REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

GEFFEN PLAYHOUSE, INC.

August 31, 2021 and 2020

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Report of Independent Auditors

The Audit Committee of the Board of Directors
Geffen Playhouse, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Geffen Playhouse, Inc., which comprise the consolidated statements of financial position as of August 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Geffen Playhouse, Inc. as of August 31, 2021, and the change 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.

Other Matters

Prior Period Summarized Comparative Financial Information

We have previously audited the August 31, 2020 financial statements, and our report, dated December 7, 2021, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 of the consolidated financial statements, as of and for the year ended September 1, 2021, Geffen Playhouse, Inc. adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* The ASU has been applied using a modified retrospective transition approach in the year of adoption. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Los Angeles, California
November 29, 2021

ASSETS

	August 31, 2021	August 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 1,988,292	$ 1,329,848
Investments	10,414,753	6,903,926
Pledges receivable	1,418,540	2,010,480
Other receivables	693,609	130,708
Prepaid expenses and other assets	411,919	584,720
Total current assets	14,927,113	10,959,682
LEASEHOLD INTEREST IN BUILDING, net	1,575,523	1,690,106
PROPERTY AND EQUIPMENT, net	11,409,000	11,992,603
PLEDGES RECEIVABLE	2,514,917	3,279,060
Total assets	$ 30,426,553	$ 27,921,451

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 303,376	$ 392,519
Deferred revenue – single tickets	149,518	496,842
Deferred revenue – season subscription	1,887,936	2,803,274
Deferred revenue – other	4,590,880	1,481,902
Line of credit and note payable	781,987	1,250,660
Total current liabilities	7,713,697	6,425,197
Total liabilities	7,713,697	6,425,197
NET ASSETS		
Without donor restrictions	14,170,960	13,233,580
With donor restrictions	8,541,896	8,262,674
Total net assets	22,712,856	21,496,254
Total liabilities and net assets	$ 30,426,553	$ 27,921,451

Geffen Playhouse, Inc.
Consolidated Statement of Activities
With Summarized Comparative Information for the Year Ended August 31, 2020

	Year Ended August 31, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
OPERATING REVENUE				
Ticket sales – single	$ 2,158,091	$ -	$ 2,158,091	$ 2,501,694
Ticket sales – season subscription	-	-	-	2,225,962
UCLA reimbursed maintenance	635,574	-	635,574	499,688
Other income	104,067	-	104,067	165,292
Innovation	123	-	123	500,000
Production enhancement	-	-	-	175,000
Interest and investment income, net	186,576	-	186,576	33,506
Total operating revenue	3,084,431	-	3,084,431	6,101,142
OPERATING EXPENSES				
Program services	7,011,828	-	7,011,828	11,887,269
Management and general	1,350,212	-	1,350,212	1,323,467
Total operating expenses	8,362,040	-	8,362,040	13,210,736
Operating loss	(5,277,609)	-	(5,277,609)	(7,109,594)
CONTRIBUTED INCOME				
Contributions	2,675,066	575,897	3,250,963	5,040,794
Net assets released from restrictions	882,063	(882,063)	-	-
Total contributed income	3,557,129	(306,166)	3,250,963	5,040,794
NON-OPERATING REVENUES				
Special events	1,055,617	-	1,055,617	1,014,503
Government grants	2,499,709	-	2,499,709	189,760
Endowment earnings	-	585,388	585,388	159,855
Contributed services and in-kind donations	63,938	-	63,938	59,833
Total non-operating revenues	7,176,393	279,222	7,455,615	6,464,745
NON-OPERATING EXPENSES				
Fundraising services	598,428	-	598,428	1,788,706
Special events	362,976	-	362,976	347,109
Total non-operating expenses	961,404	-	961,404	2,135,815
Net non-operating income	6,214,989	279,222	6,494,211	4,328,930
CHANGE IN NET ASSETS	937,380	279,222	1,216,602	(2,780,664)
NET ASSETS, beginning of year	13,233,580	8,262,674	21,496,254	24,276,918
NET ASSETS, end of year	$ 14,170,960	$ 8,541,896	$ 22,712,856	$ 21,496,254

See accompanying notes.

