

Skirball Cultural Center
Financial Statements
and Independent Auditor's Report
June 30, 2021

Skirball Cultural Center

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Independent Auditor's Report

To the Board of Trustees
Skirball Cultural Center

We have audited the accompanying financial statements of Skirball Cultural Center, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skirball Cultural Center as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Los Angeles, California
February 2, 2022

Skirball Cultural Center

**Statement of Financial Position
June 30, 2021**

Assets

Current assets	
Cash and cash equivalents	\$ 22,558,202
Contributions receivable, current portion	2,816,889
Prepaid expenses and other current assets	<u>544,159</u>
Total current assets	25,919,250
Collections	
Property and equipment, net	
Land	6,951,705
Buildings and building improvements	148,513,637
Equipment	9,651,637
Noah's Ark exhibit	<u>5,233,331</u>
	170,350,310
Less accumulated depreciation	<u>(58,265,817)</u>
Total property and equipment, net	112,084,493
Other assets	
Contributions receivable, net of current portion	3,351,097
Investments	18,580,768
Investments restricted for endowment	<u>280,100,606</u>
Total	<u>\$ 440,036,214</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 2,297,707
Refundable deposits	<u>505,786</u>
Total current liabilities	2,803,493
PPP loan	<u>2,000,000</u>
Total liabilities	<u>4,803,493</u>
Commitments and contingencies	
Net assets	
Without donor restrictions	291,890,077
With donor restrictions	<u>143,342,644</u>
Total net assets	<u>435,232,721</u>
Total	<u>\$ 440,036,214</u>

See Notes to Financial Statements.

Skirball Cultural Center
Statement of Activities
Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and support			
Contributions	\$ 5,689,423	\$ 2,484,717	\$ 8,174,140
Investment income, net	31,241,320	24,063,207	55,304,527
Private events	471,150	-	471,150
Museum shop	3,534	-	3,534
Memberships	244,793	-	244,793
Museum admissions	32,028	-	32,028
Teacher trainings and other revenue	60,568	-	60,568
Performance and lectures	87,645	-	87,645
Forgiveness of 1st round PPP loan	2,500,000	-	2,500,000
Exhibit fees	205,000	-	205,000
Net assets released from restrictions			
Time restrictions	4,962,715	(4,962,715)	-
Maintenance, administration	4,104,947	(4,104,947)	-
Endowment appropriation	6,283,232	(6,283,232)	-
Total revenues and support	55,886,355	11,197,030	67,083,385
Functional expenses			
Program services			
Museum	4,631,800	-	4,631,800
Education	5,446,222	-	5,446,222
Performances and lectures	3,004,159	-	3,004,159
Private events	6,727,753	-	6,727,753
Museum shop	590,007	-	590,007
Total program services	20,399,941	-	20,399,941
Supporting services			
Management and general	818,021	-	818,021
Development	1,301,368	-	1,301,368
Total supporting services	2,119,389	-	2,119,389
Total functional expenses	22,519,330	-	22,519,330
Change in net assets	33,367,025	11,197,030	44,564,055
Net assets, beginning	258,523,052	132,145,614	390,668,666
Net assets, end	<u>\$ 291,890,077</u>	<u>\$ 143,342,644</u>	<u>\$ 435,232,721</u>

See Notes to Financial Statements.

