Livermore Valley Performing Arts Center

Financial Statements

June 30, 2020
(With Comparative Totals for 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Livermore Valley Performing Arts Center
Livermore, California

We have audited the accompanying financial statements of Livermore Valley Performing Arts Center (a California nonprofit corporation) (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 Livermore Valley Performing Arts 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.

Change in Accounting Principle

As described in Note 4 to the financial statements, the Center has adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective July 1, 2019. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 19 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Livermore Valley Performing Arts Center's 2019 financial statements, and our report dated December 19, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
San Jose, California

February 26, 2021

Livermore Valley Performing Arts Center
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 652,968	$ 275,208
Restricted cash	39,701	328,716
Contributions receivable, net	1,142,462	2,190,373
Accounts receivable	3,127	27,808
Inventory	12,334	12,334
Prepaid expenses and deposits	113,900	90,512
Property and equipment, net	14,610,706	14,921,865
Construction in progress	19,921	95,294
Total assets	$ 16,595,119	$ 17,942,110
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 194,304	$ 109,873
Accrued expenses	205,172	186,492
Deferred revenue	261,250	345,500
Line of credit	250,000	110,000
Capital lease payable	139,590	50,152
Present value of purchase option	1,638,082	1,601,476
Economic Injury Disaster Loan	150,000	-
Forgivable loan - Payroll Protection Program	327,500	-
Total liabilities	3,165,898	2,403,493
Net assets		
Without donor restrictions	11,155,548	12,000,016
With donor restrictions	2,273,673	3,538,601
Total net assets	13,429,221	15,538,617
Total liabilities and net assets	$ 16,595,119	$ 17,942,110

Livermore Valley Performing Arts Center
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenue				
Support				
Contributions	$ 633,203	$ 1,458,719	$ 2,091,922	$ 1,604,511
Special events	246,304	-	246,304	248,811
Special events direct expenses	(262,430)	-	(262,430)	(335,662)
Contributions in-kind	94,256	-	94,256	193,053
Net assets released from restriction	1,134,147	(1,134,147)	-	-
Total support	1,845,480	324,572	2,170,052	1,710,713
Revenue				
Ticket revenue - LVPAC presents	611,674	-	611,674	927,890
Ticket services revenue	265,580	-	265,580	349,059
Theater rental revenue	237,644	-	237,644	321,209
Concessions revenue	80,518	-	80,518	98,476
Bothwell Arts Center revenue	111,340	-	111,340	127,095
Other revenue	33,938	-	33,938	71,235
Interest income	185	-	185	519
Total revenue	1,340,879	-	1,340,879	1,895,483
Total support and revenue	3,186,359	324,572	3,510,931	3,606,196
Functional expenses				
Program services	3,349,378	-	3,349,378	3,882,840
Support services				
Management and general	457,843	-	457,843	322,085
Fundraising	223,606	-	223,606	246,285
Total support services	681,449	-	681,449	568,370
Total functional expenses	4,030,827	-	4,030,827	4,451,210
Change in net assets from operations	(844,468)	324,572	(519,896)	(845,014)
Change in reserve for uncollectible contributions	-	(1,589,500)	(1,589,500)	-
Change in net assets (Note 2)	(844,468)	(1,264,928)	(2,109,396)	(845,014)
Net assets, beginning of year	12,000,016	3,538,601	15,538,617	16,383,631
Net assets, end of year	$ 11,155,548	$ 2,273,673	$ 13,429,221	$ 15,538,617

