SEGERSTROM CENTER FOR THE ARTS
Financial Statements
June 30, 2020
With Summarized Comparative Information for the Year Ended June 30, 2019
With Independent Auditor's Report

withum

ADVISORY TAX AUDIT

Segerstrom Center for the Arts
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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors,
Segerstrom Center for the Arts:

We have audited the accompanying financial statements of Segerstrom Center for the Arts (the "Center"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2020, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

As discussed in Note 13 to the financial statements, management is currently evaluating the introduction of the COVID-19 virus to the United States and its impact on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Center's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Segerstrom Center for the Arts as of and for the year ended June 30, 2019, were audited by KSJG, LLP, who merged with WithumSmith+Brown, PC on January 1, 2020, and expressed an unmodified opinion on those statements dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material aspects, with the audited financial statements from which it is has been derived.

WithumSmith+Brown, PC

November 19, 2020

Segerstrom Center for the Arts
Statements of Financial Position
June 30, 2020
With Summarized Comparative Information as of June 30, 2019

	Net Assets Without Donor Restrictions			Net Assets With Donor	Total	
Assets	**Operating**	**Facilities**	**Total**	**Restrictions**	**2020**	**2019**
Cash and cash equivalents	$ 8,684,616	$ 453,962	$ 9,138,578	$ 244,374	$ 9,382,952	$ 7,641,247
Investments	8,697,448	132,726,125	141,423,573	62,693,608	204,117,181	210,509,227
Accounts receivable	34,037	-	34,037	-	34,037	739,257
Prepaid expenses	1,033,562	-	1,033,562	-	1,033,562	1,397,741
Contributions receivable, net	203,950	-	203,950	5,700,906	5,904,856	10,812,881
Beneficial interest in irrevocable deferred gifts	-	-	-	27,740,947	27,740,947	19,640,706
Property and equipment, net	-	198,276,771	198,276,771	-	198,276,771	206,820,488
Total assets	$ 18,653,613	$ 331,456,858	$ 350,110,471	$ 96,379,835	$ 446,490,306	$ 457,561,547

The Notes to the Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Financial Position
June 30, 2020
With Summarized Comparative Information as of June 30, 2019

	Net Assets Without Donor Restrictions			Net Assets With Donor	Total	
Liabilities and Net Assets	**Operating**	**Facilities**	**Total**	**Restriction**	**2020**	**2019**
Accounts payable and accrued liabilities	$ 1,111,178	$ 1,518,072	$ 2,629,250	$ -	$ 2,629,250	$ 4,619,806
Bonds payable, net	-	153,256,880	153,256,880	-	153,256,880	153,108,110
Unamortized bond premium	-	20,802,296	20,802,296	-	20,802,296	24,852,670
PPP loan payable	3,546,030	-	3,546,030	-	3,546,030	-
Deferred revenue	11,377,141	-	11,377,141	-	11,377,141	15,254,134
Annuity payment liability	-	20,611	20,611	-	20,611	28,100
Total liabilities	16,034,349	175,597,859	191,632,208	-	191,632,208	197,862,820
Net assets						
Net assets without donor restriction						
Undesignated	619,264	150,180,185	150,799,449	-	150,799,449	156,223,078
Designated for general reserves	2,000,000	-	2,000,000	-	2,000,000	3,500,000
Designated for building and information technology repairs	-	5,678,814	5,678,814	-	5,678,814	5,256,778
Total net assets without donor restriction	2,619,264	155,858,999	158,478,263	-	158,478,263	164,979,856
Net assets with donor restriction						
Restricted for time	-	-	-	33,441,853	33,441,853	30,006,981
Restricted for time - endowment	-	-	-	22,243,608	22,243,608	24,026,046
Restricted in perpetuity	-	-	-	40,694,374	40,694,374	40,685,844
Total net assets with donor restriction	-	-	-	96,379,835	96,379,835	94,718,871
Total net assets	2,619,264	155,858,999	158,478,263	96,379,835	254,858,098	259,698,727
Total liabilities and net assets	$ 18,653,613	$ 331,456,858	$ 350,110,471	$ 96,379,835	$ 446,490,306	$ 457,561,547

The Notes to the Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Activities
Year Ended June 30, 2020
With Summarized Comparative Information for the Year Ended June 30, 2019

	Net Assets Without Donor Restriction			Net Assets With Donor	Total	
	Operating	Facilities	Total	Restriction	2020	2019
Revenues and public support						
Program revenues						
Center presentations	$ 18,329,911	$ -	$ 18,329,911	$ -	$ 18,329,911	$ 39,603,301
Hall rental operations	6,140,391	-	6,140,391	-	6,140,391	10,028,930
Education programs	1,380,585	-	1,380,585	-	1,380,585	1,664,517
	25,850,887	-	25,850,887	-	25,850,887	51,296,748
Other revenues						
Endowment and other investment income	259,676	4,832,524	5,092,200	1,317,562	6,409,762	11,391,262
Transfers - repair reserve, endowment	1,600,000	(1,600,000)	-	-	-	-
	1,859,676	3,232,524	5,092,200	1,317,562	6,409,762	11,391,262
Public support						
Contributions & special events	8,260,049	402,781	8,662,830	973,063	9,635,893	13,215,472
Contributed services and gifts in-kind	221,702	-	221,702	-	221,702	328,937
Change in value of irrevocable deferred gifts	-	-	-	8,100,241	8,100,241	1,882,395
Allowance for uncollectible contributions receivable	-	-	-	592,429	592,429	724,386
	8,481,751	402,781	8,884,532	9,665,733	18,550,265	16,151,190
Net assets released from restriction						
Time restriction	737,671	5,484,660	6,222,331	(6,222,331)	-	-
Time restriction - endowment	-	3,100,000	3,100,000	(3,100,000)	-	-
	737,671	8,584,660	9,322,331	(9,322,331)	-	-
Total revenues and public support	36,929,985	12,219,965	49,149,950	1,660,964	50,810,914	78,839,200

