

**PERFORMING ARTS CENTER AUTHORITY
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

PERFORMING ARTS CENTER AUTHORITY

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Performing Arts Center Authority
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Performing Arts Center Authority (the "Authority"), as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Broward Performing Arts Foundation, Inc. a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Broward Performing Arts Foundation, Inc. a discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Performing Arts Center Authority and the Broward Performing Arts Foundation, Inc. discretely presented component unit, as of September 30, 2020, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of a Matter

Tri-Party Grant Agreement

As per Article 6.4 of the Tri-Party Grant Agreement entered into by Broward County, the City of Fort Lauderdale, and the Authority, the agreement requires an opinion whether funds received by the Authority were expended in accordance with the original terms of the agreement. Note 17 includes required disclosures regarding funding received and amounts expended. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the Authority'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 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 Authority's internal control over financial reporting and compliance.

Caballero Fierman Llerena & Garcia, LLP

Miramar, Florida
January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

The audited financial statements for the Performing Arts Center Authority (the "Authority"), d/b/a Broward Center for the Performing Arts (the "Center"), for its fiscal year ended September 30, 2020 is presented in the format and content required by the Governmental Accounting Standards Board.

As in previous years, the Authority presents its financial statements and results for the fiscal year ending September 30, 2020 on a full accrual basis and as a single enterprise fund. The financial statements also include its discretely presented component unit. Furthermore, the "Statements of Net Position", the "Statements of Revenues, Expenses and Changes in Net Position", and the "Statements of Cash Flows" are described below and presented after this Management's Discussion and Analysis.

The statement of net position provides information on the assets available to the Authority, as of the end of the fiscal year, to support future operations of the Authority and the liabilities owed by the Authority that have to be reduced or paid off by the liquidity of current or future assets. This statement also identifies the accumulated position of unrestricted and restricted capital contributions and the impact of net operating results and non-operating transactions that have transpired since the inception of the Authority. The statement of revenues, expenses, and changes in net position display the results from the normal operations of the activities managed by the Authority and the fiscal year's impact on the net position in the Authority's statement of net position. The statement of cash flows contains the positive and negative changes in the Authority's cash balance resulting from all the financing and operational activities of the Authority during the current fiscal year. The combination of these three statements provides the reader with a comprehensive overview of the Authority's operational results for this fiscal year and of its capabilities to support the future operations and management of the Authority and its venues.

Current Year Highlights:

The Authority's operations for the fiscal year were significantly impacted by the COVID-19 pandemic and the resulting government mandatory closure of all of the Authority's venues. The mandatory closure was effective March 13, 2020 (less than six months into the fiscal year), lasted through the end of the fiscal year, and impacted all in-person performances, classes, events, and activities.

For the nearly six months that the Authority was operational, it presented over 530 performances and events which were viewed by more than 315,000 attendees at the Center and its affiliated venues, Parker Playhouse, the Rose and Alfred Miniaci Performing Arts Center and the Aventura Arts and Culture Center. The Center's Broadway in Fort Lauderdale season of four titles and 60 performances included the fan favorite *Les Misérables*, the nearly sold out run of *Aladdin* and the popular *Mean Girls*, whose run was interrupted by the sudden pandemic closure requirement. Audiences enjoyed many sold-out performances across genres from concerts to comedy and family fare. Sold-out titles in the Center's 2,658-seat Au-Rene Theater included performances such as *John Fogerty*, *Willie Nelson*, *Lindsey Stirling*, *Baby Shark Live*, and *Bippi*, among others.

The Center's Rose Miniaci Arts Education Center continues to be the cornerstone for the Center's arts in education programs reaching more than 62,000 students of all ages during the year – from the youngest participants in mommy and me classes, to the Student Enrichment in the Arts (SEAS) program with the Broward County Public School students, to adult acting and singing classes. The Authority's Summer Theater Camp – the ultimate performing arts camp experience – transitioned to a virtual model and continued to sell to capacity, with rave reviews from parents and students.

The Center continues to be in the forefront of creating patron experiences that are as easy, rewarding, comfortable and satisfying as possible through its accessibility initiatives. The Center provides audio description, assisted listening devices, open captioning, sign language interpretation, braille/large print librettos, and wheelchairs at no cost to our patrons. Additionally, the Center continues its work relating to sensory-friendly performances, which create a performing arts experience in a comfortable, relaxed, judgment-free zone that is welcoming to all families with those who have developmental disabilities and sensory sensitivities. During the year six sensory-friendly performances were offered.

The Center's 584-seat Amaturio Theater presented 202 performances with more than 73,000 attendees, including 44 performances by the Authority's arts partner, the Slow Burn Theatre Company, with the titles *Shrek*, *A Christmas Story*, and *Groundhog Day*.

The historic 1,168-seat Parker Playhouse presented 55 performances and events with more than 38,000 attendees. Nearly sold-out presentations at Parker Playhouse crossed all genres, and included Trisha Yearwood, Kenny G, Straight Up with Stassi Live, Engelbert Humperdink and Kris Kristofferson. The Parker Playhouse temporarily closed in October and November 2019, and again in March 2020 through the end of the fiscal year to continue the second phase of Act II – Transforming the Parker Playhouse, a \$30 million renovation and expansion.

The Authority's Partners in the Arts continue to be an important part of the Authority's robust artistic offerings and include: 1) Broadway In Fort Lauderdale which brings Broadway to Broward with first-run Broadway productions, touring shows, the best of West End London; 2) Florida Grand Opera, one of the nation's elite opera companies since 1941, the Florida Grand Opera has long dazzled its audience with critically-acclaimed artists performing opera's finest repertory; 3) Gold Coast Jazz Society, in

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

its 21st season, presents concerts featuring jazz, pop and big band artists in the Center's intimate Amaturio Theater; 4) Miami City Ballet, a world-caliber company with a unique South Florida ambiance is one of the most exciting ballet companies in the country; and 5) Symphony of the Americas, brings the best of classical music to the multicultural population of South Florida and presents a diverse orchestral repertoire at intimately scaled concerts with a wide range of international guest artists.

The Authority realized an operating loss of \$65,855 before depreciation of \$3,832,397 and non-operating revenue (expense) of \$12,297,837. There was an increase in non-operating revenue (expense) of \$7,021,890. This increase was the result of higher capital contribution that the Authority received from the Broward Performing Arts Foundation, Inc. (the "Foundation"), Broward County and the City of Fort Lauderdale to benefit the Authority's capital replacement and renewal plan for the Center and the Parker Playhouse. This resulted in the change in net position of \$8,399,585 for the year.

The Authority continued to provide certain management services for the Broward Performing Arts Foundation, Inc. (the "Foundation"), a discretely presented component unit of the Authority. These services, which were implemented during fiscal year 2009, include the management of Foundation sponsored shows and events that are presented at the Authority's venues or venues managed by the Authority. The Authority's management of these performances/events includes, but is not limited to, booking and contracting with artists, acts, promoters and/or co-presenters on behalf of, and for the benefit of the Foundation. The Foundation pays the Authority certain fees and charges related to the performances/events. The Foundation is entitled to all gross proceeds generated from ticket sales from the performances/events, net of all costs for the performances/events.

Management's Discussion and Analysis continues on following page.

