THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

(A NONPROFIT ORGANIZATION)
CONTENTS
June 30, 2013

SingerLewak LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Performing Arts Center of Los Angeles County
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Performing Arts Center of Los Angeles County (a California nonprofit organization) (the "Performing Arts Center") which comprise the statement of financial position as of June 30, 2013, the related statements of activities 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 of 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Performing Arts Center of Los Angeles County as of June 30, 2013, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Performing Arts Center's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
October 1, 2013

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(with Comparative Totals for June 30, 2012)

ASSETS

	2013	2012
Current assets		
Cash and cash equivalents	$ 5,338,018	$ 4,413,286
Short-term investments	3,899,211	3,532,697
Current portion of contributions receivable, net	2,088,344	1,628,136
Accounts receivable from Resident Companies	742,992	980,670
Current portion of facility fee receivable	216,159	201,031
Current portion of notes receivable	1,005,500	1,006,000
Other receivables	676,853	1,548,891
Prepaid and other current assets	683,133	623,980
Agency asset	-	7,970
Total current assets	14,650,210	13,942,661
Long-term investments	3,691,327	3,419,794
Investments held for capital improvement project	18,183,240	16,378,131
Contributions receivable, net of current portion	16,012,891	16,117,466
Notes receivable, net of current portion	319,193	1,021,244
Contract acquisition costs, net of accumulated amortization of $9,579,432 and $8,571,132, respectively	7,265,037	8,190,170
Property and equipment, net of accumulated depreciation of $2,418,576 and $2,567,129, respectively	827,877	924,628
Beneficial interests	26,396,981	24,757,711
Total assets	**$ 87,346,756**	**$ 84,751,805**

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

STATEMENT OF FINANCIAL POSITION
June 30, 2013
(with Comparative Totals for June 30, 2012)

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities		
Accounts payable	$ 2,187,379	$ 2,427,993
Agency liability	-	7,970
Accrued expenses	2,097,472	1,944,552
Current portion of capital lease obligations	196,726	172,104
Payable to Resident Companies	729,230	781,151
Current portion of deferred facility fee revenue	1,982,475	3,444,704
Current portion of deferred revenue	1,679,261	894,658
Current portion of bond payable	410,000	395,000
Deposits and advances	289,582	197,702
Bond interest payable	105,424	106,740
Total current liabilities	9,677,549	10,372,574
Capital lease obligations, net of current portion	470,570	571,229
Liability for pension benefits	2,901,046	3,691,644
Deferred revenue, net of current portion	2,869,635	3,257,228
Bonds payable, net	25,728,209	26,139,689
Total liabilities	41,647,009	44,032,364
Commitment and contingencies (Note 22)		
Net assets		
Unrestricted	(3,018,357)	(6,201,008)
Temporarily restricted	14,974,212	14,318,859
Permanently restricted	33,743,892	32,601,590
Total net assets	45,699,747	40,719,441
Total liabilities and net assets	**$ 87,346,756**	**$ 84,751,805**

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

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(with Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2013	Totals 2012
Earned revenues and public support					
Revenues					
Center operations					
County - operations	$ 15,549,754	$ -	$ -	$ 15,549,754	$ 15,208,000
County - utilities	5,428,161	-	-	5,428,161	5,145,023
Rents	4,358,010	-	-	4,358,010	4,420,616
Facility fees	2,411,718	-	-	2,411,718	2,067,123
Services billing and other income	4,627,685	-	-	4,627,685	4,851,658
Total center operations revenue	32,375,328	-	-	32,375,328	31,692,420
Park operations					
County - operations	3,752,810	-	-	3,752,810	658,425
County - utilities	20,182	-	-	20,182	-
Rents	76,886	-	-	76,886	-
Start up and other billing	913,337	-	-	913,337	3,381
Total park operations revenue	4,763,215	-	-	4,763,215	661,806
Education, programming and outreach					
Education	540,561	-	-	540,561	658,168
Presenting	3,069,321	-	-	3,069,321	3,431,131
Marketing	652,637	-	-	652,637	-
Founders Rooms operations	889,526	-	-	889,526	846,521
Total education, programming and outreach revenue	5,152,045	-	-	5,152,045	4,935,820
Capital improvements					
Mark Taper Forum	2,167,790	-	-	2,167,790	2,480,485
Restaurants	459,912	-	-	459,912	454,488
Other capital improvements	28,569	-	-	28,569	327,236
Total capital improvements revenue	2,656,271	-	-	2,656,271	3,262,209
Other earned revenue					
Change in value of beneficial interests	-	-	944,079	944,079	(745,305)
Interest and other investment income	2,951,124	214,332	-	3,165,456	331,621
Total other earned revenue	2,951,124	214,332	944,079	4,109,535	(413,684)
Total earned revenue	47,897,983	214,332	944,079	49,056,394	40,138,571
Public support	7,073,069	2,851,412	198,223	10,122,704	8,640,294
Net assets released from restrictions					
Satisfaction of program restrictions	880,489	(880,489)	-	-	-
Satisfaction of time restrictions	1,529,902	(1,529,902)	-	-	-
Total net assets released from restrictions	2,410,391	(2,410,391)	-	-	-
Total public support after release from restrictions	9,483,460	441,021	198,223	10,122,704	8,640,294
Total earned revenue and public support	57,381,443	655,353	1,142,302	59,179,098	48,778,865

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

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(with Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2013	Totals 2012
Expenses					
Program expenses					
Center operations					
Facility operations	$ 16,067,579	$ -	$ -	$ 16,067,579	$ 15,542,210
Stage operations	4,135,346	-	-	4,135,346	3,745,467
Theater operations	3,597,699	-	-	3,597,699	3,350,690
Other operating departments	1,181,074	-	-	1,181,074	1,229,949
County in-kind support of utilities	5,428,161	-	-	5,428,161	5,145,023
Total operations expenses	30,409,859	-	-	30,409,859	29,013,339
Park operations and programming					
Operations	2,336,344	-	-	2,336,344	653,650
Programming	346,098	-	-	346,098	4,774
Start up and other	1,758,690	-	-	1,758,690	3,381
Total park operations and programming expenses	4,441,132	-	-	4,441,132	661,805
Education, programming and outreach					
Education	2,224,691	-	-	2,224,691	3,012,636
Presenting	6,725,481	-	-	6,725,481	6,903,072
Resident Companies allocation	792,280	-	-	792,280	842,109
Public information and marketing	909,143	-	-	909,143	1,226,578
Founders Rooms operations	1,261,483	-	-	1,261,483	1,142,317
Total education, programming and outreach expenses	11,913,078	-	-	11,913,078	13,126,712
Capital improvements expense					
Mark Taper Forum	1,283,272	-	-	1,283,272	1,300,256
Restaurant construction	504,150	-	-	504,150	501,438
Other capital improvements	(258,505)	-	-	(258,505)	1,226,257
Total capital improvements expenses	1,528,917	-	-	1,528,917	3,027,951
Total program expenses	48,292,986	-	-	48,292,986	45,829,807
Administration and development					
Administration	3,500,733	-	-	3,500,733	3,513,545
Development	3,063,116	-	-	3,063,116	2,893,473
Total administration and development expense	6,563,849	-	-	6,563,849	6,407,018
Total expenses	54,856,835	-	-	54,856,835	52,236,825
Change in net assets before comprehensive income	2,524,608	655,353	1,142,302	4,322,263	(3,457,960)
Comprehensive income (loss) related to pension obligation	658,043	-	-	658,043	(3,135,188)
Change in net assets after comprehensive income	3,182,651	655,353	1,142,302	4,980,306	(6,593,148)
Net assets, beginning of year	(6,201,008)	14,318,859	32,601,590	40,719,441	47,312,589
Net assets, end of year	**$ (3,018,357)**	**$ 14,974,212**	**$ 33,743,892**	**$ 45,699,747**	**$ 40,719,441**

