



Report of Independent Auditors and
Financial Statements with
Supplementary Information

The Music Center Foundation

March 31, 2025
(with summarized comparative information for
the year ended March 31, 2024)

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Report of Independent Auditors

The Board of Directors
The Music Center Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Music Center Foundation, which comprise the statements of financial position as of March 31, 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of The Music Center Foundation as of March 31, 2025, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 The Music Center Foundation 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 the 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 The Music Center Foundation'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 GAAS 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 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 GAAS, 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 The Music Center Foundation'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 The Music Center Foundation'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of financial position and activities by fund 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.

Baker Tilly US, LLP

Los Angeles, California
August 25, 2025

Financial Statements

The Music Center Foundation
Statements of Financial Position
March 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 2,268,133	\$ 2,041,235
Prepaid expenses and other assets	963,564	435,815
Deferred compensation plan assets	579,902	552,921
Due from resident companies	93,893	93,085
Endowment investments	181,112,016	173,956,184
Investments held for others	95,962,110	94,192,912
Contributions receivable, net	29,158,640	31,773,122
Split-interest agreements	<u>3,933,808</u>	<u>3,518,264</u>
Total assets	<u>\$ 314,072,066</u>	<u>\$ 306,563,538</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,142,090	\$ 1,136,495
Distributions payable	3,754,858	3,397,815
Funds held for others	<u>95,962,110</u>	<u>94,192,912</u>
Total liabilities	<u>100,859,058</u>	<u>98,727,222</u>
NET ASSETS		
With donor restrictions		
Perpetual in nature	147,082,776	141,588,014
Time or purpose restrictions	<u>66,130,232</u>	<u>66,248,302</u>
Total net assets	<u>213,213,008</u>	<u>207,836,316</u>
Total liabilities and net assets	<u>\$ 314,072,066</u>	<u>\$ 306,563,538</u>

See accompanying notes.

The Music Center Foundation
Statements of Activities
Years Ended March 31, 2025 and 2024
(With Summarized Comparative Information)

			Year Ended March 31, 2024	
	Without Donor Restrictions	With Donor Restrictions	2025 Total	Summarized Total
REVENUES AND INVESTMENT RETURN				
Investment return, net	\$ -	\$ 8,581,862	\$ 8,581,862	\$ 24,028,166
Contributions	30,000	5,612,163	5,642,163	7,027,634
Change in value of split-interest agreements	-	445,759	445,759	328,203
Net assets released from purpose restrictions	5,204,174	(5,204,174)	-	-
Net assets released from spending-rate distributions and appropriations	4,058,918	(4,058,918)	-	-
Total revenues and investment return	9,293,092	5,376,692	14,669,784	31,384,003
EXPENSES				
Management and general	797,193	-	797,193	1,792,896
Fundraising	442,038	-	442,038	473,986
Distributions	8,053,861	-	8,053,861	9,027,380
Total expenses	9,293,092	-	9,293,092	11,294,262
CHANGE IN NET ASSETS	-	5,376,692	5,376,692	20,089,741
NET ASSETS, beginning of year	-	207,836,316	207,836,316	187,746,575
NET ASSETS, end of year	\$ -	\$ 213,213,008	\$ 213,213,008	\$ 207,836,316

See accompanying notes.

The Music Center Foundation
Statements of Functional Expenses
Years Ended March 31, 2025 and 2024
(With Summarized Comparative Information)

				Year Ended March 31,	
	Distributions	Management and General	Fundraising	2025	2024 (Summarized)
Salaries and benefits	\$ -	\$ 330,205	\$ 330,205	\$ 660,410	\$ 675,495
Administrative fee reimbursement	-	(211,972)	-	(211,972)	(208,299)
Accounting fees	-	129,459	14,384	143,843	156,082
Insurance premium	-	38,695	38,696	77,391	81,479
Donor development and recognition	-	-	29,409	29,409	30,304
Bad debt expense	-	481,461	-	481,461	1,449,167
Miscellaneous	-	1,445	1,445	2,890	3,866
Conference and seminars	-	3,816	3,816	7,632	13,777
Office supplies	-	5,355	5,354	10,709	13,945
Legal fees	-	5,167	5,166	10,333	27,735
Marketing and consulting	-	5,430	5,431	10,861	9,183
Rent	-	2,778	2,777	5,555	5,555
Board meeting expenses	-	3,328	3,329	6,657	4,321
Telephone	-	1,465	1,465	2,930	3,114
Messenger	-	561	561	1,122	1,158
DISTRIBUTIONS					
Music Center/Performing Arts Center of Los Angeles	449,632	-	-	449,632	448,317
Music Center Education Division	575,556	-	-	575,556	553,795
Music Center Blue Ribbon Children's Festival	8,260	-	-	8,260	473,624
Music Center Dance	428,587	-	-	428,587	434,392
Los Angeles Philharmonic Association	3,199,098	-	-	3,199,098	3,790,770
Center Theatre Group	1,613,082	-	-	1,613,082	1,559,636
Los Angeles Opera Company	1,416,760	-	-	1,416,760	1,366,674
Los Angeles Master Chorale	362,886	-	-	362,886	400,172
Total	<u>\$ 8,053,861</u>	<u>\$ 797,193</u>	<u>\$ 442,038</u>	<u>\$ 9,293,092</u>	<u>\$ 11,294,262</u>

See accompanying notes.

The Music Center Foundation
Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	2025	2024
OPERATING ACTIVITIES		
Change in net assets	\$ 5,376,692	\$ 20,089,741
Adjustments to reconcile change in net assets to cash used in operating activities		
Net realized and unrealized gain on investments	(7,294,016)	(22,944,025)
Write-off of uncollectible contributions receivable	481,461	1,449,167
Allowance for uncollectible contributions receivable	(27,000)	17,000
Amortization of discount on contributions receivable	610,069	1,189,584
Contributions restricted to endowment	(5,612,163)	(7,027,616)
Non-cash changes in value of split-interest agreements	(445,759)	(328,203)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(527,749)	(253,810)
Deferred compensation plan assets	(26,981)	(82,222)
Due from resident companies	(808)	4,475
Contributions receivable, net	1,549,952	(4,022,775)
Accounts payable and accrued expenses	27,895	24,045
Distributions payable	357,043	(171,030)
Net cash used in operating activities	<u>(5,531,364)</u>	<u>(12,055,669)</u>
INVESTING ACTIVITIES		
Change in restricted investments – charitable gift annuities	7,915	49,242
Purchases of investments	(14,945,393)	(10,186,444)
Proceeds from sales of investments	<u>15,083,577</u>	<u>15,629,597</u>
Net cash provided by investing activities	<u>146,099</u>	<u>5,492,395</u>
FINANCING ACTIVITIES		
Contributions restricted to endowment	<u>5,612,163</u>	<u>7,027,616</u>
CHANGE IN CASH AND CASH EQUIVALENTS	226,898	464,342
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,041,235</u>	<u>1,576,893</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,268,133</u></u>	<u><u>\$ 2,041,235</u></u>

See accompanying notes.

