



Report of Independent Auditors and Financial Statements with
Supplementary Information

The Music Center Foundation

March 31, 2024
(with summarized comparative information for
the year ended March 31, 2023)



MOSSADAMS

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
Statement of Financial Position by Fund	31
Statement of Activities by Fund	32

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, 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 accompanying financial statements present fairly, in all material respects, the financial position of The Music Center Foundation as of March 31, 2024, 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.

Other Matter – Prior Period Financial Statements

We have previously audited the financial statements of The Music Center Foundation as of and for the year ended March 31, 2023, and our report dated September 1, 2023, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Los Angeles, California
August 29, 2024

Financial Statements

The Music Center Foundation
Statements of Financial Position
March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 2,041,235	\$ 1,576,893
Prepaid expenses and other assets	435,815	182,005
Deferred compensation plan assets	552,921	470,699
Due from resident companies	93,085	97,560
Endowment investments	173,956,184	156,455,312
Investments held for others	94,192,912	92,695,162
Contributions receivable, net	31,773,122	30,406,098
Split-interest agreements	<u>3,518,264</u>	<u>3,235,217</u>
Total assets	<u><u>\$ 306,563,538</u></u>	<u><u>\$ 285,118,946</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,136,495	\$ 1,108,364
Distributions payable	3,397,815	3,568,845
Funds held for others	<u>94,192,912</u>	<u>92,695,162</u>
Total liabilities	<u>98,727,222</u>	<u>97,372,371</u>
NET ASSETS		
With donor restrictions		
Perpetual in nature	141,588,014	135,735,796
Time or purpose restrictions	<u>66,248,302</u>	<u>52,010,779</u>
Total net assets	<u>207,836,316</u>	<u>187,746,575</u>
Total liabilities and net assets	<u><u>\$ 306,563,538</u></u>	<u><u>\$ 285,118,946</u></u>

See accompanying notes.

The Music Center Foundation
Statements of Activities
Years Ended March 31, 2024 and 2023
(With Summarized Comparative Information)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Summarized Total
REVENUES AND INVESTMENT RETURN				
Investment return, net	\$ (235,195)	\$ 24,263,361	\$ 24,028,166	\$ (9,801,891)
Contributions	18	7,027,616	7,027,634	2,000,414
Change in value of split-interest agreements	-	328,203	328,203	(457,691)
Net assets released from purpose restrictions	6,184,583	(6,184,583)	-	-
Net assets released from spending-rate distributions and appropriations	5,344,856	(5,344,856)	-	-
Total revenues and investment return	11,294,262	20,089,741	31,384,003	(8,259,168)
EXPENSES				
Management and general	1,792,896	-	1,792,896	264,539
Fundraising	473,986	-	473,986	445,142
Distributions	9,027,380	-	9,027,380	8,160,238
Total expenses	11,294,262	-	11,294,262	8,869,919
CHANGE IN NET ASSETS	-	20,089,741	20,089,741	(17,129,087)
NET ASSETS, beginning of year	-	187,746,575	187,746,575	204,875,662
NET ASSETS, end of year	<u>\$ -</u>	<u>\$ 207,836,316</u>	<u>\$ 207,836,316</u>	<u>\$ 187,746,575</u>

See accompanying notes.

The Music Center Foundation
Statements of Functional Expenses
Years Ended March 31, 2024 and 2023
(With Summarized Comparative Information)