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

Livermore Valley Performing Arts Center
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries and benefits					
Salaries and wages	$ 749,665	$ 278,514	$ 148,738	$ 1,176,917	$ 1,227,907
Employee benefits	139,437	51,803	27,665	218,905	181,575
Payroll taxes	63,463	23,577	12,591	99,631	106,182
Total salaries and benefits	952,565	353,894	188,994	1,495,453	1,515,664
Depreciation and amortization	857,539	4,331	4,331	866,201	839,161
Artist fees	633,737	-	-	633,737	914,359
Special events direct expenses	-	-	262,430	262,430	335,662
Advertising	216,981	-	-	216,981	303,821
Facility and equipment expenses	110,963	-	-	110,963	135,310
Utilities	94,886	1,976	1,976	98,838	110,510
Information technology	74,979	6,615	6,615	88,209	100,556
Office expenses	84,839	177	177	85,193	94,253
Bank fees and payroll fees	69,371	4,298	1,505	75,174	72,862
Professional services	501	66,745	-	67,246	78,964
Insurance	62,244	2,206	2,206	66,656	57,747
Interest	44,087	919	919	45,925	40,631
Telephone and telecommunications	34,077	3,006	3,006	40,089	26,684
Printing and publications	27,173	3,750	6,730	37,653	51,717
Production supplies	28,077	-	-	28,077	25,590
Rent	19,829	413	413	20,655	17,008
Travel and meeting expenses	6,050	8,066	6,050	20,166	25,715
Other expenses	13,997	171	171	14,339	17,850
Bad debt expense	8,076	-	-	8,076	-
Volunteer events	4,724	-	-	4,724	4,928
Postage, shipping and delivery	2,738	171	513	3,422	16,358
Communications - public relations	1,945	-	-	1,945	927
Recruitment	-	1,105	-	1,105	595
Total expenses	3,349,378	457,843	486,036	4,293,257	4,786,872
Special events direct expenses	-	-	(262,430)	(262,430)	(335,662)
Total expenses included in the expense section on the statement of activities	$ 3,349,378	$ 457,843	$ 223,606	$ 4,030,827	$ 4,451,210
Percentage of total	83.1 %	11.4 %	5.5 %	100.0 %	

Livermore Valley Performing Arts Center
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (2,109,396)	$ (845,014)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	866,201	839,161
Amortization of present value of purchase option	36,606	34,818
Changes in operating assets and liabilities		
Contributions receivable, net	1,047,911	(64,685)
Accounts receivable	24,681	(13,102)
Inventory	-	(1)
Prepaid expenses and deposits	(23,388)	(31,114)
Accounts payable	84,431	14,663
Accrued expenses	18,680	943
Deferred revenue	(84,250)	20,641
Net cash used in operating activities	(138,524)	(43,690)
Cash flows from investing activities		
Purchase of property and equipment	(90,954)	(158,675)
Construction in progress expenditures	(271,099)	(86,550)
Net cash used in investing activities	(362,053)	(245,225)
Cash flows from financing activities		
Principal payments on capital lease obligations	(28,178)	(27,296)
Proceeds from Economic Injury Disaster Loan	150,000	-
Proceeds from forgivable loan - Paycheck Protection Program	327,500	-
Net borrowings on line of credit	140,000	110,000
Net cash provided by financing activities	589,322	82,704
Net increase (decrease) in cash, cash equivalents and restricted cash	88,745	(206,211)
Cash, cash equivalents and restricted cash, beginning of year	603,924	810,135
Cash, cash equivalents and restricted cash, end of year	$ 692,669	$ 603,924

	2020	2019
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 652,968	$ 275,208
Restricted cash	39,701	328,716
	$ 692,669	$ 603,924

Supplemental disclosure of cash flow information

	2020	2019
Cash paid during the year for interest	$ 13,077	$ 5,813

Supplemental schedule of noncash investing and financing activities

	2020	2019
Construction in progress included in accounts payable	$ -	$ 3,744
Non-cash lease acquisition of property and equipment	$ 175,238	$ -

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

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2020

1. NATURE OF OPERATIONS

The Livermore Valley Performing Arts Center (the "Center" or "LVPAC") is a California nonprofit public benefit corporation recognized by the Internal Revenue Service as a charitable, tax exempt organization pursuant to section 501(c)(3) of the Internal Revenue Code. LVPAC was organized in August 1998 as the Livermore Valley Conference and Cultural Center and changed its name to the Livermore Valley Performing Arts Center in November 2004. LVPAC's mission is to offer a broad range of arts opportunities and experiences to engage our diverse community. LVPAC also strives to enhance the public's appreciation, enjoyment, and understanding of the arts; and serve as a catalyst for the continued economic enhancement of both the City of Livermore and the surrounding Tri-Valley region.

