

**PERFORMING ARTS CENTER AUTHORITY
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 in 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Tri-Party Grant Agreement

As per Article 6.4 of the Tri-Party Grant Agreement (the "Agreement") entered into by Broward County, the City of Fort Lauderdale, and the Authority, the Agreement requires an opinion whether the 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, 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

Caballero Fierman Llerena & Garcia, LLP
Miramar, Florida
January 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2022

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, 2022 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, 2022 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:

After two years of operations being significantly impacted by the COVID pandemic, the Authority returned to full-capacity operations at all venues for the fiscal year 2022. However, it was not a return to normal, but a major reset in operations and how we thought about our business and industry. That reset, from the lingering effects of the pandemic and the unexpected worldwide spread of the Omicron variant of COVID, included changes to standard operating procedures and protocols surrounding the health and safety of our artists, audiences, and employees. It included a year of uneven sales, with the audience propensity to return to live entertainment diminished in the first quarter of the fiscal year 2022, along with cancelled, rescheduled, and postponed performances. We experienced improvement in ticket sales and audience attendance beginning late in the second quarter, with more robust sales and attendance in the last half of the year. The reset included working in a challenging labor market with competitive wage pressure and remote work affecting operations, all as the economy was impacted by rising inflation. The Authority remained in a rehiring and restaffing phase for most of the fiscal year with a goal of 90% of pre-pandemic staffing levels to support full-capacity operations. Despite these challenges, we finished the year significantly ahead of budget financially. Financial results were driven by effective cost management, by private fundraising from the Broward Performing Arts Foundation, Inc. ("Foundation") which outperformed expectations by 33%, and by an increase in unbudgeted performances towards the end of the year.

The Authority, in its 31st year of operations, hosted or presented 770 performances and events which were attended by more than 433,000 attendees at the Broward Center for the Performing Arts (Center) and its affiliated venues, Parker Playhouse (The Parker), the Rose and Alfred Miniaci Performing Arts Center, and the Aventura Arts and Culture Center. This attendance volume was 66% of the attendance level of a typical operating year, pre-pandemic. The Center's Broadway in Fort Lauderdale series returned with a season of eight titles and 101 performances, including Disney's hit musical *Frozen*, and the Tony Award-winning *Come from Away*, *Tootsie*, *Ain't Too Proud – the Life and Times of the Temptations*, and the long-running, record-breaking, Broadway favorite, *Cats*. Audiences enjoyed many sold-out performances across diverse genres from concerts to comedy and family fare. Popular titles in the Center's 2,658-seat Au-Rene Theater included performances such as *David Foster & Friends*, *Randy Rainbow*, *Harry Connick, Jr.*, *Paul Anka*, *Marissa Monte*, *RuPaul's War on the Catwalk*, *Gilberto Santa Rosa*, *Beres Hammond*, and *Paw Patrol*, among others.

The Center's Rose Miniaci Arts Education Center continues to be the cornerstone for the Center's arts education programs reaching more than 111,000 students of all ages during the year as we transitioned from virtual classes to live and in-person classes. We also resumed school day performances for students. Our students ranged 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 – 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-inclusive 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

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2022

sensitivities. During the year seven sensory-inclusive performances were offered for performances of *Pinkalicious*, *The Cat in the Hat*, *Brazilian Voices*, and *Frozen Jr.*

The Center's 584-seat Amaturo Theater presented 254 performances with more than 65,000 attendees, including 73 performances by the Authority's arts partner, the Slow Burn Theatre Company, with the titles *Head Over Heels*, *Matilda the Musical*, *Once on this Island*, *Kinky Boots*, and *Songs for a New World*.

