowment investment loss (gain)	1,541,612	(54,766)
Changes in assets and liabilities:		
Receivables, net	(3,689,251)	(965,495)
Prepaid production and other assets	(132,353)	(36,175)
Accounts payable and accrued expenses	(19,229)	570,039
Deferred revenue	30,393	749,628
Net Cash Provided by Operating Activities	<u>36,426,172</u>	<u>2,470,079</u>
<u>Cash Flows From Investing Activities:</u>		
Investment sales/maturities/(purchases), net	(43,642,209)	(1,906,586)
Purchase of property and equipment	(288,710)	(103,331)
Change in fair value of charitable remainder unitrusts	543,338	49,055
Change in fair value of benefical interest in endowment funds	107,650	39,360
Change in fair value benefical interest in perpetual trust	121,414	11,425
Net Cash Used in Investing Activities	<u>(43,158,517)</u>	<u>(1,910,077)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on capital lease obligation	(9,366)	(3,010)
Endowment contributions	6,556,678	654,356
Endowment distributions	(129,567)	(170,157)
Endowment investment (loss) gain	(1,541,612)	54,766
Net Cash Provided by Financing Activities	<u>4,876,133</u>	<u>535,955</u>
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash	(1,856,212)	1,095,957
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>3,409,833</u>	<u>2,313,876</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,553,621</u>	<u>\$ 3,409,833</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 798</u>
<u>Supplemental Disclosure of Noncash Investing and Financing Activities:</u>		
Equipment purchased under capital lease	<u>\$ -</u>	<u>\$ 51,472</u>
Equipment included in accounts payable	<u>\$ (64,824)</u>	<u>\$ 64,824</u>

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

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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 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 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).

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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 \$5,234 at March 31, 2020 and 2019. The provision for uncollectible contributions receivable totaled \$53,023 and \$69,523 at March 31, 2020 and 2019, respectively.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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 \$1,226,214 and \$1,218,251 for the years ended March 31, 2020 and 2019, 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 2020 and 2019.

Accrued Vacation

Accumulated unpaid vacation totaling \$349,925 and \$316,308 at March 31, 2020 and 2019, respectively, is accrued when incurred, and included in accounts payable and accrued expenses.

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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 \$1,912,922 and \$2,507,558 at March 31, 2020 and 2019, 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 \$837,500 and \$300,000 at March 31, 2020 and 2019, 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 \$159,020 and \$51,075 at March 31, 2020 and 2019, 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 \$28,080 and \$48,496 at March 31, 2020 and 2019, 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.

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Revenue and Expense Recognition (Continued)

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. In April 2020, the Playhouse received a cash distribution of \$317,000 from the limited partnership and a notification that the limited partnership was suspending any future distributions until there is visibility on the impact that the COVID-19 crisis will have on the partnership's business.

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 \$263,227 and \$108,548 at March 31, 2020 and 2019, 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 \$237,052 and \$513,049 for the years ended March 31, 2020 and 2019, respectively, which have been recorded as contributions revenue and operating expenses in the statement of activities.

The Playhouse received in-kind donations totaling \$78,064 and \$74,394 for the years ended March 31, 2020 and 2019, respectively, which have been recorded as contributions revenue and operating expenses in the statement of activities.

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.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

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, 2020 and 2019. 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, 2020, 2019, 2018 and 2017 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. 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents and restricted cash:		
Operating	\$ 1,415,874	\$ 3,099,653
Reserve	137,747	310,180
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 1,553,621</u>	<u>\$ 3,409,833</u>

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, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties (Continued)

Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. The Playhouse, as a nonessential business, was required to cancel in-person performances and cease operations. The potential impacts to the Playhouse include disruptions or restrictions on employees' ability to work, suspension of in-person programs, cancellations of performances, and reduction in contributions from donors. In addition, there has been significant volatility in the financial markets, which may have an impact on the Playhouse's valuation of investments and investment income. Changes to the operating environment may also be impacted, and may have an impact on operating costs. The future effects of these issues are unknown.

Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions, or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions, or opening net assets with donor restrictions, as of April 1, 2019. There was no effect of adopting the new accounting principles on contributions in 2020.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended March 31, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended March 31, 2020 required a restatement of cash, cash equivalents, and restricted cash for March 31, 2019 and 2018. Amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Subsequent Events

The Playhouse has evaluated subsequent events through January 4, 2021, 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, except as disclosed in Note 19.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents, net of designated reserves and restricted funds	\$ 1,415,874	\$ 3,099,653
Contributions receivable, net	5,600,823	1,633,663
Less: Contributions receivable - Endowment	(737,500)	-
Other receivables	72,711	345,812
Appropriation of endowment earnings	2,644,000	460,000
Financial assets available to meet general expenditures within one year	<u>\$ 8,995,908</u>	<u>\$ 5,539,128</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 \$40,905,378 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 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 14.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 4 - Fair Value Measurements:

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

	2020			
	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, 2020
Mutual, index and exchange traded funds	\$ 9,226,778	\$ -	\$ -	\$ 9,226,778
Certificates of deposit	1,339,218			1,339,218
Common stocks	343,953	-	-	343,953
Jewish Community Foundation		812,312	-	812,312
Charitable remainder unitrusts (Note 8)		-	3,567,283	3,567,283
Beneficial interest in endowment funds (Note 9)		-	911,354	911,354
Beneficial interest in perpetual trust (Note 10)		-	1,818,803	1,818,803
	\$ 10,909,949	\$ 812,312	\$ 6,297,440	\$ 18,019,701

	2019			
	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, 2019
Mutual, index and exchange traded funds	\$ 6,528,678	\$ -	\$ -	\$ 6,528,678
Certificates of deposit	560,215			560,215
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
	\$ 7,474,691	\$ 874,024	\$ 7,069,842	\$ 15,418,557

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

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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:

2020				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrusts	\$ 3,567,283	Present value of expected cash flows	Investment yield Discount rate	6.138% 2.04% - 3.0%
Beneficial interest in endowment funds	\$ 911,354	Valuation of underlying assets as provided by fund managers	Base price	N/A
Beneficial interest in perpetual trust	\$ 1,818,803	Valuation of underlying assets as provided by third-party trustee	Base price	N/A
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	5.865% 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

Note 5 - Contributions Receivable:

Contributions receivable consist of the following at March 31:

	2020	2019
Current:		
Due in less than one year	\$ 5,653,846	\$ 1,703,186
Less: Provision for uncollectible accounts	(53,023)	(69,523)
Total Current, Net	<u>5,600,823</u>	<u>1,633,663</u>
Noncurrent:		
Due in one-to-five years	600,000	633,334
Less: Discounts to present value	(2,035)	(30,561)
Total Noncurrent, Net	<u>597,965</u>	<u>602,773</u>
Total Contributions Receivable, Net	<u>\$ 6,198,788</u>	<u>\$ 2,236,436</u>

The contributions receivable have been discounted to their present value using a discount rate of .17% to 2.03% at March 31, 2020 and 2019.

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 6 - Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,564,735	\$ 3,564,735
Building and improvements	1,478,125	1,478,125
Leasehold improvements	20,235,668	20,266,896
Production equipment	1,418,555	1,430,834
Furniture and equipment	985,734	1,087,619
Work in progress	23,569	-
Subtotal	<u>27,706,386</u>	<u>27,828,209</u>
Less: Accumulated depreciation	<u>(16,702,803)</u>	<u>(15,822,298)</u>
Property and Equipment, Net	<u>\$ 11,003,583</u>	<u>\$ 12,005,911</u>

Note 7 - Investments:

Investments consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 39,461,491	\$ 813,950
Mutual, index and exchange traded funds	9,226,778	6,528,678
Certificates of deposit	1,339,218	560,215
Jewish Community Foundation	812,312	874,024
Common stocks	343,953	385,798
Cash surrender value of life insurance	25,732	24,040
Total Investments	<u>\$ 51,209,484</u>	<u>\$ 9,186,705</u>

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 58% in domestic and international equities, 39% in fixed income, and 3% in real assets at March 31, 2020.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents and short-term investments	\$ 1,339,218	\$ 560,215
Investments – Board designated	39,504,571	2,569,840
Endowment investments – Bank of America	9,553,383	5,182,626
Endowment investments – Jewish Community Foundation	812,312	874,024
Total Investments	<u>\$ 51,209,484</u>	<u>\$ 9,186,705</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 7 - Investments: (Continued)

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 389,518	\$ 243,996	\$ 633,514
Net realized and unrealized losses	(274,062)	(1,014,172)	(1,288,234)
Investment fees	(14,757)	(39,196)	(53,953)
Endowment fund	332,023	(202,456)	129,567
Total Investment Income (Loss) and Distributions	\$ 432,722	\$ (1,011,828)	\$ (579,106)
	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	\$ 368,261	\$ (126,868)	\$ 241,393

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 \$6,210,630 and \$7,044,848 at March 31, 2020 and 2019, 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, 2020 and 2019.