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

**Performing Arts Center Authority - Primary Government
Condensed Financial Information**

<u>Assets</u>	2020	2019	\$ Change	% Change
Current assets	\$ 11,378,237	\$ 18,021,813	\$ (6,643,576)	-36.9%
Capital assets, net	74,799,662	66,279,260	8,520,402	12.9%
Other non-current assets	645,821	704,125	(58,304)	-8.3%
Total Assets	86,823,720	85,005,198	1,818,522	2.1%
<u>Liabilities</u>				
Current liabilities	6,081,669	10,710,686	(4,629,017)	-43.2%
Long-term liabilities	5,491,000	7,443,046	(1,952,046)	-26.2%
Total Liabilities	11,572,669	18,153,732	(6,581,063)	-36.3%
<u>Net Position</u>				
Net investment in capital assets	66,271,785	57,323,953	8,947,832	15.6%
Restricted for construction	1,077,748	1,580,308	(502,560)	-31.8%
Unrestricted	7,901,518	7,947,205	(45,687)	-0.6%
Total Net Position	\$ 75,251,051	\$ 66,851,466	\$ 8,399,585	12.6%
<u>Revenues</u>				
Programming revenues	\$ 4,531,009	\$ 10,144,840	\$ (5,613,831)	-55.3%
Services revenues	6,187,180	14,307,849	(8,120,669)	-56.8%
Other revenues	2,718,285	3,566,610	(848,325)	-23.8%
Governmental	1,320,619	1,428,128	(107,509)	-7.5%
Contributions	3,852,778	3,260,080	592,698	18.2%
In-kind/donated services	616,814	1,161,057	(544,243)	-46.9%
Total Revenues	19,226,685	33,868,564	(14,641,879)	-43.2%
<u>Operating Expenses</u>				
Salaries & benefit expenses	9,124,102	11,374,423	(2,250,321)	-19.8%
Programming expenses	2,576,479	4,513,246	(1,936,767)	-42.9%
Food & beverage	1,548,849	2,896,193	(1,347,344)	-46.5%
General & administrative	5,426,296	8,621,541	(3,195,245)	-37.1%
In-kind/donated services	616,814	1,161,057	(544,243)	-46.9%
Total Operating Expenses	19,292,540	28,566,460	(9,273,920)	-32.5%
Operating Income/(Loss) before Depreciation and Non-Operating Revenues	(65,855)	5,302,104	(5,367,959)	-101.2%
Depreciation Expense	3,832,397	3,905,617	(73,220)	-1.9%
Operating Income/(Loss) before Non-Operating Revenues	(3,898,252)	1,396,487	(5,294,739)	379.1%
Capital contribution	12,927,750	5,690,169	7,237,581	127.2%
Non capitalizable project expenses	(494,198)	(189,221)	(304,977)	161.2%
Capital project interest expenses	(259,499)	(338,165)	78,666	-23.3%
Capital project interest income	4,523	11,116	(6,593)	-59.3%
Other non-operating revenues	119,261	102,048	17,213	16.9%
Total Non-Operating Revenues/(Expenses)	12,297,837	5,275,947	7,021,890	133.1%
Change in Net Position	8,399,585	6,672,434	1,727,151	25.9%
Beginning Net Position	66,851,466	60,179,032	6,672,434	11.1%
Ending Net Position	\$ 75,251,051	\$ 66,851,466	\$ 8,399,585	12.6%

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

Analysis of Financial Position and Operations:

Total assets were \$86,823,720 in fiscal year 2020, an increase of \$1,818,522 from \$85,005,198 in fiscal year 2019. This reflects a decrease of \$6,643,576 in current assets, an increase of \$8,520,402 in capital assets and a decrease of \$58,304 in non-current assets. The decrease in current assets is primarily a result of a decrease in cash and cash equivalents by \$2,704,493 and a decrease in investments by \$2,996,260. In addition, accounts receivables decreased by \$205,643, due from other governments decreased by \$484,686, prepaid assets decreased by \$272,191 and inventory increased by \$19,697. Included in cash and cash equivalents of \$1,971,573 are restricted cash and cash equivalents of \$777,747. The increase of \$8,520,402 in capital assets is related to the Parker Playhouse renovation. The decrease in non-current assets is due to depreciation of \$60,415 in the parking garage which is offset by \$2,111 in capital additions.

Total liabilities in fiscal year 2020 were \$11,572,669, a decrease of \$6,581,063 from \$18,153,732 in fiscal year 2019. This decrease is comprised by a decrease in current liabilities of \$4,629,017 and a decrease in long-term liabilities of \$1,952,046. The decrease in current liabilities reflects a decrease in accounts payable and accrued expenses by \$61,707, a decrease in unearned revenue by \$2,818,429, a decrease in due to promoters by \$1,621,620 and a decrease in short-term note payable by \$127,261. The decrease in long-term liabilities is due to re-classification of the short-term portion from the Construction Loan Series 2013A by \$800,000 and from Series 2013B by \$585,000, which will become due in fiscal year 2021. Long-term liabilities were also decreased by additional \$618,046 because the Authority paid the note payable related to the Honeywell Energy Performance Contract in full. Those decreases in long-term liabilities were partially offset by a Capital Improvement Revenue Note, Series 2019, which the Authority had executed in fiscal year 2020 and had drawn \$51,000 against.

Total net position in fiscal year 2020 is \$75,251,051, an increase of \$8,399,585 from fiscal year 2019. The net investment in capital assets is \$66,271,785 in fiscal year 2020 and increased by \$8,947,832 from \$57,323,953 in fiscal year 2019. This increase is primarily due to Parker Playhouse Renovations and Improvements. Net position restricted for construction is \$1,077,748 and decreased by \$502,560 from fiscal year 2019. Unrestricted net position is \$7,901,518 and decreased by \$45,687 from fiscal year 2019. The operating loss before depreciation is \$65,855 in fiscal year 2020, a decrease of \$ 5,367,959 from fiscal year 2019. The operating loss before non-operating revenues (expenses) in fiscal year 2020 is \$3,898,252, reflecting a negative change by \$5,294,739 from an operating gain before non-operating revenues (expenses) of \$1,396,487 in fiscal year 2019.

Analysis of the Authority's Operational Activities - General Assessment:

The Authority's operations for the fiscal year were significantly impacted by the COVID-19 pandemic and the resulting mandatory closing of all of the Authority's venues. The mandatory closing was effective March 13, 2020 (less than six months into the fiscal year), lasted through the end of the fiscal year, and impacted all in-person performances, classes, events, and activities. As a result, year-over-year comparisons in Management's Discussion and Analysis of Operational Activities are materially affected by the pandemic closure.

During fiscal year 2020 the Authority hosted 537 events, with an attendance of over 315,000 patrons. In addition to sponsoring its own series, the Authority's other events included performances by the Broadway Across America, Florida Grand Opera, Miami City Ballet, Symphony of the Americas, and other children's theater, dance, instrumental and dramatic groups. The Authority's own series consisted of 157 performances with more than 102,000 attendees. Over the past twenty-seven years, 3.5 million Broward County school students have enjoyed free drama, dance, music, visual art and more, due to an innovative partnership between the Authority and the School Board of Broward County, Florida. One of the unique programs under the partnership, the Student Enrichment in Art & Science (SEAS) program, combines cultural exposure with a learning experience as students watch performances that relate to what they are learning in their classrooms. The SEAS program is nationally recognized as a collaborative program between the School Board and the Broward Center for the Performing Arts. During fiscal year 2020, over 62,000 students, teachers and parents participated in the Authority's educational programs. The Authority continued its theater management contracts with the City of Aventura and Nova Southeastern University which provided revenues of \$509,826 and \$127,159 respectively.

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

Analysis of the Authority's Operational Activities - Specific Assessments:

Programming Revenues:

Programming revenues in fiscal year 2020 are \$4,531,009, a decrease of \$5,613,831 from fiscal year 2019. This decrease is made up mainly by decreases in rental revenue by \$1,130,559, in stage labor reimbursements by \$1,236,001, in ticket surcharge by \$1,452,513 and in show profits by \$1,354,493. In addition, house fees decreased by \$329,912 and maintenance fees decreased by \$57,531.

