



FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023



Leaf & Cole, LLP
Certified Public Accountants

**LA JOLLA PLAYHOUSE
FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

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

Independent Auditor's Report

To the Board of Directors
La Jolla Playhouse

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of La Jolla Playhouse (a nonprofit organization), which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Jolla Playhouse as of March 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of La Jolla Playhouse's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about La Jolla Playhouse's ability to continue as a going concern for a reasonable period of time.

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

Leaf & Cole LLP

San Diego, California
July 30, 2024

LA JOLLA PLAYHOUSE
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND 2023

	ASSETS					
	2024			2023		
	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	\$ 3,821,900	\$ 1,583,667	\$ 5,405,567	\$ 4,276,139	\$ 1,494,727	\$ 5,770,866
Reserve	2,036,096	-	2,036,096	1,408,913	-	1,408,913
Receivables, net:						
Contributions	667,586	604,088	1,271,674	537,702	595,000	1,132,702
Other	95,854	-	95,854	91,570	-	91,570
Prepaid production and other assets	587,456	-	587,456	659,447	-	659,447
Total Current Assets	<u>7,208,892</u>	<u>2,187,755</u>	<u>9,396,647</u>	<u>6,973,771</u>	<u>2,089,727</u>	<u>9,063,498</u>
Noncurrent Assets: (Notes 2 and 4 to 10)						
Contributions receivable, net	-	-	-	-	554,094	554,094
Property and equipment, net	7,620,391	-	7,620,391	8,466,047	-	8,466,047
Investments - Board designated	52,840,556	-	52,840,556	46,414,551	-	46,414,551
Charitable remainder unitrusts	-	4,755,555	4,755,555	-	4,295,097	4,295,097
Endowment Assets - Distributable:						
Endowment investments - Bank of America	-	17,147,944	17,147,944	-	14,798,342	14,798,342
Endowment investments - Jewish Community Foundation	-	1,058,639	1,058,639	-	952,817	952,817
Beneficial interest in endowment funds held by Jewish Community Foundation	-	1,154,639	1,154,639	-	1,090,476	1,090,476
Beneficial interest in perpetual trust held by UC San Diego Foundation	-	2,666,246	2,666,246	-	2,352,010	2,352,010
Total Noncurrent Assets	<u>60,460,947</u>	<u>26,783,023</u>	<u>87,243,970</u>	<u>54,880,598</u>	<u>24,042,836</u>	<u>78,923,434</u>
TOTAL ASSETS	<u>\$ 67,669,839</u>	<u>\$ 28,970,778</u>	<u>\$ 96,640,617</u>	<u>\$ 61,854,369</u>	<u>\$ 26,132,563</u>	<u>\$ 87,986,932</u>

(Continued)

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

LA JOLLA PLAYHOUSE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2024 AND 2023

LIABILITIES AND NET ASSETS

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Current Liabilities:</u> (Notes 2, 12, 17 and 18)						
Accounts payable and accrued expenses	\$ 1,636,402	\$ -	\$ 1,636,402	\$ 1,847,016	\$ -	\$ 1,847,016
Deferred revenue	3,060,281	-	3,060,281	3,287,056	-	3,287,056
Capital lease obligation	-	-	-	7,705	-	7,705
Total Current Liabilities	<u>4,696,683</u>	<u>-</u>	<u>4,696,683</u>	<u>5,141,777</u>	<u>-</u>	<u>5,141,777</u>
Total Liabilities	<u>4,696,683</u>	<u>-</u>	<u>4,696,683</u>	<u>5,141,777</u>	<u>-</u>	<u>5,141,777</u>
<u>Commitments and Contingencies</u> (Notes 11 and 16)						
<u>Net Assets:</u> (Notes 2, 13 and 14)						
Without Donor Restrictions:						
Undesignated	10,132,600	-	10,132,600	10,298,041	-	10,298,041
Board designated endowment	52,840,556	-	52,840,556	46,414,551	-	46,414,551
Total Without Donor Restrictions	<u>62,973,156</u>	<u>-</u>	<u>62,973,156</u>	<u>56,712,592</u>	<u>-</u>	<u>56,712,592</u>
With Donor Restrictions:						
Purpose restrictions	-	1,378,129	1,378,129	-	1,373,229	1,373,229
Time restrictions	-	389,948	389,948	-	386,333	386,333
Perpetual in nature	-	27,202,701	27,202,701	-	24,373,001	24,373,001
Total With Donor Restrictions	<u>-</u>	<u>28,970,778</u>	<u>28,970,778</u>	<u>-</u>	<u>26,132,563</u>	<u>26,132,563</u>
Total Net Assets	<u>62,973,156</u>	<u>28,970,778</u>	<u>91,943,934</u>	<u>56,712,592</u>	<u>26,132,563</u>	<u>82,845,155</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 67,669,839</u>	<u>\$ 28,970,778</u>	<u>\$ 96,640,617</u>	<u>\$ 61,854,369</u>	<u>\$ 26,132,563</u>	<u>\$ 87,986,932</u>