	Years Ended August 31, 2021	Years Ended August 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,216,602	$ (2,780,664)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Change in discount of pledges receivable	38,603	(186,706)
Depreciation and amortization	635,959	655,061
Amortization of leasehold interest in building	114,583	114,583
Changes in operating assets and liabilities		
Pledges receivable	1,317,480	1,004,000
Other receivables	(562,901)	4,747
Prepaid expenses and other assets	172,801	1,294,238
Accounts payable and accrued expenses	(89,143)	140,763
Deferred revenue	1,846,316	986,240
Net cash provided by operating activities	4,690,300	1,232,262
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,300,000	3,449,542
Purchases of investments	(4,810,827)	(4,966,621)
Purchases of property and equipment	(52,356)	(324,855)
Net cash used in investing activities	(3,563,183)	(1,841,934)
CASH FLOWS (TO) FROM FINANCING ACTIVITIES		
Gain on forgiveness of PPP loan I	(760,660)	-
Repayments on line of credit	(490,000)	-
Borrowings on line of credit	-	490,000
Proceeds from PPP loans	781,987	760,660
Net cash (used in) provided by financing activities	(468,673)	1,250,660
CHANGE IN CASH AND CASH EQUIVALENTS	658,444	640,988
CASH AND CASH EQUIVALENTS, beginning of year	1,329,848	688,860
CASH AND CASH EQUIVALENTS, end of year	$ 1,988,292	$ 1,329,848

Note 1 – Organization

Geffen Playhouse, Inc. (a nonprofit organization) (the "Organization") is devoted to providing professional quality theater through a series of productions, workshops, seminars, and play readings for the city of Los Angeles, surrounding counties, and the University of California at Los Angeles ("UCLA"). An active member of the community, the Organization has education and outreach programs that target students, seniors, and others who otherwise would not have access to live theater. The Organization strives to produce original, quality works that inspire thought, evoke conversation, and engage the community in the live arts. The Organization, incorporated on August 29, 1994, was previously named Westwood Playhouse, Inc. Geffen Playhouse Films is a wholly owned for profit entity started and owned by the Organization for purposes of producing and distributing video productions of theatrical performances at the Organization.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation – The consolidated financial statements include the accounts of Geffen Playhouse, Inc. and Geffen Playhouse Films. All significant transactions between the entities have been eliminated in the consolidated financial statements.

Financial statement presentation – The Organization classifies revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization. Included in net assets without donor restrictions are certain funds designated by the Board of Directors (the "Board").

- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time, and net assets that are restricted by the donors for investment in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as support without donor restrictions.

Revenue recognition – On September 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method in which the new guidance was applied retrospectively to contracts that were not completed as of September 1, 2020. The Organization concluded that no changes are necessary to conform with the new standard.

Note 2 – Summary of Significant Accounting Policies (continued)

Ticket sales – Revenues from performances are recognized when the related performance is presented. Revenues from ticket sales received in advance of the performance are deferred and recognized when the performance is presented. Revenue from season ticket sales, which are received in advance of the related production season, is deferred. The advance ticket sales for performance balance decreased to $2,037,454 at June 30, 2021, from $3,300,116 at June 30, 2020, and $3,714,498 at June 30, 2019. The changes in deferred revenues were caused by normal timing differences between the satisfaction of performance obligations and customer payments. Expenses (construction sets and props and production) for productions to be presented in subsequent fiscal years are deferred and subsequently expensed in the year in which the production occurs. Concession and merchandise revenue is recognized at a point in time when the items are sold. Ticket handling fees are recognized at a point of time as tickets are sold. The production season typically is from September 1 to August 31, though occasionally, shows for the upcoming season may begin before September 1.

UCLA reimbursed maintenance – As further explained in Note 12, the Organization incurs expenses for the maintenance of the facility, which are either paid directly or reimbursed by UCLA. Accordingly, the Organization recognizes certain maintenance expenses as incurred and records the reimbursement from UCLA as support. The revenue for these transactions is recognized at a point in time, which is the same time the expense is incurred.

Other income – Other income includes royalties and sponsorships. Royalties represent revenue earned under agreements with other performing arts-related entities for the use of specific productions created by the Organization. Revenue is recognized as others perform the productions as the Organization's performance obligation for the provision of the rights to use of its production is completed. Sponsorships represent revenue earned under agreements with large companies for marketing on materials distributed to patrons and online platforms.