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

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(with Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 4,980,306	$ (6,593,148)
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities		
Depreciation and amortization	295,251	250,235
Amortization of contract acquisition costs	1,008,300	1,002,876
Bad debt expense	(275,036)	4,774
Loss from disposal of property and equipment	(10,679)	747
Contributed investment securities	(212,024)	(160,476)
Realized and unrealized loss (gain) on sale of securities	(2,034,862)	791,169
Discount/amortization of bond premium	(34,792)	(35,213)
Distributions from (contributions to) permanently restricted fund		
Distributions (contributions)	(198,223)	(375,423)
Investment loss (income)	(944,079)	745,305
Change in operating assets and liabilities		
Contributions receivable, net	(380,597)	1,579,555
Accounts receivable from Resident Companies	237,678	(165,321)
Facility fee receivable, net of deferred facility fee revenue	(1,477,357)	(1,563,069)
Other receivables	872,038	(690,641)
Other current assets	(59,153)	126,867
Beneficial interests	(1,639,270)	639,079
Accounts payable	(240,614)	963,816
Accrued expenses	152,920	415,045
Payable to Resident Companies	(51,921)	(163,403)
Deferred revenue	397,010	(690,826)
Deposits and advances	91,880	62,854
Accrued pension plan obligation	(790,598)	2,858,876
Bond interest payable	(1,316)	(1,267)
Net cash used in operating activities	(315,138)	(997,589)

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

THE PERFORMING ARTS CENTER OF LOS ANGELES COUNTY

(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(with Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
Cash flows from investing activities		
(Increase) decrease in		
Assets held for capital improvement project	$ (491,399)	$ (253,262)
Purchase of property and equipment	(32,751)	(158,063)
Payments for contract acquisition costs	(83,167)	-
Repayments from notes	1,002,551	1,267
Net sale of investments	295,129	357,349
Net cash provided by (used in) investing activities	690,363	(52,709)
Cash flows from financing activities		
Repayment of capital leases	(197,795)	(121,962)
Repayment of loan payable	(395,000)	(380,000)
Permanently restricted fund donation	198,223	375,423
Permanently restricted fund investment income (loss)	944,079	(745,305)
Net cash provided by (used in) financing activities	549,507	(871,844)
Net increase (decrease) in cash and cash equivalents	924,732	(1,922,142)
Cash and cash equivalents, beginning of year	4,413,286	6,335,428
Cash and cash equivalents, end of year	**$ 5,338,018**	**$ 4,413,286**
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	**$ 1,266,065**	**$ 1,288,485**
Supplemental schedule of non-cash investing and financing activities		
Property purchased under capital leases	**$ 121,758**	**$ 685,036**

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

NOTE 1 – DESCRIPTION OF OPERATIONS

The Performing Arts Center of Los Angeles County ("PACLAC" or the "Performing Arts Center") is a nonprofit public benefit corporation organized to encourage and foster the presentation of the arts at the Performing Arts Center complex. The complex includes the Dorothy Chandler Pavilion, the Mark Taper Forum, the Ahmanson Theatre and the Walt Disney Concert Hall ("WDCH") and is home to the Los Angeles Philharmonic Association, the Center Theatre Group, the Los Angeles Opera Company and the Los Angeles Master Chorale (collectively, the "Resident Companies"). PACLAC manages the Performing Arts Center complex on behalf of the County of Los Angeles, which owns the facilities, presents performances at the complex consisting mainly of dance ensembles and provides arts education services to school children throughout Los Angeles County. In June 2012, PACLAC entered into a three-year agreement with the County of Los Angeles to both maintain and present performances at Grand Park.

The Performing Arts Center also solicits contributions to support its cultural and educational programs, as well as to fund expansion of and improvements to the complex. Several community volunteer groups and the Board of Directors provide annual financial support to the Performing Arts Center.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with PACLAC's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Classes of Net Assets
PACLAC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets are either not restricted by donors or the donor-imposed restrictions have expired.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets (Continued)

- Temporarily restricted net assets contain donor-imposed restrictions that permit PACLAC to use or expend the assets as specified as the restrictions are satisfied either by the passage of time or by actions of PACLAC.

- Permanently restricted net assets ("endowment funds") contain donor-imposed restrictions that stipulate the resources must be maintained in perpetuity. Income from permanently restricted investments is recorded as unrestricted, except where the instructions of the donor specify otherwise.

Unrestricted Net Asset Deficit

PACLAC had a deficit of $3,018,357 in its unrestricted net assets at June 30, 2013. $5,124,253 pertains to the cumulative loss related to pension obligations, offset by $2,105,896 cumulative surplus from operating and capital activities.

Revenue Recognition

Earned revenue and public support are recorded using the accrual method of accounting. Unconditional promises to give are recorded as contributions in the period such contributions are made based on the present value of the estimated future cash flows. All gifts, bequests and other public support are included in unrestricted net assets unless they are specifically restricted by the donor's terms of the gift or grant instrument or require the passage of time.

Contributions initially recorded as temporarily restricted net assets are reclassified to unrestricted net assets when restrictions have been met.

Contributions received during the year whose restrictions are met in the same year are recorded and classified as unrestricted net assets. Contributions that must be maintained in perpetuity as endowments are classified as permanently restricted net assets.

The County of Los Angeles provides utilities for the Performing Arts Center per the operating agreement. The accompanying statements of activities include the estimated fair value of the cost of these utilities as operations revenue with an equivalent amount reflected as operations expenses.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with a maturity of three months or less.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are initially recorded at cost if purchased or at fair value at the date of donation if contributed. Subsequent to acquisition, investments are reported at fair value based upon market quotations or, if managed by fund managers, the fair value information provided by them. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period. At June 30, 2013 and 2012, PACLAC's investments mainly consisted of investments in Music Center Foundation ("MCF") funds and money market funds.

Investments Held for Capital Improvement Project

Investments held for capital improvement project include money market funds held by a trustee under the provision of bond indenture agreements to secure payments of principal and interest on the Series 2007 Revenue Bond (see Note 14).

Contributions Receivable

The Performing Arts Center records contributions receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. The Performing Arts Center discounts contributions receivable that are expected to be collected in future periods using a risk-adjusted rate of return based on the United States Treasury bill rate. The provision for allowances for uncollectible amounts is determined based on historical collection rates and specific identification of uncollectible accounts.