Services Revenues:

Total services revenues in fiscal year 2020 are \$6,187,180, which represents a decrease of \$8,120,669 from fiscal year 2019. This decrease is comprised by decreases in retail services by \$3,165,981, in ticketing services by \$4,096,307 and in parking services by \$858,381. Total retail services revenues are \$3,157,410 in fiscal year 2020 and the decrease by \$3,165,981 is primarily due to decreases in concessions revenue, Club Level/Intermezzo revenues, catering revenues and restaurant revenue by \$1,679,184, \$552,900, \$407,161 and \$403,115 respectively. Ticketing services revenues are \$2,374,413 in fiscal year 2020 and decreased by \$4,096,307 from fiscal year 2019 mainly because of decreases in processing fees by \$3,461,899 and in credit card commissions by \$550,884. Parking services revenue of \$655,358 in fiscal year 2020 decreased by \$858,381 from \$1,513,739 in fiscal year 2019.

Other Revenues:

Other revenues in fiscal year 2020 are \$2,718,285, a decrease of \$848,325 from fiscal year 2019. This decrease is mostly due to a decrease in Summer Camp revenues by \$528,243, a decrease in insurance recovery by \$111,986 and a decrease in other revenues by \$177,729. Revenues generated by the Rose Miniaci Education Center in fiscal year 2020 are \$344,086 and remained relative constant compared to \$353,624 generated in fiscal year 2019.

Governmental:

Governmental revenue in fiscal year 2020 is \$1,320,619, which represents a decrease of \$107,509 from fiscal year 2019. The decrease is primarily due to a decrease in parking donations by the City of Fort Lauderdale.

Contributions:

Contributions are \$3,852,778 in fiscal year 2020 and increased by \$592,698 from the previous year. This increase is the result of an increase in individual contributions from 2019.

Salaries and Benefit Expenses:

Salaries & benefit expenses of \$9,124,102 in fiscal year 2020 decreased by \$2,250,321 from fiscal year 2019. As a result of the COVID-19 pandemic closures of its venues, the Authority took many cost-saving measures, including furloughs, layoffs, reduction of hours and reduction in compensation rates, resulting in a reduction from 106 full-time employees pre-COVID closure to 50 full-time-equivalent employees at the end of the fiscal year.

Programming Expenses:

Programming expenses of \$2,576,479 decreased by \$1,936,767 from fiscal year 2019. This is primarily due to the decrease in stage labor salaries and wages by \$1,227,610 and a reduction in summer camp related expenses by \$340,977 in fiscal year 2020.

Food & Beverage Expenses:

Food & beverage expenses are \$1,548,849 in fiscal year 2020, which represents a decrease of \$1,347,344 from fiscal year 2019. This decrease is directly related to the decrease in food and beverage volume over the prior year.

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

General & Administrative Expenses:

General & administrative expenses are \$5,426,296 in fiscal year 2020 and have decreased by \$3,195,245 from fiscal year 2019. A large share of this decrease is with \$1,564,219 coming from ticketing services of which Ticketmaster fees decreased by \$903,478 and credit card fees decreased by \$660,741. Services related to the decrease in attendance and performances have also translated to decreases in security, custodial and tickets expenses by \$336,128, \$255,920 and \$290,495 respectively. In addition, utilities fees decreased by \$221,809 and fees related to professional, consulting and legal services decreased by \$178,660.

Operating Income:

The operating loss before non-operating revenues for fiscal year 2020 is \$3,898,252, a decrease of \$5,294,739 from \$1,396,487 in operating income in fiscal year 2019. Included in the operating loss in fiscal year 2020 is a charge to depreciation expense of \$3,832,397 which decreased by \$73,220 from the prior year.

Non-Operating Revenue/Expenses:

Total non-operating revenue (net) in fiscal year 2020 was \$12,297,837, an increase of \$7,021,890 from fiscal year 2019. This increase is primarily due to an increase in capital contributions in the amount of \$7,237,581. Total capital contributions in fiscal year 2020 are \$12,927,750 of which \$11,043,024 are for the Parker Playhouse Encore capital campaign, this reflects a \$7,298,190 increase from fiscal year 2019. In addition, non-capitalizable project expenses for the Parker Playhouse Encore capital campaign increased by \$304,977 in fiscal year 2020. Interest income earned on funds invested in the Local Government Surplus Funds Trust Fund in fiscal year 2020 was \$103,741 which decreased by \$101,587 from fiscal year 2019. The Authority also recorded a gain from insurance claims for \$87,193.

Management Discussion and Analysis continues on the following page

PERFORMING ARTS CENTER AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

Broward Performing Arts Foundation, Inc. - Component Unit
Condensed Financial Information

Component Unit

<u>Assets</u>	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 18,689,056	\$ 24,181,113	\$ (5,492,057)	-22.7%
Non-current assets	8,018,507	6,315,063	1,703,444	27.0%
Total Assets	26,707,563	30,496,176	(3,788,613)	-12.4%
<u>Liabilities</u>				
Current liabilities	3,346,738	10,436,519	(7,089,781)	-67.9%
Long-term liabilities	7,068,129	5,556,070	1,512,059	27.2%
Total Liabilities	10,414,867	15,992,589	(5,577,722)	-34.9%
<u>Net Position</u>				
Unrestricted	2,220,977	1,817,861	403,116	22.2%
Restricted - nonexpendable	14,071,719	12,685,726	1,385,993	10.9%
Total Net Position	16,292,696	14,503,587	1,789,109	12.3%
<u>Revenues</u>				
Operating support and revenues	\$ 11,404,030	\$ 14,579,168	\$ (3,175,138)	-21.8%
Total Operating Support and Revenues	11,404,030	14,579,168	(3,175,138)	-21.8%
<u>Expenses</u>				
Operating expenses	10,714,162	14,326,312	(3,612,150)	-25.2%
Total Operating Expenses	10,714,162	14,326,312	(3,612,150)	-25.2%
Operating Income	689,868	252,856	437,012	172.8%
Non-Operating Investment Income	1,099,241	356,760	742,481	-208.1%
Change in Net Position	1,789,109	609,616	1,179,493	193.5%
Beginning Net Position	14,503,587	13,893,971	609,616	4.4%
Ending Net Position	\$ 16,292,696	\$ 14,503,587	\$ 1,789,109	12.3%

PERFORMING ARTS CENTER AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

Broward Performing Arts Foundation, Inc. - Component Unit
Condensed Financial Information

Component Unit

<u>Assets</u>	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
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Change in Net Position	1,789,109	609,616	1,179,493	193.5%
Beginning Net Position	14,503,587	13,893,971	609,616	4.4%
Ending Net Position	\$ 16,292,696	\$ 14,503,587	\$ 1,789,109	12.3%

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

Broward Performing Arts Foundation, Inc. – Component Unit

COMPONENT UNIT-Financial Analysis

The Broward Performing Arts Foundation, Inc. (the "Foundation") was added as a discretely presented component unit for fiscal year 2009 as it met the requirements for reporting under Governmental Accounting Standards Board (GASB) pronouncements. The Foundation is a not-for-profit corporation organized under §501(c)(3) of the Internal Revenue Code of 1986, as amended, to receive and maintain funds for promoting, sponsoring, and developing the performing arts, including support of the Performing Arts Center Authority, or for other charitable, religious, scientific, or educational purposes. The Foundation follows the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB recognition criteria and presentation features. Audited financial statements for the Foundation can be obtained by contacting the Foundation's administrative offices.

Analysis of Financial Position and Operations:

Analysis of the Component Unit's Financial Condition:

Total assets were \$26,707,563 in fiscal year 2020, a decrease of \$3,788,613 from \$30,496,176 in fiscal year 2019. This reflects a decrease of \$5,492,057 in current assets and an increase of \$1,703,444 in non-current assets. The decrease in current assets is primarily due to a decrease in restricted cash and cash equivalents by \$6,562,405 that was partially offset by increases in cash and cash equivalents and investments by \$795,412 and \$803,755 respectively. The increase in non-current assets is due to an increase in pledges receivables from the Parker Playhouse Encore capital campaign.

