

**Livermore Valley Performing Arts Center**

Financial Statements

June 30, 2024  
(With Comparative Totals for 2023)



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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, 2024, 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, 2024, 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. 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.

### **Correction of an Error**

As described in Note 5 to the financial statements, a certain error resulting in the overstatement of net assets with donor restrictions and the understatement of net assets without donor restrictions as of June 30, 2023 was discovered by the Center during the current year. Accordingly, a restatement has been made within net assets to correct the error. Our opinion is not modified with respect to that matter.

### **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.

## **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 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, 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.

## **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.

## Report on Summarized Comparative Information

We have previously audited Livermore Valley Performing Arts Center's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 8, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

December 20, 2024

Livermore Valley Performing Arts Center  
Statement of Financial Position  
June 30, 2024  
(With Comparative Totals for 2023)

	2024	(Restated) 2023
ASSETS		
Cash and cash equivalents	\$ 286,959	\$ 422,608
Restricted cash	109,403	74,921
Investments	1,152,764	1,045,294
Contributions receivable, net	585,999	481,642
Accounts receivable	24,322	28,361
Employee retention credit receivable	-	238,489
Prepaid expenses and deposits	154,496	116,176
Property and equipment, net	1,941,509	2,022,013
Construction in progress	22,701	22,701
Right-of-use lease assets - financing	9,521,092	10,307,936
Total assets	\$ 13,799,245	\$ 14,760,141
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 215,777	\$ 140,002
Accrued expenses	228,506	244,462
Deferred revenue	518,113	374,336
Line of credit	195,000	150,000
Right-of-use lease liabilities - financing	1,882,428	1,893,778
Economic Injury Disaster Loan	500,000	500,000
Total liabilities	3,539,824	3,302,578
Net assets		
Without donor restrictions	8,309,050	9,685,800
With donor restrictions	1,950,371	1,771,763
Total net assets	10,259,421	11,457,563
Total liabilities and net assets	\$ 13,799,245	\$ 14,760,141

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, 2024  
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support and revenue				
Support				
Contributions	\$ 560,621	\$ 782,469	\$ 1,343,090	\$ 1,201,457
Special events	208,707	-	208,707	163,990
Special events direct expenses	(314,715)	-	(314,715)	(276,778)
Contributions in-kind	210,397	-	210,397	185,343
Government grants	31,271	-	31,271	39,400
Forgiveness of loan payable - Paycheck Protection Program	-	-	-	327,500
Employee retention tax credit	-	-	-	238,489
Net assets released from restriction	603,861	(603,861)	-	-
Total support	<u>1,300,142</u>	<u>178,608</u>	<u>1,478,750</u>	<u>1,879,401</u>
Ticket revenue - LVPAC presents	1,145,322	-	1,145,322	801,833
Ticket services revenue	477,462	-	477,462	346,509
Theater rental revenue	312,412	-	312,412	330,639
Concessions revenue	172,224	-	172,224	132,160
Bothwell Arts Center revenue	165,601	-	165,601	151,643
Unrealized gains on investments	69,240	-	69,240	38,903
Interest and dividend income	41,952	-	41,952	7,578
Other revenue	34,107	-	34,107	28,829
Total	<u>2,418,320</u>	<u>-</u>	<u>2,418,320</u>	<u>1,838,094</u>
Total support and revenue	<u>3,718,462</u>	<u>178,608</u>	<u>3,897,070</u>	<u>3,717,495</u>
Functional expenses				
Program services	<u>4,352,112</u>	<u>-</u>	<u>4,352,112</u>	<u>4,025,235</u>
Support services				
Management and general	469,691	-	469,691	455,860
Fundraising	273,409	-	273,409	233,647
Total support services	<u>743,100</u>	<u>-</u>	<u>743,100</u>	<u>689,507</u>
Total functional expenses	<u>5,095,212</u>	<u>-</u>	<u>5,095,212</u>	<u>4,714,742</u>
Change in net assets (Note 2)	(1,376,750)	178,608	(1,198,142)	(997,247)
Net assets, beginning of year (restated)	<u>9,685,800</u>	<u>1,771,763</u>	<u>11,457,563</u>	<u>12,454,810</u>
Net assets, end of year	<u>\$ 8,309,050</u>	<u>\$ 1,950,371</u>	<u>\$ 10,259,421</u>	<u>\$ 11,457,563</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, 2024  
(With Comparative Totals for 2023)