LVPAC completed the construction of the 500-Seat Bankhead Theater in downtown Livermore in September 2007 and has presented/hosted several successful seasons of local, national and international performing arts events. On March 12, 2020, LVPAC's 2019-2020 Season was cut short when the global COVID-19 pandemic forced a temporary shutdown of all operations. Between July 2019 and March 2020, over 47,000 patrons attended LVPAC events. In addition to the Bankhead Theater, LVPAC operates the Bothwell Arts Center, a multi-purpose facility for the support of local visual and performing artists and organizations, under a lease agreement with the Livermore Area Recreation and Park District.

2. CHANGE IN NET ASSETS

During the year ended June 30, 2020, the Center experienced a negative change in net assets without donor restrictions of $844,468 as reported in the statement of activities. A significant amount of the negative change in net assets without donor restrictions can be attributed to depreciation and amortization.

The following schedule reflects an intermediate measure of the change in net assets excluding interest expense, interest income, depreciation and amortization, and the change in reserve for uncollectible contributions:

	Without Donor Restrictions	With Donor Restrictions	Total
Change in net assets	$ (844,468)	$ (1,264,928)	$ (2,109,396)
Add interest expense	45,925	-	45,925
Less interest income	(185)	-	(185)
Add depreciation and amortization	866,201	-	866,201
	67,473	(1,264,928)	(1,197,455)
Change in reserve for uncollectible contributions	-	1,589,500	1,589,500
	$ 67,473	$ 324,572	$ 392,045

2. CHANGE IN NET ASSETS (continued)

In November 2012, the Center received a written promise to give for a total of $2,000,000 payable over a 15-year period. The Center has received $410,500 toward the promise, leaving a balance of $1,589,500. A representative of the donor that submitted the promise has said that the donor does not intend to make any further payments with respect to the promise and believes that the promise is not enforceable. However, the Center believes that the promise is enforceable. As of June 30, 2020 the dispute is at a very early stage and the Center and the donor's representative continue to communicate about the status of the promise. No formal proceedings to resolve the matter have commenced as of February 26, 2021.

In light of these facts, the Center has elected to fully reserve for the balance of the promise to give as noted above in its total contributions receivable balance in the accompanying statement of financial position. The Center's election to do so does not reflect any uncertainty about the enforceability of the promise, but does reflect uncertainty about the timing and cost of collecting the promise.

3. PROGRAM SERVICES

The Bankhead Theater serves as home for many of the area's finest performing arts organizations. These include Del Valle Fine Arts, the Livermore Valley Opera, the Livermore-Amador Symphony, Valley Dance Theater, Tri-Valley Repertory Theater, Livermore School of Dance, Lamplighters Music Theatre, Rae Dorough Speakers Series and the Pacific Chamber Orchestra. The Bothwell Arts Center functions as an incubator space and provides studios, classrooms, performance and rehearsal space for many of the City's arts organizations and artists.

LVPAC provides the Bankhead on a rental basis to both resident and visiting performance companies and functions as a presenter in its own right, bringing to Livermore artists of national and international stature. Finally, LVPAC provides student matinee performances and artists' classroom workshops for school children across the Tri-Valley.

During the year ended June 30, 2020, over 85 public events took place in the Bankhead Theater and more than 47,000 attendees enjoyed performances by such attractions as the Livermore Valley Opera, Tri-Valley Repertory Theatre, the Livermore-Amador Symphony, the Pacific Chamber Orchestra, Valley Dance Theater, Aspen Santa Fe Ballet, David Victor, Matthew Morrison, Luna Mexicana, So You Think You Can Dance Live, Lonestar & Phil Vassar, The Choir of Man, Riders In The Sky, Cirque Mechanics, and Georgia On My Mind: The Music of Ray Charles. A cornerstone of Livermore's downtown revitalization, the Livermore Valley Performing Arts Center and the Bankhead Theater play a vibrant role in the cultural and economic life of the City of Livermore and the surrounding Tri-Valley region.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Center 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") applicable to nonprofit organizations. Accordingly, net assets and support and revenue are classified based on the existence or absence of donor-imposed restrictions.

- *Net assets without donor restrictions* - net assets not subject to donor-imposed stipulations. The Board of Directors has discretionary control in carrying out the operations of the Center. Under this category, the Center maintains an operating fund, property and equipment fund plus any net assets designated by the Board for specific purposes.
- *Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that may or will be met by the actions of the Center and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for with the resource was restricted has been fulfilled, or both.