Total liabilities in fiscal year 2020 were \$10,414,867, a decrease of \$5,577,722 from \$15,992,589 in fiscal year 2019. This decrease is mainly due to Parker capital campaign agency payable to the Authority during fiscal year 2020.

Total net position in fiscal year 2020 is \$16,292,696, an increase of \$1,789,109 from \$14,503,587 in fiscal year 2019. This increase is the result of a decrease in assets of \$3,788,613 partially off-set by a decrease in liabilities of \$5,577,722.

Analysis of Component Unit's Operational Activity – General Assessment:

During fiscal year 2020, the Foundation's activities focused primarily on its capital campaign for the renovation and expansion of Parker Playhouse, its annual fundraising campaigns including membership, sponsorship, grant and special event programs, and continuing its sponsorship of certain presentations/events that are managed by the Authority and presented at the Authority's venues or venues managed by the Authority (reference Page 2, Primary Government's Current Year's Highlights).

Analysis of Component Unit's Operational Activity – Specific Assessments:

Operating Support and Revenues:

Total operating support and revenues of \$11,404,030 in fiscal year 2020 decreased by \$3,175,138 from \$14,579,168 in fiscal year 2019. The decrease is primarily due to the decrease in show programming revenues by \$3,835,237 that was partially offset by an increase in contributions by \$807,632.

Operating Expenses:

Total operating expenses of \$10,714,162 in fiscal year 2020 decreased by \$3,612,150 from \$14,326,312 in fiscal year 2019. This decrease is primarily due to a decrease in show programming expenses by \$3,403,309.

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

COMPONENT UNIT-Financial Analysis

Analysis of Component Unit's Operational Activity – Specific Assessments (Continued)

Operating Surplus/Deficit after Investment Income:

Operating income of \$689,868 in fiscal year 2020 increased by \$437,012 from \$252,856 in fiscal year 2019. The non-operating investment income is \$1,099,241 in fiscal year 2020 and increased by \$742,481 from \$356,760 in fiscal year 2019. As a result, the operating surplus after investment income is \$1,789,109 in fiscal year 2020 and increased by \$1,179,493 from \$609,616 in fiscal year 2019.

Capital Assets, Net:

Capital assets, net of accumulated depreciation, were \$74,799,662 in fiscal year 2020, an increase of \$8,520,402 from fiscal year 2019. The increase in capital assets reflects capital acquisitions in fiscal year 2020 of \$12,352,799 that have been partially offset by a charge of \$3,832,397 in depreciation expense. For additional information please see note 7 to the notes of the financial statements.

The Foundation has no Capital Assets.

Long-Term Liabilities:

Long-term liabilities for fiscal year 2020 are comprised of \$3,300,000 from a Capital Improvement Revenue Note, Series 2013A that was secured in fiscal year 2013 from SunTrust Bank and \$2,140,000 from a Capital Improvement Revenue Note, Series 2013B. The long-term liabilities of the Capital Improvement Revenue Note, Series 2013A and Series 2013 B were reduced by \$800,000 and \$474,000 respectively in fiscal year 2020. The Capital Improvement Revenue Note, Series 2013B was also secured from SunTrust Bank in fiscal year 2013. The balance of \$51,000 is from a Capital Improvement Revenue Note, Series 2019, which the Authority had executed in fiscal year 2020. For additional information please see note 10 to the notes of the financial statements.

The Foundation's Long-Term Liabilities of \$7,068,129 is comprised of the agency payable due to the Authority as a result of the Encore! capital campaign.

Requests for Information:

The Authority's financial statements are designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about the report or need additional financial information, please contact the Finance Department, at 201 SW 5th Avenue, Ft. Lauderdale, FL 33312

The Foundation's financial statements are designed to present users with a general overview of the Foundation's finances and to demonstrate the Foundation's accountability. If you have questions about the report or need additional financial information, please contact the Broward Performing Arts Foundation, Inc. at 201 SW 5th Avenue, Ft. Lauderdale, FL 33312.

BASIC FINANCIAL STATEMENTS

PERFORMING ARTS CENTER AUTHORITY
Statements of Net Position
September 30, 2020

	<u>Primary Government</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,193,826	\$ 2,215,946
Investments	6,327,238	12,689,767
Receivables, net	1,635,252	50,000
Restricted receivables, net	-	391,668
Pledges receivables, net	-	2,670,927
Due from other governments	585,251	-
Prepaid assets and deposits	743,393	-
Inventories	115,529	-
Restricted cash and cash equivalents	777,748	670,748
Total Current Assets	11,378,237	18,689,056
Non-Current Assets:		
Capital assets, net of accumulated depreciation	74,799,662	-
Investment in parking garage, net	645,821	-
Pledges receivables, net	-	8,018,507
Total Non-Current Assets	75,445,483	8,018,507
Total Assets	\$ 86,823,720	\$ 26,707,563
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,323,440	\$ 277,145
Unearned revenue	1,633,891	327,526
Due to promoters	739,338	-
Agency payable	-	2,742,067
Short-term note payable	1,385,000	-
Total Current Liabilities	6,081,669	3,346,738
Non-Current Liabilities:		
Agency payable	-	7,068,129
Note payable - capital loan	5,491,000	-
Total Non-Current Liabilities	5,491,000	7,068,129
Total Liabilities	11,572,669	10,414,867
NET POSITION		
Net investment in capital assets	66,271,785	-
Restricted for construction	1,077,748	-
Restricted - non-expendable	-	14,071,719
Unrestricted	7,901,518	2,220,977
Total Net Position	\$ 75,251,051	\$ 16,292,696

The accompanying notes are an integral part of the basic financial statements.

PERFORMING ARTS CENTER AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended September 30, 2020

	Primary Government	Component Unit
REVENUES		
Operating Revenues:		
Programming revenues	\$ 4,531,009	\$ 5,795,400
Services revenues	6,187,180	-
Other revenues	2,718,285	1,643,431
Governmental	1,320,619	-
Contributions	3,852,778	2,582,626
In-kind/donated services	616,814	1,382,573
Total Operating Revenues	19,226,685	11,404,030
 EXPENSES		
Operating Expenses:		
Salaries & benefits expenses	9,124,102	-
Programming expenses	2,576,479	9,082,989
Food & beverage	1,548,849	-
General & administrative	5,426,296	248,600
In-kind/donated services	616,814	1,382,573
Total Operating Expenses	19,292,540	10,714,162
 Operating Income/(Loss) before Depreciation and Non-Operating Revenues/(Expenses)	 (65,855)	 689,868
 Depreciation Expense	 3,832,397	 -
 Operating Income/(Loss) Before Non-Operating Revenues/(Expenses)	 (3,898,252)	 689,868
 Non-Operating Revenues/(Expenses)		
Capital contribution	12,927,750	-
Non capitalizable project expenses	(494,198)	-
Capital project interest expenses	(259,499)	-
Capital project interest income	4,523	-
Investment income	103,741	1,099,241
Interest expense	(11,258)	-
Gain from insurance claims	87,193	-
Change in equity interest of investment in parking garage	(60,415)	-
Total Non-Operating Revenues/(Expenses)	12,297,837	1,099,241
 CHANGE IN NET POSITION	 8,399,585	 1,789,109
 Beginning Net Position	 66,851,466	 14,503,587
Ending Net Position	\$ 75,251,051	\$ 16,292,696

The accompanying notes are an integral part of the basic financial statements.