Skirball Cultural Center

Statement of Functional Expenses Year Ended June 30, 2021

	Program Services					Supporting Services			Total expenses	
	Museum	Education	Performances and lectures	Private events	Museum shop	Total	Management and general	Development		Total
Salaries	\$ 2,107,103	\$ 2,676,251	\$ 1,242,210	\$ 3,391,246	\$ 298,232	\$ 9,715,042	\$ 334,035	\$ 799,776	\$ 1,133,811	\$ 10,848,853
Payroll taxes and benefits	533,554	741,110	314,039	1,003,992	83,885	2,676,580	92,757	190,409	283,166	2,959,746
	2,640,657	3,417,361	1,556,249	4,395,238	382,117	12,391,622	426,792	990,185	1,416,977	13,808,599
Depreciation and amortization	894,642	1,076,184	645,711	1,291,421	107,618	4,015,576	215,238	107,618	322,856	4,338,432
Professional fees	164,357	180,540	110,660	186,284	20,211	662,052	49,854	83,979	133,833	795,885
Building services and supplies	173,428	216,784	130,071	260,142	21,679	802,104	43,357	21,679	65,036	867,140
Power, gas and water	130,522	163,153	97,892	195,783	16,315	603,665	32,631	16,315	48,946	652,611
Office services	82,817	93,067	51,875	85,967	6,876	320,602	13,844	18,137	31,981	352,583
Exhibits and collection	318,662	30,783	-	-	-	349,445	-	-	-	349,445
Insurance	70,800	85,139	51,959	101,729	10,484	320,111	18,779	10,484	29,263	349,374
Performances and lectures	-	-	270,693	-	-	270,693	-	-	-	270,693
Advertisement and promotion	63,583	33,803	51,140	26,304	-	174,830	-	1,933	1,933	176,763
Repairs and maintenance	51,509	26,564	15,938	31,877	2,656	128,544	5,313	2,656	7,969	136,513
Cost of goods sold	-	-	-	114,150	16,288	130,438	-	-	-	130,438
School and family programs	-	89,254	-	-	-	89,254	-	-	-	89,254
Miscellaneous	11,358	8,629	7,540	7,612	1,906	37,045	7,408	38,281	45,689	82,734
Telephone	6,542	9,360	4,907	10,853	818	32,480	1,636	818	2,454	34,934
Security	14,436	4,522	2,713	5,427	452	27,550	904	452	1,356	28,906
Bank and card fees	4,917	6,147	3,688	7,861	2,164	24,777	1,229	615	1,844	26,621
Printing and supplies	3,021	3,972	2,854	6,983	376	17,206	752	2,929	3,681	20,887
Travel and entertainment	376	706	204	100	47	1,433	284	3,498	3,782	5,215
Membership	-	103	-	-	-	103	-	1,692	1,692	1,795
Meetings and conferences	173	151	65	22	-	411	-	97	97	508
Total expenses	\$ 4,631,800	\$ 5,446,222	\$ 3,004,159	\$ 6,727,753	\$ 590,007	\$ 20,399,941	\$ 818,021	\$ 1,301,368	\$ 2,119,389	\$ 22,519,330

See Notes to Financial Statements.

Skirball Cultural Center
Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities	\$ 44,564,055
Change in net assets	
Adjustments to reconcile change in net assets to net cash used in operating activities	
Change in discount of contributions receivable	(299,052)
Depreciation and amortization	4,338,432
Net realized and unrealized gain on investments	(54,342,294)
Forgiveness of 1st round PPP loan	(2,500,000)
Changes in operating assets and liabilities:	
Contributions receivable	3,454,730
Prepaid expenses and other current assets	254,321
Accounts payable and accrued expenses	460,789
Refundable deposits	<u>(12,101)</u>
Net cash used in operating activities	<u>(4,081,120)</u>
Cash flows from investing activities	
Purchases of investments	(15,345,523)
Proceeds from sales of investments	43,608,180
Acquisition of property and equipment	<u>(5,142,882)</u>
Net cash provided by investing activities	<u>23,119,775</u>
Cash flows from financing activities	
Proceeds from 2nd round PPP loan	<u>2,000,000</u>
Net cash provided by financing activities	<u>2,000,000</u>
Net increase in cash and cash equivalents	21,038,655
Cash and cash equivalents, beginning	<u>1,519,547</u>
Cash and cash equivalents, end	<u><u>\$ 22,558,202</u></u>

See Notes to Financial Statements.

Skirball Cultural Center

Notes to Financial Statements

June 30, 2021

Note 1 - Business activity and summary of significant accounting policies

Business activity

The Skirball Cultural Center, a California Non-profit Corporation ("the Skirball"), is a place of meeting guided by the Jewish tradition of welcoming the stranger and inspired by the American democratic ideals of freedom and equality. With nearly a half million square feet of performance and convening spaces on its campus atop the Santa Monica Mountains, the Skirball welcomes people of all communities and generations to participate in cultural experiences that celebrate discovery and hope, foster human connections, and call upon us to help build a more just society.