	Program Services	Management and General	Fundraising	2024 Total	2023 Total
Salaries and benefits					
Salaries and wages	\$ 984,803	\$ 291,538	\$ 167,056	\$ 1,443,397	\$ 1,404,700
Employee benefits	104,117	30,822	17,662	152,601	221,192
Payroll taxes	75,695	22,409	12,840	110,944	114,013
Total salaries and benefits	1,164,615	344,769	197,558	1,706,942	1,739,905
Artist fees	1,182,767	-	-	1,182,767	892,187
Amortization	755,368	15,737	15,737	786,842	786,842
Special events direct expenses	-	-	314,715	314,715	276,778
Advertising	222,557	-	-	222,557	210,490
Facility and equipment expenses	192,793	284	284	193,361	173,084
Utilities	148,479	3,093	3,093	154,665	131,693
Bank fees and payroll fees	113,022	4,579	4,491	122,092	92,761
Professional services	28,800	67,251	17,280	113,331	106,095
Information technology	93,992	8,293	8,293	110,578	110,477
Depreciation	96,218	2,005	2,005	100,228	101,554
Office expenses	87,563	172	172	87,907	87,956
Interest	71,441	1,488	1,488	74,417	64,470
Insurance	49,417	1,476	1,476	52,369	52,720
Printing and publications	33,003	10,137	6,689	49,829	35,663
Travel and meeting expenses	17,540	7,016	10,524	35,080	23,609
Communications - public relations	26,309	-	-	26,309	16,445
Telephone and telecommunications	21,132	1,865	1,865	24,862	25,681
Rent	18,738	390	390	19,518	19,007
Postage, shipping and delivery	8,183	511	1,534	10,228	8,780
Volunteer events	7,983	-	-	7,983	7,884
Other expenses	6,825	-	-	6,825	11,365
Production supplies	5,367	-	-	5,367	14,004
Recruitment	-	625	-	625	200
Bad debt expense	-	-	530	530	1,870
Total expenses	4,352,112	469,691	588,124	5,409,927	4,991,520
Special events direct expenses	-	-	(314,715)	(314,715)	(276,778)
Total expenses included in the expense section on the statement of activities	\$ 4,352,112	\$ 469,691	\$ 273,409	\$ 5,095,212	\$ 4,714,742
Percentage of total	85.4 %	9.2 %	5.4 %	100.0 %	

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, 2024  
(With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (1,198,142)	\$ (997,247)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	100,228	101,554
Amortization of present value of purchase option	38,862	38,018
Forgiveness of loan payable - Paycheck Protection Program	-	(327,500)
Right-of-use lease asset - financing amortization	786,842	786,842
Unrealized gain on investments	(69,240)	(38,903)
Changes in operating assets and liabilities		
Contributions receivable, net	(104,357)	(96,437)
Accounts receivable	4,039	(18,846)
Employee retention credit receivable	238,489	(238,489)
Prepaid expenses and deposits	(38,320)	(55,331)
Accounts payable	75,775	(40,183)
Accrued expenses	(15,956)	17,489
Deferred revenue	143,777	93,356
Net cash used in operating activities	<u>(38,003)</u>	<u>(775,677)</u>
Cash flows from investing activities		
Purchase of property and equipment	(19,722)	(34,677)
Proceeds from sales of investments	360,600	109,091
Purchase of investments	(398,830)	(1,115,482)
Net cash used in investing activities	<u>(57,952)</u>	<u>(1,041,068)</u>
Cash flows from financing activities		
Principal payments on right-of-use lease liabilities - financing	(50,212)	(47,722)
Proceeds from line of credit	100,000	150,000
Repayments on line of credit	(55,000)	-
Net cash provided by (used in) financing activities	<u>(5,212)</u>	<u>102,278</u>
Net decrease in cash, cash equivalents and restricted cash	(101,167)	(1,714,467)
Cash, cash equivalents and restricted cash, beginning of year	<u>497,529</u>	<u>2,211,996</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 396,362</u>	<u>\$ 497,529</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 286,959	\$ 422,608
Restricted cash	<u>109,403</u>	<u>74,921</u>
	<u>\$ 396,362</u>	<u>\$ 497,529</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, 2024  
(With Comparative Totals for 2023)

	2024	2023
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 86,389	\$ 67,587
Supplemental schedule of noncash investing and financing activities		
Right-of-use lease assets obtained with right-of-use lease liability financing	\$ -	\$ 22,606,919