Performing Arts Center Authority
Statements of Cash Flows
For the Fiscal Year Ended September 30, 2020

	<u>Primary Government</u>	<u>Component Unit</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 8,658,551	\$ 6,253,557
Cash received from parking garage	655,358	-
Cash received from governmental contributions	1,733,778	-
Cash received from community contributions	3,812,278	2,582,626
Cash payments to vendors for goods and services	(8,983,333)	(14,898,662)
Cash payments to employees for services	(9,501,417)	-
Net Cash (Used in) Operating Activities	<u>(3,624,785)</u>	<u>(6,062,479)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contribution	12,927,750	-
Cash proceeds from financing agreements	51,000	-
Principal paid on capital debt	(2,130,307)	-
Interest paid	(11,258)	-
Capital expenses	(13,104,084)	-
Net Cash (Used in) Capital and Related Financing Activities	<u>(2,266,899)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	3,083,453	-
Sales of investments	-	(803,755)
Investment income	103,741	1,099,241
Net Cash Provided by Investing Activities	<u>3,187,194</u>	<u>295,486</u>
Net Decrease in Cash and Cash Equivalents	<u>(2,704,490)</u>	<u>(5,766,993)</u>
Cash and Cash Equivalents, Beginning of Year	4,676,064	8,653,687
Cash and Cash Equivalents, End of Year	<u><u>1,971,574</u></u>	<u><u>\$ 2,886,694</u></u>
Reconciliation of Cash and Cash Equivalents		
Restricted cash and cash equivalents	777,748	670,748
Unrestricted cash and cash equivalents	1,193,826	2,215,946
Total Cash and Cash Equivalents	<u><u>\$ 1,971,574</u></u>	<u><u>\$ 2,886,694</u></u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income/(Loss)	<u>\$ (3,898,252)</u>	<u>\$ 689,868</u>
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities:		
Depreciation	3,832,397	-
Changes in assets and liabilities:		
Receivables, net	690,330	(1,174,625)
Inventories	(19,696)	-
Prepays and deposits	272,192	-
Accounts payable and accrued liabilities	(61,705)	(5,567,073)
Due to promoters	(1,621,621)	-
Unearned revenue	(2,818,430)	(10,649)
Net Cash (Used in) Operating Activities	<u><u>\$ (3,624,785)</u></u>	<u><u>\$ (6,062,479)</u></u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

PERFORMING ARTS CENTER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY

The Performing Arts Center Authority (the "Authority") is an independent special district governmental unit established in 1984 by a special act of the Florida Legislature (Chapter 84-396, as amended and codified in Chapter 2005-335) to promote, construct and operate facilities for holding cultural, tourism, or promotional events, civic, recreational, or similar events or activities. The Authority's board consists of thirteen members. The Board of County Commissioners of Broward County appoints five members, two members are appointed by the City Commission of Fort Lauderdale, the Board of Directors of the Downtown Development Authority of the City of Fort Lauderdale and the School Board of Broward County each appoint one member, and four members are appointed by the Broward Performing Arts Foundation. The Authority's activities are primarily conducted through the Broward Center for the Performing Arts.

The Broward Center for the Performing Arts (the "Center") is located in Fort Lauderdale on the New River, anchoring the west-end of the Fort Lauderdale Arts and Entertainment District. The Center, which opened in February 1991, includes a 2,658 seat main theater, a 584 seat small theater, 200 seat multi-purpose facility, a 200 seat banquet facility, an arts education center with a 150 seat theater and a 65 seat bistro. Because the Center is designed to host a diversity of entertainment and special events, the Center is an important cultural resource for the community.

Financial Reporting Entity

The financial statements were prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements, which establish standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this Statement, the Authority is considered to be a primary government, since it is a special purpose government that has a separate governing body, is legally separate and is fiscally independent of other state or local governments. The Authority is financially accountable for a discretely presented component Unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. Blended presented component Units, although legally separate, are, in substance, part of the Authority's operations. Each discretely presented component unit is reported in a separate column in the Authority's financial statements to emphasize that it is legally separate from the Authority. At September 30, 2020, the Authority had one discretely presented component unit.

The accompanying financial statements present the activities of the Authority (the primary government) and its discretely presented component unit, the Broward Performing Arts Foundation, Inc. (the "Foundation").

Discretely Presented Component Unit

The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the Authority for support of Authority's programs as well as other charitable, religious, scientific, or educational purposes. Although the Authority does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can primarily be used by the Authority and for the benefit of the Authority. Also, five of the thirty-two members of the Foundation's Board of Directors are also members of the Authority's Board of Directors. Consequently, the Foundation is considered a component unit of the Authority and is discretely presented in the Authority's financial statements.

The Foundation follows the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB recognition criteria and presentation features. Audited financial statements for the Foundation can be obtained by contacting the Foundation's administrative offices.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities significantly rely on fees and charges for support.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are theater revenues, programming revenues, surcharge revenues, parking garage equity income, in-kind donations, catering revenues, other income, and various other governmental grants. Operating expenses include salaries and benefits, programming expenses, catering expenses, contractual services, depreciation, utilities and other general and administrative expenses. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Grants from other governments other than operating grants are recognized as restricted contributions when the terms and conditions under the grant agreement have been met by the Authority. Grants from other governments, which are designated for operating purposes, are recognized as revenue in the period in which they are earned. Contributions from private donors are recognized as receivables and revenues when all eligibility requirements are met, including time restrictions, provided that the promise to give is verifiable and the resources are measurable and probable of collection. Endowments to be maintained in perpetuity have a permanent time restriction on the use of principal. Therefore, endowments are recognized as revenue when received.

Revenues from theater rentals and ticket surcharges are recognized when the performances occur. The revenue for cash received from self-presentation ticket sales and sponsorship income for future performances is included in unearned revenue until earned. Accordingly, expenses incurred for the succeeding fiscal period's shows are reported as prepaid until the performance occurs. Programming revenue does not include the related merchandise revenue, catering fees and parking revenue. Sponsorship income is included other revenue.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The basis of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded in the period incurred

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The financial statements of the Authority follow the guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Authority also has the option of following subsequent FASB pronouncements subject to this same limitation. The Authority has elected not to follow subsequent FASB guidance.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

I. Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Authority as well as its component unit are reported at fair value. The Authority's investment in the State Board of Administration Investment Pool is in the Local Government Surplus Funds Trust Fund Investment Pool ("Florida PRIME"). Florida PRIME is considered a SEC 2A-7-like fund, thus reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Authority investment in the Florida PRIME meets the definition of a qualifying investment pool that measures for financial reporting purposes all of its investments at amortized cost and should disclose the presence of any limitations or restrictions on withdrawals. As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

II. Receivables

All trade and governmental receivables are shown net of an allowance for uncollectible accounts. Uncollectible accounts receivable allowances are based on historical trends.

III. Inventory and prepaid items

Cost is determined using the specific identification method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

IV. Capital assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the fund financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciable capital assets are depreciated on the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Furniture and Equipment	3 – 15
Building improvements	15
Buildings	40

Upon disposition of a depreciable asset, the related costs and accumulated depreciation are removed from the accounts and gains and losses on dispositions are reflected in operations.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)

V. Income Taxes

The Authority is a tax-exempt independent special district governmental unit.

The Foundation is a tax-exempt corporation under Section 501(c) (3) of the Internal Revenue Code and is only subject to taxation on unrelated business income. The Foundation had no unrelated business income, therefore, no provision for income taxes has been made in the accompanying financial statements. The Foundation has not incurred any interest or penalties on its income tax returns.

The Foundation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations and cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2020.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2014.

The Foundation's policy is to classify income tax related interest and penalties in interest expense and other expenses respectively.

VI. Third Party Advanced Ticket Sales

Due to promoters represents the Authority's liability to promoters for their advance ticket sales for future performances.

VII. Unearned Revenue

Cash receipts and deposits, excluding advanced ticket sales, collected prior to the completion or recognition of a sale.

VIII. Net Position

Net position as of September 30, 2020, is classified into three components:

Net investment in capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.

Restricted net position: This category consists of net position restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.