Special events – Special events revenue is generated from sponsorships, ticket sales, and sale of items at events held during the year and is recognized when the events occur, which is the completion of the Organization's performance obligation.

Government grants – Revenue from grants, depending on the terms of the grants, is recognized when an unconditional promise to give has been made to the Organization.

Deferred revenue – Deferred revenue represents tickets purchased in advance. These revenues are recognized when the related performance is presenting.

Contributions – Contributions received, including unconditional promises to give, are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as support with donor restrictions if the restrictions are not met in the same reporting period. Contributions of assets which donors have stipulated must be maintained in perpetuity, which only the income earned thereon available for current use, are classified as assets with donor restrictions. Contributions received at the Organization's various special events held throughout the year are presented as special events revenue in the consolidated statement of activities.

Note 2 – Summary of Significant Accounting Policies (continued)

Unconditional promises to give with payments due in future periods are reported as support with donor restrictions and are discounted to net present value at an appropriate discount rate. Gifts of land, buildings, and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulation, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributed services and in-kind donations – The Organization has in-kind transactions and recognizes contribution revenue based on the fair value of the goods and services received. During the years ended August 31, 2021 and 2020, the Organization recognized $63,938 and $59,833, respectively, of in-kind donations that are related to the operations of the Organization and have been included in program services in the accompanying consolidated statement of activities. In addition, during the years ended August 31, 2021 and 2020, the Organization recognized $62,141 and $0, respectively, of in-kind donations of goods that have been included in special events in the accompanying consolidated statement of activities.

Government grants – Individual governmental grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution—when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when funding is granted to the Organization.

Production enhancements – Production enhancements represent funds received from others to expand budgets for specific productions. Revenue is recognized when the performance obligations present in the associated agreements are completed, which is generally when the related performance is performed.

Innovation – Innovation revenues represent funds received from others to expand filming, streaming, and podcast of Geffen Productions and produce Broadway productions. Revenue is recognized when the productions are completed.

Functional allocation of expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Depreciation, interest, and facilities costs are allocated to functional categories based on square footage dedicated to the specific function. Labor is allocated to functional categories based on time spent on activities within each function.

Cash and cash equivalents – The Organization considers all highly liquid investments with a maturity at the date of purchase of three months or less to be cash and cash equivalents.

Note 2 – Summary of Significant Accounting Policies (continued)

Investments – Investments are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses net of investment expenses are included in the change in net assets.

Certificates of deposit are valued based on investment yield. UCLA Foundation's short-term investment pool (STIP) is valued based on net asset value of shares held by the Organization at year end. The fair value of the STIP is based on information provided by the UCLA Foundation fund managers at the most recent valuation date prior to fiscal year end adjusted for certain cash flows. Management agrees with the assumptions used and fair values determined by the Foundation fund managers. Management monitors the activity of the STIP and performs reconciliations and other procedures to assure that the valuation used in the consolidated financial statements is accurately stated.

The Organization receives a pro rata share of the income from the investment pool. Shares of the STIP are purchased or redeemed at a constant value of $1 per share. The investments of the pool are comprised of banker's acceptance instruments, commercial paper, corporate debt securities, and United States government and agency obligations. These funds are available to the Organization at any time subject to a maximum of two withdrawals per month. At August 31, 2021 and 2020, the Organization had $1,256,584 and $4,527,717, respectively, of funds held by the UCLA Foundation.

On August 31, 2018, the Organization transferred its endowed funds previously held by the UCLA Foundation to the UC Regents. Beneficial interests in the UC Regent's total investment return pool (TRIP) and general endowment pool (GEP) are reported at their fair values in the consolidated statements of financial position. Beneficial interests are classified within Level 3 of the fair value hierarchy. Securities classified within Level 3 are based on valuations provided by the external investment managers. Management, in conjunction with the external investment advisor, monitors the valuation of the investments periodically throughout the year. The valuations consider variables such as fair value principles, net asset value, and other recognized fair values of underlying securities. Realized and unrealized gains and losses are included in the change in net assets.