The Music Center Foundation

Notes to Financial Statements

Note 1 – Description of Operations

Foundation – The Music Center Foundation (the Foundation) was established in 1973 to provide endowment support to the Performing Arts Center of Los Angeles County (the Music Center), its educational activities and dance, as well as the resident companies at the Music Center including the Los Angeles Philharmonic Association, Center Theatre Group, Los Angeles Opera Company, and the Los Angeles Master Chorale (collectively, the Resident Companies). The Foundation is responsible for building the endowment to support performing arts at the Music Center through asset management and planned giving fundraising.

The Foundation was organized pursuant to the General Nonprofit Corporation Law of the State of California and is a publicly supported foundation pursuant to Internal Revenue Codes §509(a)(1) and §170(b)(1)(A)(vi). As such, the Foundation is exempt from federal and state taxes.

Funds – The Foundation manages two perpetual endowment funds and eight separate funds that are held for the benefit of others. Each fund is governed by a separate agreement that determines distribution, withdrawal, and certain asset allocation rights.

Endowment Funds

1. *General Fund* – The General Fund's perpetual endowments include various gifts from individuals, foundations, and other institutions. The income from these endowments is for the use of certain Resident Companies and other activities of the Music Center as described in the original gifts. As determined by the Board of Directors pursuant to its distribution policy, distributions are accrued based on a percentage of the General Fund's average fair value calculated on a 12-quarter rolling average ending the preceding fiscal year. The 12-quarter rolling average is computed exclusive of contributions receivable. Distributions of otherwise non-designated endowment funds may not exceed income (interest and dividends) plus 5% of the fair value of the funds at the end of the previous fiscal year. Distributions are paid directly to the designated recipients following the close of the fiscal year. An endowment fund is also held for CalArts/REDCAT from which distributions are paid as requested.
2. *Los Angeles Philharmonic Association Endowment Fund* – The Los Angeles Philharmonic Association Endowment Fund (LAPA Fund) was established in 1984 between the Foundation and the Los Angeles Philharmonic Association (the Association), whereby the Foundation would maintain a separate endowment fund for the benefit of the Association. The principal and income from the LAPA Fund are restricted for the sole and unqualified use and benefit of the Association. The LAPA Fund endowment spending policy is the maximum distribution permitted under the articles of incorporation of the Foundation. The Los Angeles Philharmonic Association is responsible for tracking individual donor gifts.

The Music Center Foundation

Notes to Financial Statements

Funds held for others – Funds held for others are the property of the Music Center or Resident Companies and are managed pursuant to a management agreement between the Foundation and each entity. The assets are invested in a unitized marketable portfolio, and each entity has the option to participate in non-marketable investments when they are available. Each entity is responsible for setting its fund asset distribution policy and, upon written notification, may withdraw funds held by the Foundation subject to the management agreement and any withdrawal restrictions established by individual investment managers. With the exception of the Opera Fund, the Foundation is not responsible for tracking individual gifts within the Music Center or Resident Company funds.

The funds are held in two sub funds: the marketable securities fund and the nonmarketable securities fund. The marketable securities fund consists of investments of stocks, stock funds, and bond funds. The nonmarketable securities fund consists of partnership interests and private equity funds. The marketable securities fund, together with certain cash balances, is held in a bank in separate accounts for the Music Center and each Resident Company. It is also unitized to aid the management of these funds. Due to the nature of the investments, the nonmarketable securities are not held in separate accounts. The Music Center and each Resident Company's share of the fund is tracked and held in accordance with the management agreement.

1. *Music Center Harris Reserve Fund (Harris Reserve Fund)* – The Harris Reserve Fund was established pursuant to an agreement between the Foundation and the Music Center dated May 15, 2002.
2. *Music Center Harris Dance Fund (Harris Dance Fund)* – The Harris Dance Fund was established pursuant to an agreement between the Foundation and the Music Center dated May 15, 2002.
3. *Los Angeles Philharmonic Association Endowment Fund II (LAPA II Fund)* – The LAPA II Fund was established pursuant to an agreement between the Foundation and the Los Angeles Philharmonic Association dated June 4, 2003.

In January 2017, the Los Angeles Philharmonic Association informed the Foundation of their intention to move the marketable assets in the LAPA II Fund back to Los Angeles Philharmonic Association so that they could be consolidated with their other endowment assets. The Foundation approved a transfer plan to value LAPA II Fund marketable portfolio on March 31, 2017, and agreed to transfer assets to the Los Angeles Philharmonic Association as soon as possible. By the first quarter of 2018, this transfer was effectively completed. The Foundation now holds only the non-marketable assets for the LAPA II Fund. The Los Angeles Philharmonic Association is not currently adding to this position with new commitments, so the balance is declining with distributions from those managers.

4. *Center Theatre Group Reserve Fund (CTG Reserve Fund)* – The CTG Reserve Fund was established pursuant to an agreement between the Foundation and Center Theatre Group dated September 10, 2003. In September 2010, Center Theatre Group entered into a credit agreement with a bank that requires a minimum collateral balance within the CTG Reserve Fund. As of the year ended March 31, 2025, the CTG Reserve Fund has met the minimum collateral balance required.

The Music Center Foundation

Notes to Financial Statements

5. *Los Angeles Opera Endowment Fund (Opera Fund)* – The Opera Fund was established pursuant to an agreement between the Foundation and the Los Angeles Opera Company dated December 17, 2003.
6. *Performing Arts Center, Los Angeles County (PACLAC Fund)* – The PACLAC Fund was established pursuant to an agreement between the Foundation and the Performing Arts Center, Los Angeles County dated September 1, 2007.
7. *Performing Arts Center, Los Angeles County Blue Ribbon (Blue Ribbon Fund)* – The Blue Ribbon Fund was established pursuant to an agreement between the Foundation, the Performing Arts Center, Los Angeles County, and Blue Ribbon dated June 22, 2011.
8. *Music Center Reserve Fund (TMC Reserve Fund)* – The TMC Reserve Fund was established pursuant to an agreement between the Foundation and the Performing Arts Center, Los Angeles County effective March 4, 2021. In December 2023, The Music Center informed the Foundation of their intention to exit the unitized marketable portfolio for their TMC Reserve Fund. As of March 31, 2024, the TMC Reserve Fund has solely cash and cash equivalent assets.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The statements of activities and statements of functional expenses include certain prior year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended March 31, 2024, from which the summarized information was derived.