Property and Equipment

Under the terms of a sublease agreement with the County of Los Angeles, PACLAC transfers title of buildings, leasehold improvements and certain furniture and equipment upon purchase to the County of Los Angeles. PACLAC expenses these purchases as they are incurred. The aggregate expenditure of such items since the inception of PACLAC and its predecessors through June 30, 2013 and 2012 were $64,558,489 and $63,374,981, respectively, including $1,183,508 and $2,208,867 of purchases for the years ended June 30, 2013 and 2012, respectively. Property for which PACLAC retains title is recorded at cost and depreciated using the straight-line method over the estimated three- to ten-year useful lives of the related assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interests
Donors have established and funded trusts and endowments that are administered and controlled by organizations other than the Performing Arts Center. Under the terms of these trust/endowment agreements, the Performing Arts Center has the irrevocable right to receive all or a portion of the income earned on the trusts and endowments in perpetuity. The Performing Arts Center recognizes its beneficial interests and the changes in these trusts and endowments as permanently restricted net assets based on the fair value of the assets. Distributions of investment income from these trusts and endowments are included in interest and other investment income in the accompanying statement of activities and reflected as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Works of Art
In conformity with the practice followed by many cultural institutions, art objects purchased by or donated to PACLAC are not included in the statements of financial position. PACLAC's collection consists of art objects that are on exhibition. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed regularly. Purchased collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or in temporarily restricted net assets if the assets used to purchase the items are restricted by donors; contributed collection items are excluded from the financial statements.

Deferred Revenue
Deferred revenue represents monies received in advance of services rendered and relates principally to facility fee, restaurant construction, and education division activities. Revenue is recognized as obligations are satisfied.

Bonds Payable
Bonds payable are reported on a Net Basis. The basis is the sum of gross bonds payable plus bond premium less bond discount and bond issuance costs. Premiums and discounts are deferred and amortized over the life of the bonds. Issuance costs are deferred and amortized over the life of the bonds using the effective interest rate method.

Support to Resident Companies
The Blue Ribbon, one of PACLAC's community volunteer groups, provides annual support to the Resident Companies. The giving amount and distribution by Resident Company is at the discretion of the Board of Directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

A large number of volunteers provide fundraising, educational and clerical support to the Performing Arts Center's various programs. Donated services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing such skills.

Services Billing

PACLAC undertakes specialty maintenance, construction and production and event activities for the Resident Companies, other affiliated entities and the County of Los Angeles. PACLAC performs the activity and incurs the costs, then receives reimbursement for the costs.

Income Taxes

The Performing Arts Center is a California nonprofit public benefit corporation and is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying financial statements.

PACLAC has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Income Taxes" ("ASC 740"), formerly FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109. ASC 740 clarifies the accounting for uncertainty in income taxes. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2013, PACLAC had no material unrecognized/derecognized tax benefits or tax penalties or interest.

The federal income tax returns of PACLAC still open and subject to IRS examination are for the 2010 through 2013 tax years. The State of California income tax returns still open and subject to examination are also for the 2009 through 2013 tax years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of accounts receivable, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these financial instruments. The fair value of the long-term contributions receivable reflects the present value of payments to be received, discounted at risk-free interest rates for equivalent periods at the time of the contribution plus the risk premium equivalent to 1% of the outstanding pledge amount. The fair value of notes receivable are discounted using the corresponding credit rate and maturity terms. The carrying amounts of capital lease obligations approximate their fair values due to interest rates that approximate current market rates available to similar instruments. The fair value of liability for pension benefits has been estimated using actuarial assumptions related to future benefits to be paid, including the use of discount rates estimated based on yield on a portfolio of high-quality debt instruments with maturities approximating the remaining life of the projected benefit obligations. The fair value of beneficial interests is either determined by quoted market price or by fair value information provided by money managers. The investments' carrying values represent a reasonable estimate of fair values due to their short-term maturity. Investments are reflected at estimated fair value as described below.

The Performing Arts Center applies the provisions of FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), formerly SFAS No. 157, "Fair Value Measurements." ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

ASC 820 establishes a three-level valuation hierarchy of valuation techniques that is based on observable and unobservable inputs. Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. The first two inputs that may be used to measure fair value are considered observable and the last unobservable and include the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

At June 30, 2013, PACLAC has financial assets that consist of investments in equity, bonds and fixed income securities, which are measured at fair value using quoted prices for identical assets in an active market. The basis of fair value for PACLAC's investments and investments held for capital improvement project differs depending on the investment type. For certain investments, market value is based on quoted market prices. These are classified within Level 1 of the valuation hierarchy. Some investments are based on unobservable inputs such as net asset value, cash flows, discount rates and alternative investments, which are supported by little or no market activity; these are classified within Level 3 of the fair value hierarchy.

Concentration of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject PACLAC to concentrations of credit risk consist primarily of cash and cash equivalents, investments (including the beneficial interest held in the MCF) and pledges and receivables. PACLAC places its cash and cash equivalents with high-credit, quality financial institutions. These account balances usually exceed federally insured limits. However, PACLAC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

With respect to investments, PACLAC holds significant investments in the form of debt and equity securities with third-party money managers and with the MCF. PACLAC has never sustained a loss on any investment due to non-performance by these third parties and does not anticipate any non-performance by these third parties in the future.

With respect to pledges and receivables, PACLAC routinely assesses the financial strength of its debtors and believes that the pledges and receivables credit risk exposure is limited.

Financial instruments that potentially subject PACLAC to concentrations of credit risk consist primarily of receivables. PACLAC's ten largest donors accounted for 99% of contributions receivable at June 30, 2013 and 2012.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," to converge the guidance in U.S. GAAP and International Financial Reporting Standards ("IFRSs"). The amended guidance changes several aspects of the fair value measurement guidance in ASC Topic 820. In addition, the amended guidance includes several new fair value disclosure requirements, including among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements' sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material financial impact on PACLAC's financial statements.

In September 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-09, "Amendments to Disclosure Requirements on Employer's Participation in a Multiemployer Plan" ("ASU 2011-09"), which amends ASC Topic No. 715-80, "Compensation—Retirement Benefits—Multiemployer Plans." The update requires additional disclosures to increase awareness of the commitments and risks involved with participating in multiemployer pension plans. The update also requires employers to provide additional separate disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. ASU 2011-09 is effective for annual periods ending after December 15, 2012. Early adoption is permitted. The amendments should be applied retrospectively for all prior periods presented. Other than additional disclosures, management does not expect the adoption of this update to have a material impact on PACLAC's financial statements.

Recently Issued Accounting Pronouncements

In October 2012, the FASB issued ASU No. 2012-04, "Technical Corrections and Improvements." This update includes amendments that identify when the use of fair value should be linked to the definition of fair value in ASC Topic 820, "Fair Value Measurement." For nonpublic entities, the changes will be effective for fiscal periods beginning after December 15, 2013. PACLAC is in the process of assessing the effect that the guidance will have on its financial statements. PACLAC does not believe the guidance will have a material impact on PACLAC's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In October 2012, the FASB issued ASU No. 2012-05, "Statement of Cash Flows (Topic 230)." This amendment provides guidance on how not-for-profit entities should consistently classify cash receipts on the Statement of Cash Flows as they relate to the sale of certain donated financial assets. The changes are effective prospectively for the fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption for the beginning of the fiscal year of adoption is permitted. PACLAC is in the process of assessing the effect that the guidance will have on its financial statements. PACLAC does not believe the guidance will have a material impact on PACLAC's financial statements.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

As defined in ASC 820, fair value is 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 determining fair value, PACLAC uses the market approach. Based on this approach, PACLAC 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, PACLAC 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.