				Year Ended March 31,	
		Management		2024	2023
	Distributions	and General	Fundraising		(Summarized)
Salaries and benefits	\$ -	\$ 337,748	\$ 337,747	\$ 675,495	\$ 607,168
Administrative fee reimbursement	-	(208,299)	-	(208,299)	(218,599)
Accounting fees	-	117,062	39,020	156,082	140,657
Insurance premium	-	40,739	40,740	81,479	72,607
Donor development and recognition	-	15,152	15,152	30,304	32,215
Bad debt expense	-	1,449,167	-	1,449,167	5,380
Miscellaneous	-	1,933	1,933	3,866	20,856
Conference and seminars	-	6,889	6,888	13,777	6,010
Office supplies	-	6,972	6,973	13,945	19,036
Legal fees	-	13,868	13,867	27,735	4,752
Marketing and consulting	-	4,591	4,592	9,183	8,273
Rent	-	2,778	2,777	5,555	5,555
Board meeting expenses	-	2,160	2,161	4,321	2,299
Telephone	-	1,557	1,557	3,114	2,563
Messenger	-	579	579	1,158	909
DISTRIBUTIONS					
Music Center/Performing Arts Center of Los Angeles	448,317	-	-	448,317	428,428
Music Center Education Division	553,795	-	-	553,795	534,052
Music Center Blue Ribbon Children's Festival	473,624	-	-	473,624	439,304
Music Center Dance	434,392	-	-	434,392	426,653
Los Angeles Philharmonic Association	3,790,770	-	-	3,790,770	3,165,693
Center Theatre Group	1,559,636	-	-	1,559,636	1,565,158
Los Angeles Opera Company	1,366,674	-	-	1,366,674	1,326,052
Los Angeles Master Chorale	400,172	-	-	400,172	274,898
Total	<u>\$ 9,027,380</u>	<u>\$ 1,792,896</u>	<u>\$ 473,986</u>	<u>\$ 11,294,262</u>	<u>\$ 8,869,919</u>

See accompanying notes.

The Music Center Foundation
Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	March 31,	
	2024	2023
OPERATING ACTIVITIES		
Change in net assets	\$ 20,089,741	\$ (17,129,087)
Adjustments to reconcile change in net assets to cash used in operating activities		
Net realized and unrealized (gain) loss on investments	(22,944,025)	10,398,463
Write-off of uncollectible contributions receivable	1,449,167	5,380
Allowance for uncollectible contributions receivable	17,000	5,000
Amortization of discount on contributions receivable	1,189,584	695,088
Contributions restricted to endowment	(7,027,616)	(1,393,158)
Non-cash changes in value of split-interest agreements	(328,203)	457,691
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(253,810)	159,047
Deferred compensation plan assets	(82,222)	12,302
Due from resident companies	4,475	12,984
Contributions receivable, net	(4,022,775)	(1,356,553)
Split-interest agreements	-	190,351
Accounts payable and accrued expenses	24,045	(72,598)
Distributions payable	(171,030)	108,588
Net cash used in operating activities	(12,055,669)	(7,906,502)
INVESTING ACTIVITIES		
Change in restricted investments – charitable gift annuities	49,242	46,267
Purchases of investments	(10,186,444)	(4,326,840)
Proceeds from sales of investments	15,629,597	9,495,316
Net cash provided by investing activities	5,492,395	5,214,743
FINANCING ACTIVITIES		
Contributions restricted to endowment	7,027,616	1,393,158
CHANGE IN CASH AND CASH EQUIVALENTS	464,342	(1,298,601)
CASH AND CASH EQUIVALENTS, beginning of year	1,576,893	2,875,494
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,041,235</u>	<u>\$ 1,576,893</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 other 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, 2024, 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, 2023, from which the summarized information was derived.

Reclassifications – Certain amounts from the March 31, 2023, financial statements have been reclassified to conform to the March 31, 2024, 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.

The Music Center Foundation

Notes to Financial Statements

- *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. Since the Foundation does not have contributions which have not been given for endowment purposes, and since the Foundation appropriates only those earnings necessary to meet annual expenditures, the Foundation has no net assets without donor restrictions at March 31, 2024 and 2023.
- *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 that 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 as of March 31, 2024 and 2023.

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 86% and 87% of the Foundation's assets as of March 31, 2024 and 2023, 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.

The Music Center Foundation

Notes to Financial Statements

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.