Open to the public since 1996, the Skirball has established itself as one of the world's most dynamic Jewish cultural institutions and among the leading cultural venues in Los Angeles. In a typical year roughly 100,000 school children visit the Skirball's Museum, holiday festivals, and weekend art studios. More than twice that many people travel to the Skirball annually for life cycle and community events. Thousands more regularly participate in adult learning classes, lectures series, and concerts, among other programs.

In all its activities, the Skirball's mission is expressed with emphasis on six essential Jewish values, drawn from ancient texts and teaching. They are:

- Welcome the stranger
- Honor memory
- Seek learning
- Pursue justice
- Build community
- Show kindness

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement presentation

The Skirball is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net Assets without Donor Restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose, 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.

Skirball Cultural Center

Notes to Financial Statements

June 30, 2021

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents includes demand deposits and all highly liquid investments with initial maturities at the date of acquisition of three months or less that are available for current use.

Investments

Investments are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Investments restricted for endowments is comprised of investments in endowment funds that are restricted by donors for a variety of purposes (see Note 9).

Contributions

Contributions received, including unconditional promises to give, are recorded as revenues in the period received at their fair value. For financial reporting purposes, the Skirball distinguishes between contributions without donor restrictions and with donor restrictions. Contributions for which donors have imposed restrictions limiting the use of the donated assets are reported as contributions with donor restrictions. When such donor-imposed restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as net assets with donor restrictions. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

Unconditional promises to give, with payments due in periods greater than one year, are reported as net assets with donor restrictions and are recorded net of a discount. Gifts of land, buildings and equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations, the Skirball reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of June 30, 2021, the Skirball did not have any conditional contributions.

Functional allocation of expenses

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel time and space utilized for activities.

Skirball Cultural Center

Notes to Financial Statements June 30, 2021

Contributions and accounts receivable

The Skirball considers all contributions and accounts receivable to be fully collectible and, as such, an allowance for doubtful accounts is not considered necessary. Accounts receivable is included in prepaid expenses and other current assets in the accompanying statement of financial position.

Collections

The Skirball does not capitalize its collections. The collections are made up of artifacts of historical significance and art objects that are held for educational and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally ranging from 5 to 40 years, and commences when assets are placed in service. Depreciation expense for the year ended June 30, 2021 was \$4,304,737.

Noah's Ark exhibit expenditures have been capitalized and are being amortized over five to ten years using the straight-line method. Amortization expense was \$33,695 for the year ended June 30, 2021.

Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

The Skirball has been working on a renewal project to upgrade parts of the campus. This renewal project was completed at June 30, 2021.

Long-lived assets

Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. No impairments were recorded during the year ended June 30, 2021.

Fair value of financial instruments

The Skirball's financial instruments consist of cash and cash equivalents, short and long-term receivables, investments, and short-term payables. The carrying value for all such instruments, considering the terms, approximates fair value at June 30, 2021.

Private events and merchandise sales

The Skirball has an on-site café and an in-house team of culinary professionals that offer a spectrum of exquisite dining options, including personal design of a custom gourmet menu for various occasions. Merchandise sales consist primarily of sales of culturally inspired souvenirs and other decorative gifts. Sales occur primarily at the Skirball's museum shop. Revenue derived from food service is recognized when earned, at the time the food service is provided and revenue from merchandise sales are recognized at the time of the sale.

Rental income is derived through the offering of the Skirball's various capacities for a widespread array of events. The public can rent areas of the Skirball for conferences and meetings, social gatherings, and other private events. Rental revenues are recognized when earned, at the time the event occurs and is included in private events in the accompanying statement of activities.

Skirball Cultural Center

Notes to Financial Statements

June 30, 2021

Membership dues and admissions

Membership dues and admission fees consist of amounts that families and individuals pay to explore museum galleries and to participate in culturally inspired film and educational classes, recreational activities and other various programs offered by the Skirball. Members join for varying lengths of time and memberships include free or discounted general museum admission and shop discounts. Admission income is recognized at the time admission is granted. Membership dues are received in advance and recognized as revenue over the period the membership services are provided.