In accordance with ASC 820, the following tables represent PACLAC's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30:

	2013			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 138,590	$ -	$ 3,760,621	$ 3,899,211
Long-term investments	-	-	3,691,327	3,691,327
Investments held for capital improvement project	4,474,025	-	13,709,215	18,183,240
Beneficial interests	-	-	26,396,981	26,396,981
Total	**$ 4,612,615**	**$ -**	**$ 47,558,144**	**$ 52,170,759**

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	2012			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 121,577	$ -	$ 3,411,120	$ 3,532,697
Long-term investments	-	-	3,419,794	3,419,794
Investments held for capital improvement project	3,982,625	-	12,395,506	16,378,131
Beneficial interests	-	-	24,757,711	24,757,711
Total	**$ 4,104,202**	**$ -**	**$ 43,984,131**	**$ 48,088,333**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of June 30:

	2013			
	Investments			
	Harris Dance/ Harris Reserve/Blue Ribbon	Held for Capital Improvement Project	Beneficial Interest	Total
Beginning balance, June 30, 2012	$ 6,830,914	$ 12,395,506	$ 24,757,711	$ 43,984,131
Contributions	77,050	-	695,191	772,241
Distributions	(177,169)	-	(983,555)	(1,160,724)
Total gains or losses, realized or unrealized	721,153	1,313,709	1,927,634	3,962,496
Ending balance, June 30, 2013	**$ 7,451,948**	**$ 13,709,215**	**$ 26,396,981**	**$ 47,558,144**

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	2012			
	Investments			
	Harris Dance/ Harris Reserve/Blue Ribbon	Held for Capital Improvement Project	Beneficial Interest	Total
Beginning balance, June 30, 2011	$ 7,290,986	$ 12,885,999	$ 25,396,790	$ 45,573,775
Purchases, net	-	-	-	-
Contributions	200,521	-	94,146	294,667
Distributions	(359,917)	-	(969,512)	(1,329,429)
Total gains or losses, realized or unrealized	(300,676)	(490,493)	236,287	(554,882)
Ending balance, June 30, 2012	**$ 6,830,914**	**$ 12,395,506**	**$ 24,757,711**	**$ 43,984,131**

The following table represents the Foundation's level 3 financial instruments for the year ended March 31, 2013, 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 interests	26,396,981	Income Approach	Discount rate	1.94% - 2.54%

NOTE 4 – NET CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

	2013	2012
Amounts due		
In less than one year	$ 2,166,847	$ 1,713,524
In one to five years	3,225,000	3,325,000
In more than five years	18,725,000	19,200,000
Total gross contributions receivable	24,116,847	24,238,524
Less		
Allowance for doubtful amounts	203,778	208,883
Present value discount	5,811,834	6,284,039
Total contributions receivable, net	18,101,235	17,745,602
Less current portion of contributions receivable, net	2,088,344	1,628,136
Contributions receivable, net of current portion	**$16,012,891**	**$16,117,466**

NOTE 5 – INVESTMENTS AND INVESTMENTS HELD FOR CAPITAL IMPROVEMENT PROJECT

Investments consisted of the following as of June 30:

	2013	2012
MCF investments	$ 7,451,948	$ 6,830,914
Cash and money market	138,590	121,577
Total	**$ 7,590,538**	**$ 6,952,491**

Investments held for capital improvement project consisted of the following as of June 30:

	2013	2012
Cash and cash equivalents	$ 744,469	$ 253,188
Money market funds	3,729,555	3,729,437
MCF investments	13,709,216	12,395,506
Total	**$ 18,183,240**	**$ 16,378,131**

At June 30, 2013 and 2012, $1,711,518 of the investments held for capital improvement project were remaining proceeds from the California Infrastructure and Economic Development Bank Revenue Bond issuance. The balances were held in trust funds in accordance with the provision of the bond agreement (see Note 14).

The following tables summarize PACLAC's MCF investments at June 30, 2013, which are valued using the fair value practical expedient of net asset value in accordance with ASC 2009-12 Topic No. 820.

	Fair Value
Investments	$ 7,451,948
Investments held for capital improvements	13,709,216
Total MCF investments	**$ 21,161,164**

NOTE 5 – INVESTMENTS AND INVESTMENTS HELD FOR CAPITAL IMPROVEMENT PROJECT (Continued)

	Fair Value	Unfunded Redemption Commitments	Redemption Frequency	Redemption Notice Period
MCF investments				
MCF unitized fund[(a)]	$ 19,272,014	$ -	daily to annually	90–120 days
MCF partnership interest and other funds[(b)]	1,784,994	972,259	when partnership ceases	n/a
MCF cash	104,156	-		
Total MCF investments	**$ 21,161,164**	**$ 972,259**		

Unfunded commitments are commitments by the MCF and are expected to be funded from PACLAC's investment in the MCF unitized fund.

The following tables summarize PACLAC's MCF investments at June 30, 2012, which are valued using the fair value practical expedient of net asset value in accordance with ASC 2009-12 Topic No. 820.

	Fair Value
Investments	$ 6,830,914
Investments held for capital improvements	12,395,506
Total MCF investments	**$ 19,226,420**

NOTE 5 – INVESTMENTS AND INVESTMENTS HELD FOR CAPITAL IMPROVEMENT PROJECT (Continued)

	Fair Value	Unfunded Redemption Commitments	Redemption Frequency	Redemption Notice Period
MCF investments				
MCF unitized fund[(a)]	$ 17,631,612	$ -	daily to annually	90–120 days
MCF partnership interest and other funds[(b)]	1,457,497	933,248	when partnership ceases	n/a
MCF cash	137,311	-		
Total MCF investments	**$ 19,226,420**	**$ 933,248**		

(a) This is a unitized fund operated by MCF. Under the terms of the agreement with MCF, PACLAC may withdraw funds upon 90 days' notice or longer, since PACLAC's withdrawal ability is subject to the redemption notice period and frequencies of the underlying funds in which MCF has invested. Accordingly, a brief summary of the underlying funds is included below.

Approximately 26% of this fund includes investments in long-term and short-term equity funds mirroring S&P 500 sector weighting. The fair value of the investments in this category has been estimated using asset values per share of the investments and can be redeemed quarterly with a redemption fee up to 0.5% with 60 days' notice. Investments are subject to lockups or gates whereby the general partner retains the right to limit withdrawals from all limited partners to 10% of aggregated limited partner capital on any one withdrawal date. Further restrictions provide that 95% of investment can be withdrawn at once with the remainder to be paid out 30 days after completion of the fund's annual audit.

NOTE 5 – INVESTMENTS AND INVESTMENTS HELD FOR CAPITAL IMPROVEMENT PROJECT (Continued)

Approximately 12% of this fund includes investments in international (non-U.S.) equity funds. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed monthly with a 6-day notice period. Restrictions include a provision where the fund may suspend redemptions when it is impossible to determine the net asset value or in other emergency situations.

Approximately 21% of this fund includes investments in emerging market equity funds. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed quarterly or on the 1st or 15th of each month. Restrictions include a provision where the fund may suspend redemptions when it is impossible to determine the net asset value or in other emergency situations.

Approximately 7% of this fund includes investments in long-term and short-term equity-focused fund of hedge funds. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed annually on January 1 or quarterly/annually depending on share class with a 100-day and 60-day notice period, respectively. Restrictions include a provision where 90% of investment can be withdrawn at once with the remainder paid out 30 days after the completion of the fund’s annual audit, subject to withdrawal restrictions of underlying managers.

Approximately 4% of this fund includes investments in a commodity index fund backed by inflation-indexed bonds and long-term and short-term global natural resources securities, commodities and real assets funds. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed annually on December 31, with notice by November 1. Certain investments require a 90 day notice period. Restrictions include a provision where 90% of the investment can be withdrawn at once with the remainder paid promptly upon the completion of the fund’s annual audit. The fund may elect to suspend distributions when it is impossible to determine net asset value or any other emergency situations.