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

LA JOLLA PLAYHOUSE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating Revenues:</u>						
Ticket revenue	\$ 6,577,539	\$ -	\$ 6,577,539	\$ 4,450,354	\$ -	\$ 4,450,354
Distributions	3,346,821	-	3,346,821	3,442,700	-	3,442,700
Enhancements	2,653,178	-	2,653,178	5,175,642	-	5,175,642
Other income	1,184,516	-	1,184,516	322,812	-	322,812
Royalties	613,344	-	613,344	1,499,153	-	1,499,153
Co-production	300,000	-	300,000	325,000	-	325,000
Educational programs	173,824	-	173,824	112,689	-	112,689
Total Operating Revenues	14,849,222	-	14,849,222	15,328,350	-	15,328,350
<u>Contributions and Public Support:</u>						
Contributions	4,906,414	1,441,881	6,348,295	3,240,051	2,353,508	5,593,559
Special events	1,947,816	87,000	2,034,816	1,828,808	226,435	2,055,243
Grants	539,447	104,780	644,227	3,107,326	96,000	3,203,326
In-kind contributions	466,984	-	466,984	437,332	-	437,332
Net assets released from restriction	1,589,729	(1,589,729)	-	526,443	(526,443)	-
Total Contributions and Public Support	9,450,390	43,932	9,494,322	9,139,960	2,149,500	11,289,460
Total Operating Revenues, Contributions and Public Support	24,299,612	43,932	24,343,544	24,468,310	2,149,500	26,617,810
<u>Expenses:</u>						
Program Services	16,649,627	-	16,649,627	17,487,895	-	17,487,895
Supporting Services:						
Management and general	4,098,014	-	4,098,014	3,972,610	-	3,972,610
Fundraising	2,652,057	-	2,652,057	2,281,178	-	2,281,178
Total Supporting Services	6,750,071	-	6,750,071	6,253,788	-	6,253,788
Total Expenses	23,399,698	-	23,399,698	23,741,683	-	23,741,683
Operating Revenues, Contributions and Public Support Over Expenses	899,914	43,932	943,846	726,627	2,149,500	2,876,127

(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, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Other Changes in Net Assets:</u>						
Investment gain (loss), net	\$ 5,360,650	\$ 1,955,426	\$ 7,316,076	\$ (5,321,436)	\$ (1,567,140)	\$ (6,888,576)
Charitable remainder unitrusts	-	460,458	460,458	-	(412,584)	(412,584)
Beneficial interest in perpetual trust, net	-	314,236	314,236	-	(289,002)	(289,002)
Beneficial interest in endowment funds, net	-	64,163	64,163	-	(111,155)	(111,155)
Total Other Changes in Net Assets	<u>5,360,650</u>	<u>2,794,283</u>	<u>8,154,933</u>	<u>(5,321,436)</u>	<u>(2,379,881)</u>	<u>(7,701,317)</u>
Change in Net Assets	6,260,564	2,838,215	9,098,779	(4,594,809)	(230,381)	(4,825,190)
Net Assets at Beginning of Year	<u>56,712,592</u>	<u>26,132,563</u>	<u>82,845,155</u>	<u>61,307,401</u>	<u>26,362,944</u>	<u>87,670,345</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 62,973,156</u></u>	<u><u>\$ 28,970,778</u></u>	<u><u>\$ 91,943,934</u></u>	<u><u>\$ 56,712,592</u></u>	<u><u>\$ 26,132,563</u></u>	<u><u>\$ 82,845,155</u></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, 2024

