

**Livermore Valley Performing Arts Center**

Financial Statements  
and Single Audit Reports and Schedules

June 30, 2022  
(With Comparative Totals for 2021)



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livermore Valley Performing Arts Center as of June 30, 2022, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Livermore Valley Performing Arts Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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



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## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Livermore Valley Performing Arts Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Information Included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Armanino<sup>LLP</sup>  
San Jose, California

March 29, 2023

Livermore Valley Performing Arts Center  
Statement of Financial Position  
June 30, 2022  
(With Comparative Totals for 2021)

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,165,329	\$ 1,439,382
Restricted cash	46,667	48,762
Contributions receivable, net	385,205	284,822
Accounts receivable	9,515	11,109
Inventory	-	12,334
Prepaid expenses and deposits	60,845	81,696
Property and equipment, net	13,183,668	13,736,679
Construction in progress	22,701	19,921
 Total assets	 \$ 15,873,930	 \$ 15,634,705
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 180,185	\$ 86,801
Accrued expenses	226,973	219,352
Deferred revenue	280,980	514,655
Line of credit	-	150,000
Capital leases payable	192,780	99,483
Present value of purchase option	1,710,702	1,673,512
Economic Injury Disaster Loan	500,000	150,000
Loan payable - Paycheck Protection Program	327,500	327,500
Total liabilities	3,419,120	3,221,303
 <b>Net assets</b>		
Without donor restrictions	10,993,086	11,102,451
With donor restrictions	1,461,724	1,310,951
Total net assets	12,454,810	12,413,402
 Total liabilities and net assets	 \$ 15,873,930	 \$ 15,634,705