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

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2024

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 ("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 classified COVID-19 as a pandemic, leading California, among other states, to declare a state of emergency. The following day, on March 12, 2020, the California Department of Public Health ordered the closure of all non-essential businesses, requiring LVPAC to pause its 2019-2020 season and temporarily suspend operations at both the Bankhead Theater and the Bothwell Arts Center. In response, LVPAC adapted by moving to virtual programming, offering remote art classes, open mic nights, live speaker sessions, and concerts. This fully online format continued until April 2021, when relaxed local restrictions permitted a gradual return to limited in-person activities. By fiscal year 2022, LVPAC achieved a full year of operations since the onset of the pandemic, and for fiscal year 2023, activities resumed entirely without COVID-19 restrictions. Although restrictions are no longer in place for fiscal year 2024, LVPAC has maintained COVID-19 safety practices, including enhanced cleaning protocols, providing hand sanitizing stations, and offering masks to patrons.

2. CHANGE IN NET ASSETS

During the year ended June 30, 2024, the Center experienced a negative change in net assets without donor restrictions of \$1,376,750 as reported in the accompanying 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, 2024

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	\$ (1,376,750)	\$ 178,608	\$ (1,198,142)
Add interest expense	74,417	-	74,417
Less interest and dividend income	(41,952)	-	(41,952)
Add depreciation	100,228	-	100,228
Add amortization	786,842	-	786,842
	\$ (457,215)	\$ 178,608	\$ (278,607)

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, Christian Youth Theater, 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 community'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.

LVPAC celebrated the opening of its seventeenth season with an unforgettable gala featuring Jason Alexander, who performed alongside the Livermore Amador Symphony. Throughout the fiscal year ending June 30, 2024, the Bankhead Theater hosted over 250 public events, drawing a diverse audience of more than 65,000 people. Audiences enjoyed a vibrant mix of performances, including shows by Livermore Valley Opera, Tri-Valley Theater Company, Livermore Amador Symphony, and Valley Dance Theater, as well as notable acts such as Debbie Gibson, Maria Bamford, Bobby McFerrin, The Righteous Brothers, Ballet Folklorico Mexicano de Carlos Moreno, Legally Blonde the Musical, Kevin Nealon, Henry Winkler, God is a Scottish Drag Queen, Nava Dance Theatre, Take 3, International Guitar Night, The Immediate Family, Coco in Concert, History That Doesn't Suck, Animaniacs in Concert, Roy Rogers, and the Oakland Interfaith Gospel Choir.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2024

3. PROGRAM SERVICES (continued)

LVPAC's commitment to community engagement continued with a series of free cultural events, including the Indigenous Peoples Day celebration, Taste of Africa, Filipino Barrio Fiesta, Livermore Pride Fest, Diwali, Lunar New Year, AANHPI Celebration, and Juneteenth. The UNCLE Credit Union Art Gallery also featured five dynamic exhibitions, including California Landscapes, Poetic World: East Asian Art, and Illuminating Symbols in Art: From Chagall to Contemporary Symbolism. This last exhibit showcased 12 of Marc Chagall's lithographs created for his Jerusalem Windows series, designed for the Hadassah Medical Center synagogue in Jerusalem. These pieces celebrated themes of love, friendship, and peace, reflecting Chagall's vision of art as a bridge across cultures and spiritual identities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying 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, 2024, 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.

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.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2024

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2024 amounted to \$109,403 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, 2024 and 2023, respectively:

	2024	2023
Balance, beginning of year	\$ 74,921	\$ 46,667
Additions	38,919	37,838
Expenditures for the maintenance, repair and replacement of building systems	(4,437)	(9,584)
Balance, end of year	\$ 109,403	\$ 74,921

Investments

Investments in mutual funds and equities are valued at their fair values as determined primarily by quoted market prices. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses, interest, and dividend income are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2024

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

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.

Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2024

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, 2024 was determined to be 4.52%. 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 credit losses was recorded as of June 30, 2024.

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, 2024.

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, 2024.

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.

Leases

The Center applies ASC 842, *Leases*, to record its leases. The Center assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Leases that contain lease and non-lease components are accounted for as a single lease.