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 6,662,244	\$ 2,422,551	\$ 986,143	\$ 3,408,694	\$ 10,070,938
Other employee benefits	973,802	184,008	74,289	258,297	1,232,099
Payroll taxes	613,553	196,522	77,464	273,986	887,539
Pension plan expenses	311,420	55,748	18,564	74,312	385,732
Total Salaries and Related Expenses	<u>8,561,019</u>	<u>2,858,829</u>	<u>1,156,460</u>	<u>4,015,289</u>	<u>12,576,308</u>
<u>Operating Expenses:</u>					
Administrative expenses	255,198	622,204	33,533	655,737	910,935
Advertising	488,116	-	24,681	24,681	512,797
Artist creative fees	1,748,760	-	-	-	1,748,760
Depreciation	1,165,740	117,480	1,514	118,994	1,284,734
Equipment rental	47,387	32,180	-	32,180	79,567
In-kind	-	-	466,984	466,984	466,984
Insurance	399,001	218,937	9,935	228,872	627,873
Leased facilities	64,617	-	-	-	64,617
Meals and entertainment	94,770	18,398	69,048	87,446	182,216
Professional fees	309,399	183,459	176,782	360,241	669,640
Program materials	2,545,331	-	5,698	5,698	2,551,029
Special events	-	-	694,399	694,399	694,399
Travel and accommodation	970,289	46,527	13,023	59,550	1,029,839
Total Operating Expenses	<u>8,088,608</u>	<u>1,239,185</u>	<u>1,495,597</u>	<u>2,734,782</u>	<u>10,823,390</u>
Total Expenses	<u>\$ 16,649,627</u>	<u>\$ 4,098,014</u>	<u>\$ 2,652,057</u>	<u>\$ 6,750,071</u>	<u>\$ 23,399,698</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, 2023

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

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

**LA JOLLA PLAYHOUSE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 9,098,779	\$ (4,825,190)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,284,734	1,248,017
Net realized and unrealized (gain) loss on investments	(8,606,128)	4,957,838
Appropriation of endowment earnings	3,346,821	3,442,700
Endowment contributions	(38,255)	(1,936,745)
Endowment investment (gain) loss	(879,768)	1,337,158
Changes in assets and liabilities:		
Receivables, net	410,838	(765,121)
Prepaid production and other assets	71,991	(187,524)
Accounts payable and accrued expenses	(210,614)	11,706
Deferred revenue	(226,775)	(3,323,333)
Net Cash Provided by (Used in) Operating Activities	<u>4,251,623</u>	<u>(40,494)</u>
<u>Cash Flows From Investing Activities:</u>		
Investment sales/maturities/(purchases), net	(275,375)	897,320
Purchase of property and equipment	(439,078)	(885,621)
Change in fair value of charitable remainder unitrusts	(460,458)	412,584
Change in fair value of beneficial interest in endowment funds	(64,163)	111,155
Change in fair value beneficial interest in perpetual trust	(314,236)	289,001
Net Cash (Used in) Provided by Investing Activities	<u>(1,553,310)</u>	<u>824,439</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on capital lease obligation	(7,705)	(11,043)
Endowment contributions	38,255	1,936,745
Endowment distributions	(3,346,821)	(3,442,700)
Endowment investment gain (loss)	879,768	(1,337,158)
Net Cash Used in Financing Activities	<u>(2,436,503)</u>	<u>(2,854,156)</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	261,810	(2,070,211)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>7,087,648</u>	<u>9,157,859</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 7,349,458</u></u>	<u><u>\$ 7,087,648</u></u>

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

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

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 120 world premieres, commissioning 70 new works, and sending 36 productions to Broadway, garnering a total of 42 Tony Awards including the 1993 Tony Award for Outstanding Regional Theatre.

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

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

Our mission and goals are realized through:

- Reaching 100,000+ patrons annually, the Playhouse’s subscription season is comprised of six productions each year, including world premieres and new works, as well as reimaged classics. Our plays reflect a diverse range of voices, theatrical styles, and subject matter, and involve artists and production staff reflective of San Diego’s multicultural communities.
- Without Walls (WOW) is the Playhouse’s acclaimed immersive and site-inspired theatre program designed to break barriers by moving beyond the boundaries of a traditional four-walled theatre space. The Playhouse regularly commissions and presents site-specific works, as well as its popular WOW Festival.
- New Play Development is fulfilled by supporting the creation of new work and developing artists and companies through such programs as Page To Stage (a full production that allows input from the audience throughout the run during nightly talkbacks); DNA New Work Series (providing artists with rehearsal time, space, and resources, and holding readings and workshops open to the public); a robust commissioning program, the Artist-in-Residence Program (a multi-month residency where artists can develop new projects); and the Theatre-in-Residence Program (a multi-year residency for San Diego- area companies without a permanent home).

