

**Skirball Cultural Center**  
**Financial Statements**  
**and Independent Auditor's Report**  
**June 30, 2022**

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# Skirball Cultural Center

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## Independent Auditor's Report

To the Board of Trustees  
Skirball Cultural Center

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Skirball Cultural Center, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Skirball Cultural Center as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of 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 Skirball Cultural Center's ability to continue as a going concern for 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023 on our consideration of the Skirball Cultural Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Skirball Cultural Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Skirball Cultural Center's internal control over financial reporting and compliance.



Los Angeles, California  
March 6, 2023

**Skirball Cultural Center**

**Statement of Financial Position  
June 30, 2022**

Assets

Current assets	
Cash and cash equivalents	\$ 24,734,347
Contributions receivable, current portion	1,485,926
Prepaid expenses and other current assets	<u>1,004,793</u>
Total current assets	27,225,066
Collections	
Property and equipment, net	
Land	6,951,705
Buildings and building improvements	149,560,267
Equipment	9,434,025
Noah's Ark exhibit	<u>5,269,758</u>
	171,215,755
Less accumulated depreciation	<u>(62,181,343)</u>
Total property and equipment, net	109,034,412
Other assets	
Contributions receivable, net of current portion	2,735,664
Investments	16,191,704
Investments restricted for endowment	<u>238,912,676</u>
Total	<u>\$ 394,099,522</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 2,958,764
Refundable deposits	<u>747,636</u>
Total current liabilities	<u>3,706,400</u>
Commitments and contingencies	
Net assets	
Without donor restrictions	265,746,829
With donor restrictions	<u>124,646,293</u>
Total net assets	<u>390,393,122</u>
Total	<u>\$ 394,099,522</u>

See Notes to Financial Statements.

**Skirball Cultural Center**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	Without donor restrictions	With donor restrictions	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues and support			
Contributions	\$ 3,537,120	\$ 3,028,789	\$ 6,565,909
In-kind contributions	230,048	-	230,048
Shuttered venue operating grant	5,203,534	-	5,203,534
Investment loss, net	(25,152,046)	(13,436,481)	(38,588,527)
Private events	6,392,490	-	6,392,490
Museum shop	436,371	-	436,371
Memberships	307,596	-	307,596
Museum admissions	321,167	-	321,167
Teacher trainings and other revenue	115,767	-	115,767
Performance and lectures	116,592	-	116,592
Forgiveness of 2nd round PPP loan	2,000,000	-	2,000,000
Exhibit fees	119,727	-	119,727
Net assets released from restrictions			
Time restrictions	2,862,107	(2,862,107)	-
Maintenance, administration	1,083,058	(1,083,058)	-
Endowment appropriation	4,343,494	(4,343,494)	-
	<u>1,917,025</u>	<u>(18,696,351)</u>	<u>(16,779,326)</u>
Functional expenses			
Program services			
Museum	5,263,133	-	5,263,133
Education	5,537,099	-	5,537,099
Performances and lectures	3,289,580	-	3,289,580
Private events	9,702,553	-	9,702,553
Museum shop	1,214,698	-	1,214,698
	<u>25,007,063</u>	<u>-</u>	<u>25,007,063</u>
Supporting services			
Management and general	1,340,295	-	1,340,295
Development	1,712,915	-	1,712,915
	<u>3,053,210</u>	<u>-</u>	<u>3,053,210</u>
	<u>28,060,273</u>	<u>-</u>	<u>28,060,273</u>
Change in net assets	(26,143,248)	(18,696,351)	(44,839,599)
Net assets, beginning	<u>291,890,077</u>	<u>143,342,644</u>	<u>435,232,721</u>
Net assets, end	<u>\$ 265,746,829</u>	<u>\$ 124,646,293</u>	<u>\$ 390,393,122</u>

See Notes to Financial Statements.