Following a \$30 million renovation and expansion, the historic 1,147-seat Parker Playhouse, re-branded *The Parker*, reopened to rave reviews from audiences, artists, and community leaders. With 130 performances and more than 75,000 attendees, The Parker's sold-out titles included *The Monkees*, *Bianca del Rio*, *Bruce Hornsby*, *Lewis Black*, *Tower of Power*, *Claudia Oshry*, *Whinderson Nunes*, *A Bronx Tale*, *Richard Marx*, *ABBA*, *Keb' Mo'*, *Kenny G*, *Steve Hackett*, *Joe Jackson*, and more.

The Authority realized an operating loss of \$95,741 before depreciation of \$5,145,571 and before non-operating revenue (expense) of \$3,676,220, which is a decrease of \$7,967,601 over the prior year. This decrease was the result of the prior year's one-time federal government funding from the U.S. Small Business Administration's Shuttered Venue Operator Grant. There was an increase in non-operating revenue (net of non-operating expense) of \$177,982. This increase was the result of lower non-operating expenses and increased Interest revenue. The operating loss and increase in non-operating revenue (expense) resulted in the change in net position of \$1,565,092 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, included fundraising and development services staffed through the Authority's development department, finance and accounting services, human resource services, general legal services, technology services, marketing services, and public relations services.

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, 2022

<u>Assets</u>	2022	2021	\$ Change	% Change
Current assets	\$ 26,751,023	\$ 21,650,901	\$ 5,100,122	23.6%
Capital assets, net	77,833,045	81,381,418	(3,548,373)	-4.4%
Other non-current assets	524,640	585,230	(60,590)	-10.4%
Total Assets	105,108,708	103,617,549	1,491,159	1.4%
<u>Liabilities</u>				
Current liabilities	13,813,100	8,485,640	5,327,460	62.8%
Long-term liabilities	10,237,449	12,508,658	(2,271,209)	-18.2%
Total Liabilities	24,050,549	20,994,298	3,056,251	14.6%
<u>Net Position</u>				
Net investment in capital assets	65,046,595	66,601,416	(1,554,821)	-2.3%
Restricted for construction	1,413,286	1,420,617	(7,331)	-0.5%
Unrestricted	14,598,278	14,601,218	(2,940)	0.0%
Total Net Position	\$ 81,058,159	\$ 82,623,251	\$ (1,565,092)	-1.9%
<u>Revenues</u>				
Programming revenues	\$ 23,993,978	\$ 436,566	\$ 23,557,412	5396.1%
Services revenues	9,314,971	1,025,147	8,289,824	808.6%
Other revenues	2,484,143	1,342,926	1,141,217	85.0%
Governmental	1,888,232	11,829,654	(9,941,422)	-84.0%
Contributions	3,751,310	4,717,820	(966,510)	-20.5%
In-kind/donated services	942,660	212,954	729,706	342.7%
Total Revenues	42,375,294	19,565,067	22,810,227	116.6%
<u>Operating Expenses</u>				
Salaries & benefit expenses	11,292,274	6,837,129	4,455,145	65.2%
Programming expenses	19,609,184	685,118	18,924,066	2762.2%
Food & beverage	1,986,783	131,430	1,855,353	1411.7%
General & administrative	8,610,143	3,826,576	4,783,567	125.0%
In-kind/donated services	972,651	212,954	759,697	356.7%
Total Operating Expenses	42,471,035	11,693,207	30,777,828	263.2%
Operating Income/(Loss) before Depreciation and Non-Operating Revenues	(95,741)	7,871,860	(7,967,601)	-101.2%
Depreciation Expense	5,145,571	3,997,898	1,147,673	28.7%
Operating Income/(Loss) before Non-Operating Revenues	(5,241,312)	3,873,962	(9,115,274)	235.3%
Capital contribution	4,108,299	4,397,800	(289,501)	-6.6%
Non capitalizable project expenses	(214,357)	(525,584)	311,227	-59.2%
Capital project interest expenses	(447,670)	(316,672)	(130,998)	41.4%
Capital project interest income	400	113	287	254.0%
Other non-operating revenues	229,548	(57,419)	286,967	-499.8%
Total Non-Operating Revenues/(Expenses)	3,676,220	3,498,238	177,982	5.1%
Change in Net Position	(1,565,092)	7,372,200	(8,937,292)	-121.2%
Beginning Net Position	82,623,251	75,251,051	7,372,200	9.8%
Ending Net Position	\$ 81,058,159	\$ 82,623,251	\$ (1,565,092)	-1.9%