The value of the beneficial interest balance was $9,158,169 and $2,376,209 as of August 31, 2021 and 2020, respectively.

Pledges receivable – Unconditional promises to give are recorded, at their estimated net realizable value, as receivables and gift revenues and require the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate, ranging from 0.20% to 1.92%, commensurate with the risks involved and recorded in their respective net asset category. An allowance for uncollectible pledges receivable may be provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. At August 31, 2021 and 2020, no allowance has been provided.

Note 2 – Summary of Significant Accounting Policies (continued)

Other receivables – Other receivables consist of reimbursement due from UCLA for maintenance expenses as described in Note 12 and amounts earned and not yet utilized for the Employee Retention Tax Credit (ERTC). The ERTC receivable balance will be claimed in future pay periods by reducing employment tax remittances to the Internal Revenue Service.

Property and equipment – Property and equipment are stated at cost if purchased or fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between three and ten years. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method ranging from 10–40 years, or the shorter of the estimated useful life of the asset or the lease term. The Organization maintains a capitalization policy for expenditures in excess of $1,500.

Long-lived assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. No impairment losses were recognized during the years ended August 31, 2021 and 2020.

Income taxes – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

During the year ended August 31, 2021, the Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which may have an effect on its tax-exempt status.

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising – Advertising costs are expensed as incurred except for direct response advertising, which is capitalized and amortized over its expected period of future benefits, not to exceed 12 months. Direct response advertising consists primarily of the Organization's annual brochures for the following season subscriptions and the marketing of ticket sales to specific individuals. Advertising expense was $65,543 and $348,783 for the years ended August 31, 2021 and 2020, respectively. At August 31, 2021 and 2020, direct-response advertising included in prepaid expenses and other is $66,230 and $199,968, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Recently adopted accounting pronouncements – In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changed to the Disclosure Requirements for Fair Value Measurement,* which updates certain disclosures of financial instruments. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. The Organization has adopted this standard as of September 1, 2020. The adoption did not have significant impact on the consolidated financial statements.

Recently issued accounting pronouncement – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This guidance requires the recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the statements of financial position. The guidance is effective for fiscal years beginning after December 15, 2021. The Organization plans to adopt this update in their financial statements for the year ending August 31, 2023.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position but arose after the consolidated statements of financial position date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through November 29, 2021.

Note 3 – Concentrations of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable.

The investment policy limits the Organization's exposure to concentrations of credit risk. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

Cash and cash equivalents generally consist of cash and highly liquid investments with an initial maturity of three months or less. These securities are primarily held at one financial institution and are insured by the Federal Deposit Insurance Corporation (FDIC) coverage up to $250,000. At times during the year, cash in these accounts may exceed the federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Note 3 – Concentrations of Credit Risk (continued)

At August 31, 2021 and 2020, approximately 25% and 27%, respectively, of the Organization's pledges receivable were from one donor.

Note 4 – Investments and Fair Value Measurements

Fair value is 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. In determining fair value, the Organization uses the market approach. Based on this approach, the Organization utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. As a basis for considering such assumptions, the organization uses a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value.

The standard describes two inputs and the three-tier hierarchy that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal years ended August 31, 2021 and 2020, the application of valuation techniques applied to similar assets has been consistent. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

Note 4 – Investments and Fair Value Measurements (continued)

Financial assets carried at recurring fair value at August 31, 2021 and 2020, are classified as follows:

	2021				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Investments					
Pooled investment fund	$ -	$ -	$ -	$ 1,256,584	$ 1,256,584
Beneficial interests	-	-	9,158,169	-	9,158,169
Total	$ -	$ -	$ 9,158,169	$ 1,256,584	$ 10,414,753

	2020				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Investments					
Pooled investment fund	$ -	$ -	$ -	$ 4,527,717	$ 4,527,717
Beneficial interests	-	-	2,376,209	-	2,376,209
Total	$ -	$ -	$ 2,376,209	$ 4,527,717	$ 6,903,926

For the years ended August 31, 2021 and 2020, the changes in financial assets classified as Level 3 are as follows:

	Beneficial Interests Held at UC Regents
BALANCE, August 31, 2019	$ 4,744,562
Withdrawals	(2,546,702)
Realized and unrealized gain, net	46,036
Interest income	132,313
BALANCE, August 31, 2020	2,376,209
Contributions	6,048,540
Realized and unrealized gain, net	708,738
Interest income	24,682
BALANCE, August 31, 2021	$ 9,158,169

Note 4 – Investments and Fair Value Measurements (continued)

The Organization's financial assets are valued using the fair value practical expedient of net asset value and are summarized as follows:

	Fair Value, August 31, 2021	Redemption Frequency	Redemption Notice Period
Funds held in UCLA Foundation's STIP	$ 1,256,584	Monthly	Two days
Total	$ 1,256,584		

The Organization had no unfunded commitments as of August 31, 2021.

The following table represents the Organization's Level 3 financial instrument as of August 31, 2021, the valuation technique used to measure the fair value of the financial instrument and the significant unobservable input and the ranges of values for that input, which were unchanged from the year ended August 31, 2020:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Input	Range
Beneficial interests held at UC Regents	$ 9,158,169	Market approach	Underlying assets	N/A

Note 5 – Pledges Receivable

Pledges are initially recorded at fair value, by discounting to the present value of future cash flows at rates ranging from 0.20% to 1.92%. Pledges receivable are recorded as follows at August 31:

	2021	2020
Amounts due		
In less than one year	$1,418,540	$ 2,010,480
In one to five years	2,026,351	2,751,891
In six years and after	725,000	725,000
Total gross pledges receivable	4,169,891	5,487,371
Less: present value discount	(236,434)	(197,831)
Total pledges receivable, net	3,933,457	5,289,540
Less: current portion of pledges receivable, net	(1,418,540)	(2,010,480)
Pledges receivable, net of current portion	$ 2,514,917	$ 3,279,060

At August 31, 2021 and 2020, the Organization has not provided for an allowance for uncollectible pledges, as all amounts are considered fully collectible.

Note 6 – Leasehold Interest in Building

The Organization leases its facilities from UCLA at a rate of $1 per year under an original 30-year lease which commenced in May 1995. In April 2003, the lease term was extended to 55 years to expire in May 2050. In March 2010, the lease term was reduced by four years to expire in May 2046. At the inception date of the original lease, the fair value of the building was approximately $5,000,000. This amount was recognized in prior years as a contribution and a leasehold interest. The unamortized leasehold interest is reflected in the accompanying consolidated statements of financial position as a net asset with donor restrictions and is being amortized over the lease term of 51 years.

At August 31, 2021 and 2020, the unamortized leasehold interest is $1,575,523 and $1,690,106, respectively. Amortization expense for the years ended August 31, 2021 and 2020, was $114,583 and $114,583, respectively.

Note 7 – Property and Equipment

At August 31, 2021 and 2020, property and equipment consisted of the following:

	2020	2019
Equipment	$ 2,542,699	$ 2,526,240
Furniture and fixtures	774,261	738,364
Leasehold improvements	17,769,518	17,769,520
	21,086,478	21,034,124
Less: accumulated depreciation and amortization	(9,677,478)	(9,041,521)
	$ 11,409,000	$ 11,992,603

Depreciation and amortization expense for the years ended August 31, 2021 and 2020, was $635,959 and $655,061, respectively.

Note 8 – Line of Credit and Note Payable

In October 2012, the Organization entered into a line of credit agreement with a bank for a $500,000 line of credit. The line expired on April 14, 2019, and was subsequently extended to April 14, 2022. Advances under the line of credit bear interest at the current prime rate (5.25% at August 31, 2021) and are secured by property held by the Organization. As of August 31, 2021, there was no outstanding balance on the line of credit. As of August 31, 2020, there was $490,000 outstanding on the line of credit.

Note 8 – Line of Credit and Note Payable (continued)

In April 2020, the Organization entered into a loan agreement for $760,660 from a financial institution pursuant to the Small Business Administration (SBA) Paycheck Protection Program (PPP). Allowable costs include payroll-related costs, rent payments, interest on covered debt, and payments for covered utilities. The Organization applied for forgiveness and in April 2021, the Organization was notified by the financial institution that the loan had been fully forgiven by the SBA. The Organization has recognized the forgiven loan as an income under non-operating revenues in the consolidated statement of activities for the year ended August 31, 2021. The Organization must retain all records relating to the PPP loan for six years from the date the loan was forgiven, as the loan is subject to review by the SBA.