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, 2022  
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Support and revenue				
Support				
Contributions	\$ 3,994	\$ 1,462,741	\$ 1,466,735	\$ 679,035
Special events	129,813	-	129,813	44,502
Special events direct expenses	(245,078)	-	(245,078)	(69,486)
Contributions in-kind	145,085	-	145,085	80,435
Forgiveness of loan payable - Paycheck Protection Program	-	-	-	327,500
Government grants	1,199,840	-	1,199,840	41,012
Net assets released from restriction	<u>1,311,968</u>	<u>(1,311,968)</u>	<u>-</u>	<u>-</u>
Total support	<u>2,545,622</u>	<u>150,773</u>	<u>2,696,395</u>	<u>1,102,998</u>
Revenue				
Ticket revenue - LVPAC presents	1,039,036	-	1,039,036	18,536
Ticket services revenue	307,424	-	307,424	5,871
Theater rental revenue	269,716	-	269,716	11,018
Concessions revenue	86,768	-	86,768	927
Bothwell Arts Center revenue	125,426	-	125,426	63,564
Other revenue	26,633	-	26,633	5,734
Interest income	476	-	476	404
Total revenue	<u>1,855,479</u>	<u>-</u>	<u>1,855,479</u>	<u>106,054</u>
Total support and revenue	<u>4,401,101</u>	<u>150,773</u>	<u>4,551,874</u>	<u>1,209,052</u>
Functional expenses				
Program services	<u>3,890,908</u>	<u>-</u>	<u>3,890,908</u>	<u>1,725,836</u>
Support services				
Management and general	424,858	-	424,858	297,647
Fundraising	<u>194,700</u>	<u>-</u>	<u>194,700</u>	<u>201,388</u>
Total support services	<u>619,558</u>	<u>-</u>	<u>619,558</u>	<u>499,035</u>
Total functional expenses	<u>4,510,466</u>	<u>-</u>	<u>4,510,466</u>	<u>2,224,871</u>
Change in net assets (Note 2)	(109,365)	150,773	41,408	(1,015,819)
Net assets, beginning of year	<u>11,102,451</u>	<u>1,310,951</u>	<u>12,413,402</u>	<u>13,429,221</u>
Net assets, end of year	<u>\$ 10,993,086</u>	<u>\$ 1,461,724</u>	<u>\$ 12,454,810</u>	<u>\$ 12,413,402</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, 2022  
(With Comparative Totals for 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
Salaries and benefits					
Salaries and wages	\$ 865,691	\$ 230,051	\$ 125,341	\$ 1,221,083	\$ 575,075
Employee benefits	150,368	39,959	21,772	212,099	165,927
Payroll taxes	<u>77,975</u>	<u>20,722</u>	<u>11,290</u>	<u>109,987</u>	<u>44,625</u>
Total salaries and benefits	1,094,034	290,732	158,403	1,543,169	785,627
Artist fees	1,012,951	-	-	1,012,951	32,105
Depreciation and amortization	860,858	4,348	4,348	869,554	874,027
Special events direct expenses	245,078	-	-	245,078	69,486
Advertising	175,608	-	-	175,608	24,292
Facility and equipment expenses	152,435	264	264	152,963	54,881
Utilities	109,679	2,285	2,285	114,249	54,328
Professional services	26,215	87,539	-	113,754	90,650
Information technology	75,225	6,638	6,638	88,501	76,839
Bank fees and payroll fees	73,957	3,291	1,248	78,496	68,156
Interest	60,931	1,269	1,269	63,469	53,370
Office expenses	57,863	128	128	58,119	18,566
Insurance	53,896	1,800	1,800	57,496	6,251
Printing and publications	38,262	5,094	9,526	52,882	15,274
Communications - public relations	28,434	-	-	28,434	1,480
Telephone and telecommunications	17,979	1,586	1,586	21,151	35,942
Rent	19,527	407	407	20,341	16,109
Travel and meeting expenses	5,509	7,346	5,509	18,364	1,762
Production supplies	16,430	-	-	16,430	-
Bad debt expense	-	11,501	-	11,501	10,146
Postage, shipping and delivery	6,874	430	1,289	8,593	4,588
Other expenses	4,097	-	-	4,097	-
Recruitment	-	200	-	200	294
Volunteer events	<u>144</u>	<u>-</u>	<u>-</u>	<u>144</u>	<u>184</u>
Total expenses	4,135,986	424,858	194,700	4,755,544	2,294,357
Special events direct expenses	<u>(245,078)</u>	<u>-</u>	<u>-</u>	<u>(245,078)</u>	<u>(69,486)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 3,890,908</u>	<u>\$ 424,858</u>	<u>\$ 194,700</u>	<u>\$ 4,510,466</u>	<u>\$ 2,224,871</u>
Percentage of total	<u>86.3 %</u>	<u>9.2 %</u>	<u>4.5 %</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, 2022  
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 41,408	\$ (1,015,819)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	869,554	874,027
Amortization of present value of purchase option	37,192	36,758
Forgiveness of loan payable - Paycheck Protection Program	-	(327,500)
Changes in operating assets and liabilities		
Contributions receivable, net	(100,383)	857,640
Accounts receivable	1,594	(7,982)
Inventory	12,334	-
Prepaid expenses and deposits	20,851	32,204
Accounts payable	93,384	(107,503)
Accrued expenses	7,621	12,852
Deferred revenue	(104,098)	253,405
Net cash provided by operating activities	879,457	608,082
Cash flows from investing activities		
Purchase of property and equipment	(319,324)	-
Net cash provided by (used in) investing activities	(319,324)	-
Cash flows from financing activities		
Principal payments on capital lease obligations	(36,281)	(40,107)
Proceeds from Economic Injury Disaster Loan	350,000	-
Proceeds from forgivable loan - Paycheck Protection Program	-	327,500
Repayments on line of credit	(150,000)	(100,000)
Net cash provided by financing activities	163,719	187,393
Net increase in cash, cash equivalents and restricted cash	723,852	795,475
Cash, cash equivalents and restricted cash, beginning of year	1,488,144	692,669
Cash, cash equivalents and restricted cash, end of year	\$ 2,211,996	\$ 1,488,144
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 2,165,329	\$ 1,439,382
Restricted cash	46,667	48,762
	\$ 2,211,996	\$ 1,488,144

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 47,996	\$ 16,612
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The accompanying notes are an integral part of these financial statements.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

1. NATURE OF OPERATIONS

The Livermore Valley Performing Arts Center (the "Center" or "LVPAC"), dba Livermore Valley Arts, 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 ("500-Seat 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. 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. LVPAC was able to reopen at full capacity without limitations for the 2021-2022 Season.

2. CHANGE IN NET ASSETS

During the year ended June 30, 2022, the Center experienced a negative change in net assets without donor restrictions of \$109,365 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.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Change in net assets	\$ (109,365)	\$ 150,773	\$ 41,408
Add interest expense	63,469	-	63,469
Less interest income	(476)	-	(476)
Add depreciation and amortization	<u>869,554</u>	<u>-</u>	<u>869,554</u>
	<u>\$ 823,182</u>	<u>\$ 150,773</u>	<u>\$ 973,955</u>

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

3. PROGRAM SERVICES

The 500-Seat Theater is home to 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 Dorrough 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 500-Seat 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 master classes, 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.