The Notes to the Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Activities
Year Ended June 30, 2020
With Summarized Comparative Information for the Year Ended June 30, 2019

	Net Assets Without Donor Restriction			Net Assets With Donor Restriction	Total	
	Operating	Facilities	Total		2020	2019
Total revenues and public support	$ 36,929,985	$ 12,219,965	$ 49,149,950	$ 1,660,964	$ 50,810,914	$ 78,839,200
Expenses						
Program services						
Center presentations	21,858,790	6,385,071	28,243,861	-	28,243,861	45,078,570
Hall rental operations	5,738,878	6,867,645	12,606,523	-	12,606,523	13,954,826
Education programs	3,143,233	185,906	3,329,139	-	3,329,139	3,717,658
	30,740,901	13,438,622	44,179,523	-	44,179,523	62,751,054
Supporting services						
Management and general	7,375,451	146,998	7,522,449	-	7,522,449	8,439,278
Fundraising	3,831,766	117,805	3,949,571	-	3,949,571	4,240,333
	11,207,217	264,803	11,472,020	-	11,472,020	12,679,611
Total expenses	41,948,118	13,703,425	55,651,543	-	55,651,543	75,430,665
Change in net assets	(5,018,133)	(1,483,460)	(6,501,593)	1,660,964	(4,840,629)	3,408,535
Net assets						
Beginning of year	7,637,397	157,342,459	164,979,856	94,718,871	259,698,727	256,290,192
End of year	$ 2,619,264	$ 155,858,999	$ 158,478,263	$ 96,379,835	$ 254,858,098	$ 259,698,727

The Notes to the Financial Statements are an integral part of these statements.

Segerstrom Center for the Arts
Statements of Functional Expenses
Year Ended June 30, 2020

	Program Services				Supporting Services			
	Center Presentations	Hall Rental Operations	Education Programs	Subtotal	Management & General	Fundraising	Subtotal	Total
Salaries and benefits								
Salaries and wages	$ 1,894,899	$ 1,726,996	$ 1,111,808	$ 4,733,703	$ 4,474,211	$ 1,594,767	$ 6,068,978	$ 10,802,681
Payroll taxes	146,769	133,764	88,009	368,542	329,502	128,970	458,472	827,014
Employee benefits	228,171	207,954	106,901	543,026	445,000	154,666	599,666	1,142,692
	2,269,839	2,068,714	1,306,718	5,645,271	5,248,713	1,878,403	7,127,116	12,772,387
Other								
Advertising	2,456,726	-	137,034	2,593,760	13,478	35,478	48,956	2,642,716
Attraction share of receipts	-	2,178,191	-	2,178,191	-	-	-	2,178,191
Bond issuance cost amortization	73,594	73,150	2,026	148,770	-	-	-	148,770
Bond interest & premium amortization	1,869,994	1,921,203	53,215	3,844,412	-	-	-	3,844,412
Building & equipment maintenance	1,348,352	1,452,463	68,141	2,868,956	243,925	27,745	271,670	3,140,626
Depreciation	4,441,481	4,873,292	130,665	9,445,438	146,998	93,099	240,097	9,685,535
Donor cultivation and events	-	-	-	-	-	294,066	294,066	294,066
Information technology	-	-	-	-	639,433	-	639,433	639,433
Insurance	-	-	-	-	427,313	-	427,313	427,313
Meetings, conferences and travel	12,162	11,084	18,676	41,922	249,954	6,035	255,989	297,911
Miscellaneous	1,121	1,022	15,722	17,865	65,857	68,564	134,421	152,286
Postage & shipping	9,745	8,882	1,003	19,630	16,891	4,524	21,415	41,045
Printing & publication	3,877	3,534	3,081	10,492	13,054	4,262	17,316	27,808
Professional fees	9,020	8,221	9,756	26,997	320,720	4,598	325,318	352,315
Programming	15,740,525	-	1,576,366	17,316,891	-	-	-	17,316,891
Special events	-	-	-	-	-	1,324,906	1,324,906	1,324,906
Supplies	6,762	6,163	5,795	18,720	88,610	5,447	94,057	112,777
Telefunding & direct mail	-	-	-	-	-	202,444	202,444	202,444
Telephone	663	604	941	2,208	47,503	-	47,503	49,711
Total expenses	$ 28,243,861	$ 12,606,523	$ 3,329,139	$ 44,179,523	$ 7,522,449	$ 3,949,571	$ 11,472,020	$ 55,651,543

The Notes to the Financial Statements are an integral part of this statement.