NOTE 5 – INVESTMENTS AND INVESTMENTS HELD FOR CAPITAL IMPROVEMENT PROJECT (Continued)

Approximately 19% of this fund includes investments in absolute return funds and emerging market long- and short-term funds. The fair values of the investments in this category are based on net asset values per share of the investments and can be redeemed upon various frequencies (September 30 and October 31 depending on share class, quarterly, annually, one-third on July 1, 2011, July 1, 2012 and July 1, 2013 with unredeemed amounts locked for 3 years, one-third on July 1, 2012, then rollover for another 3 years, at a 0.5% redemption fee). Investments representing 87% of the value of the investments in this category are subject to lockups or gates whereby the general partner retains the right to limit withdrawals from all limited partners to 20–25% of aggregated limited partner capital on any one withdrawal date. Further restrictions provide that 90–95% of these same investments can be withdrawn at once with the remainder to be paid out 30-45 days after completion of the fund's annual audit. Funds may elect to suspend distributions when it is impossible to determine net asset values or any other emergency situations.

Approximately 11% of this fund includes investments in high-quality, fixed income funds. The fair values of investments in this category are based on quoted market prices and can be redeemed daily with a one-day notice period, with no withdrawal restriction. However, the fund may elect to distribute securities in lieu of cash.

(b) This category includes investments in private equity partnerships, venture capital partnerships, real estate partnerships, distressed debt partnerships, energy sector partnerships and oil and gas partnerships. The fair value of the investments in this category has been estimated using the net asset value per share of the investments. All investments in this category cannot be redeemed other than by liquidation of partnerships over the estimated time period of 2013 through 2023. Restrictions are such that investment must be held until the partnership ends or interests are sold on secondary markets. Investments representing 1% of the total investments in this category can be redeemed when shares are distributed and restrictions lifted. Restrictions relating to these investments include a provision where there is no right to sell partnership interests until shares are distributed.

NOTE 6 – ACCOUNTS RECEIVABLE FROM RESIDENT COMPANIES

Accounts receivable from Resident Companies consisted of the following at June 30:

	2013	2012
Center Theatre Group	$ 399,274	$ 681,676
Los Angeles Opera	291,543	258,875
Los Angeles Master Chorale Association	30,993	19,819
Los Angeles Philharmonic Association	21,182	20,300
Total	**$ 742,992**	**$ 980,670**

NOTE 7 – OTHER RECEIVABLES

Other receivables consisted of the following at June 30:

	2013	2012
Education Division	$ 177,150	$ 257,281
Founders' members	67,525	78,534
Patina Group	215,207	213,940
Music Center Foundation	47,068	30,347
Los Angeles County	569	690,745
Other	169,334	278,044
Total	**$ 676,853**	**$ 1,548,891**

NOTE 8 – NOTES RECEIVABLE

On September 16, 2009, PACLAC and Los Angeles Opera (a resident company) entered into a Promissory Note agreement (the "Note") whereby PACLAC agreed to lend $3,000,000 to Los Angeles Opera. The Note had a maturity date of August 31, 2012 and bears interest at a per annum rate of 4.7%, payable quarterly, and is collateralized by a pledge receivable of LA Opera. On January 19, 2012, PACLAC and Los Angeles Opera entered into an amendment to the Note which extended the maturity date and provides annual payments of $1,000,000 on January 31, 2013, 2014 and 2015. On January 31, 2013, the Los Angeles Opera made the first scheduled $1,000,000 payment. Interest earned on this Note for the years ended June 30, 2013 and 2012 amounted to $121,415 and $141,000, respectively. Due to the uncertainty surrounding the expected maturity date and payment schedule, PACLAC has recorded a reserve of $700,000 against the Note.

NOTE 8 – NOTES RECEIVABLE (Continued)

Notes receivable consisted of the following at June 30:

	2013	2012
Los Angeles Opera	$ 2,000,000	$ 3,000,000
Other	24,693	27,244
Total gross notes receivable	2,024,693	3,027,244
Less allowance for uncollectible amounts	700,000	1,000,000
Total notes receivable, net	1,324,693	2,027,244
Less current portion of notes receivable	1,005,500	1,006,000
Notes receivable, net of current portion	**$ 319,193**	**$ 1,021,244**

NOTE 9 – FACILITY FEES

PACLAC, on behalf of Los Angeles County, collects a County Facility Fee charged on ticket sales at each of the Performing Arts Center venues pursuant to various arrangements, including Resident Companies Subleases. PACLAC also acts on behalf of the County in disbursing such fees for various improvements to or at those venues. New agreements were entered into in 2006 to continue with such arrangement retroactively. PACLAC defers facility fees at the time of ticket sales and recognizes them as revenue only when improvement disbursement has incurred. At June 30, 2013, the County Facility Fee receivable and deferred revenue were $216,159 and $1,982,475, respectively, reflecting Resident Companies payments of County Facility Fees along with payments received from Los Angeles County for reimbursement of improvement expenditures.

At June 30, 2012, the receivable and deferred revenue were $201,031 and $3,444,704, respectively. For the years ended June 30, 2013 and 2012, PACLAC recognized $4,579,232 and $4,705,620, respectively, in County Facility Fee income. County Facility Fee income for the year ended June 30, 2013 was recorded under facility fee and Mark Taper Forum on the statement of activities.

NOTE 10 – RESTAURANT, FOOD AND BEVERAGE SERVICE AND CATERING AGREEMENT

In fiscal year 2003, PACLAC executed an agreement ("Agreement") that licensed RA Music, Inc. to operate and manage the Performing Arts Center's restaurants, catering and other food service operations. Under the agreement, RA Music, Inc. pays PACLAC monthly license fees based upon a percentage of the gross receipts generated by the Food Service Operations. In addition, RA Music, Inc. agreed to pay PACLAC $7,330,000 principally to help fund leasehold improvements to the Food Service Operations premises. The agreement initially expired in 2010; however, RA Music, Inc. has the option to extend the agreement for two consecutive periods of five years each. The extension requires additional payments by RA Music, Inc. of $200,000 for the first renewal period and $1,000,000 for the second renewal period.

During the fiscal year 2010, RA Music, Inc. exercised the first option and paid $200,000 to the Performing Arts Center to extend the length of the agreement for an additional five years to 2015. During fiscal 2013, RA Music, Inc. exercised the second option to extend the length of the Agreement for a further five years to 2010 and is required to pay PACLAC $1,000,000 on or before August 15, 2014 ("Renewal Requirement"). Under the Agreement, PACLAC is obligated to pay repairs and replacement of all restaurant and food service equipment except for routine maintenance. As RA Music, Inc. desires to expend funds on upgrading select equipment ("Improvement Expenditures") it was agreed, subject to consent provisions by PACLAC and RA Music, Inc. that RA Music Inc. could expend funds on Improvement Expenditures and that RA Music, Inc. will receive a credit equal to the amount of the cost of these Improvement Expenditures against the $1,000,000 Renewal Requirement. Therefore on or before August 15, 2014, RA Music, Inc. will either pay PACLAC the balance due under the Renewal Requirement or, with PACLAC's consent, expend the equivalent amount in improvements at the Music Center. During fiscal year 2013, Improvement Expenditures totaled $83,167, and the Renewal Requirement balance due was $916,833.

The agreement also provides various termination conditions, one of which allows either party to end the agreement without cause after the twelfth year. If RA Music, Inc. were to exercise that right, PACLAC would be required to repay RA Music, Inc. the unamortized portion of the construction contribution. The agreement stipulates that for such purposes the construction contribution should be amortized using the straight-line method over the 17-year life of the agreement.