Since reopening in the spring of 2021, LVPAC has largely been able to return to normal business operations after experiencing a 15-month closure due to the COVID-19 pandemic and local mandates. LVPAC opened its fifteenth season with a very successful gala featuring Vanessa Williams performing with the Livermore Amador Symphony. During the year ended June 30, 2022, over 200 public events took place at the Bankhead Theater. More than 70,000 attendees enjoyed performances by such attractions as the Livermore Valley Opera, Tri-Valley Repertory Theatre, the Livermore-Amador Symphony, Valley Dance Theater, Croce Plays Croce, Jake Shimabukuro, Peter Sagal, Ballet Folklorico de Mexico, Lea Salonga, Al Franken, Crystal Gayle, and The Smothers Brothers. LVPAC offered the community free cultural art programs such as Taste of Africa, Filipino Barrio Fiesta, Luna New Year, and Juneteenth on the plaza in front of the Bankhead Theater. The Bankhead Theater Art Gallery offered five exhibits, including a visiting exhibition called 50 Faces, curated by Guglielmo Zanette. This exhibit showcased contemporary mosaic artwork from Scuola Mosaicisti del Friuli in Italy done by young mosaic artists who redefine the ancient tradition of mosaic art with innovative methods and materials.

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 (the "Board") 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, 2022, the Center did not have any Board designated net assets.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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.

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.

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.

Restricted cash

Restricted cash as of June 30, 2022 amounted to \$46,667 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.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted cash (continued)

The following table sets forth a summary of changes in the restricted cash balance for the years ended June 30, 2022 and 2021, respectively:

	2022	2021
Balance, beginning of year	\$ 48,762	\$ 39,701
Additions	46,667	9,061
Expenditures for the maintenance, repair and replacement of building systems	(48,762)	-
Balance, end of year	\$ 46,667	\$ 48,762

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.
- *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.

The Center does not currently hold any investments as of June 30, 2022.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 was determined to be 2.97%. The Center uses a specific identification method to estimate its allowance for doubtful contributions receivable. Management believes that all of its accounts are collectible, accordingly, no allowance for doubtful contributions receivable was recorded as of June 30, 2022.

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, 2022.

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, 2022.

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, 2022, and is included in accrued expenses in the statement of financial position. The accrued vacation balance as of June 30, 2022 was \$81,633.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 totaled \$175,608.

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.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Reclassifications

Certain 2021 balances have been reclassified in order to conform to the 2022 presentation.

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, 2019 and beyond remain subject to possible examination by the Internal Revenue Service. The Center's California returns for the tax years ended June 30, 2018 and beyond remain subject to possible examination by the Franchise Tax Board.

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Center adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using the full retrospective method.

The adoption of ASU 2020-07 did not have a significant impact on the Center's financial position, result of operations, or cash flows. The Center has updated disclosures as necessary (See Note 14).



Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

5. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

Receivable in one year or less	\$ 96,500
Receivable in one to five years	<u>321,705</u>
	418,205
Less discounts to net present value	<u>(33,000)</u>
	<u><u>\$ 385,205</u></u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Building	\$ 22,990,947
Furniture, fixtures and equipment	1,428,591
Land	740,000
Land improvements	<u>34,431</u>
	25,193,969
Accumulated depreciation and amortization	<u>(12,010,301)</u>
	<u><u>\$ 13,183,668</u></u>

Depreciation and amortization for the year ended June 30, 2022 totaled \$869,554.

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. In December of 2016, the Center financed multiple copiers through a capital lease arrangement. The lease term for the copiers is 60 months, with no option to purchase the copiers at the end of the lease. In January 2022, the Center, renewed their lease for the multiple copiers for another 60 months under a capital lease. The piano and copiers subject to capital leases had a cost and accumulated depreciation of \$304,815 and \$175,238, respectively at June 30, 2022.

7. CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2022, totaled \$22,701, and consisted of architectural design and related professional service fees for a new lighting system for the theater and the lobby remodel project.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

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 was renewed with Fremont Bank for a total credit limit of \$500,000 which was scheduled to mature on September 3, 2022. The line 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, 2022 was 4.75%. The revolving line of credit is secured by a general security interest in the assets of the Center. At June 30, 2022, there was no outstanding balance on the line of credit.

On August 25, 2022, the Center again renewed its existing line of credit with Fremont Bank for a total credit limit of \$500,000, with a new maturity date of September 3, 2023. The new interest rate on the line of credit has increased to 5.5% per year and subject to using a margin interest rate of 1.0 percentage point above the margin, at total rate of 6.5% per year (see Note 20).

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.