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

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, 2024 AND 2023

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.
- Investments in hedge funds and private equity are considered Level 3 assets, and are reported at the fair value of the underlying assets as reported by the fund manager.
- 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 Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of contributions receivables. The provision for uncollectible contributions receivable totaled \$9,950 at March 31, 2024 and 2023.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Credit Losses

The Playhouse recognizes an allowance for credit losses on accounts receivable to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statement of financial position date, aging reports and historical information. Accounts receivable are written off when the Playhouse determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. The allowance for credit losses totaled \$2,410 at March 31, 2024 and 2023.

Capitalization and Depreciation

The Playhouse capitalizes 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 \$1,284,734 and \$1,248,017 for the years ended March 31, 2024 and 2023, 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 2024 and 2023.

Accrued Vacation

Accumulated unpaid vacation totaling \$398,068 and \$464,675 at March 31, 2024 and 2023, respectively, is accrued when incurred, and included in accounts payable and accrued expenses.

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

Note 2 - Significant Accounting Policies: (Continued)

Revenue and Expense Recognition

Ticket Revenue

Ticket sales are recognized in the statement of activities on a specific-performance basis. Revenues from ticket sales associated with future productions are deferred until the fiscal year in which the production is presented. Deferred revenue from advanced ticket sales totaled \$2,511,019 and \$2,573,174 at March 31, 2024 and 2023, 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 \$320,148 and \$540,000 at March 31, 2024 and 2023, 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 \$201,289 and \$160,564 at March 31, 2024 and 2023, 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 \$27,825 and \$13,318 at March 31, 2024 and 2023, 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, 2024 AND 2023**

Note 2 - Significant Accounting Policies: (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. The Playhouse received cash distributions of \$450,796 and \$965,650 for the years ended March 31, 2024 and 2023, respectively.

Operating Expenses

Production costs (labor and materials) and marketing expenses relating to future productions are deferred until the year in which the production is presented. Prepaid production and marketing expenses which are included in prepaid production and other assets totaled \$407,906 and \$388,381 at March 31, 2024 and 2023, 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 \$441,817 and \$377,925 for the years ended March 31, 2024 and 2023, respectively, which have been recorded as in-kind contributions and operating expenses in the statements of activities.

The Playhouse received in-kind donations totaling \$25,167 and \$59,407 for the years ended March 31, 2024 and 2023, respectively, which have been recorded as in-kind contributions and operating expenses in the statements of activities.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Support (Continued)

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

2024				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Rental equipment and design services	\$440,176	Program services and fundraising	No associated donor restrictions	Donated services are valued at the estimated fair value based on current rates for similar services.
Food and catering	\$25,027	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Legal services	\$1,305	Program services and fundraising	No associated donor restrictions	Donated services are valued at the estimated fair value based on current rates for similar services.
Security services	\$336	Program services and fundraising	No associated donor restrictions	Donated services are valued at the estimated fair value based on current rates for similar services.
Flowers	\$140	Program services and fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Support (Continued)

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

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

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, 2024 and 2023. 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, 2024, 2023, 2022 and 2021 are subject to examination by Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Playhouse considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents that are donor-restricted or board designated funds are held for long-term purposes and are not included in cash and cash equivalents. Certificates of deposits and treasury bills that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of maturity. The following is a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows at March 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents and restricted cash:		
Operating	\$ 5,313,362	\$ 5,678,735
Reserve	<u>2,036,096</u>	<u>1,408,913</u>
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 7,349,458</u>	<u>\$ 7,087,648</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, 2024 AND 2023**

Note 2 - Significant Accounting Policies: (Continued)

Reclassification

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

Subsequent Events

The Playhouse has evaluated subsequent events through July 30, 2024, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Accounting Pronouncements Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses* ("Topic 326") to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted April 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the financial statements.