PACLAC initially reflected receipts of the construction contribution as deferred revenue. Beginning in fiscal year 2004, with the opening of the related food service facilities, these amounts are being recognized ratably as restaurant income over the 17-year life of the agreement.

NOTE 10 – RESTAURANT, FOOD AND BEVERAGE SERVICE AND CATERING AGREEMENT (Continued)

Deferred revenue related to the construction contribution at June 30 was as follows:

	2013	2012
Deferred revenue, current portion	$ 465,336	$ 454,488
Deferred revenue, long-term portion	2,869,635	3,257,228
Total	**$ 3,334,971**	**$ 3,711,716**

Leasehold improvement costs incurred for Food Service Operations premises have been capitalized, are reflected as contract acquisition costs in the accompanying statements of financial position and are being amortized ratably over the 17-year life of the agreement beginning in fiscal year 2004.

PACLAC recognized approximately $459,912 and $454,488 as restaurant income related to the construction contribution during fiscal years 2013 and 2012, respectively.

Total contract acquisition costs and related amortization were as follows at June 30:

	2013	2012
Contract acquisition costs	$ 16,844,469	$ 16,761,302
Less accumulated amortization	9,579,432	8,571,132
Contract acquisition costs, net	**$ 7,265,037**	**$ 8,190,170**

Such amortization expense was approximately $1,008,300 and $1,002,876 during fiscal years 2013 and 2012, respectively.

PACLAC recognized $1,244,881 and $1,178,656 in license fees for food service operations from RA Music, Inc. for the years ended June 30, 2013 and 2012, respectively.

NOTE 11 – NET PROPERTY AND EQUIPMENT

Net property and equipment consisted of the following at June 30:

	2013	2012
Furniture, phone and office equipment	$ 1,901,147	$ 1,890,169
Computer equipment	1,301,120	1,557,402
Leasehold improvements	37,700	37,700
Automotive equipment	6,486	6,486
	3,246,453	3,491,757
Less accumulated depreciation and amortization	2,418,576	2,567,129
Property and equipment, net	**$ 827,877**	**$ 924,628**

Depreciation expense amounted to $261,939 and $216,409 for the years ended June 30, 2013 and 2012, respectively.

NOTE 12 – BENEFICIAL INTERESTS

All of PACLAC's beneficial interests are administered and controlled by other organizations as follows at June 30:

	2013	2012
Split-interest agreements – Harris Trust and Maiorani Trust	$ 3,496,374	$ 3,329,692
Music Center Foundation	22,900,607	21,428,019
Total	**$ 26,396,981**	**$ 24,757,711**

The majority of the split interests represent PACLAC's 6.25% interest in the Harris Trust, which is invested in marketable investments held by a trustee. The first 75% of the trust fund is being distributed to the beneficiaries at a rate of 5% per year in the ten-year period starting fiscal year 2006. The remaining 25% of the trust fund, to be allocated at the discretion of the Board of Directors of the Harris Trust, is expected to be distributed in the same manner as the first 75% of the fund.

NOTE 13 – ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30:

	2013	2012
Accrued compensation, vacation and benefit plans	$ 1,962,011	$ 1,805,822
Other	135,461	138,730
Total accrued expenses	**$ 2,097,472**	**$ 1,944,552**

NOTE 14 – LONG-TERM DEBTS

Bonds Payable

In May 2007, the California Infrastructure and Economic Development Bank issued the California Infrastructure and Economic Development Bank Revenue Bonds (Performing Arts Center of Los Angeles County Series 2007) (the "Bonds") with a total borrowing of $27,530,000 on behalf of PACLAC. The purpose of issuing the 2007 Revenue Bonds was to finance the Mark Taper Forum capital improvement project. The Bonds consist of serial and term bonds that mature from December 1, 2009 to December 1, 2042. The Bonds were issued at a net premium of $943,809. Bonds issuance costs incurred amounted to $834,021, which are amortized over the term of the Bonds. The net Bonds payable at June 30, 2013 reflects the gross Bonds payable plus premium less bond issuance costs. The amortization of the Bonds' premium costs were $34,793 and $35,213 during the years ended June 30, 2013 and 2012, respectively. The amortization of the Bonds' issuance costs was $33,312 and $33,720 during the years ended June 30, 2013 and 2012, respectively.

Interest rates on the Bonds are as follows:

Bonds Payable	Interest Rate
$ 1,740,000	4.00%
480,000	4.13%
500,000	4.20%
525,000	4.25%
545,000	4.30%
570,000	4.38%
21,680,000	5.00%
$ 26,040,000	

NOTE 14 – LONG-TERM DEBTS (Continued)

Interest expense during the years ended June 30, 2013 and 2012 was $1,236,876 and $1,287,218, respectively.

PACLAC is not subject to financial covenants nor was it required to pledge its assets.

The proceeds received from the Bonds issuance were required to be deposited with a trustee in four funds: project fund, debt service reserve fund, capitalized interest fund and costs of issuance fund. The following proceeds from the Bonds issuance were remaining in the debt service reserve fund at June 30:

	2013	2012
Total cash and money market	**$ 1,711,518**	**$ 1,711,508**

Capital Leases Obligation

Property costs at June 30, 2013 include $1,010,258 of copier, mailroom and telephone equipment under leases that have been capitalized and expire in fiscal year 2014, 2015, 2016 and 2017. Accumulated depreciation for such equipment was $338,298 at June 30, 2013.

Future payments of the long-term debts are as follows:

Years Ending June 30,	Capital Lease Obligation	Bonds Payable
2014	$ 196,726	$ 410,000
2015	185,539	425,000
2016	179,549	445,000
2017	99,655	460,000
2018 – 2022	5,827	2,620,000
2023 – 2027	-	3,310,000
2028 – 2032	-	4,255,000
2033 – 2037	-	5,460,000
2038 – 2042	-	7,025,000
2043	-	1,630,000
Total	667,296	26,040,000
Add unamortized bond premium, net	-	723,533
Less unamortized bond issuance costs	-	625,324
Less current maturities	196,726	410,000
Long-term	**$ 470,570**	**$ 25,728,209**

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	2013	2012
Dance Fund	$ 3,181,046	$ 3,034,386
Active Arts	380,000	200,000
Founders	540,281	505,711
Blue Ribbon	551,606	419,590
Other funds	414,408	281,420
For periods after June 30	9,906,871	9,877,752
Total temporarily restricted net assets	**$ 14,974,212**	**$ 14,318,859**

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS

The permanently restricted net assets consist of the following:

	2013	2012
Beneficial interests in perpetual trust at		
Music Center Foundation	$ 17,817,229	$ 16,885,687
Other institutions	3,496,374	3,329,692
Pledge receivable held by PACLAC	5,083,378	4,542,332
Investment in transit	7,600	1,400
Pledges receivable to be placed into perpetual trust at the Music Center Foundation	7,339,311	7,842,479
Total	**$ 33,743,892**	**$ 32,601,590**

PACLAC has been advised that beneficial interests in perpetual trusts are not subject to UPMIFA and are therefore not subject to the disclosure requirements of FSP 117-1. The following, however, is a description of the general investment and distribution policies currently being followed by the MCF.

Return Objectives and Risk Parameters

To satisfy its long-term rate-of objectives, the MCF 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 MCF 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.