On April 19, 2021, the Center received loan proceeds of \$327,500 from a promissory note issued by Fremont Bank, under the 2nd Draw of funding 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 2nd Draw is consistent with the terms on the 1st Draw as described above. As of June 30, 2022, the outstanding loan balance was \$327,500, as presented on the accompanying statement of financial position. The Center received full forgiveness of the loan balance effective July 13, 2022 (see Note 20).

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.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

10. ECONOMIC INJURY DISASTER LOAN (continued)

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.

The Center amended the EIDL on August 15, 2021. The amendment increased the EIDL's balance up to \$500,000. The increase in principal advanced increased the installment payments, including principal and interest payable, to \$2,196 per month, which commenced on May 28, 2022 (twenty-four months from the date of the original note). Each payment must first be applied to the interest accrued to the date of receipt of the cash payment, and then if any amount is remaining, it can be applied to the principal.

The future maturities of the loan payable are as follows:

<u>Year ending June 30,</u>	
2023	\$ -
2024	10,098
2025	13,043
2026	13,406
2027	13,779
Thereafter	<u>449,674</u>
	<u><u>\$ 500,000</u></u>

11. CAPITAL LEASES PAYABLE

Capital leases payable consisted of the following:

Steinway piano	\$ 74,746
Konica copiers	<u>118,034</u>
	<u><u>\$ 192,780</u></u>

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

11. CAPITAL LEASES PAYABLE (continued)

Future maturities of capital lease obligations are as follows:

<u>Year ending June 30,</u>	
2023	\$ 47,721
2024	50,212
2025	52,837
2026	<u>42,010</u>
	<u>\$ 192,780</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 seven years with the option to extend for two additional successive terms of 10 and 13 years (total of 30 years), respectively. In November 2021, the Center entered into the first option to extend for an additional 10 years. 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>(1,089,298)</u>
	<u>\$ 1,710,702</u>

The capitalized cost of the Bankhead Theater included in property and equipment at June 30, 2022 was \$11,336,903, net of accumulated amortization of \$10,965,202.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Uncle Credit Union Art Gallery	\$ 100,000
Gala	92,728
Capital improvements Bankhead	79,203
Producers Circle	73,804
Grand piano fund	39,561
Education fund	<u>23,797</u>
	409,093
Subject to passage of time:	
For the periods beginning after June 30, 2022	312,631
Net assets held in perpetuity:	
Land	<u>740,000</u>
	<u>\$ 1,461,724</u>

Net assets with donor restrictions released from restriction during the year ended June 30, 2022 were as follows:

Shuttered Venue Operators Grant	\$ 958,090
Gala	180,468
General operating support time restriction met	69,617
Education fund	58,280
Producers Circle	20,000
LVPAC presents	9,500
Grand piano fund	5,940
Courtyard concerts	5,000
Bricks and seats	4,073
Artwalk	<u>1,000</u>
	<u>\$ 1,311,968</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).

The land was acquired in 2005 when the 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.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

14. CONTRIBUTIONS IN-KIND

The estimated fair value of supplies, advertising and auction items received are recorded as contributions. The Center uses the in-kind contributions advertising for both digital and printed ads, where the Center pays for one ad and then subsequently they receive the same ad in another catalog or presentation of the ad for free. The advertising in-kind contributions are valued at fair market value, the same price the Center paid for the original advertisement. The supply donations are items that which the Center would normally pay for, but they were received for free, during the current year this includes plants for the courtyard, photography, and videography. Supplies are valued at the fair market value, these items would cost for the Center to purchase themselves. The Center also received in-kind donations for their annual Gala event to be auctioned off, which include decorative items and gift cards. The fair market values of the decorative items are determined by the donor and then checked against other selling platforms, the gift cards are fair valued at the amount of the gift card being auctioned at.

During the year ended June 30, 2022, in-kind contributions consisted of the following:

Contributions in-kind for operations	
Advertising	\$ 55,461
Supplies	<u>19,719</u>
	<u>75,180</u>
Contributions in-kind for special events	
Special event auction items to be sold	<u>69,905</u>
	<u>\$ 145,085</u>

15. CONFLICT OF INTEREST POLICY

Included among the Center's Board 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, 2022

