

Livermore Valley Performing Arts Center

Financial Statements

June 30, 2021

(With Comparative Totals for 2020)



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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, 2021, 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, 2021, 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 4 to the financial statements, the Center has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective July 1, 2020. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Livermore Valley Performing Arts Center's 2020 financial statements, and our report dated February 26, 2021 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

March 31, 2022

Livermore Valley Performing Arts Center
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,439,382	\$ 652,968
Restricted cash	48,762	39,701
Contributions receivable, net	284,822	1,142,462
Accounts receivable	11,109	3,127
Inventory	12,334	12,334
Prepaid expenses and deposits	81,696	113,900
Property and equipment, net	13,736,679	14,610,706
Construction in progress	19,921	19,921
Total assets	\$ 15,634,705	\$ 16,595,119
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 86,801	\$ 194,304
Accrued expenses	218,024	205,172
Deferred revenue	514,655	261,250
Line of credit	150,000	250,000
Capital lease payable	99,483	139,590
Present value of purchase option	1,674,840	1,638,082
Economic Injury Disaster Loan	150,000	150,000
Forgivable loans - Paycheck Protection Program	327,500	327,500
Total liabilities	3,221,303	3,165,898
Net assets		
Without donor restrictions	11,102,451	11,155,548
With donor restrictions	1,310,951	2,273,673
Total net assets	12,413,402	13,429,221
Total liabilities and net assets	\$ 15,634,705	\$ 16,595,119

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

Livermore Valley Performing Arts Center
Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support and revenue				
Support				
Contributions	\$ 645,430	\$ 33,605	\$ 679,035	\$ 2,063,510
Government grants	41,012	-	41,012	28,412
Special events	44,502	-	44,502	165,227
Special events direct expenses	(69,486)	-	(69,486)	(262,430)
Forgiveness of loan payable - Paycheck Protection Program	327,500	-	327,500	-
Contributions in-kind	80,435	-	80,435	175,333
Net assets released from restriction	<u>996,327</u>	<u>(996,327)</u>	<u>-</u>	<u>-</u>
Total support	<u>2,065,720</u>	<u>(962,722)</u>	<u>1,102,998</u>	<u>2,170,052</u>
Revenue				
Ticket revenue - LVPAC presents	18,536	-	18,536	611,674
Ticket services revenue	5,871	-	5,871	265,580
Theater rental revenue	11,018	-	11,018	237,644
Concessions revenue	927	-	927	80,518
Bothwell Arts Center revenue	63,564	-	63,564	111,340
Other revenue	5,734	-	5,734	33,938
Interest income	404	-	404	185
Total revenue	<u>106,054</u>	<u>-</u>	<u>106,054</u>	<u>1,340,879</u>
Total support and revenue	<u>2,171,774</u>	<u>(962,722)</u>	<u>1,209,052</u>	<u>3,510,931</u>
Functional expenses				
Program services	<u>1,725,836</u>	<u>-</u>	<u>1,725,836</u>	<u>3,349,378</u>
Support services				
Management and general	297,647	-	297,647	457,843
Fundraising	<u>201,388</u>	<u>-</u>	<u>201,388</u>	<u>223,606</u>
Total support services	<u>499,035</u>	<u>-</u>	<u>499,035</u>	<u>681,449</u>
Total functional expenses	<u>2,224,871</u>	<u>-</u>	<u>2,224,871</u>	<u>4,030,827</u>
Change in net assets from operations	(53,097)	(962,722)	(1,015,819)	(519,896)
Change in reserve for uncollectible contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,589,500)</u>
Change in net assets (Note 2)	(53,097)	(962,722)	(1,015,819)	(2,109,396)
Net assets, beginning of year	<u>11,155,548</u>	<u>2,273,673</u>	<u>13,429,221</u>	<u>15,538,617</u>
Net assets, end of year	<u>\$ 11,102,451</u>	<u>\$ 1,310,951</u>	<u>\$ 12,413,402</u>	<u>\$ 13,429,221</u>