## Skirball Cultural Center

### Statement of Functional Expenses Year Ended June 30, 2022

	Program Services					Supporting Services			Total expenses	
	Museum	Education	Performances and lectures	Private events	Museum shop	Total	Management and general	Development		Total
Salaries	\$ 2,274,048	\$ 2,650,143	\$ 1,358,693	\$ 4,609,936	\$ 523,329	\$ 11,416,149	\$ 477,974	\$ 929,528	\$ 1,407,502	\$ 12,823,651
Payroll taxes and benefits	571,495	696,392	355,909	1,172,630	113,449	2,909,875	131,901	230,772	362,673	3,272,548
	2,845,543	3,346,535	1,714,602	5,782,566	636,778	14,326,024	609,875	1,160,300	1,770,175	16,096,199
Depreciation and amortization	883,946	1,066,993	640,196	1,280,391	106,699	3,978,225	213,399	106,699	320,098	4,298,323
Professional fees	194,322	208,767	146,253	272,766	91,653	913,761	286,040	143,650	429,690	1,343,451
Building services and supplies	250,955	313,693	188,216	376,432	31,369	1,160,665	62,739	31,369	94,108	1,254,773
Power, gas and water	156,723	195,904	117,543	235,085	19,590	724,845	39,181	19,590	58,771	783,616
Office services	79,345	96,421	42,486	130,341	15,792	364,385	14,235	19,618	33,853	398,238
Exhibits and collection	536,534	14,913	-	-	-	551,447	-	91,735	91,735	643,182
Insurance	37,950	35,686	35,686	35,686	35,686	180,694	35,686	35,686	71,372	252,066
Performances and lectures	-	-	285,513	-	-	285,513	-	-	-	285,513
Advertisement and promotion	135,065	64,995	50,242	26,832	-	277,134	-	1,921	1,921	279,055
Repairs and maintenance	40,091	34,380	20,628	41,256	3,438	139,793	6,876	3,438	10,314	150,107
Cost of goods sold	-	-	-	1,196,447	221,277	1,417,724	-	-	-	1,417,724
School and family programs	-	77,178	-	-	-	77,178	-	-	-	77,178
Miscellaneous	41,871	29,612	17,998	113,851	19,180	222,512	55,415	54,624	110,039	332,551
Telephone	4,525	7,931	3,569	18,465	2,378	36,868	2,126	1,210	3,336	40,204
Security	28,279	8,557	5,134	10,269	856	53,095	1,711	856	2,567	55,662
Bank and card fees	5,737	5,717	5,713	140,623	23,411	181,201	2	5,704	5,706	186,907
Printing and supplies	3,725	4,484	6,023	15,023	709	29,964	2,489	15,621	18,110	48,074
Travel and entertainment	10,074	12,782	3,687	9,997	2,344	38,884	4,028	9,522	13,550	52,434
Membership	3,778	3,822	2,331	2,262	1,761	13,954	3,156	8,488	11,644	25,598
Meetings and conferences	4,670	8,729	3,760	14,261	1,777	33,197	3,337	2,884	6,221	39,418
<b>Total expenses</b>	<b>\$ 5,263,133</b>	<b>\$ 5,537,099</b>	<b>\$ 3,289,580</b>	<b>\$ 9,702,553</b>	<b>\$ 1,214,698</b>	<b>\$ 25,007,063</b>	<b>\$ 1,340,295</b>	<b>\$ 1,712,915</b>	<b>\$ 3,053,210</b>	<b>\$ 28,060,273</b>

See Notes to Financial Statements.

**Skirball Cultural Center**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Cash flows from operating activities	
Change in net assets	\$ (44,839,599)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Change in discount of contributions receivable	(135,067)
Depreciation and amortization	4,298,323
Net realized and unrealized loss on investments	38,532,842
Forgiveness of 2nd round PPP loan	(2,000,000)
Changes in operating assets and liabilities:	
Contributions receivable	2,081,463
Prepaid expenses and other current assets	(460,634)
Accounts payable and accrued expenses	661,057
Refundable deposits	<u>241,850</u>
Net cash used in operating activities	<u>(1,619,765)</u>
Cash flows from investing activities	
Purchases of investments	(137,936,985)
Proceeds from sales of investments	142,981,137
Acquisition of property and equipment	<u>(1,248,242)</u>
Net cash provided by investing activities	<u>3,795,910</u>
Net increase in cash and cash equivalents	2,176,145
Cash and cash equivalents, beginning	<u>22,558,202</u>
Cash and cash equivalents, end	<u><u>\$ 24,734,347</u></u>

See Notes to Financial Statements.