Unrestricted net position: This category includes all of the remaining net position that do not meet the definition of the other two categories

IX. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

PERFORMING ARTS CENTER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)

X. Budgets

Budgets are prepared on an annual basis for each program/activity and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

XI. Use of estimates

The preparation of financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of receivables, the use and recoverability of inventory, and the useful lives and impairment of tangible assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

(2) DEPOSITS AND INVESTMENTS

(a) Deposits – Primary Government

At September 30, 2020, the carrying amount of the Authority's cash was \$1,971,574 of which \$1,193,826 was unrestricted operating cash, none of it interest bearing and \$777,748 was restricted cash to be used for the Encore capital campaign debt service and for the Parker Playhouse capital campaign debt service.

The Authority's exposure to credit risk is as follows:

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. The book value of the Authority's deposits on the balance sheet date was \$1,971,574. The bank balance of the Authority's deposits as of September 30, 2020 was \$2,168,990 which includes \$65,555 of petty and operating cash. \$777,748 of the bank balance was restricted for the Encore capital campaign and the Parker Playhouse capital campaign.

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name. The full \$1,971,574 reported in the statement of net position was collateralized by the financial institutions.

(b) Investments – Primary Government

The Authority adopted a written investment policy consistent with the requirements set forth in State Statute 218-415. Allowable investments include direct obligations of the U.S. Treasury, the Local Government Surplus Funds Trust Fund, Securities and Exchange Commission registered money market funds with the highest credit quality ratings, Interest bearing time deposits or savings accounts in qualified public depositories.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(2) DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2020, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Weighted Average Life (Days)</u>
Florida PRIME	\$ 6,327,238	48	63
Portfolio weighted average maturity	<u>\$ 6,327,238</u>		

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The LGIP is rated by Standard and Poors and has a rating at September 30, 2020 of AAAm.

Concentration of Credit Risk – There are no limits on the amount that may be invested in money market funds or with the SBA.

Custodial credit risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment. The Authority’s investments in money market funds and the State Board of Administration (SBA) Florida PRIME (which has the characteristics of a Money Market Fund) are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. Additionally, these investments are not entirely collateralized nor insured by the State of Florida.

The Authority does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

(c) Investments – Component Unit

Fair Value Measurements – The Accounting Standards establish a framework for measuring fair value and provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

PERFORMING ARTS CENTER AUTHORITY
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(2) DEPOSITS AND INVESTMENTS (Continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Equity and Fixed Income Securities: Valued at the closing price reported on an active market which the individual securities are traded.

Mutual Funds: Valued at the net asset value of shares held by the Foundation at year end as reported on the active market on which the mutual funds are traded.

Pledges Receivable: Valued at the estimated present value of expected future cash inflows using a 5% discount rate.

Contribution Receivable from the Remainder Trust: Valued at the present value of the future cash flows based on the life expectancy table for a unitrust dual life remainder.

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 Foundation 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 Foundation's assets at fair value as of September 30, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investments				
Equities Securities	\$ 1,167,143	\$ 1,167,143	\$ -	\$ -
Fixed Income Securities	2,875,975	2,875,975	-	-
Mutual Funds – Equities	7,311,504	7,311,504	-	-
Mutual Funds - Fixed Income	<u>1,335,145</u>	<u>1,335,145</u>	-	-
Total Investments	12,689,767	12,689,767	-	-
Pledges Receivables	10,689,434	-	-	10,689,434
Contribution Receivable from Remainder Trust	<u>391,668</u>	<u>-</u>	<u>-</u>	<u>391,668</u>
Total Assets at Fair Value	<u>\$ 23,770,869</u>	<u>\$ 12,689,767</u>	<u>\$ -</u>	<u>\$ 11,081,102</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended September 30, 2020:

	<u>Pledges Receivable</u>	<u>Contribution Receivable from Remainder Trust</u>
Balance, beginning of year	\$ 9,669,587	\$ 286,890
New pledges	6,712,410	111,905
Receipts	(5,085,048)	-
Change in present value discount	(569,515)	(7,127)
Bad debt write-off	(40,000)	-
Change in allowance for doubtful accounts	2,000	-
Balance, end of year	<u>\$ 10,689,434</u>	<u>\$ 391,668</u>

Concentrations of Credit and Investment Risks - Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash equivalents, investments, pledges receivable. At September 30, 2020, the Foundation had \$12,689,767 invested with a major financial institution acting as the investment manager. Mutual funds, equities, and fixed income securities comprised 98% of these investments with the remaining 2% invested in money market funds. Due to the diversity and composition of its investments, management feels it is not exposed to any significant credit risk on these accounts.

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(3) ENDOWMENT - Component Unit

The Foundation's endowment consists of several endowment funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

Net assets associated with endowments, 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. Endowment funds without donor restriction represent the Board-designated endowment.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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 Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted by purpose of time until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Foundation 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 donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

Funds with Deficiencies

From time to time the fair value of assets associated with the individual donor restricted endowment funds may fall below level that the donor under FUPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Directors. There were no funds with deficiencies at September 30, 2020 and 2019.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies, approved by its Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return ideal objective is to exceed market performance as defined by a market index composed of the Standard & Poor's 500, Barclays Capital Aggregate Bond Index and Treasury Bills weighted by the portfolio asset-mix. The target objective is inflation as measured by the Consumer Price Index. Actual returns in any given year may vary from these amounts. To satisfy this long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on debt and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for programs and administration. The current spending policy allows for a distribution of 4% of the moving average market value of the endowment portfolio computed using the previous 12 quarters. Distributions cannot exceed the earnings of the endowment without Board approval. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

PERFORMING ARTS CENTER AUTHORITY
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(3) ENDOWMENT - Component Unit (Continued)

Endowment net asset composition by type of fund as of September 30, 2020 is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Endowment Assets
Board Designated Endowment Funds	\$ 1,937,882	\$ -	\$ 1,937,882
Donor-Restricted Endowment Funds	-	10,751,785	10,751,785
Total Funds	\$ 1,937,882	\$ 10,751,785	\$ 12,689,667

(4) RECEIVABLES

Receivables at year-end for the Authority, including the applicable allowance for uncollectible accounts, were as follows:

	<u>Totals</u>
Accounts – Foundation	\$ 883,424
Accounts – Other	768,681
Other governments	585,251
Less: Allowance for Uncollectible	<u>(16,853)</u>
Net total receivables	<u>\$2,220,503</u>

(5) PLEDGES RECEIVABLE- Component Unit

At September 30, 2020, pledges receivable consisted of:

Pledges	\$ 13,275,220
Less: Allowance for Doubtful Accounts	(142,000)
Less: Discounts to Net Present Value	<u>(2,443,786)</u>
Total, Net of Discount	<u>\$ 10,689,434</u>

Pledges receivable at September 30, 2020, were scheduled to be collected as follows:

<u>Year Ending September 30:</u>	
2021	\$ 2,699,806
2022	2,761,515
2023	1,690,565
2024	927,834
2025	760,500
Thereafter	<u>4,435,000</u>
	<u>\$ 13,275,220</u>

Multi-year pledges due after September 30, 2021 have been discounted to their net present value using a discount rate of 5%.

(6) INVESTMENT IN PARKING GARAGE

The Authority has an agreement with the City of Fort Lauderdale (the "City") and the Downtown Development Authority (the "DDA") for the operation of a 950-space parking garage adjacent to the Center in the Art and Science District of the City. The Authority contributed approximately 44% of the cost of constructing the parking garage and has recorded their equity interest in the garage using the equity method of accounting. The Authority's equity position is 43% or \$645,821.