Note 3 - Liquidity and Availability

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

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents, net of reserves	\$ 5,405,567	\$ 5,770,866
Contributions receivable, net	1,271,674	1,132,702
Less: Contributions receivable endowment	(500,000)	(500,000)
Other receivables	95,854	91,570
Endowment distributions	<u>3,404,000</u>	<u>3,281,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,677,095</u>	<u>\$ 9,776,138</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 3 - Liquidity and Availability (Continued)

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 \$52,840,556 of its resources without donor restrictions for reserves and a board-designated endowment fund. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Trustees.

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

Note 4 - Fair Value Measurements:

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

	2024			
	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, 2024
Mutual and exchange traded funds	\$ 61,977,691	\$ -	\$ -	\$ 61,977,691
Stock	3,426,996	-	-	3,426,996
Hedge funds	-	-	1,873,631	1,873,631
Private equity	-	-	953,298	953,298
Jewish Community Foundation	-	1,058,639	-	1,058,639
Charitable remainder unitrusts (Note 8)	-	-	4,755,555	4,755,555
Beneficial interest in endowment funds (Note 9)	-	-	1,154,639	1,154,639
Beneficial interest in perpetual trust (Note 10)	-	-	2,666,246	2,666,246
	<u>\$ 65,404,687</u>	<u>\$ 1,058,639</u>	<u>\$ 11,403,369</u>	<u>\$ 77,866,695</u>
	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2023
Mutual and exchange traded funds	\$ 51,451,219	\$ -	\$ -	\$ 51,451,219
Stock	5,782,183	-	-	5,782,183
Hedge funds	-	-	1,699,949	1,699,949
Private equity	-	-	676,773	676,773
Jewish Community Foundation	-	952,817	-	952,817
Charitable remainder unitrusts (Note 8)	-	-	4,295,097	4,295,097
Beneficial interest in endowment funds (Note 9)	-	-	1,090,476	1,090,476
Beneficial interest in perpetual trust (Note 10)	-	-	2,352,010	2,352,010
	<u>\$ 57,233,402</u>	<u>\$ 952,817</u>	<u>\$ 10,114,305</u>	<u>\$ 68,300,524</u>

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

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

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:

2024				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Hedge funds	\$ 1,873,631	Valuation of underlying assets as provided by fund managers	Base price	N/A
Private equity	\$ 953,298	Valuation of underlying assets as provided by fund managers	Base price	N/A
Charitable remainder unitrusts	\$ 4,755,555	Present value of expected cash flows	Investment yield Discount rate	0.0% 2.04% - 3.0%
Beneficial interest in endowment funds	\$ 1,154,639	Valuation of underlying assets as provided by fund managers	Base price	N/A
Beneficial interest in perpetual trust	\$ 2,666,246	Valuation of underlying assets as provided by third-party trustee	Base price	N/A
2023				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Hedge funds	\$ 1,699,949	Valuation of underlying assets as provided by fund managers	Base price	N/A
Private equity	\$ 676,773	Valuation of underlying assets as provided by fund managers	Base price	N/A
Charitable remainder unitrusts	\$ 4,295,097	Present value of expected cash flows	Investment yield Discount rate	0.0% 2.04% - 3.0%
Beneficial interest in endowment funds	\$ 1,090,476	Valuation of underlying assets as provided by fund managers	Base price	N/A
Beneficial interest in perpetual trust	\$ 2,352,010	Valuation of underlying assets as provided by third-party trustee	Base price	N/A

Note 5 - Contributions Receivable:

Contributions receivable consist of the following at March 31:

	2024	2023
Current:		
Due in less than one year	\$ 1,281,624	\$ 1,142,652
Less: Provision for uncollectible accounts	(9,950)	(9,950)
Total Current, Net	<u>1,271,674</u>	<u>1,132,702</u>
Noncurrent:		
Due in one-to-five years	-	600,000
Less: Discounts to present value	-	(45,906)
Total Noncurrent, Net	<u>-</u>	<u>554,094</u>
Total Contributions Receivable, Net	<u>\$ 1,271,674</u>	<u>\$ 1,686,796</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 5 - Contributions Receivable: (Continued)

The contributions receivable have been discounted to their present value using a discount rate of -0-% and 4.06% at March 31, 2024 and 2023, respectively.