Fair value measurements

The Skirball values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Income taxes

The Skirball is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23101(d) of the Revenue Taxation Code of California and is a publicly supported organization as described in Section 509(a) of the IRC.

The Skirball has no unrecognized tax benefits at June 30, 2021. The Skirball's federal and state income tax returns prior to the 2018 and 2017 fiscal years, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Skirball recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accrued expenses in the statement of financial position.

Merchandise inventory

Inventory of \$287,071 consists of finished goods held for sale in connection with the Skirball's museum shop and restaurant and is included in prepaid expenses and other current assets in the accompanying statement of financial position. Inventory is valued at cost (first-in, first-out) or net realizable value, whichever is lower.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$176,763 for the year ended June 30, 2021.

Skirball Cultural Center

Notes to Financial Statements June 30, 2021

Contributed services

A substantial number of volunteers have donated significant amounts of their time to the Skirball and its educational programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Adoption of new accounting pronouncement

In March 2019, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2019-03, *Updating the Definition of Collections (“Topic 958”)* to improve the definition of collections. Current GAAP states that an entity need not recognize contributions of works of art, historical treasures, and similar assets, if the donated items are added to collections and meet three conditions. One condition states that an entity must be subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The amendments in this ASU modify that condition so that the proceeds can also be used to support the direct care of existing collections. As of July 1, 2020, the Skirball implemented the provisions of ASU 2019-03 applicable to its collections on a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Skirball’s implementation of ASU 2019-03.

Subsequent events

The Skirball has evaluated the impact of subsequent events through February 2, 2022, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and availability

The Skirball regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Skirball has various sources of liquidity at its disposal, including cash and cash equivalents, contributions receivable, and investments.

At June 30, 2021, the Skirball had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 22,558,202
Contributions receivable, current portion	2,816,889
Investments	<u>298,681,374</u>
	324,056,465
Endowment investments	<u>(280,100,606)</u>
	<u>\$ 43,955,859</u>

Note 3 - Concentrations

Financial instruments that potentially subject the Skirball to concentrations of credit risk consist primarily of cash and cash equivalents. The Skirball maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed federally insured limits.

Skirball Cultural Center

Notes to Financial Statements June 30, 2021

The Skirball's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Skirball's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

At June 30, 2021, approximately 53% of the Skirball's contributions receivable were from three donors.

For the year ended June 30, 2021, approximately 12% of the Skirball's contributions were provided by one donor.

Note 4 - Contributions receivable

At June 30, 2021, contributions receivable consists of unconditional promises to give and have been recorded at their present values. Those receivables that are due in future periods have been discounted to their present values, using a discount rate of 6%. The receivables are recorded as follows:

2022	\$	2,816,889
2023		1,185,500
2024		846,584
2025		634,000
2026		370,000
Thereafter		<u>875,000</u>
		6,727,973
Less discount for present value		<u>(559,987)</u>
Net realizable value		6,167,986
Less current portion		<u>(2,816,889)</u>
	\$	<u><u>3,351,097</u></u>

Skirball Cultural Center
Notes to Financial Statements
June 30, 2021

Note 5 - Investments

At June 30, 2021, investments consist of the following:

Money market funds	\$ 7,470,396
Mutual funds	
Fixed income - domestic multi-strategy	39,740,631
Fixed income - domestic short-term	15,670,328
Equities - international	20,414,041
Equities	
Domestic	48,648,911
International	7,962,171
Fixed income	6,681,309
Alternative investments	152,093,586
Other	<u>1</u>
	<u><u>\$ 298,681,374</u></u>

Donated interest in other investments (primarily an interest in oil wells) is recorded at \$1, since the value is indeterminable.