Reclassifications – Certain amounts from the March 31, 2024, financial statements have been reclassified to conform to the March 31, 2025, financial statement presentation. There were no changes to net assets.

Fund accounting and net asset classification – To ensure compliance with restrictions placed on the resources available to the Foundation, the Foundation's accounts are maintained in accordance with the principles of fund accounting. This accounting and reporting procedure classifies resources into funds established according to their nature and purpose.

In the financial statements, funds that have similar characteristics have been combined into two net assets categories: without donor restrictions and with donor restrictions.

- *Net Assets Without Donor Restrictions* are net assets not restricted by donors or for which the donor-imposed restrictions have expired. Net assets without donor restrictions may be expendable for any purpose in performing the primary objectives of the Foundation. Under the terms of the Foundation's distribution policy, the Foundation appropriates the earnings necessary to meet annual expenditures and has no net assets without donor restrictions at March 31, 2025 and 2024.

The Music Center Foundation

Notes to Financial Statements

- **Net Assets With Donor Restrictions** include those assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources 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. All contributions to the Foundation, unless otherwise restricted by the donor, are deemed to be given for endowment purposes and have been classified as perpetual in nature. Investment income is either designated for specific programs or undesignated. If undesignated, it is expendable for any purpose in performing the primary objectives of the Foundation.

Revenue recognition – Unconditional promises to give cash and investment securities are reported at fair value at the date the promise is received. Conditional contributions are recognized as revenue when the conditions on which they depend have been met. Current gifts of cash, securities, and real property are recognized at fair value when they are received. The Foundation has \$0 in conditional contributions awaiting recognition as of March 31, 2025 and 2024.

Cash equivalents – The Foundation classifies all highly liquid investment instruments with a purchased maturity of three months or less as cash equivalents. All cash balances are invested in short-term investment funds. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Concentration of credit and market risk – Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash, investments, contributions receivable, and charitable remainder trusts. As investments comprised 88% and 87% of the Foundation's assets as of March 31, 2025 and 2024, respectively, the Foundation is exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is possible that changes in risk in the near term would affect investment balances and the amounts reported in the financial statements. The investment portfolio is managed with a diversified allocation of investment assets. The Board-approved allocation is adjusted to meet a target expected return with the least risk in the portfolio.

The Foundation maintains bank accounts at two banks. One account is held at a financial institution and insured up to \$250,000. At times, cash in the account exceeds the insured limits for brief periods. The other account is a money market fund held at a financial institution and insured up to \$500,000. This money market mutual fund is set up to hold a Net Asset Value (NAV) of \$1-per-share at all times, with the interest and income distributed on a monthly basis. At almost all times, cash in this money market fund account exceeds the insured amount. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Music Center Foundation

Notes to Financial Statements

All investments are recorded at fair value. Realized gains and losses from investment transactions are computed using the average cost method and are recorded net of investment fund fees and expenses. Cash and cash equivalents held within the investment portfolio are classified as investments in the statements of financial position.

Net investment return is reported in the statements of activities and consists of interest and dividend income on short-term investment funds and a managed portfolio consisting principally of fixed income securities and dividends earned on equity securities and realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Income earned and losses incurred from investments in all net asset classifications is recorded in the net asset class owning the assets, except where the instructions of the donor specify otherwise and when such amounts have been appropriated for expenditure.

Return objectives and risk parameters – The Foundation attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment funds and funds held for others. Under this policy, as approved by the Board of Directors, the funds are invested in a manner that is intended to produce an average rate of return of at least 5.5% annually, net of inflation, while assuming a moderate amount of risk. Actual returns in any given year may vary from this amount.

Spending policy and how the investment objectives relate to spending policy – The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value (excluding contributions receivable) over the prior 12 quarters through the preceding fiscal year in which the distribution is planned. Distributions are normally paid in two installments each year on February 15th and May 15th. The final distribution on May 15th is approved at the last Board meeting preceding that date each year. In establishing this policy, the Foundation considered the long-term expected return on its endowment and operating expenses. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at least at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts. The Foundation considers the following factors in making a determination to appropriate funds for distribution:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The Music Center Foundation

Notes to Financial Statements

Distributions payable – Any distributions that have been calculated in accordance with the Foundation's spending policy and declared, but not yet paid to the Resident Companies as of year-end are classified as distributions payable.

Fair value – Fair value of stocks and fixed income securities in publicly traded securities is based on quoted market prices. Fair value of other stocks and fixed income securities not publicly-traded is based on fair values of similar observable or underlying assets. Limited partnerships and private equity are carried at estimated fair value. In the absence of market price quotes, the estimated fair value of the interests is determined using the net asset value per share or its equivalent as estimated by the general partners of the respective Partnership. Because of the inherent uncertainty of valuation and the illiquidity of the interests, the estimated fair values for the aforementioned securities and interests may differ from the values that would have been used had a ready market for the investments existed, and therefore, the differences could be material.

Due to the time necessary in obtaining a valuation, the accounting for realized and unrealized gains/losses will sometimes lag the current value by one quarter, for certain Partnership investments and other investments held at net asset value or equivalent. The Foundation does not believe this lag has a qualitatively or quantitatively material impact on the Foundation's financial statements. Each year end, the Foundation reviews the results of the lagged quarter so as to provide the basis for this assertion and to review for possible impairment issues as of its year end.

Contributions receivable – The Foundation is the beneficiary of contributions receivable that consist of cash pledges and estate notes. The unconditional cash pledges are due within five years and are recorded at their present value based upon the Foundation's risk adjusted discount rate at the date of contribution, net of an allowance for uncollectible accounts. The estate notes are due upon the death of the donor and are recorded based on an estimate of their present value, net of an allowance for uncollectible accounts. The estate notes estimate of present value is based upon the life expectancy of the donor according to actuarial tables. The changes in present value are reflected as contributions in the accompanying statements of activities. The allowance for uncollectible accounts is based upon the historical collectability and average value. The allowance for uncollectible accounts amounts to \$262,000 and \$289,000 as of March 31, 2025 and 2024, respectively.

Due from resident companies – The Resident Companies reimburse the Foundation for certain administrative expenses, including investment management consulting services, based on each Resident Company's share of assets under management. The Resident Companies also reimburse the Foundation for all asset management and bank fees attributed to each Resident Company's fund. These amounts are unsecured, interest-free, and billed and paid on a quarterly basis. No allowance for expected credit losses is deemed necessary for the years ended March 31, 2025 and 2024.