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Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

Analysis of Financial Position and Operations:

Total assets were \$105,108,708 in fiscal year 2022, an increase of \$1,491,159 from \$103,617,549 in fiscal year 2021. This reflects an increase of \$5,100,122 in current assets, a decrease of \$3,548,373 in capital assets and a decrease of \$60,590 in non-current assets. The increase in current assets is primarily a result of an increase in cash and cash equivalents by \$3,826,992 and an increase in investments by \$150,177. In addition, accounts receivables increased by \$525,443, prepaid assets increased by \$188,787, due from other governments increased by \$87,146 and inventory increased by \$28,908. Included in cash and cash equivalents of \$6,417,700 are restricted cash and cash equivalents of \$1,413,286. The decrease of \$3,548,373 in capital assets is related to the full year depreciation of the Parker Playhouse renovations from prior year. The decrease in non-current assets is due to depreciation of \$60,590 in the parking garage.

Total liabilities in fiscal year 2022 were \$24,050,549, an increase of \$3,056,251 from \$20,994,298 in fiscal year 2021. This increase is comprised by an increase in current liabilities of \$5,327,460 and a decrease in long-term liabilities of \$2,271,209. The increase in current liabilities reflects an increase in accounts payable and accrued expenses by \$1,562,455, an increase in unearned revenue by \$3,481,688, an increase in due to promoters by \$5,661 and an increase in short-term note payable by \$277,656. The decrease in long-term liabilities is primarily due to a re-classification of the short-term portion from the Construction Loan Series 2013A by \$300,000, from the Series 2013B by \$526,000 and from the Capital Improvement Revenue Note, Series 2019 by \$1,723,000, which will become due in fiscal year 2022.

Total net position in fiscal year 2022 is \$81,058,159, a decrease of \$1,565,092 from fiscal year 2021. The net investment in capital assets is \$65,046,596 in fiscal year 2022 and decreased by \$1,554,821 from \$66,601,416 in fiscal year 2021. This decrease is primarily due to returning to full-capacity operations at all venues, while gradually returning to pre-pandemic performances and attendance. Net position restricted for construction is \$1,413,286 and decreased by \$7,331 from fiscal year 2021. Unrestricted net position is \$14,598,278 and decreased by \$2,940 from fiscal year 2021. The operating loss before depreciation is \$95,741 in fiscal year 2022, a decrease of \$ 7,967,601 from fiscal year 2021. The operating loss before non-operating revenues (expenses) in fiscal year 2022 is \$5,241,312, reflecting a negative change by \$9,115,274 from an operating income before non-operating revenues (expenses) of \$3,873,962 in fiscal year 2021.

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

During fiscal year 2022 the Authority hosted or presented 770 performances and events which were attended by more than 433,000 patrons at the Center and its affiliated venues, Parker Playhouse, the Rose and Alfred Miniaci Performing Arts Center and the Aventura Arts and Culture Center. This attendance volume was approximately 67% of a typical operating year, pre-pandemic. The Authority's own series consisted of 274 performances with more than 155,000 attendees. Over the past twenty-eight years, 3.7 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 2022, over 111,000 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 \$507,224 and \$130,940 respectively.

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

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

Programming Revenues:

Programming revenues in fiscal year 2022 are \$23,993,978, an increase of \$23,557,412 from fiscal year 2021, due to fiscal year 2022 being the first year of full-capacity operations post pandemic, and a change in the Authority becoming the presenter-of-record for its self-presentations and it's Broadway in Fort Lauderdale series. This increase is made up mainly by increases in ticket sales by \$20,782,793, in rental revenue by \$404,072, in stage labor reimbursements by \$634,002 and in ticket surcharge by \$1,466,222. In addition, co-pro fees increased by \$151,749, house fees increased by \$26,800, equipment rental increased by \$72,791 and production services increased by \$18,983.