In March 2021, the Organization applied for and received a second PPP loan from a financial institution in the amount of $781,987. The loan bears interest at a rate of 1% per annum and matures on March 29, 2026. The loan shall be repaid in full, including principal and interest, no later than the maturity date. The loan is subject to forgiveness under the Forgiveness Guidelines by the SBA. The organization applied for full loan forgiveness and is awaiting notification from the SBA for approval. At August 31, 2021, the Organization included the full amount as a current liability under line of credit and note payable in the consolidated statements of financial position.

Note 9 – Lease Commitments

The Organization leased certain office equipment under noncancelable operating lease agreements expiring in September 2024 and March 2026. Total rent expense under the leases was $98,524 and $59,573, respectively, for the years ended August 31, 2021 and 2020. In addition, the Organization has noncancelable operating lease agreements on a storage space and an office space that expire September 2024. Total rent expense under these leases was $63,000 and $57,143, respectively, for the years ended August 31, 2021 and 2020.

The following is a schedule of the Organization's minimum lease requirements under these non-cancelable leases:

Years Ending August 31,	
2022	$ 84,660
2023	84,660
2024	84,660
2025	84,660
2026	35,856
Total	$ 374,496

Note 10 – Net Assets

At August 31, 2021 and 2020, net assets without donor restrictions consisted of the following:

	2021	2020
Undesignated	$ 10,320,174	$ 9,970,524
Board-designated net assets	3,850,786	3,263,056
	$ 14,170,960	$ 13,233,580

At August 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021	2020
Time restricted, pledges receivable	$ 3,115,587	$ 3,307,170
Time restricted, cash, accumulated earnings	850,786	265,398
Time restricted, leasehold interest in building	1,575,523	1,690,106
Perpetually restricted	3,000,000	3,000,000
Total	$ 8,541,896	$ 8,262,674

Note 11 – Endowments

The Board of Directors of the Organization has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by CPMIFA.

Return objectives and risk parameters – The Organization has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The endowment assets are held at the UC Regents, consistent with their non-endowment portion of their investment portfolio; as such, the strategies employed for managing the endowment funds are consistent with those of the entire investment portfolio.

Note 11 – Endowments (continued)

Strategies employed for achieving investment objectives – To achieve its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends).

Endowment spending policy and relationship to investment objectives – The Board of Directors of the Organization determines the method to be used to appropriate endowment funds for expenditure. It is the policy of the Board to annually review earnings on the endowment and determine the amounts to be appropriated for use in ongoing operations. In establishing this policy, the Board considered the expected long-term rate of return on its endowment and investment portfolio taken as a whole. The Board of Trustees of the Organization, in setting the endowment spending policy, considered the following factors: 1) preservation of asset values, 2) preservation of purchasing power, and 3) consistency of spending over time. The Organization's Board of Directors' adopted spending policy was established with a view toward balancing the need for expendable funds for the Organization's programs against the need to preserve the endowment against inflation.

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Changes in endowment net assets for the fiscal year ended August 31, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT NET ASSETS, beginning of year	$ -	$ 3,265,398	$ 3,265,398
Investment income, net of investment expenses	-	585,388	585,388
Total investment return	-	585,388	585,388
ENDOWMENT NET ASSETS, end of year	$ -	$ 3,850,786	$ 3,850,786

Note 11 – Endowments (continued)

Changes in endowment net assets for the fiscal year ended August 31, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT NET ASSETS, beginning of year	$ -	$ 3,105,543	$ 3,105,543
Investment income, net of investment expenses	-	159,855	159,855
Total investment return	-	159,855	159,855
ENDOWMENT NET ASSETS, end of year	$ -	$ 3,265,398	$ 3,265,398

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new restricted contributions and continued appropriation for certain programs was deemed prudent by the Board of Directors. At August 31, 2021 and 2020, there were no funds with deficiencies.

Note 12 – Related-Party Transactions

The Organization has an affiliation agreement with UCLA under which the Organization must provide artistic programming to the community and educational/professional opportunities for UCLA theater students. UCLA may appoint five members to the Organization's Board of Directors.