Segerstrom Center for the Arts
Statements of Functional Expenses
Year Ended June 30, 2019

	Program Services				Supporting Services			
	Center Presentations	Hall Rental Operations	Education Programs	Subtotal	Management & General	Fundraising	Subtotal	Total
Salaries and benefits								
Salaries and wages	$ 1,879,055	$ 1,955,752	$ 1,058,895	$ 4,893,702	$ 5,118,755	$ 1,484,487	$ 6,603,242	$ 11,496,944
Payroll taxes	134,005	139,474	77,091	350,570	339,344	105,562	444,906	795,476
Employee benefits	202,969	211,253	112,694	526,916	364,731	136,613	501,344	1,028,260
	2,216,029	2,306,479	1,248,680	5,771,188	5,822,830	1,726,662	7,549,492	13,320,680
Other								
Advertising	4,228,599	-	222,610	4,451,209	13,622	53,805	67,427	4,518,636
Attraction share of receipts	-	3,209,223	-	3,209,223	-	-	-	3,209,223
Bond issuance cost amortization	73,205	75,117	2,081	150,403	-	-	-	150,403
Bond interest & premium amortization	1,890,740	1,940,125	53,739	3,884,604	-	-	-	3,884,604
Building & equipment maintenance	1,665,632	1,675,111	73,348	3,414,091	284,977	33,058	318,035	3,732,126
Depreciation	4,583,016	4,702,719	130,258	9,415,993	146,540	92,808	239,348	9,655,341
Donor cultivation and events	-	-	-	-	-	341,564	341,564	341,564
Information technology	-	-	-	-	612,895	-	612,895	612,895
Insurance	-	-	-	-	335,469	-	335,469	335,469
Meetings, conferences and travel	39,988	46,052	34,136	120,176	410,052	17,240	427,292	547,468
Miscellaneous	-	-	25,031	25,031	91,534	100,886	192,420	217,451
Postage & shipping	23,361	-	966	24,327	22,659	5,678	28,337	52,664
Printing & publication	8,426	-	358	8,784	17,344	19,936	37,280	46,064
Professional fees	13,384	-	14,454	27,838	521,005	29,331	550,336	578,174
Programming	30,309,685	-	1,901,281	32,210,966	-	-	-	32,210,966
Special events	-	-	-	-	-	1,607,273	1,607,273	1,607,273
Supplies	24,683	-	9,283	33,966	115,974	7,149	123,123	157,089
Telefunding & direct mail	-	-	-	-	-	204,543	204,543	204,543
Telephone	1,822	-	1,433	3,255	44,377	400	44,777	48,032
Total expenses	$ 45,078,570	$ 13,954,826	$ 3,717,658	$ 62,751,054	$ 8,439,278	$ 4,240,333	$ 12,679,611	$ 75,430,665

The Notes to the Financial Statements are an integral part of this statement.

Segerstrom Center for the Arts
Statements of Cash Flows
Year Ended June 30, 2020
With Summarized Comparative Information for the Year Ended June 30, 2019

	2020	2019
Operating activities		
Changes in net assets	$ (4,840,629)	$ 3,408,535
Adjustments to reconcile changes in net assets		
to net cash (used in) provided by operating activities		
Depreciation	9,685,535	9,655,341
Change in reserve for uncollectible pledges	(592,429)	(764,044)
Change in discount to present value	(457,592)	(225,870)
Amortization of bond issuance cost	148,770	150,403
Amortization of bond premium	(4,050,374)	(3,963,616)
Net realized gain on marketable securities	(2,001,936)	(6,930,422)
Net unrealized loss on marketable securities	535,112	444,752
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	705,220	(311,735)
Prepaid expenses	364,179	316,191
Contributions receivable	5,958,046	6,853,487
Beneficial interest in irrevocable deferred gifts	(8,100,241)	(1,882,396)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(1,990,556)	178,191
Deferred revenue	(3,876,993)	(621,197)
Annuity payment liability	(7,489)	(7,691)
Net cash (used in) provided by operating activities	(8,521,377)	6,299,929
Investing activities		
Proceeds from sales and maturities of investments	62,802,039	55,643,933
Purchases of investments	(54,943,169)	(62,996,442)
Purchases of property and equipment	(1,141,818)	(837,757)
Net cash provided by (used in) investing activities	6,717,052	(8,190,266)
Financing activities		
Proceeds from issuance of PPP loan payable	3,546,030	-
Net cash provided by financing activities	3,546,030	-
Net increase (decrease) in cash and cash equivalents	1,741,705	(1,890,337)
Cash and cash equivalents		
Beginning of year	7,641,247	9,531,584
End of year	$ 9,382,952	$ 7,641,247
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 7,700,000	$ 7,700,000

The Notes to the Financial Statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Segerstrom Center for the Arts (the "Center"), which opened in 1986, is a non-profit charitable organization under section 501(c)(3) of the Internal Revenue Code ("IRC") organized for the purpose of developing and operating a major performing arts center in Orange County, California. The Center has various guilds and support groups throughout Orange County organized for fund-raising purposes. The accompanying financial statements include the accounts and activities of these groups.