Services Revenues:

Total services revenues in fiscal year 2022 are \$9,314,971, which represents an increase of \$8,289,824 from fiscal year 2021, due to fiscal year 2022 being the first year of full-capacity operations post pandemic. This increase is comprised by increases in retail services by \$4,183,025, in ticketing services by \$3,352,784 and in parking services by \$761,257. Total retail services revenues are \$4,455,529 in fiscal year 2022 and the increase by \$4,183,025 is primarily due to increases in concessions revenue, Club Level/Intermezzo revenues, catering revenues and merchandise commissions increases by \$2,352,850, \$842,226, \$901,426, and \$86,861 respectively. Ticketing services revenues are \$3,970,966 in fiscal year 2022 and increased by \$3,352,784 from fiscal year 2021 mainly because of increases in processing fees by \$3,158,491, credit card commissions by \$103,885, box office fees by \$72,656 and in ticketing fees & incentives by \$17,752. Parking services revenue of \$888,477 in fiscal year 2022 increased by \$761,257 from \$127,221 in fiscal year 2021.

Other Revenues:

Other revenues in fiscal year 2022 are \$2,484,143, an increase of \$1,141,217 from fiscal year 2021. This increase is mostly due to an increase in sponsorship revenues by \$336,983, in advertising by \$47,587 and subscription membership revenue by 313,468. In addition, revenues generated by the Rose Miniaci Education Center increased by \$283,201 from fiscal year 2021 and insurance recovery increased by \$83,906.

Governmental:

Governmental revenue in fiscal year 2022 is \$1,888,232, which reflects a decrease of \$9,941,422 from \$11,829,654 in fiscal year 2021. The decrease is primarily due to the federal Shuttered Venue Operators Grant (SVOG) granted in fiscal year 2021.

Contributions:

Contributions are \$3,751,310 in fiscal year 2022 and decreased by \$966,510 from the previous year. This decrease is the result of a decrease in individual contributions from 2021.

Salaries and Benefit Expenses:

Salaries & benefit expenses of \$11,292,274 in fiscal year 2022 increased by \$4,455,145 from fiscal year 2021. The Authority remained in a rehiring and restaffing phase for most of the fiscal year 2022 with a goal of 90% of pre-pandemic staffing levels to support full-capacity operations. This resulted in an increase in salaries & benefits of which the largest increases were contributed by the following departments: administration increased by \$1,102,248, concessions and retail services by \$787,568, production by \$231,465, facilities and security by \$600,705, marketing and programming by \$567,178 and ticketing services and front of house by \$379,688 and \$294,194, respectively.

Programming Expenses:

Programming expenses of \$19,906,184 increased by \$18,924,066 from fiscal year 2021, due to fiscal year 2022 being the first year of full-capacity operations post pandemic, and a change in the Authority becoming the presenter-of-record for its self-presentations and it's Broadway in Fort Lauderdale series. This is primarily due to the increase in artist fees by \$13,939,708, in marketing related show expense by \$2,569,232 and in stage labor salaries and wages by \$2,352,267.

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Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

Food & Beverage Expenses:

Food & beverage expenses are \$1,986,783 in fiscal year 2022, which represents an increase of \$1,855,353 from fiscal year 2021. This increase is directly related to the increase in food and beverage volume over the prior year.

General & Administrative Expenses:

General & administrative expenses are \$8,610,143 in fiscal year 2022 and have increased by \$4,783,567 from fiscal year 2021. This is primarily due to an increase in ticketing service of \$1,615,113 of which Ticketmaster fees increased by \$817,829 and credit card fees increased by \$797,284. Services related to the increase in attendance and performances have also translated to increases in security by \$987,011. In addition, facility expenses increased by \$1,307,225.