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

	2020	2019
Balance at Beginning of Year	\$ 4,110,621	\$ 4,159,676
Change in discount and fair value	(543,338)	(49,055)
Balance at End of Year	\$ 3,567,283	\$ 4,110,621

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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 53% in domestic and international equities, 9% in fixed income, and 6% in real assets consisting of REITS and/or commodities, and in mutual funds which invests in equities and fixed income securities and 32% 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 by JCF consisted of the following for the years ended March 31:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 1,019,004	\$ 1,058,364
Investment (losses) gains	(44,437)	24,187
Investment fees	(10,417)	(11,226)
Distributions	<u>(52,796)</u>	<u>(52,321)</u>
Balance at End of Year	<u>\$ 911,354</u>	<u>\$ 1,019,004</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>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 1,940,217	\$ 1,951,642
Change in fair value	(44,643)	62,855
Distributions	<u>(76,771)</u>	<u>(74,280)</u>
Balance at End of Year	<u>\$ 1,818,803</u>	<u>\$ 1,940,217</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 (3.25% and 5.50% at March 31, 2020 and 2019, respectively). The line-of-credit matures on November 30, 2020, and is secured by all assets of the Playhouse. There was no outstanding balance at March 31, 2020 and 2019.

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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>2020</u>	<u>2019</u>
Cost	\$ 51,472	\$ 51,472
Less: Accumulated depreciation	<u>(13,726)</u>	<u>(3,431)</u>
Net Book Value	<u>\$ 37,746</u>	<u>\$ 48,041</u>

Future minimum capital lease payments are as follows:

<u>Years Ended March 31</u>	
2021	\$ 11,798
2022	11,798
2023	11,798
2024	<u>7,866</u>
Total	43,260
Less: Amount representing interest	<u>(4,164)</u>
Capital Lease Obligation	<u>\$ 39,096</u>

Note 13 - Net Assets With Donor Restrictions:

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Contributions with purpose restrictions	\$ 833,793	\$ 1,674,020
Unappropriated endowment earnings	-	101,435
Total Subject to Expenditure for Specified Purpose	<u>833,793</u>	<u>1,775,455</u>
Subject to the Passage of Time:		
Contributions with time restrictions	397,963	436,034
Charitable remainder unitrust	<u>69,173</u>	<u>80,790</u>
Total Subject to the Passage of Time	<u>467,136</u>	<u>516,824</u>
Perpetual in Nature:		
Endowments (Note 14)	<u>17,829,766</u>	<u>12,944,267</u>
Total Net Assets with Donor Restrictions	<u>\$ 19,130,695</u>	<u>\$ 15,236,546</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 13 - Net Assets With Donor Restrictions: (Continued)

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>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Sustainable organizational information	\$ 668,652	\$ 467,225
Travel program	96,848	-
Education and training	77,000	75,000
Military support	50,000	50,000
Artistic enrichment	29,727	-
Conservatory	12,500	12,500
Innovation night	5,000	36,500
Total Purpose Restrictions Accomplished	<u>939,727</u>	<u>641,225</u>
Time Restrictions Fulfilled	<u>266,594</u>	<u>132,655</u>
Total Net Assets Released from Restrictions	<u>\$ 1,206,321</u>	<u>\$ 773,880</u>

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.

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 \$1,036,371 and \$125,976 at March 31, 2020 and 2019, 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

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 14 - Endowment Net Assets: (Continued)

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.