Due to the impacts of COVID-19, the Center temporarily ceased in-person theatrical performances on March 12, 2020 and has not resumed as of the date of these financial statements.

Basis of Presentation

The financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restriction*:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restriction*:* Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Center records gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restriction. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as contributions without donor restrictions with the corresponding amount reclassified to net assets without donor restrictions in the accompanying statements of activities.

Endowment monies are identified in the accompanying financial statements as net assets with donor restriction both restricted in perpetuity, which includes donor-restricted contributions, and restricted for time, which includes unspent investment income on endowments.

The Center's programs have been categorized as follows:

Center Presentations - Performances of dance, Broadway musicals, jazz, classical, and other events presented directly by the Center in its various performance venues.

Hall Rental Operations **-** The use of the theaters by outside organizations to present their own performances, including Pacific Chorale, Pacific Symphony, and Philharmonic Society of Orange County.

Education Programs - The many arts education activities of the Center include: In-school Arts Teach and Arts Connect Programs, on stage events which bring children to Segerstrom Center for a performing arts experience, Summer at the Center for at-risk students, and participation in other countywide educational activities. Launched in September 2015, the American Ballet Theatre (ABT) William J. Gillespie Dance School is a new addition to the Center's education programs. The Center also commenced a series of Community Engagement activities in 2015 to deepen the relationship and involvement of the Orange County community, making a new school of dance and music called Studio D.

Comparative Data

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year end June 30 of the prior year, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers highly liquid investments and investments with original maturities of three months or less to be cash and cash equivalents. The Center places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit.

Marketable Securities

The Center reports its investments at fair value. Investment income from endowments is reported as time-restricted income unless it is appropriated for expenditure, in which case it is recognized as income without donor restriction. Unrealized and realized gains or losses have been recorded as return on endowment and other investments in the statements of activities.

Beneficial Interest in Irrevocable Deferred Gifts

Contributions, including unconditional promises to give, are recognized as revenue in the period received. The Center is also a beneficiary in certain trusts. The Center recognizes as revenue the present value of the estimated future benefits to be received upon distribution of irrevocable trusts for which the Center is beneficiary but is not the trustee. The present value discount on those future benefits is computed using the three-year U.S. Treasury note rate as of the balance sheet dates (0.18% and 1.71% as of June 30, 2020 and 2019, respectively). Changes in the present value discount amount and overall value of the Center's beneficial interest in these trusts are recognized in the statements of activities. When these gifts are revocable in nature, they are not reflected in the financial statements. The Center also recognizes as revenue the cash surrender value of the insurance policies for which the Center is the beneficiary.

Property and Equipment

Property and equipment are stated at cost and primarily represent expenditures associated with the construction of the Center. The building, equipment, and furniture are depreciated using the straight-line method over estimated useful lives of 3 to 40 years. Works of art have been capitalized at cost if purchased and their fair value at the date of donation if contributed. Works of art are considered inexhaustible and thus are not depreciated.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue from Contracts with Customers
The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606.

The Center adopted the requirements of the new guidance as of July 1, 2018, utilizing the modified retrospective method of transition. No adjustment to net assets as of July 1, 2018 was necessary. The Center applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2018. Adoption of the new guidance did not have a significant impact on the Center's financial position, results of activities or cash flows.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Center performs the following steps (i) identify contracts with customers; (ii) Identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Center satisfies each performance obligation.

The following summarizes the Organization's performance obligations:

Ticket sales
Ticket sales represents the sums actually paid for individual tickets of admission to a production of the Organization including handling and other fees. Tickets and the related fees are non-refundable at the time of receipt, unless a performance is cancelled. The Organization estimates the number of cancellations and records a reserve if deemed material. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Admission is recognized at a specific point in time, which is when the performance related to the ticket is complete.

Education Income
Education income represents income received for customer participation in education programs. Fees for tuition services are set by the Organization and are set forth in the agreements with customers. Fees for tuition will vary based on program selection. The Organization offers discounts and scholarships, which are immaterial in nature. Payments received in advance for education programs are recorded as contract liabilities by the Organization. Advanced education payments are recorded as revenue when the education program is complete. Tuition is refundable under certain circumstances, such as cancellation of the program. The total yearly adjustment for refunded tuition is immaterial to the Organization. Tuition and education income are recognized over a period of time, which is the length of the education program.

The timing of revenue recognition, billings and cash collections results in receivables and contract liabilities in the statements of financial position. Additionally, the Organization records deferred revenue for the sale of gift certificates, which are recorded as revenue upon the redemption of those gift cards for tickets at the completion of the related performance. Breakage income from gift certificates, which is the Organization's estimate of the non-redeemed gift certificates recognized in Center Presentations revenue, was not material to the financial statements as of June 30, 2020 and 2019. Total contract assets which are included in accounts receivable as of June 30, 2020, 2019 and 2018 were $34,307, $739,257 and $2,261,893, respectively. Total contract liabilities which are included in deferred revenue as of June 30, 2020, 2019 and 2018 were $11,377,141, $15,254,134 and $17,709,702, respectively.