Livermore Valley Performing Arts Center  
Notes to Financial Statements  
June 30, 2024

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Right-of-use assets ("ROU") represent the Center's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Center uses the implicit rate when it is readily determinable. Since most of the Center's leases do not provide an implicit rate, to determine the present value of lease payments, management has elected to use a risk-free rate using a period comparable with that of the lease term. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Center's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2024, and is included in accrued expenses in the accompanying statement of financial position. The accrued vacation balance as of June 30, 2024 was \$97,026.

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in-kind

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

Advertising costs

The Center expenses advertising costs as incurred. Advertising costs for the year ended June 30, 2024 totaled \$222,557.

Allocation of functional expenses

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

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

Income tax status

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

Reclassifications

Certain 2023 balances have been reclassified in order to conform to the 2024 presentation.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021 and beyond remain subject to possible examination by the Internal Revenue Service. The Center's California returns for the tax years ended June 30, 2020 and beyond remain subject to possible examination by the Franchise Tax Board.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 326, "*Financial Instruments – Credit Losses*," ("FASB ASC 326") which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Center that are subject to the guidance in FASB ASC 326 are accounts receivable, net.

The Center adopted FASB ASC 326 effective July 1, 2023 using the modified retrospective method. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures only.

Subsequent events

The Center has evaluated events subsequent to June 30, 2024 to assess the need for potential recognition or disclosure in the accompanying financial statements. Such events were evaluated through December 20, 2024, the date the accompanying financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the accompanying financial statements.

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5. CORRECTION OF AN ERROR

During 2024, the Center discovered that for the year ended June 30, 2023, contributions with donor restrictions was overstated by \$226,500 and contributions without donor restrictions was understated by \$226,500 due to an error in the recognition of donor-restricted net assets. As a result, the balance of net assets with donor restrictions was overstated and the balance of net assets without donor restrictions was understated by \$226,500 as of June 30, 2023. There was no effect to total changes in net assets for the year ended June 30, 2023. The error has been corrected by restating each of the affected financial statement line items as of June 30, 2023.

The following table summarizes the impact as of June 30, 2023:

<u>June 30, 2023</u>	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Net assets			
Without donor restrictions	\$ 9,459,300	\$ 226,500	\$ 9,685,800
With donor restrictions	<u>1,998,263</u>	<u>(226,500)</u>	<u>1,771,763</u>
	<u>\$ 11,457,563</u>	<u>\$ -</u>	<u>\$ 11,457,563</u>

6. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income	\$ 512,391	\$ -	\$ -	\$ 512,391
Equity funds	<u>640,373</u>	<u>-</u>	<u>-</u>	<u>640,373</u>
	<u>\$ 1,152,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,764</u>

7. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

Receivable in one year or less	\$ 341,999
Receivable in one to five years	<u>319,000</u>
	660,999
Less discounts to net present value	<u>(75,000)</u>
	<u>\$ 585,999</u>

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8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Building	\$ 702,164
Furniture, fixtures and equipment	1,150,986
Land	740,000
Land improvements	<u>34,431</u>
	2,627,581
Accumulated depreciation	<u>(686,072)</u>
	<u><u>\$ 1,941,509</u></u>

Depreciation for the year ended June 30, 2024 totaled \$100,228.

9. CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2024 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.

10. 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. On August 25, 2022, the line was renewed with Fremont Bank for a total credit limit of \$500,000 which was scheduled to mature on September 3, 2023. On August 18, 2023, the line was again renewed with Fremont Bank for a total credit limit of \$500,000, with a new maturity date of September 3, 2025. The new interest rate on the line of credit has increased to 8.5% per year and subject to using a margin interest rate of 1.0 percentage points above the margin, at a total rate of 9.5% per year. The revolving line of credit is secured by a general security interest in the assets of the Center. At June 30, 2024, \$195,000 was outstanding on the line of credit.

11. 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.

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11. 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 November 28, 2022. 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>	
2025	\$ 13,079
2026	13,125
2027	13,490
2028	13,866
2029	14,252
Thereafter	<u>432,188</u>
	<u>\$ 500,000</u>

12. FINANCE LEASES

The Center has two Konica copier leases and one Steinway piano lease that have been recognized as right-of-use lease assets - financing on the accompanying statement of financial position at June 30, 2024. The leases carry separate terms and expire at various dates through January 2027.

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.

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12. FINANCE LEASES (continued)

The Center has accounted for the lease as a finance lease due to bargain purchase option element included in the agreement. Transfer of ownership included debt forgiveness of \$7,500,000, contribution restricted for bond redemption of \$2,800,000, other contributions restricted for bond redemption of \$1,789,600, payment from the City of Livermore in exchange for assignment of future Host Community Impact Account Fees ("HCIAF") fees of \$9,200,000, and payment by the Center with restricted funds of \$900,400 for a total of \$22,190,000. 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%.