The Music Center Foundation

Notes to Financial Statements

Split-interest agreements – The Foundation has been named as a remainder beneficiary of charitable remainder trusts held by third-party trustees. A charitable remainder trust is an arrangement in which a donor establishes a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term, usually the designated beneficiaries' lifetime. The Foundation will receive its share of the assets remaining upon the termination of the charitable trust. At inception, the Foundation records its beneficial interest in the charitable remainder trust and contribution revenue at the present value of future benefits expected to be received, net of allowance for uncollectible accounts. The changes in value are reflected as changes in value of split-interest agreements on the accompanying statements of activities.

The Foundation is the co-trustee of one charitable remainder trust, where it is also the remainder beneficiary. For this trust, its assets are recorded at their fair value, and the present value of the trust's future payment liability is recorded in the statements of financial position within accounts payable and accrued expenses.

The Foundation is the beneficiary of charitable gift annuities, which are arrangements between donors and the Foundation in which the donors contribute assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donors, or to individuals or Foundations designated by the donors. The Foundation's future payment liability is recorded in the statements of financial position within accounts payable and accrued expenses. A corresponding asset is recorded as a charitable gift annuity and segregated as a funded reserve required by law. Any contribution in excess of the initial liability is recognized as contribution revenue.

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

Functional allocation of expenses – The costs of providing the Foundation's various programs and other activities have been summarized on a functional basis. Certain costs have been allocated among distributions, management and general, and fundraising expenses based on management's estimates based on time and effort.

Income taxes – The Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Foundation has not recorded any uncertain tax positions. The Foundation recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended March 31, 2025 and 2024, the Foundation did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

The Music Center Foundation

Notes to Financial Statements

Note 3 – Financial Assets and Liquidity Resources

The Foundation's financial assets and resources available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date are as follows at March 31:

	2025	2024
Cash and cash equivalents	\$ 2,268,133	\$ 2,041,235
Cash and cash equivalents held in investments	7,610,573	8,998,313
Current portion of contributions receivable, net	52,000	98,986
Anticipated amounts appropriated from endowment, pursuant to spending-rate policy	7,582,916	7,447,995
Anticipated amounts appropriated for general expenditures, pursuant to approved budget	<u>2,462,259</u>	<u>2,582,155</u>
Financial assets and resources available to meet general expenditures within one year	<u>\$ 19,975,881</u>	<u>\$ 21,168,684</u>

The Foundation's endowment funds consist of donor-restricted endowments and funds. All these endowment funds are responsible for their pro rata share of the administrative expenses. These funds are credited annually with net income (loss) from the investment performance of the portfolio after paying the administrative expenses of the Foundation.

The endowment makes annual distributions to the Resident Companies and The Music Center which are subject to a Board-approved spending rate of 5% as described in Notes 1 and 2.

Note 4 – Fair Value Measurements

As defined by U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses the market approach. Based on this approach, the Foundation utilizes certain assumptions about the risk or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, U.S. GAAP establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Quoted market prices in active markets for identical assets or liabilities. The type of investments in Level 1 includes listed equities held in the name of the Foundation;

The Music Center Foundation

Notes to Financial Statements

Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies; and

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership formats.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Foundation's policy. For the year ended March 31, 2025, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Stocks, stock funds, and bond funds – The fair value of fixed income funds is the fair value based on quoted market prices. They are classified within Level 1 of the fair value hierarchy.

Limited partnerships and private equity funds – The Foundation uses the net asset value per share of Partnership interests as a practical expedient to estimate the fair value of investments. These investments are not classified in the fair value hierarchy.

Beneficial interest in charitable remainder trusts – The Foundation's beneficial interest in a charitable remainder trust may be designated as either (1) a percentage share or (2) a specified dollar amount of the remaining trust assets at the termination of the trust. Where the beneficial interest in the charitable remainder trust is designated as a percentage share, the present value of the remainder is revalued each year end based on the donor's life expectancy, the trust assets' current fair value, the trust distribution rate, the current discount rate, and the estimated future increase in value of the trust assets. The difference in the present value of the remainder between the current year end and the prior year end is recorded as a change in value of split-interest agreements on the statements of activities. For charitable remainder trusts where the Foundation's beneficial interest is designated as a specified dollar amount due on the termination of the trust, the present value of the remainder is revalued each year end based on the donor's life expectancy and the current discount rate.

The discount from the specified remainder amount is amortized into income over the donor's life expectancy according to actuarial tables and recorded as a change in value of split-interest agreements on the statements of activities.

The Foundation elected to adopt the fair value option afforded by U.S. GAAP in relation to assets held in charitable remainder trusts and obligations under trusts. Following initial recognition, subsequent present value calculations will revise all inputs at each measurement date. This election was made to ensure consistent recognition and subsequent re-measurement between both forms of charitable remainder trusts held by the Foundation, as well as beneficial interests and charitable remainder trusts where the Foundation is trustee.

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Notes to Financial Statements

The current discount rate used for both types of remainder interest at March 31, 2025 and 2024, is 5.40% and 5.00%, respectively. The Foundation recorded \$0 in new beneficial interests in charitable remainder trusts during the years ended March 31, 2025 and 2024.

Total beneficial interests in charitable remainder trusts, net of discount on beneficial interest, are \$3,544,997 and \$3,151,198 as of March 31, 2025 and 2024, respectively, and is recorded within split-interest agreements on the statements of financial position.

Total assets held in charitable remainder trusts are \$50,716 and \$54,153 as of March 31, 2025 and 2024, respectively, and is recorded within split-interest agreements on the statements of financial position. The corresponding liability balances for charitable remainder trusts are \$25,279 and \$28,161, respectively, and recorded in the statements of financial position within accounts payable and accrued expenses.

Beneficial interests in charitable remainder trusts are classified within Level 3 of the fair value hierarchy.

Charitable gift annuities – For charitable gift annuities, the Foundation's future payment liability is recorded in the statements of financial position within accounts payable and accrued expenses. A corresponding asset is recorded as a split-interest agreement, with any contribution in excess of the initial liability recognized as contribution revenue. The liability for each gift annuity is revalued each year under actuarial tables and interest rates established by the California Department of Insurance. The Foundation is required by law to maintain a segregated reserve to fund this liability.