Endowment composition by type of fund at March 31:

	2020			
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Donor-restricted endowment funds:				
Bank of America	\$ -	\$ -	\$ 9,553,383	\$ 9,553,383
Contributions receivable, net	-	-	1,235,804	1,235,804
Jewish Community Foundation	-	-	812,312	812,312
Beneficial interest in endowment fund	-	-	911,354	911,354
Beneficial interest in perpetual trust held by UCSDF	-	-	1,818,803	1,818,803
Charitable remainder unitrust	-	-	3,498,110	3,498,110
Board-designated reserve funds	<u>39,504,571</u>	-	-	<u>39,504,571</u>
Total	<u>\$ 39,504,571</u>	<u>\$ -</u>	<u>\$ 17,829,766</u>	<u>\$ 57,334,337</u>
	2019			
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Donor-restricted endowment funds:				
Bank of America	\$ -	\$ 101,435	\$ 5,081,191	\$ 5,182,626
Jewish Community Foundation	-	-	874,024	874,024
Beneficial interest in endowment funds	-	-	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	<u>2,569,840</u>	-	-	<u>2,569,840</u>
Total	<u>\$ 2,569,840</u>	<u>\$ 101,435</u>	<u>\$ 12,944,267</u>	<u>\$ 15,615,542</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 14 - Endowment Net Assets: (Continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions - Time</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
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	<u>(126,776)</u>	<u>(163,769)</u>	<u>(170,157)</u>	<u>(460,702)</u>
Endowment Net Assets at March 31, 2019	2,569,840	101,435	12,944,267	15,615,542
Investment income (loss)	63,471	101,021	(1,541,612)	(1,377,120)
Contributions	37,000,000	-	6,556,678	43,556,678
Appropriation of endowment assets for expenditure	<u>(128,740)</u>	<u>(202,456)</u>	<u>(129,567)</u>	<u>(460,763)</u>
Endowment Net Assets at March 31, 2020	<u>\$ 39,504,571</u>	<u>\$ -</u>	<u>\$ 17,829,766</u>	<u>\$ 57,334,337</u>

Note 15 - Lease Income:

The Playhouse entered into a Food Management Services agreement for the operation of the restaurant, James' Place. 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 \$55,000 and \$59,900 for the years ended March 31, 2020 and 2019, respectively. Beginning in March 2020, the Playhouse has provided COVID-19 rent relief to James' Place restaurant by waiving the base rent until such time that the Playhouse's theaters are open for operation.

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 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 \$95,936 and \$93,721 for the years ended March 31, 2020 and 2019, respectively.

The Playhouse also participates in pension and health and welfare benefit plans subject to collective bargaining agreements. Amounts contributed to these plans totaled \$875,895 and \$708,742 for the years ended March 31, 2020 and 2019, respectively.

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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 expires May 25, 2019. The monthly rent is \$2,467 plus additional rent based on percentage of gross restaurant sales. Rent expense for the space totaled \$23,379 and \$28,423 for the years ended March 31, 2020 and 2019, respectively. Due to COVID-19, UCSD has provided rent relief to the Playhouse by waiving the base rent for the months of April 2020 through December 2020 with base rent currently set to resume on January 1, 2021.

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		
2021	\$	749,701
2022		257,447
2023		7,865
Total	\$	1,015,013

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. Meetings between the Playhouse and the Musicians’ Association of San Diego scheduled in March 2020 to negotiate the agreement were canceled due to the COVID-19 Stay at Home Order. Negotiations on a new agreement between both parties will begin at a later date.

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 16 - Commitments and Contingencies: (Continued)

Collective Bargaining Agreements (Continued)

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. On March 5, 2020, the Playhouse and IATSE agreed to extend the agreement with all wages and conditions in full force and effect, with retroactive wages and benefits to be compensated for work performed on or after March 30, 2020. Negotiations on a new agreement between both parties will begin at a later date.

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

The Playhouse conducts a significant amount of transactions with the UCSD. The Playhouse paid the UCSD for parking permits, rent, and general operations totaling \$296,382 and \$244,473 for the years ended March 31, 2020 and 2019, respectively, with \$16,669 and \$4,393 remaining as a payable at March 31, 2020 and 2019, 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 \$130,838 and \$91,989, which is included in miscellaneous revenue for the years end March 31, 2020 and 2019, respectively, with \$27,131 and \$26,356 remaining as a receivable at March 31, 2020 and 2019, respectively.

Note 18 - Related Party Transactions:

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 \$7,746,000 and \$4,830,000 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, 2020 and 2019, respectively, of which approximately \$470,000 and \$499,000 was due from Trustees of the Board at March 31, 2020 and 2019, respectively.

Note 19 - Subsequent Event:

On April 13, 2020, the Playhouse obtained a loan totaling \$1,069,455 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that the Playhouse meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in April 2022.