## Skirball Cultural Center

### Notes to Financial Statements June 30, 2022

#### 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, 2022

#### **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, 2022, 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, 2022

#### **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, 2022 was \$4,267,971.

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 \$30,352 for the year ended June 30, 2022.

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.

#### **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, 2022.

#### **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, 2022.

#### **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, 2022

#### **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, 2022. The Skirball's federal and state income tax returns prior to the 2019 and 2018 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 \$327,084 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 \$279,055 for the year ended June 30, 2022.

## Skirball Cultural Center

### Notes to Financial Statements June 30, 2022

#### 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

For the year ended June 30, 2022, the Skirball adopted Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Skirball and will not change existing recognition and measurement requirements. The Skirball has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

#### Subsequent events

The Skirball has evaluated the impact of subsequent events through March 6, 2023, 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, 2022, the Skirball had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 24,734,347
Contributions receivable, current portion	1,485,926
Investments	<u>16,191,704</u>
	<u>\$ 42,411,977</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.

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, 2022, approximately 47% of the Skirball's contributions receivable were from two donors.

**Skirball Cultural Center**

**Notes to Financial Statements  
June 30, 2022**

For the year ended June 30, 2022, approximately 43% of the Skirball's contributions were provided by one donor, through the Shuttered Venue Operators Grant.

**Note 4 - Contributions receivable**

At June 30, 2022, 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:

2023		\$ 1,485,926
2024		1,026,584
2025		811,000
2026		423,000
2027		395,000
Thereafter		<u>505,000</u>
		4,646,510
Less discount for present value		<u>(424,920)</u>
Net realizable value		4,221,590
Less current portion		<u>(1,485,926)</u>
		<u><u>\$ 2,735,664</u></u>

**Note 5 - Investments**

At June 30, 2022, investments consist of the following:

Money market funds		\$ 10,755,726
Mutual funds		
Fixed income - domestic multi-strategy		7,713,586
Fixed income - domestic short-term		1,139,860
Exchange traded funds		22,278,779
Equities		
Domestic		5,597,294
International		4,266,440
Fixed income		18,142,761
Alternative investments		185,209,933
Other		<u>1</u>
		<u><u>\$ 255,104,380</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, 2022**

At June 30, 2022, 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	\$ 7,799	Quarterly with 90 days notice	None	None	\$ -
Distressed (a)	8,950	Distributions occur upon termination of fund	No redemption rights	Investment is not redeemable at 6/30/2022	100,000
Global equity	3,261,807	Quarterly with 60 days notice	None	None	-
Multi-strategy	30,901,398	Monthly with 15 days notice	None	None	-
Private equity	12,570,595	Monthly	None	None	39,496,593
Global equity	79,584,245	Monthly with 16 days notice	None	None	3,551,637
Global equity	19,126,355	Quarterly with 30 days notice	None	None	-
Multi-strategy	338,686	Quarterly with 90 days notice	Rolling 2 year lock-up eligible on 6/30/2022	None	-
Real estate	976,480	Monthly	None	None	4,993,582
Multi-strategy	6,547,680	Quarterly with 60 days notice	Up to 25% quarterly	None	-
Private equity fund of funds (a)	405,622	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2022	67,812
Multi-strategy	7,468,440	Redemption limited to 33% annually	None	None	-

**Skirball Cultural Center**

**Notes to Financial Statements  
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Investment strategy	Fair value	Redemption terms	Redemption restrictions	Redemption restrictions in place at year end	Unfunded commitments
Distressed (a)	5,559,295	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2022	270,000
Global equity	3,803,533	Quarterly with 60 days notice	None	None	-
Event driven	62,394	Quarterly with 65 days notice	None	None	-
Real estate (b)	2,414,921	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2022	2,420,000
Distressed (c)	1,149,957	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2022	441,558
Distressed (c)	952,357	Illiquid for the life of the fund	No redemption rights	Investment is not redeemable at 6/30/2022	91,617
Private equity fund of funds (d)	3,069,211	Illiquid for the life of the fund	No redemption rights	None	85,029
Energy (a)	1,227,620	Illiquid for the life of the fund	No redemption rights	None	245,574
Global equity (a)	3,385,432	Illiquid for the life of the fund	No redemption rights	None	112,618
Real estate (a)	<u>2,387,156</u>	Illiquid for the life of the fund	No redemption rights	None	<u>1,034,902</u>
Total	<u><u>\$ 185,209,933</u></u>				<u><u>\$ 52,910,922</u></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, 2022**