Hall Rental Operations
Hall rental operations income represents income earned by the Organization for the rental of its facilities to outside organizations for their own performances. Deposits received in advance of usage are recorded as deferred revenues by the Organization. Revenue is recognized upon completion of the rental terms in the contract.

Contributions
In June 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made. This update requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the update requires recipient organizations to determine whether a contribution is conditional based on if the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider's obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome.

The Center adopted the requirements of the new guidance as of July 1, 2018, utilizing the modified prospective method of transition. No adjustment to net assets as of July 1, 2018 was necessary. The Center applied the new guidance using the practical expedient provided in Topic 958 that allows the guidance to be applied only to agreements that were not complete as of July 1, 2018. Adoption of the new guidance did not have a material impact on the Center's financial statements.

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Center's policy is to record restricted gifts that are received and spent in the same year as unrestricted support.

Contributed property and equipment are recorded at fair value at the date of donation. In the absence of explicit donor stipulations, contributions of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; and are released from restriction over the donor-imposed time restricted period.

Unconditional promises to give are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Contributed Services and Gifts In-Kind

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the Center's fund-raising campaigns and other activities. Only those amounts that meet the criteria above are recorded in the accompanying financial statements.

The Center has received donations of various services and noncash assets, such as legal fees, advertising, and merchandise that were used for purposes of operating activities. Contributed services and gifts in-kind in the amounts of $221,702 and $328,937 are recorded as income and expense in the statements of activities for the years ended June 30, 2020 and 2019, respectively. Additionally, the Center received other noncash donations that would not ordinarily be purchased by the Center.

Deferred Revenue

Box office receipts and theater rental income attributable to future events are included in cash and cash equivalents or investments and reflected as deferred revenue until the event has occurred, at which time the revenue will be earned.

Advertising Expenses

The Center pays for the advertising of Broadway shows and other presentations held at the Center in advance of the actual running of the event. These advanced payments are recorded as prepaid expenses on the Center's statements of financial position until the running of the show or presentation ends. At that point, the Center reclassifies the entire amount of prepaid advertising expenses related to that particular show or presentation as program expense in the Center's statements of activities. Total advertising expenses incurred during the years ended June 30, 2020 and 2019 were $2,642,716 and $4,518,636, respectively.

Income Taxes

The Center is exempt from Federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and Section 23701 of the California Revenue and Taxation Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Center has not been determined by the Internal Revenue Service ("IRS") to be a "private foundation" within the meaning of the IRC Section 509(a).

The Center is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. As a matter of course, various taxing authorities, including the IRS, have the authority to regularly audit the Center.

There were no tax years open to examination by major tax jurisdictions as of June 30, 2020. The Center does not believe its financial statements include (or reflect) any uncertain tax positions. Further, there are no income tax related penalties and interest included in these financial statements.

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The carrying value of financial instruments in the financial statements approximates fair value.

On July 1, 2008, the Center adopted the Fair Value Measurements provisions of the ASC, for fair value measurements of financial assets and financial liabilities (Notes 3 and 4), and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. The ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The assets that are recorded at fair value on a recurring basis are investments and beneficial interest in irrevocable deferred gifts. The Center has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis.

The ASC establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities. The Center's Level 1 assets include domestic equity mutual funds, international equity mutual funds, fixed income mutual funds and US Treasury bills.

Level 2 - Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Center's Level 2 assets include alternative investments.

Level 3 - Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Center's Level 3 assets include beneficial interest in irrevocable deferred gifts.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated using a specific methodology include the following:

Expense	Method of Allocation
Salaries & benefits	Time and effort
Bond interest & amortization	Square footage
Building & equipment maintenance	Square footage
Depreciation	Square footage
Other	Direct usage

Certain expenses reported on the accompanying statements of functional expenses, such as advertising, attraction share of receipts, information technology, insurance, professional fees, programming, special events, and other expenses have been allocated to programs based on direct usage. Certain costs split between the Center Presentations and Rental Hall Operations such as bond interest & amortization, building & equipment maintenance, and depreciation were allocated based on relative number of performances and rehearsals during the fiscal year.

Recent Accounting Pronouncements Not Yet Adopted

In September 2020 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which is effective for the Center's year ending after June 30, 2022, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Center's financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 expands disclosure requirements for both lessees and lessors and will be effective for the Center's year ending June 30, 2021. The Center is in the process of assessing the potential impact of the ASU on its financial statements.

Reclassification
The financial statements for the year ended June 30, 2019 contain certain reclassifications, which have no effect on changes in net assets, to conform to current period presentation at June 30, 2020.

Subsequent Events
The Center evaluated subsequent events through November 19, 2020, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. AVAILABILITY AND LIQUIDITY

The Center receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions or in accordance with time restrictions related to irrevocable deferred gifts and contributions receivable. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such gifts is used to fund programs and supporting services. Additionally, the Center receives revenues without donor restriction from entertainment and services provided to performing arts organizations and the general public.

The Center considers the aforementioned revenues and public support to be available to meet cash needs for all general expenditures. General expenditures include all programmatic and supporting service expenses that are expected to be paid in the subsequent year.

The Center manages its cash available to meet operating needs following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term financial sustainability strategic goals will be achieved.