Support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Change in accounting principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Management believes the standard improves the usefulness and understandability of the Center's financial reporting. The adoption of this standard resulted in no significant changes in the way the Center recognizes revenue.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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 support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Restricted cash

Restricted cash as of June 30, 2020 amounted to $39,701 and represents a Capital Expenditure Reserve balance required by the City of Livermore to pay for the maintenance, repair and replacement of building systems. The Center was required to deposit one percent of its total support and revenue, adjusted annually by the rate of the consumer price index, into the reserve account until the account balance of $450,000 was reached. The Center will recommence deposits into the Capital Expenditure Reserve until the $450,000 threshold has been reached again.

The following table sets forth a summary of changes in the restricted cash balance for the years ended June 30, 2020 and 2019, respectively:

	2020	2019
Balance, beginning of year	$ 328,716	$ 450,000
Additions	35,000	36,000
Expenditures for the maintenance, repair and replacement of building systems	(324,015)	(157,284)
Balance, end of year	$ 39,701	$ 328,716

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. The Center has characterized the fair value of its assets, based on the priority of the inputs used to value the assets, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Assets recorded in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

- *Level 1* - Values are based on unadjusted quoted prices for identical assets in an active market that the Center has the ability to assess.
- *Level 2* - Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investment.
- *Level 3* - Values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the assumptions of management about assumptions market participants would use in pricing the investments.

Contributions receivable

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. For promises expected to be collected in more than one year a present value discount is estimated based on the risk free rate (appropriate U.S. Treasury Bond Rate) at the time of the promise as adjusted for credit and other donor specific risks. The risk-adjusted discount rate on contributions receivable as of June 30, 2020 was determined to be 3.1%. The Center uses a specific identification method to estimate its allowance for doubtful contributions receivable. An allowance for doubtful contributions receivable of $1,589,500 was recorded as of June 30, 2020.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Center had no conditional promises to give as of June 30, 2020.

Accounts receivable

Accounts receivable represent amounts due and are stated at the amount the Center expects to collect. A provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Center determines that payments will not be received. Any subsequent receipts are credited to the allowance. Management believes that all of its accounts are collectible, accordingly, no allowance for doubtful accounts receivable was recorded as of June 30, 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $2,500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed. Depreciation and amortization is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 30 years. Depreciation and amortization is charged to the activity benefiting from the use of the property or equipment.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2020, and is included in accrued expenses in the statement of financial position. The accrued vacation balance as of June 30, 2020 was $84,201.

Revenue recognition

In June 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), which allows the deferral of the adoption of Accounting Standard Codification 606 for private entities that have not yet issued financial statements or made financial statements available for issuance as of June 30, 2020. The Center adopted ASU 2020-05, and thus the revenue recognition is under Accounting Standard Codification 605.

The Center recognizes support and revenue on the accrual basis of accounting. Revenue is recognized in the period in which the service is provided. Deferred revenue includes payments received in advance for future performances and public events. The revenue for these payments is recognized when the performance or event takes place.

Contributions

Unrestricted contributions are recorded as support when received, or if pledged, when the donor makes an unconditional promise. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt.

Restrictions on gifts of property or equipment or gifts restricted to the purchase of property or equipment are satisfied when the assets are placed in service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in-kind

Donated equipment and other donated goods are recorded as contributions at their estimated fair value as of the date of the donation. Contributed services are recorded as contributions at their estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

Advertising costs

The Center expenses advertising costs as incurred. Advertising costs for the year ended June 30, 2020 totaled $216,981.

Allocation of functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited.

Direct identification of specific expenses is the Center's preferred method of charging expenses to various functions. The Center has a number of expenses which relate to more than one program or support activity, or to a combination of programs and support activities. Expenses are allocated by management among programs and support services based on salary expense, square footage or asset usage.

Income tax status

Livermore Valley Performing Arts Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701d of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Uncertainty in income taxes

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Center in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes (continued)

The Center files information returns in the U.S. federal jurisdiction and state of California. The Center's federal returns for the tax years ended June 30, 2017 and beyond remain subject to possible examination by the Internal Revenue Service. The Center's California returns for the tax years ended June 30, 2016 and beyond remain subject to possible examination by the Franchise Tax Board.