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The MCF has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value (excluding pledges receivable) over the prior twelve quarters through the preceding fiscal year in which the distribution is planned. In establishing this policy, the MCF considered the long-term expected return on its endowment and operating expenses. Accordingly, over the long term, the MCF expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with the MCF'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 MCF 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 MCF and the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the MCF
7. The investment policies of the MCF

PACLAC's permanently restricted net assets were available for the following purposes at June 30:

	2013	2012
Education division	$ 9,184,310	$ 8,364,060
Children's festival	5,958,377	5,727,391
Spotlight program	1,154,188	1,058,904
Dance presentations	9,996,487	10,380,792
Other programs	7,450,530	7,070,443
Total permanently restricted net assets	**$ 33,743,892**	**$ 32,601,590**

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy (Continued)
Changes in permanently restricted net assets for the year ended June 30, 2013 are as follows:

	Permanently Restricted
Balance, beginning of year	$ 32,601,590
Investment income	1,927,634
Contributions	198,223
Distributions	(983,555)
Balance, end of year	**$ 33,743,892**

NOTE 17 – CHANGES IN UNRESTRICTED NET ASSETS

Changes in unrestricted net assets consisted of the following for the year ended June 30, 2013:

	Total Revenue	Total Expenses	Net
Center/Park operations	$ 37,143,807	$ 37,142,575	$ 1,232
Presenting/programming	6,476,944	6,476,944	-
Education/Spotlight	3,745,778	3,745,778	-
Founders	1,422,684	1,422,684	-
Resident Company allocations	1,092,080	1,092,080	-
Other	3,291,990	3,198,264	93,726
Total operating activities	53,173,283	53,078,325	94,958
Mark Taper Forum	2,400,504	1,283,272	1,117,232
Restaurants	459,912	504,150	(44,238)
Other capital projects	1,347,744	(8,912)	1,356,656
Total capital activities	4,208,160	1,778,510	2,429,650
Net periodic pension plan cost	-	(658,043)	658,043
Grand total	**$ 57,381,443**	**$ 54,198,792**	**$ 3,182,651**

NOTE 18 – RETIREMENT PLANS

Defined Pension Plan

The Performing Arts Center sponsors a defined benefit pension plan (the "Plan"). Effective on June 30, 2009, the Board decided to freeze the defined benefit plan. Benefits are based on years of service and employees' annual compensation.

The following sets forth the components of net periodic benefit cost and the obligations and funded status of the defined benefit plan. Valuations of assets and liabilities are determined using a measurement date of June 30, 2013.

Net periodic benefit cost consisted of the following for the years ended June 30:

	2013	2012
Service cost	$ 26,000	$ 26,375
Interest cost	815,484	867,445
Expected return on plan assets	(1,085,205)	(978,258)
Recognized actuarial loss	111,166	30,474
Net periodic (benefit)	**$ (132,555)**	**(53,964)**

Obligation status was as follows at June 30:

	2013	2012
Change in benefit obligation		
Benefit obligation, beginning of year	$ 20,782,499	$ 16,137,445
Service cost	26,000	26,375
Interest cost	815,484	867,445
Assumption change (gain) loss	(1,777,267)	4,074,079
Actuarial loss	249,891	230,315
Estimated administrative expense	(25,000)	(25,000)
Benefits paid	(581,858)	(528,160)
Benefit obligation, end of year	**$ 19,489,749**	**$ 20,782,499**

NOTE 18 – RETIREMENT PLANS (Continued)

Defined Pension Plan (Continued)
Funded status was as follows at June 30:

	2013	2012
Change in plan assets		
Fair value of plan assets, beginning of year	$ 17,090,855	$ 15,304,677
Actual return on plan assets	206,395	2,208,996
Employer contributions	-	222,348
Actual administrative expenses and benefits paid	(699,547)	(645,166)
Fair value of plan assets, end of year	**$ 16,597,703**	**$ 17,090,855**
Funded status	**$ (2,901,046)**	**$ (3,691,644)**

During the year ended June 30, 2013, PACLAC also recorded the actuarial gain as an adjustment to net assets.

The following represents pension costs directly charged to net assets:

	2013	2012
Accumulated net adjustment to net assets, beginning of year	$ (5,782,296)	$ (2,647,108)
Current year change		
Actuarial gain (loss) during the year	546,877	(3,165,662)
Amortization of net gain	111,166	30,474
	658,043	(3,135,188)
Accumulated net adjustment to net assets, end of year	**$ (5,124,253)**	**$ (5,782,296)**

NOTE 18 – RETIREMENT PLANS (Continued)

Defined Pension Plan (Continued)

Investment Policy

PACLAC has established a Retirement Plan Administration Committee (the "Committee") to provide oversight to the Plan. To develop the expected long-term rate of return on asset assumptions, PACLAC considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. The Committee determined that the totality of the factors suggest that the Plan can tolerate moderate fluctuations in market value and rates of return in order to achieve long-term objectives.

The Plan assets will be managed to meet or exceed the target rate of return for the Plan. The target is presently at 6.5% which is equal to the Plan's actuarial assumption. This target rate will be subject to adjustment. To satisfy its long-term rate of return objectives, the Plan assets will be managed on a total return basis recognizing the importance of the balance between risk and reward and the preservation of capital.

The Committee targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within risk constraints. The Plan's strategic allocation is based on the long-term perspective greater than five years. Short-term liquidity requirements should be maintained to the extent necessary to address net cash flows from contributions and Plan expenses and benefit payments.

The Plan's investment policy includes the following guidelines provided to the investment manager:

- Allowable types of investments
- Asset allocation and rebalancing
- Securities roles and guidelines
- Risk tolerance
- Actuarial policy
- Periodic review and monitoring of investments

Assumptions

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (the RP-2000 Healthy Combined Mortality Table was used), (b) retirement age assumptions (active participants below age 65 and vested terminated participants will retire at age 65; active participants age 65 and older will retire immediately) and (c) interest discount rate (4.0%).

NOTE 18 – RETIREMENT PLANS (Continued)

Defined Pension Plan (Continued)
Assumptions (Continued)
Weighted-average assumptions used to determine benefit obligations were as follows at June 30:

	2013	2012
Discount rate	4.60%	4.00%
Expected long-term rate of return on assets	6.50%	6.50%

The discount rate is estimated based on the yield on a portfolio of high-quality debt instruments. It fluctuates according to the general level the interest rate rises or declines. PACLAC re-evaluates the discount rate on an annual basis.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits.

Plan Assets Investment Valuation and Income Recognition
The Plan's investments are reported at fair value. Fair value is 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.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for its investments are deducted from income earned on a daily basis and are separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for applicable investments.

Plan assets are invested in various asset classes that are expected to produce a sufficient level of diversification and investment return over the long-term. The investment goals are (1) to meet or exceed the assumed actuarial rate of return over the long term within reasonable and prudent levels of risk and (2) to preserve the real purchasing power of assets to meet future obligations. Risk targets are established and monitored against acceptable ranges.

All investment policies and procedures are designed to ensure that the Plan's investments are in compliance with the Employment Retirement Income Security Act ("ERISA"). Guidelines are established defining permitted investments within each asset class.

NOTE 18 – RETIREMENT PLANS (Continued)

Defined Pension Plan (Continued)
Plan Assets Investment Valuation and Income Recognition (Continued)
Following are descriptions of the valuation methodologies used for assets measured at fair value.