**Note 6 - Fair value measurements**

At June 30, 2022, 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	\$ -	\$ 10,755,726	\$ -	\$ -	\$ 10,755,726
Mutual funds					
Fixed income - domestic multi-strategy	7,713,586	-	-	-	7,713,586
Fixed income - domestic short-term	1,139,860	-	-	-	1,139,860
Equities - international	22,278,779	-	-	-	22,278,779
Equities					
Domestic	5,597,294	-	-	-	5,597,294
International	4,266,440	-	-	-	4,266,440
Fixed income	-	18,142,761	-	-	18,142,761
Alternative investments	-	-	-	185,209,933	185,209,933
<b>Total</b>	<b>\$ 40,995,959</b>	<b>\$ 28,898,487</b>	<b>\$ -</b>	<b>\$ 185,209,933</b>	<b>\$ 255,104,379</b>

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, 2022, 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, 2022, the Skirball made contributions to the plan totaling \$252,750.

**Skirball Cultural Center**  
**Notes to Financial Statements**  
**June 30, 2022**

**Note 8 - Net assets with donor restrictions**

At June 30, 2022, net assets with donor restrictions consist of the following:

Time or purpose:	
Time restricted contributions receivable	\$ 4,221,590
Maintenance, administration and other	18,822,169
Endowment investments	-
	23,043,759
Perpetual:	
Endowment investments	101,602,534
	\$ 124,646,293

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.

**Skirball Cultural Center**

**Notes to Financial Statements  
June 30, 2022**

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 average of the quarter end value of all endowment assets over the preceding 12 quarters. 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, 2022 is as follows:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ -	\$ 101,602,534	\$ 101,602,534
Board-designated endowment funds	137,310,142	-	-	137,310,142
Endowment assets, end	<u>\$ 137,310,142</u>	<u>\$ -</u>	<u>\$ 101,602,534</u>	<u>\$ 238,912,676</u>

The following table summarizes the activity affecting endowment net assets for the year ended June 30, 2022:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Endowment assets, beginning	\$ 160,718,097	\$ 17,779,975	\$ 101,602,534	\$ 280,100,606
Transfers in	11,181,722	-	-	11,181,722
Investment loss	(23,605,573)	(13,436,481)	-	(37,042,054)
Appropriated for expenditure	(10,984,104)	(4,343,494)	-	(15,327,598)
Endowment assets, end	<u>\$ 137,310,142</u>	<u>\$ -</u>	<u>\$ 101,602,534</u>	<u>\$ 238,912,676</u>

As of June 30, 2022, there were no deficiencies of donor-restricted endowment funds.

**Skirball Cultural Center**

**Notes to Financial Statements  
June 30, 2022**

**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. While the disruption is expected to be temporary, there is 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 February 2021, the Skirball obtained a second loan under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") for a total of \$2,000,000. The note had an interest rate of 1.00% per annum and had a due date in February 2026. During the year ended June 30, 2022, 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 \$2,000,000 loan and recognized a corresponding gain on PPP loan forgiveness which is included in forgiveness of 2nd 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.

**Note 11 - In-kind contributions**

For the year ended June 30, 2022, the Skirball recorded and retained in-kind contributions of \$230,048, which is included in contributions in the accompanying statement of activities. In-kind contributions are comprised of \$16,048 of hotel rooms, \$164,000 of water and power chargers, and \$50,000 of touchless faucets. All in-kind contributions received by the Skirball for the year ended June 30, 2022 were recorded at fair value and considered without donor restrictions, to be used by the Skirball as determined by the board of directors and management. The fair market value was determined through active markets of identical or similar items.

Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
Skirball Cultural Center

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Skirball Cultural Center (the "Skirball"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 6, 2023

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Skirball's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

*CohnReznick LLP*

Los Angeles, California  
March 6, 2023



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