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, 2021
(With Comparative Totals for 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
Salaries and benefits					
Salaries and wages	\$ 360,372	\$ 119,472	\$ 95,231	\$ 575,075	\$ 1,176,917
Employee benefits	103,978	34,472	27,477	165,927	218,905
Payroll taxes	<u>27,964</u>	<u>9,271</u>	<u>7,390</u>	<u>44,625</u>	<u>99,631</u>
Total salaries and benefits	492,314	163,215	130,098	785,627	1,495,453
Depreciation and amortization	839,065	17,481	17,481	874,027	866,201
Professional services	-	90,650	-	90,650	67,246
Information technology	65,313	5,763	5,763	76,839	88,209
Special events direct expenses	69,486	-	-	69,486	262,430
Bank fees and payroll fees	27,083	2,242	38,831	68,156	75,174
Facility and equipment expenses	54,881	-	-	54,881	110,963
Utilities	52,154	1,087	1,087	54,328	98,838
Advertising	24,292	-	-	24,292	216,981
Interest	51,236	1,067	1,067	53,370	45,925
Telephone and telecommunications	30,550	2,696	2,696	35,942	40,089
Artist fees	32,105	-	-	32,105	633,737
Office expenses	18,472	47	47	18,566	85,193
Rent	15,465	322	322	16,109	20,655
Printing and publications	10,858	1,810	2,606	15,274	37,653
Bad debt expense	-	10,146	-	10,146	8,076
Insurance	6,001	125	125	6,251	66,656
Postage, shipping and delivery	3,671	229	688	4,588	3,422
Travel and meeting expenses	528	706	528	1,762	20,166
Communications - public relations	1,480	-	-	1,480	1,945
Recruitment	184	61	49	294	1,105
Volunteer events	184	-	-	184	4,724
Production supplies	-	-	-	-	28,077
Other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,339</u>
Total expenses	1,795,322	297,647	201,388	2,294,357	4,293,257
Special events direct expenses	<u>(69,486)</u>	<u>-</u>	<u>-</u>	<u>(69,486)</u>	<u>(262,430)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 1,725,836</u>	<u>\$ 297,647</u>	<u>\$ 201,388</u>	<u>\$ 2,224,871</u>	<u>\$ 4,030,827</u>
Percentage of total	<u>77.5 %</u>	<u>13.4 %</u>	<u>9.1 %</u>	<u>100.0 %</u>	

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

Livermore Valley Performing Arts Center
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (1,015,819)	\$ (2,109,396)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	874,027	866,201
Amortization of present value of purchase option	36,758	36,606
Forgiveness of loan payable - Paycheck Protection Program	(327,500)	-
Changes in operating assets and liabilities		
Contributions receivable, net	857,640	1,047,911
Accounts receivable	(7,982)	24,681
Prepaid expenses and deposits	32,204	(23,388)
Accounts payable	(107,503)	84,431
Accrued expenses	12,852	18,680
Deferred revenue	253,405	(84,250)
Net cash provided by (used in) operating activities	608,082	(138,524)
Cash flows from investing activities		
Purchase of property and equipment	-	(90,954)
Construction in progress expenditures	-	(271,099)
Net cash provided by (used in) investing activities	-	(362,053)
Cash flows from financing activities		
Principal payments on capital lease obligations	(40,107)	(28,178)
Proceeds from Economic Injury Disaster Loan	-	150,000
Proceeds from forgivable loans - Paycheck Protection Program	327,500	327,500
Net borrowings (payments) on line of credit	(100,000)	140,000
Net cash provided by financing activities	187,393	589,322
Net increase in cash, cash equivalents and restricted cash	795,475	88,745
Cash, cash equivalents and restricted cash, beginning of year	692,669	603,924
Cash, cash equivalents and restricted cash, end of year	\$ 1,488,144	\$ 692,669
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,439,382	\$ 652,968
Restricted cash	48,762	39,701
	\$ 1,488,144	\$ 692,669

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 16,612	\$ 13,077
Supplemental schedule of noncash investing and financing activities		
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, 2021

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. The Center 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. The Center's mission is to offer a broad range of arts opportunities and experiences to engage our diverse community. The Center 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.

The Center completed the construction of the 500-Seat Bankhead Theater in downtown Livermore in September 2007 and has presented/hosted many successful seasons of local, national and international performing arts 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.

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In the United States, several states, including California, where LVPAC is located, declared a state of emergency. On March 12, 2020, LVPAC's 2019-2020 Season was cut short when the California Department of Public Health forced all non-essential businesses to close. All operations at the Bankhead Theater and Bothwell Arts Center were temporarily shut down. Shortly after the initial shutdown, LVPAC transitioned from live events and classes and began offering only virtual art classes, open mic nights, live speaker events, and concerts. This continued exclusively until Alameda County Department of Public Health relaxed some restrictions and LVPAC was allowed to resume limited in-person operations in April 2021.