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(6) INVESTMENT IN PARKING GARAGE (Continued)

The Authority accounts for their investment in the parking garage as a joint venture. The City acts as an operating agent and has exclusive responsibility for operation and maintenance of the parking garage. The agreement calls for the City to accumulate revenues and expenses monthly and bill each participant its portion of expenses not offset by revenues. Accordingly, the City collects all revenues, pays all operating expenses associated with the garage, and determines the allocation of each to the participants on a monthly basis. Revenue collected and variable expenses incurred during daytime and weekday hours are allocated to the City and the DDA at the rates of 16% and 84%, respectively. Revenues collected and variable expenses incurred during all other hours of operation are allocated to the City and the Authority at the rates of 16% and 84%, respectively. The Authority's share of the joint venture's revenues net of expenses was \$499,985 in fiscal year 2020.

In addition, as discussed in Note 17, the City entered into an inter-local agreement that provides cash contributions to the Authority of up to \$300,000 of the City's share of net parking revenue. The Authority and the DDA are each responsible for 42% of fixed operating costs with the remaining 16% paid by the City. The Authority's equity interest in the joint venture was \$645,821.

(7) CAPITAL ASSETS

Capital Assets as of September 30, 2020 consist of the following:

	Balance October 1, 2019	Additions	Retirements	Transfers	Balance September 30, 2020
Capital assets not being depreciated:					
Land	\$ 9,605,671	\$ -	\$ -	\$ -	\$ 9,605,671
Construction in progress	<u>3,880,471</u>	<u>12,352,799</u>	<u>-</u>	<u>(209,391)</u>	<u>16,023,879</u>
Total capital assets not being depreciated	<u>13,486,142</u>	<u>12,352,799</u>	<u>-</u>	<u>(209,391)</u>	<u>25,629,550</u>
Capital assets being depreciated:					
Building and building improvements	93,570,532	-	-	136,689	93,707,221
Equipment	<u>13,894,320</u>	<u>-</u>	<u>(342,290)</u>	<u>72,702</u>	<u>13,624,732</u>
Total capital assets being depreciated	<u>107,464,852</u>	<u>-</u>	<u>(342,290)</u>	<u>209,391</u>	<u>107,331,953</u>
Less accumulated depreciation	<u>(54,671,734)</u>	<u>(3,832,397)</u>	<u>342,290</u>	<u>-</u>	<u>(58,161,841)</u>
Total capital assets being depreciated, net	<u>52,793,118</u>	<u>(3,832,397)</u>	<u>-</u>	<u>209,391</u>	<u>49,170,112</u>
Capital assets, net	<u>\$ 66,279,260</u>	<u>\$ 8,520,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,799,662</u>

(8) RESTRICTED NET ASSETS (Expendable) – Component Unit

At September 30, 2020, restricted net assets were available for the following purposes:

Rumbaugh Gardens	\$ 214,155
Leiser Room Renovations	41,270
Education Programs	1,683,827
Programming	989,107
Other	48,233
For Future Periods	1,723,573
Perpetual in Nature	<u>9,371,554</u>
	<u>\$ 14,071,719</u>

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(9) BEQUESTS- Component Unit

As of September 30, 2020, the Foundation had signed bequests with an estimated current value of \$2,080,000 which are not considered support until such time as the donor's gift is declared valid by the probate court. The composition of bequests at September 30, 2020 was as follows:

Education	\$ 100,000
Unrestricted	1,800,000
Permanently Restricted for Outreach and Children's Programs	180,000
	<u>\$ 2,080,000</u>

(10) LONG-TERM DEBT

Line of Credit

The Authority issued a \$2,500,000 Note purchased by a local bank on November 6, 2008. The purpose of the Note was to fund a Revolving Line of Credit for working capital and emergency needs. The repayment of the Note is open-ended with an initial interest rate of 7.22%. As of September 30, 2020, there was no balance outstanding on the line of credit. The Note was subsequently renewed and amended on December 3, 2020 in a reduced amount of \$1,500,000 with an interest rate of SOFR (Secured Overnight Financing Rate) + 1.90%. At no time shall the interest rate be less than 2.65% or greater than 24.00%.

Note Payable

On December 2008, the Authority executed a loan purchase agreement to finance the Honeywell Energy Performance Contract which replaced and upgraded key HVAC equipment and systems. The loan calls for monthly interest only payments of \$11,473 at 4.41% starting on October 5, 2008. The interest only payments increase to \$12,169 on October 5, 2009. Beginning March 5, 2010 through November 5, 2022 the loan calls for principal and interest payments ranging from \$12,169 to \$27,202. The Authority paid this note in full in fiscal year 2020, with payments toward principal of \$856,307 and interest payments of \$10,887 as summarized below:

	Beginning	Reductions	Ending	Interest
2020	856,307	856,307	-	10,887
Total	<u>\$ 856,307</u>	<u>\$ 856,307</u>	<u>\$ -</u>	<u>\$ 10,887</u>

Construction Loan

On February 28, 2014, the Authority executed a Capital Improvement Revenue Note, Series 2013A for a principal amount of \$9,700,000 with STI Institutional & Government, Inc. for the Encore capital campaign. The Series 2013A Note has an interest rate of 3.99% and the maturity date is January 15, 2027. \$800,000 was paid toward principal in fiscal year 2020. Future principal payments and interest to maturity are summarized below:

	Principal	Interest	Total
2021	800,000	107,000	907,000
2022	1,300,000	77,000	1,377,000
2023	300,000	56,000	356,000
2024	300,000	47,000	347,000
2025	300,000	38,000	338,000
2026-27	1,100,000	38,000	1,138,000
Total	<u>\$ 4,100,000</u>	<u>\$ 363,000</u>	<u>\$ 4,463,000</u>

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(10) LONG-TERM DEBT (Continued)

The Authority executed on February 28, 2014 a Capital Improvement Revenue Note, Series 2013B for a maximum principal amount of \$16,300,000 with STI Institutional & Government, Inc. The total principal amount of \$9,060,412 has been drawn against this Series 2013B Note and is used for the Encore capital campaign. The Series 2013B Note has a maturity date of November 30, 2025 at a variable interest rate of 93.6% of the sum of (1-month LIBOR plus 2.16%). The rate as of September 30, 2020 was 2.94%. In fiscal year 2020 \$474,000 was paid in principal. Future principal payments and interest to maturity are summarized below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	585,000	124,000	709,000
2022	510,000	104,000	614,000
2023	526,000	78,000	604,000
2024	546,000	49,000	595,000
2025	522,000	19,000	541,000
2026	36,000	1,000	37,000
Total	<u>\$ 2,725,000</u>	<u>\$ 375,000</u>	<u>\$ 3,100,000</u>

Capital Improvement Loan

On December 19, 2019, the Authority executed a Capital Improvement Revenue Note, Series 2019 for a maximum principal amount of \$13,000,000 with STI Institutional & Government, Inc. for the Parker Playhouse Renovations and Improvements. The Series 2019 Note has an interest rate of 2.84% and the maturity date is December 19, 2028. In fiscal year 2020, the Authority has drawn \$51,000 against the Series 2019 Note.

Long term debt activity for the fiscal year ended September 30, 2020 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due within One Year</u>
Note Payable	\$ 856,307	\$ -	\$ 856,307	\$ -	\$ -
Construction Loan Series 2013A	4,900,000	-	800,000	4,100,000	800,000
Construction Loan Series 2013B	3,199,000	-	474,000	2,725,000	585,000
Capital Improvement Loan Series 2019	-	51,000	-	51,000	-
Total	<u>\$ 8,955,307</u>	<u>\$ 51,000</u>	<u>\$ 2,130,307</u>	<u>\$ 6,876,000</u>	<u>\$ 1,385,000</u>

(11) DEFINED CONTRIBUTION PENSION PLAN

The defined contribution plan was created by the Authority, effective October 1, 2001, to provide benefits in lieu of those provided by the Federal Social Security System ("Social Security"). This plan provides benefits to all full-time employees and certain part-time employees hired prior to February 1999. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions.