Subsequent events

The Center has evaluated subsequent events through February 26, 2021, the date the financial statements were available for issuance.

On August 19, 2020, the Center renewed its line of credit with Fremont Bank (Note 8).

No other events or transactions have occurred during this period that require recognition or disclosure in the financial statements.

5. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

Receivable in one year or less	$ 990,592
Receivable in one to five years	1,076,870
Receivable in more than five years	689,500
Less reserve for doubtful contributions receivable (see Note 2)	(1,589,500)
	1,167,462
Less discounts to net present value	(25,000)
	$ 1,142,462

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Building	$ 22,954,262
Furniture, fixtures and equipment	1,522,300
Land	740,000
Land improvements	34,431
	25,250,993
Accumulated depreciation and amortization	(10,640,287)
	$ 14,610,706

6. PROPERTY AND EQUIPMENT, NET (continued)

Depreciation and amortization for the year ended June 30, 2020 was $866,201.

In December 2019, the Center financed a grand piano purchased through the use of a capital lease. The lease term is 60 months with an option to purchase the piano at the end of the lease for $1. The piano and associated accumulated depreciation included in the above table at June 30, 2020 subject to capital leases totaled $175,238 and $10,112, respectively.

7. CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2020, totaled $19,921, and consisted of architectural design and related professional service fees for a new lighting system for the theater and the lobby remodel project.

8. LINE OF CREDIT

On September 3, 2018, the Center entered into a $500,000 revolving line of credit with Fremont Bank. The line matured on September 3, 2020, and required monthly payments of variable interest based on the prime rate as published in the Wall Street Journal plus 1%. The interest rate at June 30, 2020 was 4.25%. The revolving line of credit is secured by a general security interest in the assets of the Center. At June 30, 2020, $250,000 was outstanding on the line of credit.

On August 19, 2020, the Center renewed its line of credit with Fremont Bank for a total credit limit of $500,000, which matures on September 3, 2021.

9. FORGIVABLE LOAN - PAYROLL PROTECTION PROGRAM

On April 17, 2020, the Center received loan proceeds of $327,500 from a promissory note issued by Fremont Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Center believes that it will likely qualify for full forgiveness, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that the Center will obtain forgiveness in whole or in part.

10. ECONOMIC INJURY DISASTER LOAN

On May 28, 2020, the Center executed the standard loan documents required for securing a Economic Injury Disaster Loan (the "loan") from the Small Business Administration under its assistance program in light of the impact of the COVID-19 pandemic on the Center's business.

10. ECONOMIC INJURY DISASTER LOAN (continued)

The principal amount of the loan is up to $150,000, with proceeds to be used for working capital purposes. As of June 30, 2020, the Center has requested and received the full $150,000 disbursement under the loan. Interest accrues at the rate of 2.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly beginning May 28, 2021 (twelve months from the date of the advance) in the amount of $641. Each payment will be applied first to interest accrued to the date of receipt of each payment, and then the balance, if any will be applied to principal. The balance of principal and interest is payable thirty years from the date of the advance.

The future maturities of the loan payable are as follows:

Year ending June 30,		
2021	$	-
2022		83
2023		3,614
2024		3,704
2025		3,818
Thereafter		138,781
	$	150,000

11. CAPITAL LEASE OBLIGATIONS

Capital lease obligations consisted of the following:

Steinway piano	$	117,617
Konica copiers		21,973
	$	139,590

Future maturities of capital lease obligations are as follows:

Year ending June 30,		
2021	$	40,448
2022		24,396
2023		23,448
2024		24,886
2025		26,412
	$	139,590

12. PRESENT VALUE OF PURCHASE OPTION

During the year ended December 31, 2014, the Center transferred ownership of the Bankhead Theater to the City of Livermore. In accordance with the terms of the agreement, the Center is leasing the Bankhead Theater from the City for $1 per year for an initial term of 7 years with the option to extend for two additional successive terms of 10 and 13 years (total of 30 years), respectively. In accordance with the terms of the lease agreement, the Center has the option to purchase back the Bankhead Theater in September 2044 for $2,800,000.