2. CHANGE IN NET ASSETS

During the year ended June 30, 2021, the Center experienced a negative change in net assets without donor restrictions of \$53,097 as reported in the statement of activities. A significant amount of the negative change in net assets without donor restrictions can be attributed to interest, depreciation and amortization.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

2. CHANGE IN NET ASSETS (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Change in net assets	\$ (53,097)	\$ (962,722)	\$ (1,015,819)
Add interest expense	53,370	-	53,370
Less interest income	(404)	-	(404)
Add depreciation and amortization	874,027	-	874,027
	\$ 873,896	\$ (962,722)	\$ (88,826)

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.

The Center provides the Bankhead Theater 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, the Center provides student matinee performances and artists' classroom workshops for school children across the Tri-Valley.

A cornerstone of Livermore's downtown revitalization, the Livermore Valley Performing Arts Center and the Bankhead Theater plays a vibrant role in the cultural and economic life of the City of Livermore and the surrounding Tri-Valley region.

During the year ended June 30, 2021, over 101 public events took place both virtually and in person. These included 38 art camps and classes held both online and in person, 45 virtual events, and 18 in-person events once LVPAC was allowed to reopen the Bankhead Theater and Bothwell Arts Center. Virtual events included Art History, How to Make a Song, Colored Pencil, open mic zoom events, live speaker events co-presented with RDSS and Quest, Vineyard Vibe performances by LunaFish, Brian Maggi, Faith Alpher, Matt Finders, Dirty Cello, Michael McNevin, LAS, LVO, along with external live streamed productions by The Moody Blues, Pink Martini, and Natalie MacMaster. LVPAC held a very successful virtual fundraising event called the Best of the Bankhead in November 2020. LVPAC's main stage at the Bankhead Theater remained closed until July 2021. Once LVPAC was allowed to reopen the Bankhead Theater, LVPAC started showing films to small audiences, hosting concerts in the courtyard, and reopened the lobby as an art gallery.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

3. PROGRAM SERVICES (continued)

While LVPAC was able to shift some events online and was eventually able to start offering small, limited in-person events in April 2021, a large number of in-person events were canceled or postponed. This caused an 81% reduction in ticket sales to future events and a 97% reduction in earned theater revenue compared to the year ended June 30, 2020, and June 30, 2019; LVPAC's last full year of operations. For the period of July 1, 2020 through June 30, 2021, LVPAC canceled 45 LVPAC Presents events and rescheduled 21 events of which several rescheduled events have been rescheduled multiple times. Resident companies and outside performance companies canceled 61 scheduled events. Some have decided not to put on any live in-person events until 2023.

LVPAC waived rent for Bothwell Art Studio renters from March 2020 until September 2020. This resulted in a \$15,000 loss in earned Bothwell revenue during that same time. Alameda County Department of Public Health's COVID-19 mandate allowed LVPAC to reopen the Bothwell Arts Center to renters in September 2020.

Over the fiscal year ended June 30, 2021, LVPAC continued to monitor the financial impact of the COVID-19 closure on the organization. LVPAC continued its cost reductions measures and increased efforts to raise contributed revenue to sustain operations going into the next fiscal year and beyond.

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. As of June 30, 2021, the Center did not have any Board designated net assets.
- *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, whereby 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 which the resource was restricted has been fulfilled, or both.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity received or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019.

The Center adopted this ASU during the year ended June 30, 2021 using the modified retrospective method. The adoption of ASU 2014-09 did not have a material impact on the Center's financial position, results of operations or cash flows. The Center's program revenue arrangements consist of a single performance obligation to transfer promised goods or services. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. Based on the Center's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of this standard.

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.

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.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted cash

Restricted cash as of June 30, 2021 amounted to \$48,762 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 is 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 is reached.

The following table sets forth a summary of changes in the restricted cash balance for the years ended June 30, 2021 and 2020, respectively:

	2021	2020
Balance, beginning of year	\$ 39,701	\$ 328,716
Additions	9,061	35,000
Expenditures for the maintenance, repair and replacement of building systems	-	(324,015)
Balance, end of year	\$ 48,762	\$ 39,701

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.