The following tables summarize the Foundation's financial assets by the fair value hierarchy levels as of March 31, 2025. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table for these investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

	Level 1	Level 2	Level 3	NAV or Equivalent	Total
ENDOWMENT INVESTMENTS					
Cash and cash equivalents					
Money market account	\$ 7,610,573	\$ -	\$ -	\$ -	\$ 7,610,573
Total cash and cash equivalents	7,610,573	-	-	-	7,610,573
ENDOWMENT INVESTMENTS					
Stocks and stock funds					
U.S. large cap equities	25,582,063	-	-	-	25,582,063
U.S. small cap equities	9,496,432	-	-	-	9,496,432
International equities	4,100,695	-	-	-	4,100,695
Total stocks and stock funds	39,179,190	-	-	-	39,179,190
Bond funds	17,130,195	-	-	-	17,130,195
Limited partnerships and private equity					
U.S. large cap equities	-	-	-	40,033,649	40,033,649
International equities	-	-	-	24,377,408	24,377,408
Partnerships interests	-	-	-	33,793,146	33,793,146
Equity hedge funds	-	-	-	9,656,605	9,656,605
Absolute return funds	-	-	-	9,331,250	9,331,250
Total limited partnerships and private equity	-	-	-	117,192,058	117,192,058
Total endowment investments	\$ 63,919,958	\$ -	\$ -	\$ 117,192,058	\$ 181,112,016

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Notes to Financial Statements

	Level 1	Level 2	Level 3	NAV or Equivalent	Total
INVESTMENTS HELD FOR OTHERS					
Cash and cash equivalents					
Money market account	\$ 10,783,007	\$ -	\$ -	\$ -	\$ 10,783,007
Total cash and cash equivalents	\$ 10,783,007	\$ -	\$ -	\$ -	\$ 10,783,007
INVESTMENTS HELD FOR OTHERS					
Stocks and stock funds					
U.S. large cap equities	14,146,390	-	-	-	14,146,390
U.S. small cap equities	5,251,344	-	-	-	5,251,344
International equities	2,376,878	-	-	-	2,376,878
Total stocks and stock funds	21,774,612	-	-	-	21,774,612
Bond funds	9,472,669	-	-	-	9,472,669
Limited partnerships and private equity					
U.S. large cap equities	-	-	-	22,137,839	22,137,839
International equities	-	-	-	13,370,966	13,370,966
Partnerships interests and other funds	-	-	-	7,923,098	7,923,098
Equity hedge funds	-	-	-	5,339,917	5,339,917
Absolute return funds	-	-	-	5,160,002	5,160,002
Total limited partnerships and private equity	-	-	-	53,931,822	53,931,822
Total investments held for others	\$ 42,030,288	\$ -	\$ -	\$ 53,931,822	\$ 95,962,110
TRUSTS AND ANNUITIES					
Beneficial interest in charitable remainder trusts	\$ -	\$ -	\$ 3,544,997	\$ -	\$ 3,544,997
Assets held in charitable remainder trusts	-	-	50,716	-	50,716
Charitable gift annuities	-	-	338,095	-	338,095
Total assets, recorded in split-interest agreements	\$ -	\$ -	\$ 3,933,808	\$ -	\$ 3,933,808
Obligations under charitable remainder trusts	\$ -	\$ -	\$ 25,279	\$ -	\$ 25,279
Obligations under charitable gift annuities	-	-	338,095	-	338,095
Total liabilities, recorded in accounts payable and accrued expenses	\$ -	\$ -	\$ 363,374	\$ -	\$ 363,374

The Music Center Foundation

Notes to Financial Statements

For the year ended March 31, 2025, the changes in financial assets and liabilities classified as Level 3 are as follows:

	Beneficial Interest in Charitable Remainder Trusts	Assets Held in Charitable Remainder Trusts	Charitable Gift Annuities	Obligations Under Charitable Remainder Trusts	Obligations Under Charitable Gift Annuities
BALANCE, beginning of year	\$ 3,151,198	\$ 54,153	\$ 312,913	\$ 28,161	\$ 312,913
Contributions	-	-	63,000	-	-
Payments	-	-	(70,915)	-	-
Other adjustment	(78,888)	-	-	-	-
Changes in value	472,687	(3,437)	33,097	(2,882)	25,182
BALANCE, end of year	<u>\$ 3,544,997</u>	<u>\$ 50,716</u>	<u>\$ 338,095</u>	<u>\$ 25,279</u>	<u>\$ 338,095</u>

The following tables summarize the Foundation's financial assets by the fair value hierarchy levels as of March 31, 2024. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table for these investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

	Level 1	Level 2	Level 3	NAV or Equivalent	Total
ENDOWMENT INVESTMENTS					
Cash and cash equivalents					
Money market account	\$ 8,998,313	\$ -	\$ -	\$ -	\$ 8,998,313
Total cash and cash equivalents	8,998,313	-	-	-	8,998,313
ENDOWMENT INVESTMENTS					
Stocks and stock funds					
U.S. large cap equities	18,713,261	-	-	-	18,713,261
U.S. small cap equities	9,870,647	-	-	-	9,870,647
Emerging market equities	3,824,354	-	-	-	3,824,354
Total stocks and stock funds	32,408,262	-	-	-	32,408,262
Bond funds	9,718,677	-	-	-	9,718,677
Limited partnerships and private equity					
U.S. large cap equities	-	-	-	37,714,184	37,714,184
International equities	-	-	-	26,474,024	26,474,024
Emerging market equities	-	-	-	4,164,651	4,164,651
Partnerships interests	-	-	-	31,088,620	31,088,620
Equity hedge funds	-	-	-	10,594,685	10,594,685
Absolute return funds	-	-	-	12,794,768	12,794,768
Total limited partnerships and private equity	-	-	-	122,830,932	122,830,932
Total endowment investments	<u>\$ 51,125,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,830,932</u>	<u>\$ 173,956,184</u>

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Notes to Financial Statements

	Level 1	Level 2	Level 3	NAV or Equivalent	Total
INVESTMENTS HELD FOR OTHERS					
Cash and cash equivalents					
Money market account	\$ 10,968,403	\$ -	\$ -	\$ -	\$ 10,968,403
Total cash and cash equivalents	10,968,403	-	-	-	10,968,403
INVESTMENTS HELD FOR OTHERS					
Stocks and stock funds					
U.S. large cap equities	10,384,413	-	-	-	10,384,413
U.S. small cap equities	5,477,446	-	-	-	5,477,446
Emerging market equities	2,122,221	-	-	-	2,122,221
Total stocks and stock funds	17,984,080	-	-	-	17,984,080
Bond funds	5,393,120	-	-	-	5,393,120
Limited partnerships and private equity					
U.S. large cap equities	-	-	-	20,928,455	20,928,455
International equities	-	-	-	14,691,035	14,691,035
Emerging market equities	-	-	-	2,311,059	2,311,059
Partnerships interests	-	-	-	8,937,423	8,937,423
Equity hedge funds	-	-	-	5,879,231	5,879,231
Absolute return funds	-	-	-	7,100,106	7,100,106
Total limited partnerships and private equity	-	-	-	59,847,309	59,847,309
Total investments held for others	\$ 34,345,603	\$ -	\$ -	\$ 59,847,309	\$ 94,192,912
TRUSTS AND ANNUITIES					
Beneficial interest in charitable remainder trusts	\$ -	\$ -	\$ 3,151,198	\$ -	\$ 3,151,198
Assets held in charitable remainder trusts	-	-	54,153	-	54,153
Charitable gift annuities	-	-	312,913	-	312,913
Total assets, recorded in split-interest agreements	\$ -	\$ -	\$ 3,518,264	\$ -	\$ 3,518,264
Obligations under charitable remainder trusts	\$ -	\$ -	\$ 28,161	\$ -	\$ 28,161
Obligations under charitable gift annuities	-	-	312,913	-	312,913
Total liabilities, recorded in accounts payable and accrued expenses	\$ -	\$ -	\$ 341,074	\$ -	\$ 341,074