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/(loss) 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

The Music Center Foundation

Notes to Financial Statements

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

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 is based on fair values of similar observable or underlying assets or unobservable inputs such as cash flows and discount rates. Partnership Interests 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. Investments within the Partnership for which exchange quotes are not readily available are valued at the latest bid price obtained from one or more dealers making a market for such securities or at estimated fair values as determined in good faith by the general partner. Investments for which exchange quotes are not readily available may include specific classes or series of issuers' equity or debt securities. The methods and procedures to value these investments may include, but are not limited to (1) performing price comparisons with comparable or similar securities, (2) obtaining valuation-related information from issuers, such as audited financial statements, and/or (3) using other analytical data relating to the investment and other available indications of value.

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. 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 \$289,000 and \$272,000 as of March 31, 2024 and 2023, respectively.

The Music Center Foundation

Notes to Financial Statements

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, 2024 and 2023.

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.

The Music Center Foundation

Notes to Financial Statements

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, 2024 and 2023, the Foundation did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

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:

	2024	2023
Cash and cash equivalents	\$ 2,041,235	\$ 1,576,893
Cash and cash equivalents held in investments	8,998,313	7,560,433
Current portion of contributions receivable, net	98,986	341,646
Anticipated amounts appropriated from endowment, pursuant to spending-rate policy	7,447,995	7,266,682
Anticipated amounts appropriated for general expenditures, pursuant to approved budget	2,582,155	2,027,755
Less collateral obligation for LA Opera loan	<u>(2,000,000)</u>	<u>(3,000,000)</u>
Financial assets and resources available to meet general expenditures within one year	<u>\$ 19,168,684</u>	<u>\$ 15,773,409</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.

The Music Center Foundation

Notes to Financial Statements

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;

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, 2024, 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 and stock funds – The basis of fair value for stocks and stock funds differs depending on the investment. For certain investments, fair value is based on quoted market prices; these are classified within Level 1 of the valuation hierarchy. For certain investments, the net asset value per share is used as a practical expedient to estimate the fair value of investments. These investments are not classified in the fair value hierarchy.

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.

Partnership interests and other 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 Music Center Foundation

Notes to Financial Statements

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.

The current discount rate used for both types of remainder interest at March 31, 2024 and 2023, is 5.00% and 4.40%, respectively. The Foundation recorded \$0 in new beneficial interests in charitable remainder trusts during the years ended March 31, 2024 and 2023.

Total beneficial interests in charitable remainder trusts, net of discount on beneficial interest, are \$3,151,198 and \$2,856,403 as of March 31, 2024 and 2023, respectively, and is recorded within split-interest agreements on the statements of financial position.

Total assets held in charitable remainder trusts are \$54,153 and \$52,987 as of March 31, 2024 and 2023, respectively, and is recorded within split-interest agreements on the statements of financial position. The corresponding liability balances for charitable remainder trusts are \$28,161 and \$27,185, 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 Music Center Foundation

Notes to Financial Statements

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	-	-	37,714,184	56,427,445
U.S. small cap equities	9,870,647	-	-	-	9,870,647
International equities	-	-	-	26,474,024	26,474,024
Emerging market equities	3,824,354	-	-	4,164,651	7,989,005
Equity hedge funds	-	-	-	10,594,685	10,594,685
Absolute return funds	-	-	-	12,794,768	12,794,768
Total stocks and stock funds	32,408,262	-	-	91,742,312	124,150,574
Bond funds	9,718,677	-	-	-	9,718,677
Partnerships interests and other funds	-	-	-	31,088,620	31,088,620
Total endowment investments	<u>\$ 51,125,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,830,932</u>	<u>\$ 173,956,184</u>
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	-	-	20,928,455	31,312,868
U.S. small cap equities	5,477,446	-	-	-	5,477,446
International equities	-	-	-	14,691,035	14,691,035
Emerging market equities	2,122,221	-	-	2,311,059	4,433,280
Equity hedge funds	-	-	-	5,879,231	5,879,231
Absolute return funds	-	-	-	7,100,106	7,100,106
Total stocks and stock funds	17,984,080	-	-	50,909,886	68,893,966
Bond funds	5,393,120	-	-	-	5,393,120
Partnerships interests and other funds	-	-	-	8,937,423	8,937,423
Total investments held for others	<u>\$ 34,345,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,847,309</u>	<u>\$ 94,192,912</u>