Skirball Cultural Center
Notes to Financial Statements
June 30, 2021

At June 30, 2021, the Skirball has the following investments in entities that calculate net asset value ("NAV") per share:

Investment strategy	Fair value	Redemption terms	Redemption restrictions	Redemption restrictions in place at year end	Unfunded commitments
Distressed	\$ 5,671	Quarterly with 90 days notice	None	None	\$ -
Distressed (a)	8,473	Distributions occur upon termination of fund	No redemption rights	Investment is not redeemable at 6/30/2021	-
Global equity	13,972,503	Quarterly with 60 days notice	None	None	-
Multi-strategy	24,341,981	Monthly with 30 days notice	None	None	-
Emerging markets	7,790,826	Daily	None	None	-
Global equity	1,592,301	Quarterly with 60 days notice	None	None	-
Global equity	24,333,341	Quarterly with 30 days notice	None	None	-
Multi-strategy	318,235	Quarterly with 90 days notice	Rolling 2 year lock-up eligible on 6/30/2021	None	-
Event driven	11,507,816	Semi-annually with 65 days notice	None	None	-
Multi-strategy	1,686	Biennial with 60 days notice	Rolling 2 year lock-up eligible on 11/30/2021	None	-
Multi-strategy	13,372,367	Quarterly with 60 days notice	Up to 25% quarterly	None	-
Global equity	8,326,715	Quarterly with 60 days notice	None	None	-
Private equity fund of funds (a)	482,275	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2021	367,812
Multi-strategy	11,670,437	Redemption limited to 33% annually	None	None	-

Skirball Cultural Center

**Notes to Financial Statements
June 30, 2021**

Investment strategy	Fair value	Redemption terms	Redemption restrictions	Redemption restrictions in place at year end	Unfunded commitments
Distressed (a)	5,227,908	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2021	-
Global equity	6,594,965	Quarterly with 60 days notice	None	None	-
Event driven	34,893	Quarterly with 65 days notice	None	None	-
Real estate (b)	1,412,956	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2021	11,633
Distressed (c)	1,495,191	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2021	492,165
Distressed (c)	1,065,603	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2021	166,923
Emerging markets	10,739,453	Monthly with 30 days notice	None	None	-
Private equity fund of funds (d)	2,142,898	Illiquid for the life of the fund	No redemption rights	None	425,295
Energy (a)	991,296	Illiquid for the life of the fund	No redemption rights	None	166,116
Global equity (a)	2,603,240	Illiquid for the life of the fund	No redemption rights	None	501,786
Real estate (a)	<u>2,060,556</u>	Illiquid for the life of the fund	No redemption rights	None	<u>88,900</u>
Total	<u>\$ 152,093,586</u>				<u>\$ 2,220,630</u>

(a) A timeline of when this fund will make distributions is not available.

(b) This fund is set to expire in September 2026, unless terminated earlier or extended in accordance with the provisions of the fund agreement.

(c) This fund is set to expire in 2025, unless terminated earlier or extended in accordance with the provisions of the fund agreement.

(d) This fund is set to expire in December 2027, unless terminated earlier or extended in accordance with the provisions of the fund agreement.

Skirball Cultural Center

Notes to Financial Statements June 30, 2021

Note 6 - Fair value measurements

At June 30, 2021, investments are carried at fair value and are classified in the table below in one of the three categories as described in Note 1:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Money market funds	\$ -	\$ 7,470,396	\$ -	\$ -	\$ 7,470,396
Mutual funds					
Fixed income - domestic multi-strategy	39,740,631	-	-	-	39,740,631
Fixed income - domestic short-term	15,670,328	-	-	-	15,670,328
Equities - international	20,414,041	-	-	-	20,414,041
Equities					
Domestic	48,648,911	-	-	-	48,648,911
International	7,962,171	-	-	-	7,962,171
Fixed income	-	6,681,309	-	-	6,681,309
Alternative investments	-	-	-	152,093,586	152,093,586
Total	\$ 132,436,082	\$ 14,151,705	\$ -	\$ 152,093,586	\$ 298,681,373

Valuations of mutual funds and equities are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Money market funds are valued based on investment yield. Fixed income investments are valued based on amortized cost. The fair value of alternative investments is determined using the NAV of shares held by the Skirball. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Skirball reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value. For the year ended June 30, 2021, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Skirball believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7 - Retirement plans

The Skirball maintains a 403(b) defined contribution retirement plan covering all eligible employees. For the year ended June 30, 2021, the Skirball made contributions to the plan totaling \$262,222.