Operating Income:

The operating loss before non-operating revenues for fiscal year 2022 is \$5,241,312, a decrease of \$9,115,274 from an operating gain of \$3,873,962 in fiscal year 2021. Included in the operating loss in fiscal year 2022 is a charge to depreciation expense of \$5,241,312, which increased by \$1,147,673 from the prior year.

Non-Operating Revenue/Expenses:

Total non-operating revenue (net) in fiscal year 2022 was \$3,676,220, an increase of \$177,982 from fiscal year 2021. Total capital contributions in fiscal year 2022 are \$4,108,299 of which \$2,685,295 are for the Parker Playhouse Encore capital campaign, this reflects a \$212,892 increase from fiscal year 2021. Capital contributions for the Encore capital campaign was \$1,423,004 in fiscal year 2022, reflecting a decrease of \$502,393 from FY 2021. Non-capitalizable project expenses for the Parker Playhouse Encore capital campaign are \$214,357 in fiscal year 2022 and decreased by \$311,227 from the prior year. Capital project interest expense is \$447,670 in fiscal year 2022 and increased by \$130,998 from fiscal year 2021. Income earned on funds invested in the Local Government Surplus Funds Trust Fund increased in fiscal year 2022 by \$136,866 from fiscal year 2021. Total gain from Insurance Claims in FY 2022 was \$80,943.

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, 2022

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

Component Unit

<u>Assets</u>	2022	2021	\$ Change	% Change
Current assets	\$ 16,349,651	\$ 19,881,193	\$ (3,531,542)	-17.8%
Non-current assets	5,917,974	6,617,557	(699,583)	-10.6%
Total Assets	22,267,625	26,498,750	(4,231,125)	-16.0%
<u>Liabilities</u>				
Current liabilities	2,274,665	3,082,562	(807,897)	-26.2%
Long-term liabilities	4,136,510	5,337,439	(1,200,929)	-22.5%
Total Liabilities	6,411,175	8,420,001	(2,008,826)	-23.9%
<u>Net Position</u>				
Unrestricted	1,581,154	3,765,499	(2,184,345)	-58.0%
Restricted - nonexpendable	14,275,296	14,313,250	(37,954)	-0.3%
Total Net Position	15,856,450	18,078,749	(2,222,299)	-12.3%
<u>Revenues</u>				
Operating support and revenues	\$ 5,792,018	\$ 5,767,913	\$ 24,105	0.4%
Total Operating Support and Revenues	5,792,018	5,767,913	24,105	0.4%
<u>Expenses</u>				
Operating expenses	5,298,434	6,494,630	(1,196,196)	-18.4%
Total Operating Expenses	5,298,434	6,494,630	(1,196,196)	-18.4%
Operating Income/(Loss)	493,584	(726,717)	1,220,301	-167.9%
Non-Operating Investment Loss	(2,715,883)	2,512,770	(5,228,653)	208.1%
Change in Net Position	(2,222,299)	1,786,053	(4,008,352)	-224.4%
Beginning Net Position	18,078,749	16,292,696	1,786,053	11.0%
Ending Net Position	\$ 15,856,450	\$ 18,078,749	\$ (2,222,299)	-12.3%

Broward Performing Arts Foundation, Inc. – Component Unit

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

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 \$22,267,625 in fiscal year 2022, a decrease of \$4,231,125 from \$26,498,750 in fiscal year 2021. This reflects a decrease of \$3,531,542 in current assets and a decrease of \$699,583 in non-current assets. The decrease in current assets is primarily due to a decrease in investments by \$2,967,048, decreases in cash and cash equivalents and restricted cash and cash equivalents of \$37,116 and \$22,031 respectively. In addition, restricted receivables decreased by \$54,583 and pledges receivables decreased by \$450,764. The decrease in non-current assets is due to the decrease in pledges receivables from the Parker Playhouse Encore capital campaign.