The Music Center Foundation

Notes to Financial Statements

	Level 1	Level 2	Level 3	NAV or Equivalent	Total
TRUSTS AND ANNUITIES					
Beneficial interest in charitable remainder trusts, net	\$ -	\$ -	\$ 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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,518,264</u>	<u>\$ -</u>	<u>\$ 3,518,264</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$341,074</u>	<u>\$ -</u>	<u>\$ 341,074</u>

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)	-	-
Other adjustment	-	-	-	-	-
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 Music Center Foundation

Notes to Financial Statements

The following tables summarize the Foundation's financial assets by the fair value hierarchy levels as of March 31, 2023. 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	\$ 7,560,433	\$ -	\$ -	\$ -	\$ 7,560,433
Total cash and cash equivalents	7,560,433	-	-	-	7,560,433
Stocks and stock funds					
U.S. large cap equities	13,734,657	-	-	36,201,284	49,935,941
U.S. small cap equities	9,726,908	-	-	-	9,726,908
International equities	-	-	-	22,890,240	22,890,240
Emerging market equities	3,310,781	-	-	3,247,019	6,557,800
Equity hedge funds	-	-	-	11,171,566	11,171,566
Absolute return funds	-	-	-	13,662,516	13,662,516
Total stocks and stock funds	26,772,346	-	-	87,172,625	113,944,971
Bond funds	5,588,784	-	-	-	5,588,784
Partnerships interests and other funds	-	-	-	29,361,124	29,361,124
Total endowment investments	<u>\$ 39,921,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,533,749</u>	<u>\$ 156,455,312</u>
INVESTMENTS HELD FOR OTHERS					
Cash and cash equivalents					
Money market account	\$ 5,281,955	\$ -	\$ -	\$ -	\$ 5,281,955
Total cash and cash equivalents	5,281,955	-	-	-	5,281,955
Stocks and stock funds					
U.S. large cap equities	8,641,669	-	-	22,777,384	31,419,053
U.S. small cap equities	6,120,046	-	-	-	6,120,046
International equities	-	-	-	14,402,245	14,402,245
Emerging market equities	2,083,101	-	-	2,042,982	4,126,083
Equity hedge funds	-	-	-	7,029,006	7,029,006
Absolute return funds	-	-	-	8,596,279	8,596,279
Total stocks and stock funds	16,844,816	-	-	54,847,896	71,692,712
Bond funds	3,516,407	-	-	-	3,516,407
Partnerships interests and other funds	-	-	-	12,204,088	12,204,088
Total investments held for others	<u>\$ 25,643,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,051,984</u>	<u>\$ 92,695,162</u>

The Music Center Foundation

Notes to Financial Statements

	Level 1	Level 2	Level 3	NAV or Equivalent	Total
TRUSTS AND ANNUITIES					
Beneficial interest in charitable remainder trusts, net	\$ -	\$ -	\$ 2,856,403	\$ -	\$ 2,856,403
Assets held in charitable remainder trusts	-	-	52,987	-	52,987
Charitable gift annuities	-	-	325,827	-	325,827
Total assets, recorded in split-interest agreements	\$ -	\$ -	\$ 3,235,217	\$ -	\$ 3,235,217
Obligations under charitable remainder trusts	\$ -	\$ -	\$ 27,185	\$ -	\$ 27,185
Obligations under charitable gift annuities	-	-	317,975	-	317,975
Total liabilities, recorded in accounts payable and accrued expenses	\$ -	\$ -	\$ 345,160	\$ -	\$ 345,160