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.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *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, 2021 was determined to be 2.5%. 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, 2021.

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, 2021.

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, 2021.

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.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2021, and is included in accrued expenses in the statement of financial position. The accrued vacation balance as of June 30, 2021 was \$94,807.

Revenue recognition

Box office sales are recognized in the period in which the related production occurs. Ticket purchases received in advance of performances are included in deferred revenue and recognized as admissions revenue at the time the applicable performance is given.

The Center recognizes revenue during the year in which the related services are provided to patrons. The performance obligation of delivering performance is simultaneously received and consumed; therefore, revenue is recognized over time through the performance season.

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.

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, 2021 totaled \$24,292.

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.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of functional expenses (continued)

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.

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, 2018 and beyond remain subject to possible examination by the Internal Revenue Service. The Center's California returns for the tax years ended June 30, 2017 and beyond remain subject to possible examination by the Franchise Tax Board.

Subsequent events

The Center has evaluated subsequent events through March 31, 2022, the date the financial statements were available for issuance.

On July 15, 2021, the Center received a Notice of Award from the Small Business Administration, which awarded the Center a Federal grant of \$529,560 through the Shuttered Venue Operators Grant program. The Center has until January 15, 2023 to use the funds to pay eligible expenses incurred between March 1, 2020 and June 30, 2022.

On August 15, 2021, the Center amended its Economic Injury Disaster Loan agreement with the Small Business Administration to increase the loan amount from \$150,000 to \$500,000. Further details of this loan modification are outlined at Note 10.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events (continued)

On August 27, 2021, the Center paid down its line of credit with Fremont Bank in the amount of \$150,000. The line of credit was renewed on September 3, 2021. Further details of the line of credit are outlined at Note 8.

On September 24, 2021, the Center received a Notice of Award from the Small Business Administration, which awarded the Center a supplemental federal grant of \$428,530 through the Shuttered Venue Operators Grant program. The Center has until January 15, 2023 to use the funds to pay eligible expenses incurred between March 1, 2020 and June 30, 2022.

In November 2012, the Center received a written promise to give for a total of \$2,000,000 payable over a 15-year period. As of June 30, 2021, the Center has received \$410,500 toward the promise, leaving a balance of \$1,589,500. The remaining pledge is fully reserved as of June 30, 2021 and 2020, respectively. In September 2021, the two parties reached a settlement for the unpaid balance in the amount of \$500,000, which was received in October 2021.

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	\$ 211,000
Receivable in one to five years	836,831
Receivable in more than five years	839,491
Less reserve for doubtful contributions receivable	<u>(1,589,500)</u>
	297,822
Less discounts to net present value	<u>(13,000)</u>
	<u>\$ 284,822</u>

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	<u>34,431</u>
	25,250,993
Accumulated depreciation and amortization	<u>(11,514,314)</u>
	<u>\$ 13,736,679</u>

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

6. PROPERTY AND EQUIPMENT, NET (continued)

Depreciation and amortization for the year ended June 30, 2021 was \$874,027.

In December 2019, the Center financed a grand piano purchased through a capital lease arrangement. The lease term is 60 months with an option to purchase the piano at the end of the lease for \$1. The piano cost and associated accumulated depreciation included in the above table at June 30, 2021 subject to capital leases totaled \$175,238 and \$17,524, respectively.

7. CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2021, 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, 2021, 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, 2021 was 4.75%. The revolving line of credit is secured by a general security interest in the assets of the Center. At June 30, 2021, \$150,000 was outstanding on the line of credit.

On September 3, 2021, the Center renewed its line of credit with Fremont Bank for a total credit limit of \$500,000, which matures on September 3, 2022.

9. FORGIVABLE LOANS - PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the Center received loan proceeds of \$327,500 from a promissory note issued by Fremont Bank (1st Draw), 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 was two years and the annual interest rate was 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 is 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 received full forgiveness of the loan balance effective June 25, 2021. The forgiven amount is recognized as forgiveness of loan payable - Paycheck Protection Program revenue on the accompanying statement of activities.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

9. FORGIVABLE LOANS - PAYCHECK PROTECTION PROGRAM (continued)

On April 19, 2021, the Center received loan proceeds of \$327,500 from a promissory note issued by Fremont Bank (2nd Draw), under the second round of funding under PPP. The terms on the 2nd Draw are fairly consistent as the terms on the 1st Draw as described above. 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 "EIDL") from the Small Business Administration under its assistance program in light of the impact of the COVID-19 pandemic on the Center's business.