Cash equivalents:	Valued at carrying value, which approximates fair value due to the short-term nature of such investments
U.S. government bonds:	Valued at the closing price reported on the active market on which the individual securities are traded
Mutual funds:	Valued at the net asset value ("NAV") of shares held by the Plan at year-end
Common stocks:	Valued at the closing price reported on the active market on which the individual stocks are traded
Real estate investment trust:	Valued at the closing price reported on the active market on which the individual shares are traded

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan 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.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2013:

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 291,419	$ -	$ -	$ 291,419
Fixed income	9,528,911	5,257	-	9,534,168
Common stocks	5,232,242	-	-	5,232,242
Real estate investment trust	651,604	-	-	651,604
Commodities	888,270	-	-	888,270
Total	**$ 16,592,446**	**$ 5,257**	**$ -**	**$ 16,597,703**

NOTE 18 – RETIREMENT PLANS (Continued)

Defined Pension Plan (Continued)
Plan Assets Investment Valuation and Income Recognition (Continued)
The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2012:

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 915,964	$ -	$ -	$ 915,964
Fixed income	9,679,325	8,317	-	9,687,642
Common stocks	5,097,931	-	-	5,097,931
Real estate investment trust	440,421	-	-	440,421
Commodities	948,897	-	-	948,897
Total	**$17,082,538**	**$ 8,317**	**$ -**	**$17,090,855**

Asset allocations by asset category were as follows at June 30:

	2013	2012
Asset category		
Cash equivalents	1.8%	5.4%
Fixed income	57.4%	56.7%
Common stocks	31.5%	29.8%
Real estate	3.9%	2.6%
Commodities	5.4%	5.5%
Total	**100.0%**	**100.0%**

The Performing Arts Center did not contribute to the defined benefit plan for the fiscal year ending June 30, 2013.

NOTE 18 – RETIREMENT PLANS (Continued)

Defined Pension Plan (Continued)
Plan Assets Investment Valuation and Income Recognition (Continued)
Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending June 30,	
2014	725,858
2015	785,188
2016	821,260
2017	878,758
2018	957,813
2019 – 2023	5,300,284
Total	**$ 9,469,161**

Defined Contribution Plan
The Performing Arts Center also sponsors a defined contribution plan covering eligible non-union employees. Participants can elect to contribute 3% to 25% of their pretax annual compensation, as defined in the Plan, subject to Internal Revenue Service withholding rules. The Performing Arts Center contributes 100% of the first 3% and 50% of the next 2% of the base compensation that a participant contributes to the plan. Employer contributions to the plan amounted to $382,738 and $353,964 in 2013 and 2012, respectively.

Pension Liability
Certain employees of PACLAC are covered by union-sponsored, collectively bargained, multi-employer pension and welfare plans. The plans are "underwater" as of June 30, 2013; however the plans have not specified any amounts, and PACLAC is not able to determine its allocated portion of the unfunded vested liability, if any, under these plans. According to the accounting policies generally accepted in the United States of America, no liability is required to be recorded by a participant in an underwater multi-employer premium plan, except when a participant withdraws from such plan.

NOTE 18 – RETIREMENT PLANS (Continued)

Pension Liability (Continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status/Pending/ Implemented
		2013	2012	
I.A.T.S.E. Local 33 Trust Fund	95-6377503/001	Green	Green	No
League – ATPAM Pension Fund	13-298856/001	Green as of 8/31/2012	Green as of 8/31/2011	No
Central Pension Fund of the International Union of Operating Engineers and Participating Employers	36-6052390/001	Green	Green	No
American Federation of Musicians and Employers Pension Fund	51-6120204/001	Red	Red	RP Implemented

Pension Fund	Contributions of PACLAC		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
	2013	2012		
I.A.T.S.E. Local 33 Trust Fund	404,548	397,743	No	12/31/17 [(a)]
League – ATPAM Pension Fund	39,016	35,355	No	08/31/14
Central Pension Fund of the International Union of Operating Engineers and Participating Employers	225,536	204,390	No	10/31/16 [(b)]
American Federation of Musicians and Employers Pension Fund	37,552	-	No	12/31/11 [(c)]

(a) December 31, 2017 and thereafter from year to year, unless either party gives notice in writing to the other during the period August 1, 2017 through October 1, 2017 or during a like period in subsequent years, proposing modifications and amendments.

NOTE 18 – RETIREMENT PLANS (Continued)

Pension Liability (Continued)

(b) October 31, 2016 and from year to year thereafter, subject to amendment or modification affecting changes and conditions of employment; it being understood that either party wishing to amend or to terminate the Agreement shall give the other party written notice sixty days prior to November 1, 2016 that changes are desired.

(c) December 31, 2011 and from calendar year to calendar year thereafter unless written notice is given by either party to the other of its desire to terminate or modify the Agreement as provided in 29 USC section 158(d). As of June 30, 2013, negotiations were underway for a new contract.

NOTE 19 – PROPERTY MANAGEMENT

PACLAC leases office space to certain sub-licensees on a short-term basis under the operating sublease agreement with the County of Los Angeles. For the years ended June 30, 2013 and 2012, rental income from these leases was $407,640 and $408,640, respectively.

NOTE 20 – CAPITAL PROJECTS

During the year ended June 30, 2013, PACLAC received $172,500 of additional funding from the County of Los Angeles for capital purposes. During the year ended June 30, 2012, PACLAC received no additional funding from the County of Los Angeles for capital purposes.

NOTE 21 – FOUNDERS ROOMS OPERATIONS

Earned income from and expenses related to the operation of the Founders Rooms were $889,526 and $1,261,483, respectively, during fiscal year 2013 and are reflected as components of education and outreach revenue and education and outreach expenses, respectively, in the accompanying statement of activities. In addition, during fiscal year 2013, PACLAC received a total of $898,408 in contributions from Founders members, of which $346,801 was recorded as unrestricted contributions, as restrictions (through the operation of the Founders Rooms and the Music Center) are met in the same year the contributions are received, and $551,607 was recorded as restricted contributions as this relates to fiscal year 2014 operations support. A total of $505,711 in contributions received and restricted in fiscal year 2012 was released in fiscal year 2013.

NOTE 22 – COMMITMENTS AND CONTINGENCIES

Employment Agreements

PACLAC has employment agreements with key executives. The minimum payments under these agreements are summarized below:

Fiscal Years Ending June 30,	
2014	1,143,904
2015	684,355
2016	45,833
Total	**$ 1,874,092**

A key executive employee is entitled to an annual bonus of up to 20% of their base compensation, which is subject to the approval by the Chairman of the Board. Another key executive employee is entitled to an annual bonus of up to 10% of their base compensation, which is subject to approval by the President of PACLAC. There are six key executive employees who are participants in the Supplemental Savings Plan, the deferral amount of which is determined in accordance with section 457(e)(15) code of the Internal Revenue Service. At June 30, 2013, total deferred compensation related to the Supplemental Savings Plan was $273,936 and was reflected as an accrued liability in this financial statement.

Legal Proceedings

The Performing Arts Center is, from time to time, the subject of litigation, claims and assessments arising out of matters occurring in its normal business operations. PACLAC has insurance coverage to provide protection against certain contingencies. In the opinion of management, resolution of these matters will not have a material adverse effect on the Performing Arts Center's financial position or results of operations.

NOTE 23 – RELATED PARTY TRANSACTIONS

Contributions and pledges received from the Board of Directors for the fiscal year 2013 annual campaign totaled $2,367,813.

NOTE 24 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 1, 2013, which is the date the financial statements were issued or available to be issued.