To uphold these principals, the Center's Finance Committee meets on a periodic basis to provide strategic oversight of the Center's operating budget. In doing so, the Center strives to maintain financial assets available to meet current operating expenditures and to cover future obligations of fixed rate bonds issued by the Center. Additionally, the Board of Directors has designated certain assets as reserves for operations and maintenance of buildings and equipment that can be accessed in times of financial hardship or unbudgeted maintenance or repairs. The Board of Directors has also created a quasi-endowment, the earnings of which, in conjunction with the earnings from donor-restricted endowments, help fund the ongoing operations of the Center. The Center's investment policy includes an endowment spending rate up to 5% of the endowment funds' market value over a rolling twelve-quarter average. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

The following table represents the Center's financial assets available for general expenditure within one year, as of June 30, 2020 and 2019:

	2020	2019
Financial assets at year end		
Cash and equivalents	$ 9,382,952	$ 7,641,247
Investments	204,117,181	210,509,227
Accounts receivable	34,037	739,257
Contributions receivable	5,904,856	10,812,881
Beneficial interest in irrevocable deferred gifts	27,740,947	19,640,706
Total financial assets	247,179,973	249,343,318
Less financial assets not available for general expenditures within one year due to donor imposed restrictions		
Restricted for time	(26,794,883)	(23,107,197)
Restricted for time - endowment	(22,243,608)	(24,026,046)
Restricted in perpetuity	(40,694,374)	(40,685,844)
	(89,732,865)	(87,819,087)
Less financial assets not available for general expenditures within one year due to internal designations		
Designated for general reserves	(2,000,000)	(3,500,000)
Designated for building and information technology repairs	(5,678,814)	(5,256,778)
	(7,678,814)	(8,756,778)
Less financial assets earmarked to cover future obligations on fixed rate bonds		
Cash earmarked to facilities fund	(453,962)	(774,101)
Investments earmarked to facilities fund	(132,726,125)	(127,907,328)
	(133,180,087)	(128,681,429)
Financial assets available to meet general expenditures within one year	$ 16,588,207	$ 24,086,024

The Center's cash flows have seasonal variations due to timing of subscriptions series renewals and single tickets sales. Due to the impacts of COVID-19, the Center is currently not receiving any earned revenues from productions at the theatres. As described in Note 1, the Center's endowment funds consist of donor-restricted endowments. The Center's endowment policy provides for an annual distribution for operating purposes.

3. ASSETS RECORDED AT FAIR VALUE

Investments as of June 30, 2020 and 2019 consist of domestic equity mutual funds, international equity mutual funds, fixed income mutual funds, US Treasury bills and alternative equity mutual funds.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2020 and 2019:

	Assets at Fair Value as of June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Domestic equity mutual funds	$ 68,128,790	$ -	$ -	$ 68,128,790
International equity mutual funds	41,972,469	-	-	41,972,469
Fixed income mutual funds	67,942,603	-	-	67,942,603
US treasury bills	13,006,805	-	-	13,006,805
Alternative investments	-	13,066,514	-	13,066,514
	191,050,667	13,066,514	-	204,117,181
Beneficial interest in irrevocable deferred gifts	-	-	27,740,947	27,740,947
Total	$ 191,050,667	$ 13,066,514	$ 27,740,947	$ 231,858,128

	Assets at Fair Value as of June 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Domestic equity mutual funds	$ 55,113,165	$ -	$ -	$ 55,113,165
International equity mutual funds	45,684,771	-	-	45,684,771
Fixed income mutual funds	77,664,054	-	-	77,664,054
US treasury bills	19,198,933	-	-	19,198,933
Alternative investments	-	12,848,304	-	12,848,304
	197,660,923	12,848,304	-	210,509,227
Beneficial interest in irrevocable deferred gifts	-	-	19,640,706	19,640,706
Total	$ 197,660,923	$ 12,848,304	$ 19,640,706	$ 230,149,933

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Center's Level 3 assets for the years ended June 30, 2020 and 2019.

	Beneficial Interest in Irrevocable Deferred Gifts	
	2020	**2019**
Balance, beginning of year	$ 19,640,706	$ 17,758,310
Contributions	4,954,232	450,000
Unrealized gain	3,146,009	1,432,396
Balance, end of year	$ 27,740,947	$ 19,640,706

Investment income for the years ended June 30, 2020 and 2019 is summarized as follows:

	2020	**2019**
Interest and dividend income	$ 5,149,337	$ 5,104,571
Investment fees	(228,672)	(204,717)
Realized and unrealized gains	1,489,097	6,491,408
	$ 6,409,762	$ 11,391,262

4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. The Center has a reserve in its allowance for uncollectible accounts, which is equal to 100% for all past due unconditional promises to give, and 10% of all unconditional promises to give expected to be collected in the future. Unconditional promises to give that are expected to be collected in future years are also recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using the three-year U.S. Treasury note rate applicable in the year in which the promise was made. Amortization of the discount is included in contributions revenue, which were 0.18% and 1.71% for the years ended June 30, 2020 and 2019.