The ICMA Retirement Corporation manages the defined contribution plan. As established by the Authority, the Authority contributes six percent of full-time employees' gross earnings and each employee contributes six percent of earnings. All employees are immediately vested. In accordance with these requirements, the Authority contributed \$422,503 in fiscal year 2020. During the current year, employees contributed \$422,503. As of September 30, 2020, the number of active Authority participants was 103.

PERFORMING ARTS CENTER AUTHORITY
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(12) DEFERRED COMPENSATION PLANS

The Authority has established a deferred compensation plan in accordance with Internal Revenue Code Section 457. This plan provides full-time employees the opportunity to defer a portion of their salary until future years.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency within the definition allowed by the applicable Internal Revenue Code.

The Authority's plan assets are held in a retirement trust for the exclusive benefit of employees and beneficiaries and invested by ICMA Retirement Corporation, a registered investment advisor, on behalf of the participants except for certain guaranteed investment contracts invested under a non-active deferred compensation plan.

(13) RELATED PARTY TRANSACTIONS

During fiscal year 2020 the Authority recognized \$3,391,553 in support and contributions from the Foundation for support of the Authority's programs and operations, and \$9,871,668 in support of capital projects.

Authority's venues or venues managed by the Authority. In connection with this agreement, for fiscal year 2020 the Foundation ticketed show revenues of \$5,795,400 and incurred show expenses of \$6,007,731. The Authority made an in-kind donation of \$212,331 relating to show expenses in excess of show revenues.

During the year the Foundation's operating expenses including, but not limited to personnel, marketing, advertising, printing and supplies in the amount of \$1,382,573 were provided by and paid for the Authority.

(14) COMMITMENTS & CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the Authority. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of legal counsel, the Authority has sufficient insurance coverage to cover any claims and/or liabilities, which may arise from such action. The effect of such losses would not materially affect the financial position of the Authority or the results of its operations.

Construction Commitments

The Authority entered into an architectural and engineering agreement during the previous fiscal year for the renovation of the Parker Playhouse. The total amount of the agreement was \$2,605,582; as of September 30, 2020, \$2,355,728 of the total agreement was earned. During the previous fiscal year, the Authority entered into a managing general contractor agreement for the renovation of Parker Playhouse. The total amount of the agreement, including amendments and change orders, as of September 30, 2020 was \$20,366,368; as of September 30, 2020, \$8,803,801 of the total amount was earned. All unexpended commitments will be financed from operating funds and capital contributions.

Naming Agreement

The Authority entered into a twenty-year naming agreement with a corporation during FY 2011. The naming agreement provides the Authority \$2,500,000 for marketing and publicity benefits to the corporation from the naming opportunity at the Center. The expansion and/or renovation of the Center are material conditions of the naming agreement, as such planned renovations and expansions directly impact the actual and anticipated marketing and publicity benefits to be received by the corporation. Although the contributions from the corporation to the Authority for the naming rights are due and payable to the Authority during the first five years of the twenty year agreement and are to be used for planned renovations and expansions of the Broward Center, the agreement also includes a vesting schedule for the contributions from the corporation in the case of an early termination pursuant to the agreement prior to the completion of the term. The Authority considers the likelihood of an early termination to be negligible.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(15) RISK MANAGEMENT

The Authority maintains various commercial property, casualty and general liability insurance policies to cover its potential property claims and potential liability to employees, patrons and other third parties. No material third-party losses were incurred during the year.

Section 768.28 of the Florida Statutes limits the Authority's risk exposure for general liability. As of September 30, 2020 the deductible for commercial property coverage was \$25,000. Effective January 14, 2021, the Authority renewed its commercial property insurance with a deductible of \$25,000.

Windstorm coverage (wind/hail/flood), when available, is expensive and subject to low limits and high deductibles. Upon the cancellation of the Authority's windstorm coverage by its carrier subsequent to Hurricane Wilma in 2005, the Authority unsuccessfully pursued alternatives including quotes from secondary markets and participation in property/windstorm risk pools of state, county and local governments. Additionally, the Authority engaged a national risk management/insurance consultant to provide a risk-benefit analysis of the limited windstorm insurance options available to the Authority. Annually, the Authority continues to seek cost beneficial windstorm coverage options through its risk brokers and advisors. The Authority's Board of Directors made the decision to continue to not procure windstorm insurance effective with the commercial property policy renewal on January 14, 2021. The Authority continues to pursue cost-beneficial windstorm insurance.

(16) DONATED SERVICES

Donated services consist of the estimated value of contributed services. The amount of donated services includes support provided by Authority volunteers related to ushers during performances and other activities. Donated services also include in-kind support provided by Fort Lauderdale City Commission for landscaping services. Management estimates that \$616,814 of cumulative donated support was received during the fiscal year ended September 30, 2020.

During the fiscal year, the Authority provided operating support for the benefit of the Foundation. The contributed services and materials included, but were not limited to, personnel, marketing, advertising, printing and supplies, and were valued at \$1,382,573.

(17) TRI-PARTY GRANT AGREEMENT

For 2020, Broward County, the City and the Authority entered into an inter-local agreement. Broward County agreed to contribute \$19,411 for an annual audit. The County also provided the Authority with an operating grant of \$950,000 in 2020. The City agreed to make cash contributions from the net amount of the Arts and Science Parking Garage revenues not to exceed \$300,000; \$19,411 for an annual audit; and \$30,000 of in-kind services as its contribution towards landscape maintenance. Contributions under the Tri-Party Grant Agreement have been recorded as operating grant revenues since they are used to cover operating costs of the Authority.

(18) CONCENTRATION

For the fiscal year ended September 30, 2020, 11% of all performances, 37% of all attendance and 44% of total operating revenues came from the PTG-FL/Broadway Across America contract. The financial contribution of this programming makes it possible to provide needed support to subsidize the Authority's general operating costs, including support for local presenting organizations.

(19) RISKS AND UNCERTAINTIES

During March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and counties, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' 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 Directors of the
Performing Arts Center Authority
Fort Lauderdale, Florida

We have audited, in accordance with the 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 the business-type activities of the Performing Arts Center Authority (the "Authority") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 29, 2021. Our report includes a reference to other auditors who audited the financial statements of Broward Performing Arts Foundation, Inc. a discretely presented component unit, as described in our report on the Authority's financial statements. These financial statements of the discretely presented component unit were audited by other auditors and were not audited under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 determination of financial statement amounts. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caballero Fierman Llerena & Garcia, LLP

Miramar, Florida
January 29, 2021



MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors of the
Performing Arts Center Authority
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the financial statements of the Performing Arts Center Authority (the "Authority") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated January 29, 2021. We did not audit the financial statements of the Broward Performing Arts Foundation, Inc., a discretely presented component unit.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General. The financial statements of the discretely presented component unit were audited by other auditors and were not audited under *Government Auditing Standards*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550 Rules of the Auditor General. Disclosures in the reports, which are dated January 29, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Performing Arts Center Authority is an independent special district governmental unit established in 1984 by a special act of the Florida Legislature (Chapter 84-396). The Authority reports one discretely presented component unit which is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition and Management (continued)

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was performed as of the fiscal year end.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Caballero Fierman Llerena & Garcia, LLP

Miramar, Florida
January 29, 2021



CABALLERO FIERMAN
LLERENA + GARCIA LLP
accountants | advisors

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
PURSUANT TO SECTION 218.415 FLORIDA STATUTES**

To the Board of Directors of the
Performing Arts Center Authority
Fort Lauderdale, Florida

We have examined the Performing Arts Center Authority's (the Authority) compliance with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2019 through September 30, 2020. Management of the Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements. In our opinion, the Authority complied, in all material respects, with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2019 through September 30, 2020.

This report is intended solely for the information and use of management, the Board of Directors, others within the Authority and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Caballero Fierman Llerena & Garcia, LLP

Miramar, Florida
January 29, 2021