Note 6 - Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 3,564,735	\$ 3,564,735
Building and improvements	1,478,125	1,478,125
Leasehold improvements	20,990,464	20,870,067
Production equipment	1,852,640	1,802,874
Furniture and equipment	1,176,296	1,088,217
Work in progress	180,837	-
Subtotal	<u>29,243,097</u>	<u>28,804,018</u>
Less: Accumulated depreciation	<u>(21,622,706)</u>	<u>(20,337,971)</u>
Property and Equipment, Net	<u>\$ 7,620,391</u>	<u>\$ 8,466,047</u>

Note 7 - Investments:

Investments consist of the following at March 31:

	<u>2024</u>	<u>2023</u>
Mutual, index, and exchange traded funds	\$ 61,977,691	\$ 51,451,219
Money market funds	1,728,084	1,574,984
Common stocks	3,426,996	5,782,183
Hedge funds	1,873,631	1,699,949
Private equity	953,298	676,773
Jewish Community Foundation	1,058,639	952,817
Cash surrender value of life insurance	28,800	27,785
Total Investments	<u>\$ 71,047,139</u>	<u>\$ 62,165,710</u>

The Playhouse maintains certain investments at JCF under a custodial agreement. These funds are classified as perpetual in nature for the amounts which must be maintained in perpetuity. The funds held at JCF are invested in investment pools. The Playhouse funds are invested in the Long-Term Index Pool, which invests 75% in domestic and international equities and 25% in fixed income at March 31, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Investments – Board designated	\$ 52,840,556	\$ 46,414,551
Endowment investments – Bank of America	17,147,944	14,798,342
Endowment investments – Jewish Community Foundation	1,058,639	952,817
Total Investments	<u>\$ 71,047,139</u>	<u>\$ 62,165,710</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 7 - Investments: (Continued)

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 1,629,601	\$ 453,055	\$ 2,082,656
Net realized and unrealized gain	6,293,242	2,312,886	8,606,128
Investment fees	(130,311)	(44,048)	(174,359)
Endowment distributions	(2,580,354)	(766,467)	(3,346,821)
Total Investment Gain and Distributions	<u>\$ 5,212,178</u>	<u>\$ 1,955,426</u>	<u>\$ 7,167,604</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 1,148,981	\$ 368,426	\$ 1,517,407
Net realized and unrealized loss	(3,709,872)	(1,247,966)	(4,957,838)
Investment fees	(178,216)	(52,333)	(230,549)
Endowment distributions	(2,807,433)	(635,267)	(3,442,700)
Total Investment Loss and Distributions	<u>\$ (5,546,540)</u>	<u>\$ (1,567,140)</u>	<u>\$ (7,113,680)</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 \$7,443,980 and \$6,879,421 at March 31, 2024 and 2023, 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, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Balance at Beginning of Year	\$ 4,295,097	\$ 4,707,681
Change in discount and fair value	460,458	(412,584)
Balance at End of Year	<u>\$ 4,755,555</u>	<u>\$ 4,295,097</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

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 41% in domestic and international equities, 26% private assets, 18% in fixed income, 13% hedge funds and 2% real assets. These funds are classified as perpetual in nature and they must be maintained in perpetuity.

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

	<u>2024</u>	<u>2023</u>
Balance at Beginning of Year	\$ 1,090,476	\$ 1,201,631
Investment gain (loss)	126,525	(47,340)
Investment fees	(7,389)	(7,831)
Distributions	(54,973)	(55,984)
Balance at End of Year	<u>\$ 1,154,639</u>	<u>\$ 1,090,476</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 perpetual in nature.

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

	<u>2024</u>	<u>2023</u>
Balance at Beginning of Year	\$ 2,352,010	\$ 2,641,011
Change in fair value	405,243	(202,978)
Distributions	(91,007)	(86,023)
Balance at End of Year	<u>\$ 2,666,246</u>	<u>\$ 2,352,010</u>

Note 11 - Line-of-Credit:

The Playhouse has a line-of-credit with US Bank in the amount of \$1,100,000 with interest at the Wall Street Journal Prime Rate (8.50% at March 31, 2024). The line-of-credit matures on September 27, 2024. Secured by all assets of the Playhouse. There was no outstanding balance at March 31, 2024 and 2023.