Total liabilities in fiscal year 2022 were \$6,411,175, a decrease of \$2,008,826 from \$8,420,001 in fiscal year 2021. This decrease is mainly due to Parker capital campaign agency payable to the Authority during fiscal year 2022.

Total net position in fiscal year 2022 is \$15,856,450, a decrease of \$2,222,299 from \$18,078,749 in fiscal year 2021. This decrease is the result of a decrease in assets of \$4,231,125 off-set by a decrease in liabilities of \$2,008,826.

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

The Foundation continues its annual fundraising campaigns including membership, sponsorship, grant and special event programs (reference Page 2, Primary Government's Current Year's Highlights) 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 \$5,792,018 in fiscal year 2022 increased by \$24,105 from \$5,767,913 in fiscal year 2021. The increase is primarily due to the increases in other revenues and in-kind/donated services of \$825,578 and \$996,410, respectively. This was offset by a decrease in show programming revenues by \$746,437 and a decrease in contributions by \$1,051,446.

Operating Expenses:

Total operating expenses of \$5,298,434 in fiscal year 2022 decreased by \$1,196,196 from \$6,494,630 in fiscal year 2021. This decrease is primarily due to a decrease in show programming expenses by \$2,233,455, offset by increased in-kind/donated services expenses by \$996,410 and general & administrative expenses by \$40,849.

PERFORMING ARTS CENTER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

COMPONENT UNIT-Financial Analysis

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

Operating Surplus/Deficit after Investment Income:

The operating income before non-operating investment income of \$493,584 in fiscal year 2022 represents a change of \$1,220,301 from an operating loss of \$726,717 in fiscal year 2021. The non-operating investment loss is \$2,715,883 in fiscal year 2022 representing a change of \$5,228,653 from an investment income of \$2,512,770 in fiscal year 2021. As a result, the operating deficit after investment income is \$2,222,299 in fiscal year 2022, decreased by \$4,008,352 from an operating surplus \$1,786,053 in fiscal year 2021.

Capital Assets, Net:

Capital assets, net of accumulated depreciation, were \$77,833,045 in fiscal year 2022, a decrease of \$3,548,373 from fiscal year 2021. The decrease in capital assets is related to the full year depreciation of the Parker Playhouse expansion and renovations from the prior year. 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 2022 are comprised of \$1,400,000 from a Capital Improvement Revenue Note, Series 2013A that was secured in fiscal year 2013 from SunTrust Bank, \$1,104,000 from a Capital Improvement Revenue Note, Series 2013B and \$7,733,449. The long-term liabilities of the Capital Improvement Revenue Note, Series 2013A, Series 2013B and the Capital Improvement Revenue Note, Series 2019 were reduced by \$300,000, \$526,000 and \$1,723,000 respectively in fiscal year 2022. The Capital Improvement Revenue Note, Series 2013B was also secured from SunTrust Bank in fiscal year 2013. The Capital Improvement Revenue Note, Series 2019 was executed by the Authority 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 \$4,136,510 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, 2022

	<u>Primary Government</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,004,414	\$ 1,747,782
Investments	17,789,150	12,134,277
Receivables, net	990,558	-
Restricted receivables, net	-	346,667
Pledges receivables, net	-	1,923,700
Due from other governments	720,153	-
Prepaid assets and deposits	666,301	-
Inventories	167,161	-
Restricted cash and cash equivalents	1,413,286	197,225
Total Current Assets	<u>26,751,023</u>	<u>16,349,651</u>
Non-Current Assets:		
Capital assets, net of accumulated depreciation	77,833,045	-
Investment in parking garage, net	524,640	-
Pledges receivables, net	-	5,917,974
Total Non-Current Assets	<u>78,357,685</u>	<u>5,917,974</u>
Total Assets	<u>\$ 105,108,708</u>	<u>\$ 22,267,625</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,987,649	\$ 340,573
Unearned revenue	6,996,909	456,956
Due to promoters	1,279,542	-
Agency payable	-	1,477,136
Short-term note payable	2,549,000	-
Total Current Liabilities	<u>13,813,100</u>	<u>2,274,665</u>
Non-Current Liabilities:		
Agency payable	-	4,136,510
Note payable - capital loan	10,237,449	-
Total Non-Current Liabilities	<u>10,237,449</u>	<u>4,136,510</u>
Total Liabilities	<u>24,050,549</u>	<u>6,411,175</u>
NET POSITION		
Net investment in capital assets	65,046,596	-
Restricted for construction	1,413,286	-
Restricted - non-expendable	-	14,275,296
Unrestricted	14,598,278	1,581,154
Total Net Position	<u>\$ 81,058,159</u>	<u>\$ 15,856,450</u>