The Music Center Foundation

Notes to Financial Statements

For the year ended March 31, 2024, the changes in financial assets and liabilities classified as Level 3 are as follows:

	Beneficial Interest in Charitable Remainder Trusts	Assets Held in Charitable Remainder Trusts	Charitable Gift Annuities	Obligations Under Charitable Remainder Trusts	Obligations Under Charitable Gift Annuities
BALANCE, beginning of year	\$ 2,856,403	\$ 52,987	\$ 325,827	\$ 27,185	\$ 317,975
Contributions	-	-	19,990	-	-
Payments	-	-	(69,232)	-	-
Changes in value	294,795	1,166	36,328	976	(5,062)
BALANCE, end of year	<u>\$ 3,151,198</u>	<u>\$ 54,153</u>	<u>\$ 312,913</u>	<u>\$ 28,161</u>	<u>\$ 312,913</u>

The following table summarizes the Foundation's financial assets which are valued using the fair value practical expedient of net asset value as of March 31, 2025:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
LIMITED PARTNERSHIPS AND PRIVATE EQUITY				
U.S. large cap equities (a)	\$ 40,033,649	\$ -	quarterly	1–60 days
International equities (b)	24,377,408	-	monthly - quarterly	10 - 45 days
Partnerships interests (c)	33,793,146	14,326,418	when partnership ceases	n/a
Equity hedge funds (d)	9,656,605	-	quarterly–annually	45–100 days
Absolute return funds (e)	9,331,250	-	quarterly–3 years	30–120 days
Total	<u>\$ 117,192,058</u>	<u>\$ 14,326,418</u>		

- (a) This category includes investments in long- and short-term equity funds mirroring S&P 500 sector weighting.
- (b) This category includes investments in international (non-U.S.) equity funds.
- (c) This category includes investments in private equity partnerships, venture capital partnerships, real estate partnerships, distressed debt partnerships, early-stage equity investments, and energy partnerships.
- (d) This category includes investments in long and short equity focused fund of hedge funds, along with small and micro-cap Asia Pacific hedge funds.
- (e) This category of Absolute Return Investments includes funds that have exposure to the U.S. debt and equity markets, international developed debt and equity, and emerging debt and equity markets. These funds have both long and short positions and focus on returns from various arbitrage positions that capture inefficiencies in the markets.

The Music Center Foundation

Notes to Financial Statements

The following table represents the Foundation's Level 3 financial instruments for the year ended March 31, 2025, the valuation technique used to measure the fair value of the financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

March 31, 2025				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range
Beneficial interest in charitable remainder trusts	\$ 3,544,997	Income Approach	Discount rate	5.40%
			Donor's life expectancy	Based on donor's age
Assets held in charitable remainder trusts	50,716	Income Approach	Discount rate	5.40%
			Donor's life expectancy	Based on donor's age
Charitable gift annuities	338,095	Income Approach	Discount rate	4.0%–6.0%
			Donor's life expectancy	Based on donor's age
Obligations under charitable remainder trusts	25,279	Income Approach	Discount rate	5.40%
			Donor's life expectancy	Based on donor's age
Obligations under charitable gift annuities	338,095	Income Approach	Discount rate	4.0%–6.0%
			Donor's life expectancy	Based on donor's age

The Music Center Foundation

Notes to Financial Statements

The following table represents the Foundation's Level 3 financial instruments for the year ended March 31, 2024, the valuation technique used to measure the fair value of the financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range
Beneficial interest in charitable remainder trusts	\$ 3,151,198	Income Approach	Discount rate	5.00%
			Donor's life expectancy	Based on donor's age
Assets held in charitable remainder trusts	54,153	Income Approach	Discount rate	5.00%
			Donor's life expectancy	Based on donor's age
Charitable gift annuities	312,913	Income Approach	Discount rate	4.0%–6.0%
			Donor's life expectancy	Based on donor's age
Obligations under charitable remainder trusts	28,161	Income Approach	Discount rate	5.00%
			Donor's life expectancy	Based on donor's age
Obligations under charitable gift annuities	312,913	Income Approach	Discount rate	4.0%–6.0%
			Donor's life expectancy	Based on donor's age

The Music Center Foundation

Notes to Financial Statements

Note 5 – Contributions Receivable

Contributions receivable at March 31, 2025 and 2024, consisted of the following:

	2025	2024
Future value of contributions receivable	\$ 266,400	\$ 365,386
Unamortized discount to net present value at rates ranging from 2.35% to 3.37%	<u>(37,109)</u>	<u>(43,289)</u>
	<u>229,291</u>	<u>322,097</u>
Future value of contributions receivable – estate notes	54,266,318	56,198,745
Unamortized discount on contributions receivable – estate notes	(25,074,969)	(24,458,720)
Allowance for uncollectable accounts – estate notes	<u>(262,000)</u>	<u>(289,000)</u>
	<u>28,929,349</u>	<u>31,451,025</u>
Total contributions receivable, net	<u><u>\$ 29,158,640</u></u>	<u><u>\$ 31,773,122</u></u>

Contributions receivable are expected to be realized in the following periods as of March 31:

	2025	2024
Within one year	\$ 52,000	\$ 98,986
One to five years	152,000	188,000
More than five years	<u>62,400</u>	<u>78,400</u>
Future value of contributions receivable	266,400	365,386
Unamortized discount to net present value at rates ranging from 2.35% to 3.37%	<u>(37,109)</u>	<u>(43,289)</u>
	<u><u>\$ 229,291</u></u>	<u><u>\$ 322,097</u></u>

The Foundation records revenue in connection with various irrevocable planned gifts held in perpetuity as the contributions are made. All of these contributions receivable are due upon the death of the donor and are initially recorded at their present value based on the life expectancy of the donor, according to actuarial tables. The discount on the irrevocable estate notes are amortized based on the schedule of estimated fair value of the note each year. The discount rate used ranges from 1.94% to 7.90%. During the years ended March 31, 2025 and 2024, the Foundation recorded new estate contributions receivable in the gross amount of \$4,092,977 and \$7,741,200, respectively.