16. CONTINGENCIES

Bankhead Theater property tax assessment

During the year ended June 30, 2022, the Center received notice from the County of Alameda for an assessment of possessory interest property taxes for the Bankhead Theater owed from 2018 to 2022 totaling approximately \$700,000. To protect its rights to protest these property tax assessments, the Center filed timely Assessment Appeal Applications with the Alameda County Assessment Appeals Board for each tax year for which tax was assessed. Prior to 2014, the Center owned the building outright and had qualified for a Welfare Tax Exemption. In November 2014, ownership of the building was turned over to the City of Livermore with a capital lease agreement (see Note 12), and the Center was no longer under the exemption as the primary owner. The Center applied for a Welfare Tax Exemption to exempt themselves from the property taxes potentially owed. On March 1, 2023 the Center received a determination from the County of Alameda assessor that the Welfare Tax Exemption claim had been processed and the requirements for the exemption had been met. As of the date the financial statements were available to be issued, no final determination has been confirmed. The final determination will be confirmed once a field inspection has been performed after July 2023. The Assessment Appeals will remain valid and pending until the Assessor makes a favorable final determination and issues corrected tax bills acceptable to the Center.

Litigation

The Center may become involved from time to time in legal proceedings in the ordinary course of its business. In the opinion of management, the Center does not expect any threatened legal proceedings to have a material adverse effect on the Center's business, financial position or results of operations.

Grants and contributions

Grants and contributions awarded to the 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.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

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 five years with 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 five 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 (CPI) on an annual basis. During the year ended June 30, 2022, the lease was extended on a month-to-month basis at a rate of \$1,404 and subject to CPI increases each year in February. The rent expense for the year is ended June 30, 2022 totaled \$20,341.

18. RELATED PARTY TRANSACTIONS

The Center recognized contributions, including promises to give, from members of its Board and related entities totaling \$317,410 and \$44,838, respectively, for the year ended June 30, 2022. As of June 30, 2022, \$205,218 of outstanding contributions receivable consisted of contributions from members of the Board.

Relationship with the City of Livermore

LVPAC and the City 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, 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 500-Seat 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 of Alameda's (the "County") Altamont Settlement Agreement.

In May 2004, LVPAC, the City of Livermore Redevelopment Agency (the "Agency") and the City 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 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 500-Seat Theater's development. The second DDA supersedes the first DDA on all matters relating to the 500-Seat Theater.



Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

18. RELATED PARTY TRANSACTIONS (continued)

Relationship with the City of Livermore (continued)

LVPAC previously received HClAF's 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 HClAF fees to the City 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.

The following is a quantitative disclosure which describes assets that are available or expected to become available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 2,165,329
Contributions receivable, net	385,205
Accounts receivable	<u>9,515</u>
	<u>2,560,049</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Net assets restricted for the passage of time (\$312,631 less \$76,500 that is scheduled to be collected during the year ending June 30, 2023)	(236,131)
Net assets restricted for a specified purpose	<u>(409,093)</u>
	<u>(645,224)</u>
	<u>\$ 1,914,825</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 \$500,000 at June 30, 2022 (see Note 8).

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2022

20. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through March 29, 2023, the date the financial statements were available for issuance.

On April 19, 2021, the Center received loan proceeds of \$327,500, from the Paycheck Protection Program ("PPP"). The loan was forgiven subsequent to year end on July 13, 2022. Therefore, the Center has \$327,500 recorded as a loan payable on the accompanying statement of financial position as of June 30, 2022 (see Note 9).

On August 25, 2022, the Center renewed its line of credit with the Fremont Bank for a total credit limit of \$500,000, with a new maturity date of September 3, 2023. The new interest rate on the line of credit has increased to 5.5% per year and subject to using a margin interest rate of 1.0 percentage points above the margin, at a total rate of 6.5% per year (see Note 8).

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

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
San Jose, California

March 29, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Livermore Valley Performing Arts Center (a California nonprofit corporation) (the "Center")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2022. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Jose, California

March 29, 2023



Livermore Valley Performing Arts Center  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Small Business Administration			
Shuttered Venue Operators Grant Program	59.075	N/A	\$ <u>958,090</u>
Disaster Assistance Loans (Economic Injury Disaster Loan)	59.008	N/A	<u>500,000</u>
Total U.S. Small Business Administration			<u>1,458,090</u>
Total Expenditures of Federal Awards			<u>\$ 1,458,090</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
 are an integral part of this schedule.

Livermore Valley Performing Arts Center  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Livermore Valley Performing Arts Center (a California nonprofit corporation) (the "Center") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center. The Center did not qualify as a low risk auditee for the year ended June 30, 2022 as no audit of federal compliance was performed in the preceding two years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Center has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. The Center applies indirect costs in accordance with the specific terms of its federal award agreements.

Livermore Valley Performing Arts Center  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Shuttered Venue Operators Grant	59.075
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Livermore Valley Performing Arts Center  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Livermore Valley Performing Arts Center  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2022

There were no prior year findings.