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 12 - Capital Lease Obligation:

The Playhouse leased equipment under a capital lease that expired on 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>2024</u>	<u>2023</u>
Cost	\$ 51,472	\$ 51,472
Less: Accumulated depreciation	(51,472)	(44,609)
Net Book Value	<u>\$ -</u>	<u>\$ 6,863</u>

Note 13 - Net Assets With Donor Restrictions:

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

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose:		
Contributions with purpose restrictions	\$ 1,378,129	\$ 1,373,229
Total Subject to Expenditure for Specified Purpose	<u>1,378,129</u>	<u>1,373,229</u>
Subject to the Passage of Time:		
Contributions with time restrictions	309,627	308,848
Charitable remainder unitrust	80,321	77,485
Total Subject to the Passage of Time	<u>389,948</u>	<u>386,333</u>
Perpetual in Nature:		
Endowments (Note 14)	27,202,701	24,373,001
Total Net Assets with Donor Restrictions	<u>\$ 28,970,778</u>	<u>\$ 26,132,563</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>2024</u>	<u>2023</u>
Purpose Restrictions Accomplished:		
Production	\$ 784,793	\$ 44,660
Education and training	344,489	132,332
Artistic enrichment	133,947	8,951
Innovation night	95,000	55,000
GALA	25,000	25,000
Total Purpose Restrictions Accomplished	<u>1,383,229</u>	<u>265,943</u>
Time Restrictions Fulfilled	<u>206,500</u>	<u>260,500</u>
Total Net Assets Released from Restrictions	<u>\$ 1,589,729</u>	<u>\$ 526,443</u>

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

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 \$-0- and \$47,183 at March 31, 2024 and 2023, respectively.

Net assets with donor restrictions in perpetuity are comprised of:

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

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

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

The Playhouse endowment funds are invested in a diversified portfolio, which is structured for long-term total return. The Playhouse's investment policy includes an endowment distribution rate of up to 5% of the endowment funds market value over a rolling twelve-quarter average with distributions payable quarterly.

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

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

LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 14 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at March 31:

	2024			
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Donor-restricted endowment funds:				
Bank of America	\$ -	\$ 4,070,254	\$ 13,077,690	\$ 17,147,944
Jewish Community Foundation	-	58,639	1,000,000	1,058,639
Beneficial interest in endowment fund	-	-	1,154,639	1,154,639
Beneficial interest in perpetual trust held by UCSDF	-	-	2,666,246	2,666,246
Charitable remainder unitrust	-	-	4,675,234	4,675,234
Board-designated reserve funds	52,840,556	-	-	52,840,556
Endowment pledge receivable	-	-	500,000	500,000
Total	<u>\$ 52,840,556</u>	<u>\$ 4,128,893</u>	<u>\$ 23,073,809</u>	<u>\$ 80,043,258</u>
	2023			
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Donor-restricted endowment funds:				
Bank of America	\$ -	\$ 2,118,418	\$ 12,679,924	\$ 14,798,342
Jewish Community Foundation	-	(47,183)	1,000,000	952,817
Beneficial interest in endowment fund	-	-	1,090,476	1,090,476
Beneficial interest in perpetual trust held by UCSDF	-	-	2,352,010	2,352,010
Charitable remainder unitrust	-	-	4,217,611	4,217,611
Board-designated reserve funds	46,414,551	-	-	46,414,551
Endowment pledge receivable	-	-	961,745	961,745
Total	<u>\$ 46,414,551</u>	<u>\$ 2,071,235</u>	<u>\$ 22,301,766</u>	<u>\$ 70,787,552</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, 2022	\$ 51,677,702	\$ 3,003,107	\$ 21,797,003	\$ 76,477,812
Contributions	116,719	-	1,936,745	2,053,464
Investment return:				
Interest income	1,095,516	368,428	22,010	1,485,954
Realized and unrealized losses	(3,639,574)	(612,700)	(907,595)	(5,159,869)
Investment fees	(170,386)	(52,333)	(7,831)	(230,550)
Change in value of split interest agreements	-	-	(396,559)	(396,559)
Appropriation of endowment assets for expenditure	(2,665,426)	(635,267)	(142,007)	(3,442,700)
Endowment Net Assets at March 31, 2023	<u>\$ 46,414,551</u>	<u>\$ 2,071,235</u>	<u>\$ 22,301,766</u>	<u>\$ 70,787,552</u>
Contributions	1,343,276	-	38,255	1,381,531
Investment return:				
Interest income	1,353,157	453,055	23,085	1,829,297
Realized and unrealized gains	6,294,257	2,415,118	406,450	9,115,825
Investment fees	(130,311)	(44,048)	(7,389)	(181,748)
Change in value of split interest agreements	-	-	457,622	457,622
Appropriation of endowment assets for expenditure	(2,434,374)	(766,467)	(145,980)	(3,346,821)
Endowment Net Assets at March 31, 2024	<u>\$ 52,840,556</u>	<u>\$ 4,128,893</u>	<u>\$ 23,073,809</u>	<u>\$ 80,043,258</u>