The Music Center Foundation

Notes to Financial Statements

Estate notes are valued based upon the donor's life expectancy and are due upon the death of the donor. Accordingly, the timing and ultimate collectability of these estate notes cannot be accurately determined. As such, the estate notes are not included in the receivable maturity table. The Foundation has several gifts in the collection process that total approximately \$1.5 million. The Foundation has determined that the allowance for uncollectible accounts is sufficient to cover estimated amounts in the future that are uncollectible.

Note 6 – Funds Held for Others

As of March 31, funds held for others consisted of assets held by the Foundation for management and investment purposes and were comprised as follows:

	2025	2024
Music Center Harris Reserve Fund	\$ 4,822,620	\$ 4,842,208
Music Center Harris Dance Fund	4,893,235	4,918,746
Music Center Reserve Fund	5,332,439	5,080,494
Los Angeles Philharmonic Fund II	6,244,818	6,365,620
Center Theatre Group Reserve Fund	18,050,556	18,411,017
Los Angeles Opera Fund	27,263,618	26,825,361
Performing Arts Center, Los Angeles County Fund – Blue Ribbon	1,581,654	1,120,427
Performing Arts Center, Los Angeles County Fund	27,773,170	26,629,039
Total	<u>\$ 95,962,110</u>	<u>\$ 94,192,912</u>

The Resident Companies reimburse the Foundation for certain administrative expenses based on each Resident Company's share of assets under management. During both the years ended March 31, 2025 and 2024, the administrative fee, which is calculated based on the quarterly average investment holding balance, was 0.235%. The Resident Companies also reimburse the Foundation for investment management consulting services based on assets under management and pay all asset management and bank fees attributed to each Resident Company's fund. Investment management consulting fees reimbursed for the years ended March 31, 2025 and 2024, were \$140,003 and \$131,684, respectively, which were included in administrative fee reimbursement on the statements of functional expenses.

The Music Center Foundation

Notes to Financial Statements

Note 7 – Net Assets of the General and LAPA Funds

As of March 31, the Resident Companies' interest in the Foundation's net assets with donor restrictions are as follows:

	2025	2024
GENERAL FUND		
Music Center Foundation	\$ 59,498,458	\$ 59,608,358
Music Center	41,236,841	38,758,655
Los Angeles Philharmonic	34,941,845	34,243,180
Center Theatre Group	27,095,721	26,748,355
Los Angeles Opera Fund	19,894,410	19,120,491
Los Angeles Master Chorale	11,761,339	10,381,607
CalArts/REDCAT	552,252	528,902
	<hr/>	<hr/>
General Fund total	194,980,866	189,389,548
LOS ANGELES PHILHARMONIC FUND	<hr/>	<hr/>
	18,232,142	18,446,768
	<hr/>	<hr/>
	\$ 213,213,008	\$ 207,836,316
	<hr/>	<hr/>

For the years ended March 31, the Foundation's endowment net assets with donor restrictions changed as follows:

	2025	2024
Endowment net assets, beginning of year	\$ 207,836,316	\$ 187,746,575
Investment return, net	8,581,862	24,263,361
Contributions and additions to endowment funds	5,612,163	7,027,616
Change in value of split-interest agreements and estate notes	445,759	328,203
Appropriations of amounts for expenditure	(9,263,092)	(11,529,439)
	<hr/>	<hr/>
Endowment net assets, end of year	\$ 213,213,008	\$ 207,836,316
	<hr/>	<hr/>

The return objectives, strategies employed for achieving the objectives, the spending policy of the Foundation, and its interpretation of Uniform Prudent Management of Institutional Funds Act are described in Note 2 to the financial statements.

A decision was reached in January 2021, after a thorough review process, by unanimous Board vote to transfer the marketable assets originally moved to the Music Center Foundation that established the LAPA Fund back to the Los Angeles Philharmonic Association. This amount totaled \$16,968,881, which includes their share of the investment earnings since the LAPA Fund's inception in 1984, with the final transfer completed in September 2021. The Music Center Foundation continues to hold non-marketable assets for LAPA and distribute LAPA Fund's pro rata share of their quarterly non-marketable assets, which totaled \$184,072 and \$469,849 for the year ended March 31, 2025 and 2024, respectively.

The Music Center Foundation

Notes to Financial Statements

Note 8 – Related-Party Transactions

The Music Center provides certain administrative services and pays certain other expenses, including payroll, on behalf of the Foundation. All such expenses were reimbursed by the Foundation. Expenses charged by the Music Center for the years ended March 31, 2025 and 2024, were \$255,494 and \$249,865, respectively. The Music Center also charged the Foundation \$5,555 for rent of office space for the years ended March 31, 2025 and 2024.

Note 9 – Employee Benefit Plans

The Foundation established a 401(k) plan on December 1, 2008, that covers its employees who are at least 21 years of age and who have been employed at the Foundation for at least one year and work a minimum of 1,000 hours each year. Under the terms of the plan, the Foundation provides employer contributions of 10% of the employees' compensation to its 401(k) plan. Benefits are 100% vested after completing six years of service. Total expense was \$55,057 and \$52,301 for the years ended March 31, 2025 and 2024, respectively, which was included in salaries and benefits on the statements of functional expenses.

The Foundation implemented a non-qualified, non-ERISA, and discriminatory 457(b) plan for the benefit of a key employee on April 9, 2010. Under the terms of the agreement, the plan is solely funded by salary deferrals between the Foundation and the key employee and remains the property of the Foundation until paid out at retirement. The plan assets consist of stock and fixed income funds, which were classified within Level 1 of the fair value hierarchy. The corresponding plan liabilities are recorded in accounts payable and accrued expenses on the statements of financial position.

Note 10 – Commitments and Contingencies

In March 2021, the Foundation entered into an agreement with a financial institution, to provide collateral for a \$5,000,000, five-year term loan given to the LA Opera. Simultaneously, the Foundation signed a provisional accelerated distribution agreement with the LA Opera. This provisional agreement would become effective in the event of a default by the LA Opera, and any payments to the financial institution would be treated as an advance distribution to the LA Opera under the terms of the agreement. As of March 31, 2025 and 2024, the outstanding balance of this term loan was \$1,000,000 and \$2,000,000, respectively.

In January 2025, the Foundation entered into an agreement with a financial institution, to provide \$12,000,000 of collateral for a \$8,000,000 Line of Credit provided to the LA Opera. The \$5,000,000, five-year-term loan noted above is in addition to this Line of Credit. The expiration of this Line of Credit has been extended to October 31, 2025. Simultaneously, the Foundation signed a provisional accelerated distribution agreement with the LA Opera. This provisional agreement would become effective in the event of a default by the LA Opera, and any payments to the financial institution would be treated as an advance distribution to the LA Opera under the terms of the agreement.