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, 2022

	<u>Primary Government</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Programming revenues	\$ 23,993,978	\$ -
Services revenues	9,314,971	-
Other revenues	2,484,143	1,484,011
Governmental	1,888,232	-
Contributions	3,751,310	2,475,311
In-kind/donated services	942,660	1,832,696
Total Operating Revenues	<u>42,375,294</u>	<u>5,792,018</u>
 EXPENSES		
Operating Expenses:		
Salaries & benefits expenses	11,292,274	-
Programming expenses	19,609,184	3,245,570
Food & beverage	1,986,783	-
General & administrative	8,610,143	220,168
In-kind/donated services	972,651	1,832,696
Total Operating Expenses	<u>42,471,035</u>	<u>5,298,434</u>
 Operating Income/(Loss) before Depreciation and Non-Operating Revenues/(Expenses)	<u>(95,741)</u>	<u>493,584</u>
 Depreciation Expense	<u>5,145,571</u>	<u>-</u>
 Operating Income/(Loss) Before Non-Operating Revenues/(Expenses)	<u>(5,241,312)</u>	<u>493,584</u>
 Non-Operating Revenues/(Expenses)		
Capital contribution	4,108,299	-
Non capitalizable project expenses	(214,357)	-
Capital project interest expenses	(447,670)	-
Capital project interest income	400	-
Investment gain/(loss)	148,605	(2,715,883)
Gain from insurance claims	80,943	-
Total Non-Operating Revenues/(Expenses)	<u>3,676,220</u>	<u>(2,715,883)</u>
 CHANGE IN NET POSITION	 (1,565,092)	 (2,222,299)
 Beginning Net Position	 <u>82,623,251</u>	 <u>18,078,749</u>
Ending Net Position	<u>\$ 81,058,159</u>	<u>\$ 15,856,450</u>

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, 2022

	<u>Primary Government</u>	<u>Component Unit</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 37,871,635	\$ 4,061,436
Cash received from parking garage	888,478	-
Cash received from governmental contributions	1,781,086	-
Cash received from community contributions	3,741,310	2,475,311
Cash payments to vendors for goods and services	(28,812,829)	(6,443,481)
Cash payments to employees for services	(11,345,901)	-
Net Cash Provided by (Used in) Operating Activities	<u>4,123,778</u>	<u>93,266</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contribution	4,108,299	-
Principal paid on capital debt	(1,993,553)	-
Interest paid	(447,670)	-
Capital asset insurance proceeds	80,943	-
Capital expenses	(1,750,564)	-
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(2,544)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(150,177)	-
Sales of investments	-	2,967,048
Investment income	148,605	(3,119,461)
Net Cash Provided by (used in) Investing Activities	<u>(1,572)</u>	<u>(152,413)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,119,661	(59,147)
Cash and Cash Equivalents, Beginning of Year	2,298,039	2,004,154
Cash and Cash Equivalents, End of Year	<u>6,417,700</u>	<u>\$ 1,945,007</u>
Reconciliation of Cash and Cash Equivalents		
Restricted cash and cash equivalents	1,413,286	93,266
Unrestricted cash and cash equivalents	5,004,414	1,851,741
Total Cash and Cash Equivalents	<u>\$ 6,417,700</u>	<u>\$ 1,945,007</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income/(Loss)	\$ (5,241,312)	\$ 897,162
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities:		
Depreciation	5,145,571	-
Changes in assets and liabilities:		
Receivables, net	(612,589)	1,204,930
Inventories	(28,910)	-
Prepays and deposits	(188,787)	-
Accounts payable and accrued liabilities	1,562,457	(2,005,683)
Due to promoters	5,661	-
Unearned revenue	3,481,688	(3,143)
Net Cash (Used in) Operating Activities	<u>\$ 4,123,778</u>	<u>\$ 93,266</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, 2022