The Center has accounted for the lease as a capital lease due to bargain purchase option element included in the agreement. The present value discount of the purchase option is estimated based on the risk-free rate (appropriate U.S. Treasury Bond Rate) at the time the agreement was executed as adjusted for credit and other risks. The risk-adjusted discount rate as determined at the time the agreement was executed was 2.2%.

Present value of purchase option consisted of the following:

Purchase option - 2044	$ 2,800,000
Less discount to present value	(1,161,918)
	$ 1,638,082

The capitalized cost of the Bankhead Theater included in property and equipment at June 30, 2020 was $12,823,710, net of accumulated amortization of $9,478,934.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Education fund	$ 128,712
Gala	122,505
Producers Circle	103,803
Capital improvements Bankhead	79,693
Grand piano fund	40,000
Bricks and seats	4,073
Quest exhibition	3,000
	481,786
Subject to passage of time:	
For the periods beginning after June 30, 2020	1,051,887
Net assets held in perpetuity:	
Land	740,000
	$ 2,273,673

13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year ended June 30, 2020 were as follows:

General operating support time restriction met	$ 365,479
Capital improvements Bankhead	327,835
Gala	186,245
Education fund	125,752
Producers Circle	53,103
Grand piano fund	30,000
Bothwell presents	25,623
LVPAC presents	18,000
Livermore mural project	1,000
Summer concerts	1,000
Bricks and seats	110
	$ 1,134,147

Net assets held in perpetuity consisted of land acquired by the Center as a site for the sole purpose of the building of the 500-Seat (Community) Theater (see Note 18).

The land was acquired in 2005 when Livermore Valley Performing Arts Center entered into a purchase agreement (the "Agreement") with the City of Livermore (the "City") for the site upon which the Bankhead Theater is constructed. Under the terms of the Agreement, the Center paid the City the sum of $1 in exchange for the property, subject to certain limitations including specified restrictions relating to the future use and disposition of the property. In connection with the purchase, the Center recognized a contribution of $740,000, which represented the excess of the estimated fair value of the property over the consideration paid at the date of purchase.

14. CONTRIBUTIONS IN-KIND

The estimated fair value of supplies, advertising and auction items received are recorded as contributions.

During the year ended June 30, 2020, in-kind contributions consisted of the following:

Contributions in-kind for operations	
Advertising	$ 88,131
Supplies	6,125
	94,256
Contributions in-kind for special events	
Special event auction items to be sold	81,077
	$ 175,333

15. CONFLICT OF INTEREST POLICY

Included among the Center's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Center in the development of policies and programs and in the evaluation of business transactions. The Center has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

16. CONTINGENCIES

Grants and contributions

Grants and contributions awarded to Livermore Valley Performing Arts Center are subject to the funding agencies' criteria, grant terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Center could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Center would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

17. OPERATING LEASE COMMITMENTS

In December 2006, LVPAC entered into an agreement with Livermore Area Recreation and Park District ("LARPD") for the lease of office space for the Bothwell Arts Center in Livermore beginning September 1, 2006, and expiring August 31, 2011. LVPAC elected to exercise its option to extend the terms for an additional period of 5 years on the same terms and conditions. The first lease extension was acknowledged by LARPD on April 12, 2011. LVPAC has elected to exercise its second option to extend the terms for an additional period of 5 years. This lease extension was acknowledged by LARPD on February 1, 2017 and extended the lease to January 31, 2022. The lease provides for increases in the base rent of $1,250 based on the consumer price index on an annual basis.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,	
2021	$ 16,482
2022	9,615
	$ 26,097

18. RELATED PARTY TRANSACTIONS

The Center recognized contributions, including promises to give, from members of its Board totaling $650,017 for the year ended June 30, 2020. As of June 30, 2020, $252,911 of outstanding contributions receivable consisted of contributions from members of the Board.

Relationship with the City of Livermore

LVPAC and the City of Livermore have entered into four agreements providing for grant funds and the acquisition and development of the 500-Seat ("Theater").