Under the lease agreement with UCLA, the Organization incurs expenses for the maintenance of the facility, which are either paid directly or reimbursed by UCLA. Accordingly, the Organization recognizes certain maintenance expenses as incurred and records the reimbursement from UCLA as support. For the years ended August 31, 2021 and 2020, UCLA reimbursed the Organization $635,574 and $499,688, respectively, for maintenance expenses. At August 31, 2021 and 2020, the Organization has a receivable from UCLA of $220,124 and $118,100, respectively, which is included in other receivables in the accompanying consolidated statements of financial position.

As disclosed in Note 4, the Organization had funds held by the UCLA Foundation and UC Regents totaling $10,414,753 and $6,903,926, at August 31, 2021 and 2020, respectively.

During the years ended August 31, 2021 and 2020, a relative of a member of management provided information technology consulting services to the Organization. During the year ended August 31, 2021, the information technology consulting service expense was $76,414, of which $489 was payable at year end. During the year ended August 31, 2020, the information technology consulting service expense was $64,756, of which $180 was payable at year end.

Note 12 – Related-Party Transactions (continued)

During the years ended August 31, 2021 and 2020, 37% and 55% of contributions were from related parties, respectively.

Note 13 – Employee Benefit Plan

The Organization maintains a 401(k) profit sharing plan available to all full time employees after completing one year of service, except those who are covered by a collective bargaining agreement. The retirement plan is subject to a discretionary employer contribution. For the years ended August 31, 2021 and 2020, no contributions were made by the Organization.

Note 14 – Expenses by Natural Classification

Expenses by function and nature consist of the following for the year ended August 31, 2021:

	Program Services	Management and General	Fundraising	Special Events	Supporting Services	Total
Salaries and related expenses						
Salaries and wages	$ 2,764,127	$ 742,749	$ 326,113	$ 20,072	$ 1,088,934	$ 3,853,061
Other employee benefit	315,386	54,256	28,286	1,954	84,496	399,882
Payroll taxes	15,665	386	4,167	102	4,655	20,320
Pension plan expenses	-	-	-	-	-	-
Total	3,095,178	797,391	358,566	22,128	1,178,085	4,273,263
Other expenses						
Fees for services	320,812	9,938	97,930	158,557	266,425	587,237
Production expenses	692,840	-	-	-	-	692,840
Lighting/sound	142,024	-	-	-	-	142,024
Office expenses	107,271	224,763	6,106	26,502	257,371	364,642
Advertising	65,543	-	-	-	-	65,543
Insurance	2,729	63,059	-	-	63,059	65,788
Royalties	532,952	-	-	-	-	532,952
Event expenses	1,406	3,082	7,404	90,746	101,232	102,638
Cost of goods sold	14,912	-	-	-	-	14,912
In-kind	635,573	-	63,938	47,751	111,689	747,262
Occupancy	266,969	-	-	-	-	266,969
Bank charges	214,591	21,984	13,063	5,025	40,072	254,663
Housing	5,469	-	-	8,762	8,762	14,231
Travel	9,906	1,142	-	3,505	4,647	14,553
Information technology	95,000	141,179	2,605	-	143,784	238,784
Maintenance	19,405	10,514	-	-	10,514	29,919
Marketing	32,178	-	48,816	-	48,816	80,994
Accounting	3,737	52,520	-	-	52,520	56,257
Legal	2,073	24,050	-	-	24,050	26,123
Conference	718	590	-	-	590	1,308
Total	3,166,108	552,821	239,862	340,848	1,133,531	4,299,639
Depreciation and amortization	750,542	-	-	-	-	750,542
Total	$ 7,011,828	$ 1,350,212	$ 598,428	$ 362,976	$ 2,311,616	$ 9,323,444

Note 14 – Expenses by Natural Classification (continued)

Expenses by function and nature consist of the following for the year ended August 31, 2020:

	Program Serevices	Management and General	Fundraising	Special Events	Supporting Services	Total
Salaries and related expenses						
Salaries and wages	$ 4,133,111	$ 757,366	$ 476,500	$ 25,420	$ 1,259,286	$ 5,392,397
Other employee benefit	439,481	46,654	38,771	-	85,425	524,906
Payroll taxes	436,709	50,275	39,332	2,915	92,522	529,231
Pension plan expenses	-	5,747	-	-	5,747	5,747
Total	5,009,301	860,042	554,603	28,335	1,442,980	6,452,281
Other expenses						
Fees for services	1,629,818	30,045	280,285	225,019	535,349	2,165,167
Production expenses	1,287,910	-	-	-	-	1,287,910
Lighting/sound	275,114	-	-	5,508	5,508	280,622
Office expenses	229,314	159,486	23,899	30,920	214,305	443,619
Advertising	247,302	-	-	648	648	247,950
Insurance	2,729	70,605	-	-	70,605	73,334
Royalties	448,612	-	-	-	-	448,612
Event expenses	94,366	7,476	12,879	51,269	71,624	165,990
Cost of goods sold	64,429	-	-	-	-	64,429
Miscellaneous	1,898	-	-	-	-	1,898
In-kind	499,688	-	-	-	-	499,688
Occupancy	69,206	-	-	-	-	69,206
Bank charges	181,400	30,861	18,301	5,410	54,572	235,972
Housing	193,011	-	-	-	-	193,011
Travel	291,435	9,798	43,415	-	53,213	344,648
Information technology	75,290	99,418	6,463	-	105,881	181,171
Maintenance	9,795	-	-	-	-	9,795
Marketing	493,082	-	48,735	-	48,735	541,817
Accounting	3,700	42,668	-	-	42,668	46,368
Legal	9,611	12,518	-	-	12,518	22,129
Bad debt	-	-	800,000	-	800,000	800,000
Conference	614	550	126	-	676	1,290
Total	6,108,324	463,425	1,234,103	318,774	2,016,302	8,124,626
Depreciation and amortization	769,644	-	-	-	-	769,644
Total	$ 11,887,269	$ 1,323,467	$ 1,788,706	$ 347,109	$ 3,459,282	$ 15,346,551

Note 15 – Liquidity and Availability

The Organization is supported primarily by ticket sales revenue and contributions. Because donor restrictions may require resources to be used in a particular manner or in a future period, financial assets may not be available for general expenditures within one year. The Organization structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of immediate requirements in short-term investments.

Note 15 – Liquidity and Availability (continued)

The following table reflects the Organization's financial assets, excluding endowment assets, as of August 31, 2021 and 2020, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year. Amounts not available include pledges receivable due in more than one year, cash on hand restricted to support for future seasons, accumulated earnings on endowment funds included investments, cash and pledges receivable with purpose or time restrictions that could be drawn only upon the approval of the Board of Directors. However, amounts appropriated for expenditure from the donor-restricted accumulated earnings on the endowment within one year of August 31, 2021 and 2020, are considered available.

	August 31,	
	2021	2020
Cash and cash equivalents	$ 1,988,292	$ 1,329,848
Investments	10,414,753	6,903,926
Other receivable	693,609	130,708
Pledges receivable	1,418,540	2,010,480
Total financial assets	14,515,194	10,374,962
Less: endowment assets held in perpetuity		
Investments	(2,200,000)	(1,500,000)
Pledges receivable	(500,000)	(600,000)
Total endowment assets held in perpetuity	(2,700,000)	(2,100,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,815,194	$ 8,274,962

Note 16 – Collective Bargaining Agreement

Substantially, all actors employed by the Organization are subject to a collective bargaining agreement with the International Alliance of Theatrical Stage Employees and Motion Picture Technicians, Artists and Allied Crafts of the United States and Canada Treasurers and Ticket Sellers Local 857, which expires August 31, 2022.

Note 17 – Risks and Uncertainties

From time to time, the Organization is party to various legal proceedings incidental to its business. In the opinion of management, none of these items, individually or in the aggregate, would have a significant effect on the financial position, change in net assets, cash flows, or liquidity of the Organization.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Organization's operations.

Management's evaluation of and adaptions to the COVID-19 pandemic and related events are ongoing, including impacts on the economy and general population. The Organization cannot accurately estimate the impact on its operations and financial results, and the duration and intensity of the impact of the COVID-19 pandemic and resulting disruptions to the Organization's operations are uncertain.