For the year ended March 31, 2023, 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	\$ 3,416,106	\$ 66,361	\$ 366,819	\$ 35,586	\$ 373,532
Contributions	-	-	25,000	-	-
Payments	(190,351)	-	(71,267)	-	-
Other adjustment	-	-	16,282	-	-
Changes in value	(369,352)	(13,374)	(11,007)	(8,401)	(55,557)
BALANCE, end of year	\$ 2,856,403	\$ 52,987	\$ 325,827	\$ 27,185	\$ 317,975

The Music Center Foundation

Notes to Financial Statements

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, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
STOCKS AND STOCK FUNDS				
U.S. large cap equities (a)	\$ 58,642,639	\$ -	quarterly	1–60 days
International equities (b)	41,165,059	-	monthly	10 days
Emerging market equities (c)	6,475,710	-	quarterly	45 days
Equity hedge funds (d)	16,473,916	-	quarterly–annually	45–100 days
Absolute returns (e)	19,894,874	-	quarterly–3 years	30–120 days
 Total stocks and stock funds	 142,652,198	 -		
 Partnerships and other funds (f)	 40,026,043	 13,973,536	 when partnership ceases	 n/a
 Total	 <u>\$ 182,678,241</u>	 <u>\$ 13,973,536</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 emerging market equity funds, hybrid, and fixed income funds.
- (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.
- (f) This category includes investments in private equity partnerships, venture capital partnerships, real estate partnerships, distressed debt partnerships, early-stage equity investments, and energy partnerships.

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

The following table represents the Foundation's Level 3 financial instruments for the year ended March 31, 2023, 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	\$ 2,856,403	Income Approach	Discount rate	4.40%
			Donor's life expectancy	Based on donor's age
Assets held in charitable remainder trusts	52,987	Income Approach	Discount rate	4.40%
			Donor's life expectancy	Based on donor's age
Charitable gift annuities	325,827	Income Approach	Discount rate	4.0%–6.0%
			Donor's life expectancy	Based on donor's age
Obligations under charitable remainder trusts	27,185	Income Approach	Discount rate	4.40%
			Donor's life expectancy	Based on donor's age
Obligations under charitable gift annuities	317,975	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, 2024 and 2023, consisted of the following:

	2024	2023
Future value of contributions receivable	\$ 365,386	\$ 707,032
Unamortized discount to net present value at rates ranging from 2.35% to 3.37%	(43,289)	-
	<u>322,097</u>	<u>707,032</u>
Future value of contributions receivable – estate notes	56,198,745	53,283,491
Unamortized discount on contributions receivable – estate notes	(24,458,720)	(23,312,425)
Allowance for uncollectable accounts – estate notes	(289,000)	(272,000)
	<u>31,451,025</u>	<u>29,699,066</u>
Total contributions receivable, net	<u>\$ 31,773,122</u>	<u>\$ 30,406,098</u>

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

	2024	2023
Within one year	\$ 98,986	\$ 341,646
One to five years	188,000	270,986
More than five years	78,400	94,400
Future value of contributions receivable	365,386	707,032
Unamortized discount to net present value at rates ranging from 2.35% to 3.37%	(43,289)	-
	<u>\$ 322,097</u>	<u>\$ 707,032</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, 2024 and 2023, the Foundation recorded new estate contributions receivable in the amount of \$7,741,200 and \$1,516,667, 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 \$2.5 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:

	2024	2023
Music Center Harris Reserve Fund	\$ 4,842,208	\$ 4,323,544
Music Center Harris Dance Fund	4,918,746	4,410,005
Music Center Reserve Fund	5,080,494	4,700,465
Los Angeles Philharmonic Fund II	6,365,620	8,677,240
Center Theatre Group Reserve Fund	18,411,017	22,448,400
Los Angeles Opera Fund	26,825,361	24,534,335
Performing Arts Center, Los Angeles County Fund – Blue Ribbon	1,120,427	950,680
Performing Arts Center, Los Angeles County Fund	26,629,039	22,650,493
	<u> </u>	<u> </u>
Total	<u>\$ 94,192,912</u>	<u>\$ 92,695,162</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, 2024 and 2023, 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, 2024 and 2023, were \$134,684 and \$139,528, 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 is as follows:

	2024	2023
GENERAL FUND		
Music Center Foundation	\$ 59,608,358	\$ 54,514,676
Music Center	38,758,655	35,643,469
Los Angeles Philharmonic	34,243,180	31,055,723
Center Theatre Group	26,748,355	24,607,136
Los Angeles Opera Fund	19,120,491	17,709,616
Los Angeles Master Chorale	10,381,607	6,299,885
CalArts/REDCAT	528,902	461,109
	<u>189,389,548</u>	<u>170,291,614</u>
General Fund total	189,389,548	170,291,614
LOS ANGELES PHILHARMONIC FUND	18,446,768	17,454,961
	<u><u>\$ 207,836,316</u></u>	<u><u>\$ 187,746,575</u></u>

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

	2024	2023
Endowment net assets, beginning of year	\$ 187,746,575	\$ 204,875,662
Net investment return (loss)	24,263,361	(9,557,943)
Contributions and additions to endowment funds	7,027,616	1,975,392
Change in value of split-interest agreements and estate notes	328,203	(457,691)
Appropriations of amounts for expenditure	(11,529,439)	(9,088,845)
	<u><u>\$ 207,836,316</u></u>	<u><u>\$ 187,746,575</u></u>
Endowment net assets, end of year	\$ 207,836,316	\$ 187,746,575

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 \$469,849 and \$200,135 for the year ended March 31, 2024 and 2023, 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, 2024 and 2023, were \$249,865 and \$259,806, respectively. The Music Center also charged the Foundation \$5,555 for rent of office space for the years ended March 31, 2024 and 2023.

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 \$52,301 and \$48,699 for the years ended March 31, 2024 and 2023, 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, 2024 and 2023, the outstanding balance of this term loan was \$2,000,000 and \$3,000,000, respectively.

Note 11 – Subsequent Events

The Foundation has evaluated subsequent events through August 29, 2024, 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, 2024

	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	Total	Funds Held for Others	Total Less Funds Held for Others
ASSETS													
Cash and cash equivalents	\$ 1,840,003	\$ 201,232	\$ 10,473	\$ 39,920	\$ 316,774	\$ 314,135	\$ 102,961	\$ 6,663	\$ 103,621	\$ 5,080,494	\$ 8,016,276	\$ 5,975,041	\$ 2,041,235
Prepaid expenses and other assets	435,815	-	-	-	-	-	-	-	-	-	435,815	-	435,815
Deferred compensation plan assets	552,921	-	-	-	-	-	-	-	-	-	552,921	-	552,921
Due from resident companies	93,085	-	-	-	-	-	-	-	-	-	93,085	-	93,085
Investments	155,292,574	18,663,610	4,831,735	4,878,826	6,048,846	18,096,882	26,722,400	1,113,764	26,525,418	-	262,174,055	88,217,871	173,956,184
Contributions receivable, net	31,773,122	-	-	-	-	-	-	-	-	-	31,773,122	-	31,773,122
Split-interest agreements	3,518,264	-	-	-	-	-	-	-	-	-	3,518,264	-	3,518,264
Total assets	\$ 193,505,784	\$ 18,864,842	\$ 4,842,208	\$ 4,918,746	\$ 6,365,620	\$ 18,411,017	\$ 26,825,361	\$ 1,120,427	\$ 26,629,039	\$ 5,080,494	\$ 306,563,538	\$ 94,192,912	\$ 212,370,626
LIABILITIES AND NET ASSETS													
Accounts payable and accrued expenses	\$ 1,120,438	\$ 16,057	\$ 4,095	\$ 4,137	\$ 6,022	\$ 15,815	\$ 22,777	\$ 942	\$ 22,505	\$ 727	\$ 1,213,515	\$ 77,020	\$ 1,136,495
Distributions payable	2,997,409	400,406	-	-	-	-	-	-	-	-	3,397,815	-	3,397,815
Total liabilities	4,117,847	416,463	4,095	4,137	6,022	15,815	22,777	942	22,505	727	4,611,330	77,020	4,534,310
NET ASSETS	189,387,937	18,448,379	4,838,113	4,914,609	6,359,598	18,395,202	26,802,584	1,119,485	26,606,534	5,079,767	301,952,208	94,115,892	207,836,316
Total liabilities and net assets	\$ 193,505,784	\$ 18,864,842	\$ 4,842,208	\$ 4,918,746	\$ 6,365,620	\$ 18,411,017	\$ 26,825,361	\$ 1,120,427	\$ 26,629,039	\$ 5,080,494	\$ 306,563,538	\$ 94,192,912	\$ 212,370,626