In November 2002, and amended during January 2003, LVPAC and the City approved a grant agreement (the "Grant Agreement") to authorize the transfer of funds received by the City to LVPAC for purposes of payment of the planning and development costs of the Theater. The funds available pursuant to the Grant Agreement consist of the City's Major Attraction Fees and Host Community Impact Account Fees ("HCIAF") received as part of the City and County's Altamont Settlement Agreement.

In May 2004, LVPAC, the City of Livermore Redevelopment Agency (the "Agency") and the City of Livermore entered into a Disposition and Development Agreement (the "DDA") providing for site acquisition by the City and Agency and subsequent lease to LVPAC of the Theater site. LVPAC, the Redevelopment Agency and the City entered into a second DDA in July of 2005. The second DDA provided for the sale of the 500-Seat Theater site to LVPAC for consideration of $1 (see Note 12) and includes requirements for the Theater's development. The second DDA supersedes the first DDA on all matters relating to the 500-Seat Theater.

The Center previously received Host Community Impact Account Fees as part of the City and County's Altamont Settlement Agreement. While the actual amount of the funds to be ultimately received cannot be determined at this time, the value of the fees was projected by the City in 2004, and subsequently updated in 2008, through a study developed by an outside consultant which estimated that the revenue stream is projected to generate undiscounted amounts in excess of $25,000,000 between 2000 and 2041. During the year ended December 31, 2014, LVPAC assigned all future HCIAF fees to the City of Livermore in exchange for a payment of $9,200,000 towards LVPAC's bond debt.

In 2011, the State of California adopted legislation that dissolved the State's redevelopment agencies. In 2014, management concluded that LVPAC would not proceed with plans for a Regional Theater.

19. IMPLICATIONS OF COVID-19 ON THE CENTER'S OPERATIONS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders.

19. IMPLICATIONS OF COVID-19 ON THE CENTER'S OPERATIONS (continued)

On March 12, 2020, the Center was forced to suspend live performances indefinitely, which raised a substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

In April 2020, the Center created various online series and individual virtual performances that were provided at discounted rates. These events continue to run and the Center's membership program has still been attracting donating patrons to generate revenue. At this time, the Center anticipates this virtual programming to continue for a limited time even after in-person performances are allowed to resume. The Center hopes to resume rental activities in Fall of 2021, followed by some live performances in January 2022.

In order to mitigate the financial impact of the COVID-19 closure, LVPAC immediately implemented significant cost reductions and increased efforts to raise contributed revenue. Those pursuits have already substantially improved the Center's operating activities and financial position. In addition, in May 2020, the Center obtained a Paycheck Protection Program ("PPP") forgivable loan in the amount of $327,500. As of June 30 2020, the Center is in the process of obtaining forgiveness in full for the PPP loan from the U.S. Small Business Administration (see Note 9). In May 2020, the Center also applied for and received an Economic Injury Disaster Loan ("EIDL") in the amount of $150,000 (see Note 10).

The Center will apply for the Second Draw PPP loan or the Shuttered Venue Operators Grant ("SVO Grant") during the year ending June 30, 2021. Management projects that all cash needs will be met within one year after the date that the financial statements were available to be issued.

As a result of the above, the doubts about the Center's ability to continue as a going concern were alleviated as of the date the financial statements were available to be issued.

20. LIQUIDITY AND FUNDS AVAILABLE

The Center's approach to liquidity management is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Annual budgets are structured to utilize a combination of program revenues, contributions without donor-imposed restrictions and contributions with donor-imposed restrictions to cover the expenditures of the Center on an ongoing basis. To meet liquidity needs, the Center has cash and cash equivalents, contributions receivable, accounts receivable, and a line of credit available.

20. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available or expected to become available within one year of June 30, 2020 to fund general expenditures and other obligations when they become due:

Financial assets		
Cash and cash equivalents	$	652,968
Restricted cash		39,701
Contributions receivable, net		1,142,462
Accounts receivable		3,127
		1,838,258
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted cash		(39,701)
Net assets restricted to the passage of time ($1,051,887 less $810,592 that is scheduled to be collected during the year ending June 30, 2021)		(241,295)
Net assets restricted for a specified purpose		(481,786)
		(762,782)
	$	1,075,476

* In the event of an unanticipated liquidity need, the Center may draw upon its line of credit to meet operating needs. The line of credit has an available balance of $250,000 at June 30, 2020.