Right-of-use lease assets consist of the following:

Right-of-use lease assets - financing	\$ 22,606,919
Accumulated amortization (from inception of lease)	<u>(13,085,827)</u>
	<u><u>\$ 9,521,092</u></u>

Amortization expense was \$786,842 for the year ended June 30, 2024.

The finance lease liabilities are detailed as follows:

Finance lease liabilities, current portion	\$ 53,048
Finance lease liabilities, net of current portion	1,489,856
Accrued capitalized lease interest	<u>339,524</u>
	<u><u>\$ 1,882,428</u></u>

Finance lease costs for the year consisted of the following:

Amortization of right-of-use assets	\$ 786,842
Interest on lease liabilities - financing	<u>38,862</u>
	<u><u>\$ 825,704</u></u>

The weighted-average remaining lease terms and discount rates are as follows at June 30, 2024:

Weighted-average remaining lease term - finance lease	19.64 years
Weighted-average discount rate - finance lease	2.29%

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12. FINANCE LEASES (continued)

Future maturities of the finance lease liabilities are as follows:

<u>Year ending June 30,</u>	
2025	\$ 56,845
2026	28,812
2027	14,406
Thereafter	<u>2,800,000</u>
	2,900,063
Less: imputed interest	<u>(1,017,635)</u>
	<u><u>\$ 1,882,428</u></u>

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Gala	\$ 192,694
Ron and Jo Ann Koopman Grand piano fund	174,574
Producers Circle	103,804
Capital improvements Bankhead	103,489
Rae Dorouch Speaker Series Fund	56,857
Education Fund	55,144
Resident Company Fund	53,889
Executive Director's Fund	25,250
Bricks and Seats	21,500
Livermore Valley Arts Presents	20,000
Bankhead Art Gallery	<u>17,924</u>
	825,125
Subject to passage of time:	
For the periods beginning after June 30, 2024	385,246
Net assets held in perpetuity:	
Land	<u>740,000</u>
	<u><u>\$ 1,950,371</u></u>



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13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year ended June 30, 2024 were as follows:

Education fund	\$	173,671
Gala		166,855
General operating support time restriction met		135,241
Bankhead Art Gallery		41,929
Producers Circle		30,000
Resident Company Fund		21,111
Livermore Valley Arts Presents		10,500
Rae Dorouch Speaker Series Fund		10,293
Capital Bankhead		5,000
California Landscapes		4,675
Grand piano fund		3,147
Bothwell Arts Center		<u>1,439</u>
	<u>\$</u>	<u>603,861</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 17).

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.

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.

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14. CONTRIBUTIONS IN-KIND (continued)

During the year ended June 30, 2024, in-kind contributions consisted of the following:

Contributions in-kind for operations	
Advertising	\$ 68,848
Supplies	<u>30,510</u>
	<u>99,358</u>
Contributions in-kind for special events	
Special event auction items to be sold	<u>111,039</u>
	<u>\$ 210,397</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.

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 finance 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. A field inspection occurred in August 2023 at which time the Assessment Appeals process was completed, and final determination that the Center qualified for the Welfare Tax Exemption was solidified.

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.

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16. CONTINGENCIES (continued)

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.

17. RELATED PARTY TRANSACTIONS

The Center recognized contributions, including promises to give, from members of its Board and related entities totaling \$347,797 and \$83,383, respectively, for the year ended June 30, 2024. As of June 30, 2024, \$327,250 of outstanding contributions receivable consisted of contributions from members of the Board and related entities.

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 HClAF 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.

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17. 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.

18. 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, investments, contributions receivable, accounts receivable, employee retention credit 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, 2024 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 286,959
Investments	1,152,764
Contributions receivable, net	585,999
Accounts receivable	<u>24,322</u>
	<u>2,050,044</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Net assets restricted for the passage of time (\$385,246 less \$341,999 that is scheduled to be collected during the year ending June 30, 2024)	(43,247)
Net assets restricted for a specified purpose	<u>(825,125)</u>
	<u>(868,372)</u>
	<u>\$ 1,181,672</u>

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18. LIQUIDITY AND FUNDS AVAILABLE (continued)

\* 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 \$305,000 at June 30, 2024 (see Note 10).