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

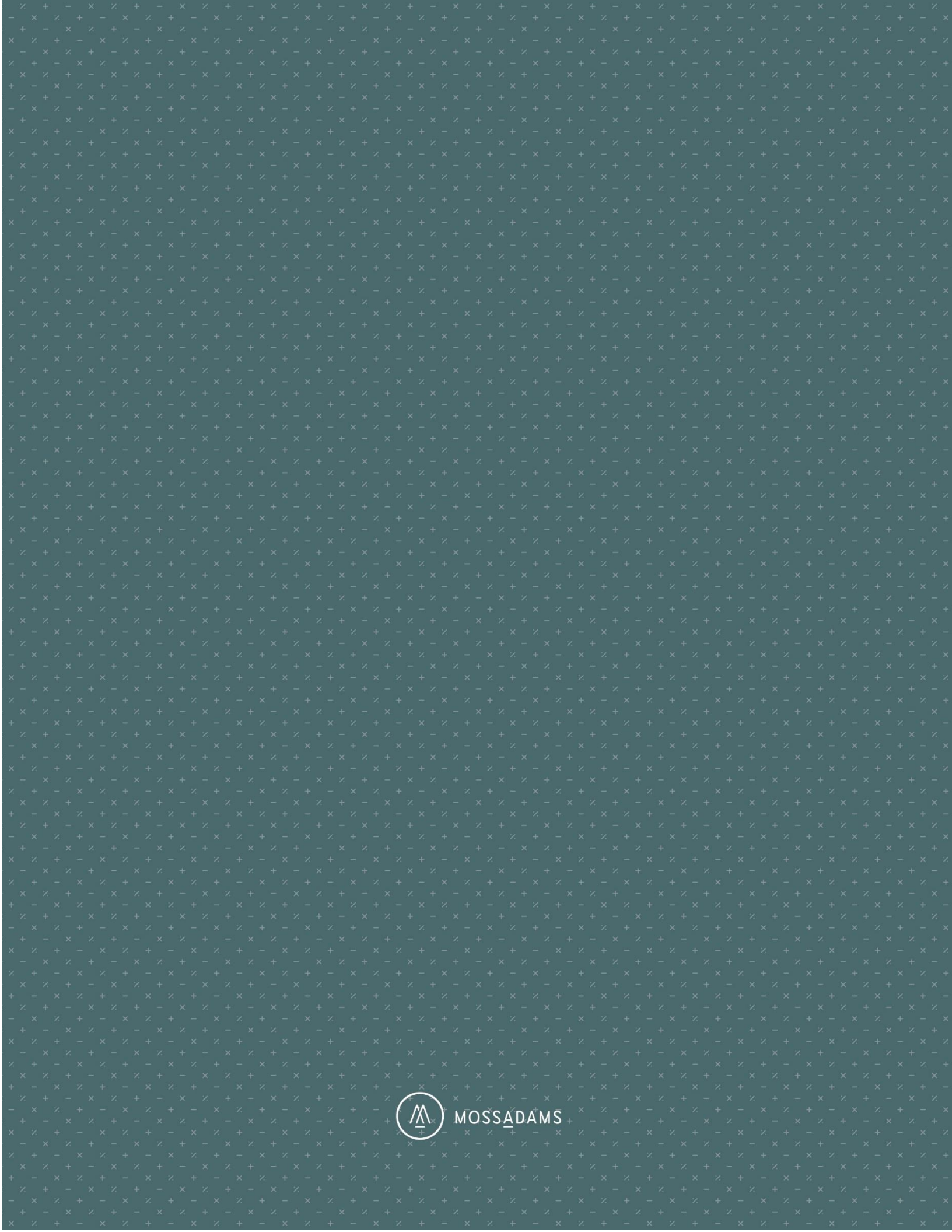
The Music Center Foundation

Statements of Activities by Fund

Year Ended March 31, 2024

	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	\$ 21,330,457	\$ 2,697,709	\$ 748,130	\$ 744,930	\$ 508,318	\$ 2,884,833	\$ 4,250,086	\$ 171,988	\$ 4,032,353	\$ 391,943	\$ 37,760,747	\$ 13,732,581	\$ 24,028,166
Contributions	6,439,974	-	-	-	-	-	500,000	-	-	-	6,939,974	500,000	6,439,974
Changes in value of split-interest agreements and estate notes	915,863	-	-	-	-	-	-	-	-	-	915,863	-	915,863
Total revenue and investment return	28,686,294	2,697,709	748,130	744,930	508,318	2,884,833	4,750,086	171,988	4,032,353	391,943	45,616,584	14,232,581	31,384,003
EXPENSES													
Salaries and benefits	675,495	-	-	-	-	-	-	-	-	-	675,495	-	675,495
Administrative fee reimbursement	(249,865)	41,566	10,385	10,496	17,810	44,675	58,680	2,372	56,756	7,123	(2)	208,297	(208,299)
Accounting fees	156,082	-	-	-	-	-	-	-	-	-	156,082	-	156,082
Insurance premium	81,479	-	-	-	-	-	-	-	-	-	81,479	-	81,479