Included in contributions receivable at June 30, 2020 and 2019 are the following unconditional promises to give:

	2020	2019
Amounts due in		
Less than one year	$ 2,092,738	$ 6,899,784
One to five years	3,493,000	3,716,500
More than five years	1,232,500	2,160,000
Total promises to give	6,818,238	12,776,284
Less: allowance for uncollectibles	(593,039)	(1,185,468)
Less: unamortized discount	(320,343)	(777,935)
Net contributions receivable	$ 5,904,856	$ 10,812,881

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consist of the following:

	2020	2019
Land	$ 10,605,607	$ 10,605,607
Building - Theater I and II	305,930,708	305,664,924
Equipment and furniture	48,709,371	47,833,337
Fine arts	1,100,000	1,100,000
	366,345,686	365,203,868
Less: Accumulated depreciation	(168,068,915)	(158,383,380)
	$ 198,276,771	$ 206,820,488

Depreciation expense totaled $9,685,535 and $9,655,341 for years ended June 30, 2020 and 2019, respectively.

6. DESIGNATED NET ASSETS

The Center has designated funds for specific purposes which are presented in the accompanying statements of financial position as net assets without donor restriction.

Net assets designated for general reserves have been allocated to provide for extraordinary operational expenses when they occur. There were no additions to the reserve during years 2020 and 2019.

Net assets designated for building and information technology repairs and replacement have been allocated to provide for long-term maintenance of the facility and replacement of theatrical and other equipment. Additions to the reserve totaled $1,563,855 and $2,195,557, including interest earned and unrealized gains on these funds of $63,855 and $95,557 during the years ended June 30, 2020 and 2019, respectively. The reserve was reduced by $1,141,819 and $853,347 for capital improvements during the years ended June 30, 2020 and 2019, respectively.

7. ENDOWMENT

The Center has adopted the accounting standard for Endowments of Not-for-Profit Organizations. A key component of the accounting standard is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity as net assets with donor restrictions for purpose or time, until appropriated for expenditure. Adoption of this standard did not affect the financial position or changes in net assets of the Center.

The accounting standard provides guidance with respect to the accounting for donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which the State of California has enacted. In addition, the accounting standard requires expanded disclosures for all endowment funds. Based on its interpretation of the provisions of UPMIFA and the accounting standard, the Center has determined that retaining its existing policies regarding net asset classification of its donor-restricted endowment funds is appropriate. The historic dollar value of donor-restricted endowment contributions is reported as net assets with donor restrictions in perpetuity.

The Center's endowment consists of 10 individual funds.

Changes in Endowment Net Assets for the Year Ending June 30, 2020

	Without Donor Restriction	With Donor Restriction		
		For Time	In Perpetuity	Total
Endowment net assets,				
July 1, 2019	$ -	$ 24,026,046	$ 40,685,844	$ 64,711,890
Support				
Contributions	-	-	1,040	1,040
Gift annuity adjustment	-	-	7,490	7,490
Investment return				
Investment income	-	1,267,783	-	1,267,783
Investment fees	-	(228,672)	-	(228,672)
Net appreciation (realized and unrealized)	-	278,451	-	278,451
Appropriation of endowment				
for expenditure	3,100,000	(3,100,000)	-	-
Expenditure of appropriated funds	(3,100,000)	-	-	(3,100,000)
	$ -	$ 22,243,608	$ 40,694,374	$ 62,937,982

Changes in Endowment Net Assets for the Year Ending June 30, 2019

	Without Donor Restriction	With Donor Restriction	With Donor Restriction	Total
Endowment net assets,				
July 1, 2018	$ -	$ 23,795,915	$ 40,448,879	$ 64,244,794
Support				
Contributions	-	-	229,277	229,277
Gift annuity adjustment	-	-	7,688	7,688
Investment return				
Investment income	-	1,260,096	-	1,260,096
Investment fees	-	(204,717)	-	(204,717)
Net appreciation (realized and unrealized)	-	1,724,752	-	1,724,752
Appropriation of endowment				
for expenditure	2,550,000	(2,550,000)	-	-
Expenditure of appropriated funds	(2,550,000)	-	-	(2,550,000)
	$ -	$ 24,026,046	$ 40,685,844	$ 64,711,890

Return Objectives and Risk Parameters
The Center has adopted investment and spending policies for endowment assets that provides continued financial stability for the Center and a revenue stream for spending on the Center's mission. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that ensures safety through diversification while obtaining a competitive rate of return with the secondary objective to maintain liquidity. The Center expects its endowment funds over time, to provide an average rate of return of approximately 6% – 8% annually.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The Center targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Center's investment policy includes an endowment spending rate up to 5% of the endowment funds' market value over a rolling twelve-quarter average. This spending rate constitutes the Board's annual appropriation for spending endowment earnings. These spending assumptions are intended to allow for the immediate spending of a portion of the income of the portfolio, provide a target rate of return for the Endowment Fund for the Center, and provide a sustainable spending level that will allow for support of the Center's initiatives in fulfilling its mission, while maintaining the purchasing power of the Endowment Fund's assets. During the years ended June 30, 2020 and 2019, the endowment draw taken was $3,100,000 and $2,550,000, respectively, as reflected in the statements of activities. The endowment draw taken during the years ended June 30, 2020 and 2019 was less than the allowable 5% rolling twelve-quarter average.