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

Note 15 - Lease Income:

The Playhouse entered into a Food Management Services agreement for the operation of the restaurant, James' Place. During the term of the agreement James' Place shall pay the Playhouse 5% of monthly gross sales on all items sold by James' Place on the premise of the Playhouse. The term of the agreement is set to expire June 24, 2024, and will transition to a month-to-month agreement. Lease income totaled \$24,353 and \$5,443 for the years ended March 31, 2024 and 2023, respectively.

Note 16 - Commitments and Contingencies:

Pension Plans

The Playhouse sponsors a 403(b) pension plan with a discretionary employer match covering substantially all of its non-union employees. Each employee's total contribution may not exceed the maximum allowable under current regulations. The Playhouse matches 100% of employee contributions, up to 3% of compensation. Matching contributions under this plan totaled \$126,612 and \$106,133 for the years ended March 31, 2024 and 2023, respectively.

The Playhouse also participates in pension and health and welfare benefit plans subject to collective bargaining agreements. Amounts contributed to these plans totaled \$1,054,563 and \$1,245,147 for the years ended March 31, 2024 and 2023, respectively.

Rental Space Lease Agreement

The Playhouse has a lease with the University of California, San Diego ("UCSD") related to the restaurant that was amended in April 2024. The term of the lease was extended for twelve months commencing June 25, 2024 and ending June 24, 2025. The monthly rent is based on 5% of monthly gross restaurant sales. Rent expense for the space totaled \$33,498 and \$14,449 for the years ended March 31, 2024 and 2023, respectively.

Contracts

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

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

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

Years Ended March 31	
2025	\$ 1,051,752
2026	752,550
2027	321,453
Total	<u>\$ 2,125,755</u>

**LA JOLLA PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

Note 16 - Commitments and Contingencies: (Continued)

Consolidated Appropriations Act Paycheck Protection Program

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

Collective Bargaining Agreements

Substantially all actors, directors, choreographers, designers, and musicians employed by the Playhouse are subject to collective bargaining. The League of Resident Theatres (“LORT”) and the Stage Directors and Choreographers Society, Inc. (“SDC”) agreement runs from April 15, 2024 through April 14, 2028. This agreement governs the terms by which directors and choreographers work in LORT theatres.

The Agreement between LORT and United Scenic Artists (“USA”) which covers designers runs from July 11, 2024 through June 30, 2028.

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

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

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

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

The Playhouse conducts a significant number of transactions with UCSD. The Playhouse paid UCSD for leasehold improvements and equipment totaling \$105,366 and \$705,079 for the years ending March 31, 2024 and 2023, respectively. The Playhouse also paid UCSD for parking permits, janitorial services, rent and general operations totaling \$272,975 and \$212,204 for the years ending March 31, 2024 and 2023, respectively, with \$20,885 and \$14,001 remaining as a payable at March 31, 2024 and 2023, respectively. The Playhouse also provides services to UCSD during productions performed by UCSD’s Department of Theatre and Dance primarily consisting of staffing and procurement of production set materials totaling \$222,908 and \$180,360, which is included in other income for the years ending March 31, 2024 and 2023, respectively, with \$55,703 and \$66,850 remaining as a receivable at March 31, 2024 and 2023, respectively.

Note 18 - Related Party Transactions:

Contributions and public support revenue include approximately \$2,664,056 and \$1,886,198 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, 2024 and 2023, respectively, of which approximately \$238,500 and \$301,928 was due from Trustees of the Board at March 31, 2024 and 2023, respectively.