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June 30, 2021**

Note 8 - Net assets with donor restrictions

At June 30, 2021, net assets with donor restrictions consist of the following:

Time or purpose:		
Time restricted contributions receivable	\$	6,167,986
Maintenance, administration and other		17,792,149
Endowment investments		<u>17,779,975</u>
		41,740,110
Perpetual:		
Endowment investments		<u>101,602,534</u>
	\$	<u>143,342,644</u>

Net assets with donor restrictions for maintenance, administration and other include donor restrictions of investment income and losses.

Note 9 - Endowments

The Skirball's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Skirball has interpreted the State of California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Skirball classifies as net assets with donor restrictions: (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Skirball considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Skirball and 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 Skirball, and (7) the Skirball's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Skirball has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

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**Notes to Financial Statements
June 30, 2021**

Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5.5%, while growing the funds if possible. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Skirball has a policy of appropriating for distribution each fiscal year 5.5% of the endowment fund as of December 31 of the current fiscal year. In establishing this policy, the Skirball considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Skirball expects the current spending policy to allow its endowment funds to grow at a nominal average rate annually. This is consistent with the Skirball's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 17,779,975	\$ 101,602,534	\$ 119,382,509
Board-designated endowment funds	160,718,097	-	-	160,718,097
Endowment assets, end	<u>\$ 160,718,097</u>	<u>\$ 17,779,975</u>	<u>\$ 101,602,534</u>	<u>\$ 280,100,606</u>

The following table summarizes the activity affecting endowment net assets for the year ended June 30, 2021:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Endowment assets, beginning	\$ 136,781,894	\$ -	\$ 101,602,534	\$ 238,384,428
Investment income	32,394,971	24,063,207	-	56,458,178
Appropriated for expenditure	(8,458,768)	(6,283,232)	-	(14,742,000)
Endowment assets, end	<u>\$ 160,718,097</u>	<u>\$ 17,779,975</u>	<u>\$ 101,602,534</u>	<u>\$ 280,100,606</u>

As of June 30, 2021, there were no deficiencies of donor-restricted endowment funds.

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Notes to Financial Statements June 30, 2021

Note 10 - Commitments and contingencies

Coronavirus

In December 2019, a novel strain of COVID-19 was reported. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closures. As a result of the mandates issued by government officials, multiple operations of the Skirball temporarily closed, including food services, admissions, and rental income, before operations resumed in May 2021. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while the Skirball expects this matter to continue to temporarily impact the Skirball's financial condition, the extent of the financial impact and duration cannot be reasonably estimated at this time.

PPP loans

In May 2020, the Skirball obtained a loan under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") for a total of \$2,500,000. The note had an interest rate of 1.00% per annum and had a due date in May 2022. Per the loan agreement, the Skirball would be required to make monthly principal and interest payments of \$140,668 commencing December 1, 2020. Per the terms of the PPP loan, a portion of the loan's principal was eligible to be forgiven depending on how the Skirball used the funds. During the year ended June 30, 2021, the Skirball submitted its application for loan forgiveness and received notice from its lender that the forgiveness was approved for the full amount of the loan. Accordingly, the Skirball derecognized the \$2,500,000 loan and recognized a corresponding gain on PPP loan forgiveness which is included in forgiveness of 1st round PPP loan in the accompanying statement of activities. There is a six-year period during which the SBA can review the Skirball's forgiveness calculation.

In February 2021, the Skirball obtained a second loan under the SBA's PPP for a total of \$2,000,000. The note has an interest rate of 1.00% per annum and is due in February 2026. Per the terms of the 2nd round PPP loan, a portion of the loan's principal may be forgiven depending on how the Skirball uses the funds. In August 2021, the Skirball received notice from its lender that forgiveness was approved for the full amount of the 2nd round PPP loan.



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