The principal amount of the EIDL is up to \$150,000, with proceeds to be used for working capital purposes. As of June 30, 2021, the Center has requested and received the full \$150,000 disbursement under the EIDL. 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.

As described in Note 4, the Center modified the EIDL on August 15, 2021. The amendment increased the EIDL's balance of up to \$500,000, but all other terms remain unchanged. This increase in principal increases the installment payments, including principal and interest, to \$2,196 per month, which will commence May 28, 2022 (twenty-four months from the date of the original note).

The future maturities of the loan payable are as follows:

<u>Year ending June 30,</u>	
2022	\$ 374
2023	3,623
2024	3,713
2025	3,827
2026	3,933
Thereafter	<u>134,530</u>
	<u>\$ 150,000</u>

Livermore Valley Performing Arts Center
Notes to Financial Statements
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11. CAPITAL LEASE OBLIGATIONS

Capital lease obligations consisted of the following:

Steinway piano	\$ 96,839
Konica copiers	<u>2,644</u>
	<u><u>\$ 99,483</u></u>

Future maturities of capital lease obligations are as follows:

<u>Year ending June 30,</u>	
2022	\$ 24,737
2023	23,448
2024	24,886
2025	<u>26,412</u>
	<u><u>\$ 99,483</u></u>

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	<u>(1,125,160)</u>
	<u><u>\$ 1,674,840</u></u>

The capitalized cost of the Bankhead Theater included in property and equipment at June 30, 2021 was \$12,080,306, net of accumulated amortization of \$10,221,798.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Gala	\$ 112,505
Producers Circle	93,803
Capital improvements Bankhead	60,193
Education fund	58,129
Grand piano fund	30,000
Bricks and seats	<u>4,073</u>
	358,703
Subject to passage of time:	
For the periods beginning after June 30, 2021	212,248
Net assets held in perpetuity:	
Land	<u>740,000</u>
	<u>\$ 1,310,951</u>

Net assets with donor restrictions released from restriction during the year ended June 30, 2021 were as follows:

General operating support time restriction met	\$ 827,639
Best of the Bankhead	63,265
Education fund	35,083
Capital improvements Bankhead	22,000
Gala	21,000
Producers Circle	10,000
Grand piano fund	10,000
Livermore mural project	3,000
Quest exhibition	3,000
Artwalk	<u>1,340</u>
	<u>\$ 996,327</u>

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).

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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, 2021, in-kind contributions consisted of the following:

Contributions in-kind for operations	
Advertising	\$ 17,490
Supplies	<u>36,790</u>
	<u>54,280</u>
Contributions in-kind for special events	
Special event auction items to be sold	<u>26,155</u>
	<u>\$ 80,435</u>

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.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

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, the Center 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. The Center 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. The Center 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:

<u>Year ending June 30,</u>	
2022	\$ <u>9,807</u>
	<u>\$ 9,807</u>

18. RELATED PARTY TRANSACTIONS

The Center recognized contributions, including promises to give, from members of its Board and related entities totaling \$294,407 and \$13,690, respectively, for the year ended June 30, 2021. As of June 30, 2021, \$210,718 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.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

18. RELATED PARTY TRANSACTIONS (continued)

Relationship with the City of Livermore (continued)

In November 2002, and amended during January 2003, the Center and the City approved a grant agreement (the "Grant Agreement") to authorize the transfer of funds received by the City to the Center 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.

LVPAC 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. 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.

Livermore Valley Performing Arts Center
Notes to Financial Statements
June 30, 2021

19. 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, 2021 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 1,439,382
Restricted cash	48,762
Contributions receivable, net	284,822
Accounts receivable	<u>11,109</u>
	<u>1,784,075</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted cash	(48,762)
Net assets restricted for the passage of time (\$212,248 less \$38,000 that is scheduled to be collected during the year ending June 30, 2022)	(174,248)
Net assets restricted for a specified purpose	<u>(358,703)</u>
	<u>(581,713)</u>
	<u><u>\$ 1,202,362</u></u>

* 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 \$350,000 at June 30, 2021.