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Notes to Financial Statements

Note 11 – Subsequent Events

The Foundation has evaluated subsequent events through August 25, 2025, the date on which the financial statements were available to be issued and concluded that no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

The Music Center Foundation
Statements of Financial Position by Fund
March 31, 2025

	Funds Held for Others										Total	Funds Held for Others	Total Less Funds Held for Others
	General Fund	Los Angeles Philharmonic Association	Harris Reserve Fund	Harris Dance Fund	Los Angeles Philharmonic Fund II	Center Theatre Group	Los Angeles Opera Fund	Performing Arts Center Los Angeles County Blue Ribbon Fund	Performing Arts Center Los Angeles County Fund	TMC Reserve Fund			
ASSETS													
Cash and cash equivalents	\$ 2,082,453	\$ 185,680	\$ 16,066	\$ 52,675	\$ 869,559	\$ 196,219	\$ 44,171	\$ 8,664	\$ 54,712	\$ 5,332,439	\$ 8,842,638	\$ 6,574,505	\$ 2,268,133
Prepaid expenses and other assets	752,361	211,203	-	-	-	-	-	-	-	-	963,564	-	963,564
Deferred compensation plan assets	579,902	-	-	-	-	-	-	-	-	-	579,902	-	579,902
Due from resident companies	93,893	-	-	-	-	-	-	-	-	-	93,893	-	93,893
Investments	163,168,595	17,943,421	4,806,554	4,840,560	5,375,259	17,854,337	27,219,447	1,572,990	27,718,458	-	270,499,621	89,387,605	181,112,016
Contributions receivable, net	29,158,640	-	-	-	-	-	-	-	-	-	29,158,640	-	29,158,640
Split-interest agreements	3,933,808	-	-	-	-	-	-	-	-	-	3,933,808	-	3,933,808
Total assets	\$199,769,652	\$ 18,340,304	\$ 4,822,620	\$ 4,893,235	\$ 6,244,818	\$ 18,050,556	\$ 27,263,618	\$ 1,581,654	\$ 27,773,170	\$ 5,332,439	\$314,072,066	\$ 95,962,110	\$218,109,956
LIABILITIES AND NET ASSETS													
Accounts payable and accrued expenses	\$ 1,126,309	\$ 15,781	\$ 4,169	\$ 4,198	\$ 4,767	\$ 16,015	\$ 23,628	\$ 1,337	\$ 23,998	\$ -	\$ 1,220,202	\$ 78,112	\$ 1,142,090
Distributions payable	3,662,477	92,381	-	-	-	-	-	-	-	-	3,754,858	-	3,754,858
Total liabilities	4,788,786	108,162	4,169	4,198	4,767	16,015	23,628	1,337	23,998	-	4,975,060	78,112	4,896,948
NET ASSETS	194,980,866	18,232,142	4,818,451	4,889,037	6,240,051	18,034,541	27,239,990	1,580,317	27,749,172	5,332,439	309,097,006	95,883,998	213,213,008
Total liabilities and net assets	\$199,769,652	\$ 18,340,304	\$ 4,822,620	\$ 4,893,235	\$ 6,244,818	\$ 18,050,556	\$ 27,263,618	\$ 1,581,654	\$ 27,773,170	\$ 5,332,439	\$314,072,066	\$ 95,962,110	\$218,109,956

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

The Music Center Foundation
Statements of Activities by Fund
Year Ended March 31, 2025

	Funds Held for Others										Total	Funds Held for Others	Total Less Funds Held for Others
	General Fund	Los Angeles Philharmonic Association	Harris Reserve Fund	Harris Dance Fund	Los Angeles Philharmonic Fund II	Center Theatre Group	Los Angeles Opera Fund	Performing Arts Center Los Angeles County Blue Ribbon Fund	Performing Arts Center Los Angeles County Fund	TMC Reserve Fund			
REVENUE AND INVESTMENT RETURN													
Investment return, net of investment expenses	\$ 7,707,719	\$ 874,143	\$ 212,751	\$ 207,650	\$ 393,897	\$ 860,225	\$ 1,261,139	\$ 57,480	\$ 1,207,252	\$ 252,672	\$ 13,034,928	\$ 4,453,066	\$ 8,581,862
Contributions	5,642,163	-	-	-	-	-	500,000	406,680	-	-	6,548,843	906,680	5,642,163
Changes in value of split-interest agreements and estate notes	445,759	-	-	-	-	-	-	-	-	-	445,759	-	445,759
Total revenue and investment return	13,795,641	874,143	212,751	207,650	393,897	860,225	1,761,139	464,160	1,207,252	252,672	20,029,530	5,359,746	14,669,784
EXPENSES													
Salaries and benefits	660,410	-	-	-	-	-	-	-	-	-	660,410	-	660,410
Administrative fee reimbursement	(255,494)	43,522	11,296	11,390	13,444	43,815	64,086	3,327	64,614	-	-	211,972	(211,972)
Accounting fees	143,843	-	-	-	-	-	-	-	-	-	143,843	-	143,843
Insurance premium	77,391	-	-	-	-	-	-	-	-	-	77,391	-	77,391
Fundraising	29,409	-	-	-	-	-	-	-	-	-	29,409	-	29,409
Bad debt expense	481,461	-	-	-	-	-	-	-	-	-	481,461	-	481,461
Miscellaneous	2,890	-	-	-	-	-	-	-	-	-	2,890	-	2,890
Conference and seminars	7,632	-	-	-	-	-	-	-	-	-	7,632	-	7,632
Office supplies	10,709	-	-	-	-	-	-	-	-	-	10,709	-	10,709
Legal fees	10,333	-	-	-	-	-	-	-	-	-	10,333	-	10,333
Marketing and consulting	10,861	-	-	-	-	-	-	-	-	-	10,861	-	10,861
Rent	5,555	-	-	-	-	-	-	-	-	-	5,555	-	5,555
Board meeting expenses	6,657	-	-	-	-	-	-	-	-	-	6,657	-	6,657
Telephone	2,930	-	-	-	-	-	-	-	-	-	2,930	-	2,930
Messenger	1,122	-	-	-	-	-	-	-	-	-	1,122	-	1,122
Distributions	7,007,013	1,046,848	221,115	221,834	500,000	1,177,072	1,259,647	-	-	-	11,433,529	3,379,668	8,053,861
Total net expenses	8,202,722	1,090,370	232,411	233,224	513,444	1,220,887	1,323,733	3,327	64,614	-	12,884,732	3,591,640	9,293,092
Change in net assets	\$ 5,592,919	\$ (216,227)	\$ (19,660)	\$ (25,574)	\$ (119,547)	\$ (360,662)	\$ 437,406	\$ 460,833	\$ 1,142,638	\$ 252,672	\$ 7,144,798	\$ 1,768,106	\$ 5,376,692

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

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.