8. BONDS PAYABLE

Beginning in July 2004, the Center caused a series of tax-exempt bonds to be issued by the California Infrastructure and Economic Development Bank (the “I Bank”).

The proceeds from the sale of these bond issues was loaned by the I Bank to the Center at an interest rate equal to the rate borne by the bonds and were used by the Center to finance the cost of construction and equipping of additional performance venues adjacent to its existing performing arts venues as well as the cost of the construction of a pedestrian plaza.

The original bond issues have been re-financed multiple times since 2004. The current outstanding bond issues are as follows:

The Series 2016 ten-year fixed rate bonds issued in June 2016 ($42,000,000). The bonds were issued with a 5.00% coupon rate with a 2.07% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $11,072,460. This premium will be paid to bond holders by the Center as part of the semi-annual interest payments, over the ten-year life of the bond. The Series 2016 bond matures on July 1, 2026.

The Series 2016 B seven-year fixed rate bonds issued in July 2016 ($48,000,000). The bonds were issued with a 5.00% coupon rate with a 1.56% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $10,752,480. This premium will be paid to bond holders by the Center as part of the semi-annual interest payments, over the seven- year life of the bond. The Series 2016 bond matures on July 1, 2023.

The Series 2017 fixed rate bonds issued in December 2017 ($64,000,000). These bonds were issued with two maturity dates, seven and ten years. One half of the series, $32,000,000, has a 5.00% coupon rate with a 2.23% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $5,721,280. This premium will be paid to bond holders by the Center as part of the semi-annual interest payments, over the seven- year life of the bond. This portion of the Series 2017 bond matures on January 1, 2025. The second half, also $32,000,000, has a 5.00% coupon rate with a 2.56% yield, and as a result, the Center received a net present value premium on this fixed rate bond in the amount of $6,855,040. This premium will be paid to bond holders by the Center as part of the semi-annual interest payments, over the ten-year life of the bond. This portion of the Series 2017 bond matures on January 1, 2028.

Under the terms of an agreement for the bonds payable, the Center is required to meet minimal levels of liquidity and debt service ratios. The Center was in compliance at June 30, 2020.

Amortization expense associated with the cost of issuing the above-mentioned bonds totaled $148,770 and $150,403 for the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, interest expense, net of bond premium amortization, amounted to $3,844,412 and $3,884,604, respectively, and bond premium amortization amounted to $4,050,374 and $3,963,616 for the years ended June 30, 2020 and 2019, respectively.

The annual aggregate maturities of bonds payable are as follows:

2021	$ -
2022	-
2023	-
2024	48,000,000
2025	32,000,000
Thereafter	74,000,000
Less: Deferred bond issuance costs	(743,120)
	$ 153,256,880

9. RETIREMENT PLANS

Defined Contribution Retirement Plan

The Center has a defined contribution retirement plan (the "Plan"), available to substantially all of the non-union employees of the Center after they attain the service requirement of 1 year and 1,000 hours, which is determined as of June 30 and December 31. Once eligible, the Center may make discretionary and/or match participant contributions in amounts set by the Center. The employee's vested percentage in the Plan for each year of service is as follows:

Years of Service	Vested Percentage
2	20%
3	40%
4	60%
5	80%
6	100%

Costs of the retirement Plan are funded as they are incurred, and employer contributions to the Plan amounted to $305,573 and $208,459 during the years ended June 30, 2020 and 2019, respectively.

10. LEASES

The Center has entered into various operating lease agreements for office equipment that provide for monthly rents ranging from $79 to $2,037 and expiring through May 2024. Future minimum lease payments under noncancelable operating leases as of June 30, 2020 are as follows:

2021	$ 61,324
2022	46,683
2023	25,189
2024	25,189
	$ 158,385

Rent and equipment lease expense totaled $64,814 and $76,702 for the years ended June 30, 2020 and 2019, respectively.

11. LITIGATION

The Center is involved in litigation arising in the normal course of its operations. Management, having consulted with its legal counsel, believes these matters will not, either individually or in aggregate, have any material adverse impact on its operating results or financial position.

12. CONCENTRATIONS OF LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENT

Certain employees of the Center, stage employees, are subject to a collective bargaining agreement. Employees subject to the agreement approximate 35% of the Center's labor force. Although management has no indication of any work stoppages and believes any would be unlikely, any such labor disruption could cause a severe impact on the Center's operations. Additionally, under the Center's collective bargaining agreement, any work stoppages are prohibited for the term of the contract. The Center's collective bargaining agreement is set to expire in June 30, 2022.

13. POTENTIAL IMPACT OF COVID-19 AND PPP LOAN PAYABLE

Management is currently considering the impact of the COVID-19 virus on the Center and its operations, and has concluded that while it is reasonably possible that the pandemic response could have a negative effect on the Center's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

On May 2, 2020, the Center received a loan in the amount of $3,546,030 under the Payroll Protection Program ("PPP") of the CARES Act. This loan is guaranteed by the Small Business Administration ("SBA") and is for a 2-year term at a 1.0% interest rate. Under the PPP, the Center can have the entire loan forgiven if the proceeds are used to fund payroll and other allowable expenses. The Center intends to follow the PPP restrictions so that the entire loan will be forgiven.