Fundraising	30,304	-	-	-	-	-	-	-	-	-	30,304	-	30,304
Bad debt expense	1,449,167	-	-	-	-	-	-	-	-	-	1,449,167	-	1,449,167
Miscellaneous	3,866	-	-	-	-	-	-	-	-	-	3,866	-	3,866
Conference and seminars	13,777	-	-	-	-	-	-	-	-	-	13,777	-	13,777
Office supplies	13,945	-	-	-	-	-	-	-	-	-	13,945	-	13,945
Legal fees	27,735	-	-	-	-	-	-	-	-	-	27,735	-	27,735
Marketing and consulting	9,183	-	-	-	-	-	-	-	-	-	9,183	-	9,183
Rent	5,555	-	-	-	-	-	-	-	-	-	5,555	-	5,555
Board meeting expenses	4,321	-	-	-	-	-	-	-	-	-	4,321	-	4,321
Telephone	3,114	-	-	-	-	-	-	-	-	-	3,114	-	3,114
Messenger	1,158	-	-	-	-	-	-	-	-	-	1,158	-	1,158
Distributions	7,364,644	1,662,736	219,447	226,031	2,800,000	6,872,548	2,401,849	-	-	-	21,547,255	12,519,875	9,027,380
Total net expenses	9,589,960	1,704,302	229,832	236,527	2,817,810	6,917,223	2,460,529	2,372	56,756	7,123	24,022,434	12,728,172	11,294,262
Change in net assets	\$ 19,096,334	\$ 993,407	\$ 518,298	\$ 508,403	\$ (2,309,492)	\$ (4,032,390)	\$ 2,289,557	\$ 169,616	\$ 3,975,597	\$ 384,820	\$ 21,594,150	\$ 1,504,409	\$ 20,089,741

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



MOSSADAMS