(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, 2022, 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, 2022

(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 in 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, 2022

(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, 2022, 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	15-20
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, 2022

(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, 2022.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. For Federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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, 2022, 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.

X. Budgets

PERFORMING ARTS CENTER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2022, the carrying amount of the Authority's cash was \$6,417,700 of which \$5,004,414 was unrestricted operating cash, none of it interest bearing and \$1,413,286 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 \$6,417,700. The bank balance of the Authority's deposits as of September 30, 2022 was \$5,959,505 which includes \$69,688 of petty and operating cash. \$1,413,286 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 \$6,417,700 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.

As of September 30, 2022, 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	\$ 17,789,150	21	72
Portfolio weighted average maturity	<u>\$ 17,789,150</u>		

PERFORMING ARTS CENTER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(2) DEPOSITS AND INVESTMENTS (Continued)

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, 2022 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.

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.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(2) DEPOSITS AND INVESTMENTS (Continued)

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, 2022:

	Total	Level 1	Level 2	Level 3
Assets:				
Investments				
Equities Securities	\$ 3,147,922	\$ 3,147,922	\$ -	\$ -
Fixed Income Securities	1,510,263	1,510,263	-	-
Mutual Funds – Equities	4,979,825	4,979,825	-	-
Mutual Funds - Fixed Income	2,496,267	2,496,267	-	-
Total Investments	12,134,277	12,134,277	-	-
Pledges Receivables	7,841,674	-	-	7,841,674
Contribution Receivable from Remainder Trust	346,667	-	-	346,667
Total Assets at Fair Value	\$ 20,322,618	\$ 12,134,277	\$ -	\$ 8,188,341

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, 2022:

	Pledges Receivable	Contribution Receivable from Remainder Trust
Balance, beginning of year	\$ 8,992,021	\$ 401,250
New pledges	1,839,500	-
Receipts	(3,272,040)	-
Change in present value discount	282,193	(54,583)
Balance, end of year	\$ 7,841,674	\$ 346,667

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, 2022, the Foundation had \$12,134,277 invested with a major financial institution acting as the investment manager. Mutual funds, equities, and fixed income securities comprised 91% of these investments with the remaining 9% 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.

(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.

PERFORMING ARTS CENTER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(3) ENDOWMENT - Component Unit (Continued)

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, 2022 and 2021.

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.

Endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Endowment Assets
Board Designated Endowment Funds	\$ 1,195,031	\$ -	\$ 1,195,031
Donor-Restricted Endowment Funds	-	10,939,146	10,939,146
Total Funds	\$ 1,195,031	\$ 10,939,146	\$ 12,134,177

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(4) RECEIVABLES

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

	<u>Totals</u>
Accounts – Foundation	\$ 340,575
Accounts – Other	686,312
Other governments	720,153
Less: Allowance for Uncollectible	<u>(36,329)</u>
Net total receivables	<u>\$1,710,711</u>

(5) PLEDGES RECEIVABLE- Component Unit

At September 30, 2022, pledges receivable consisted of:

Pledges	\$ 9,770,137
Less: Allowance for Doubtful Accounts	(142,000)
Less: Discounts to Net Present Value	<u>(1,786,463)</u>
Total, Net of Discount	<u>\$ 7,841,674</u>

Pledges receivable at September 30, 2022, were scheduled to be collected as follows:

Year Ending September 30:

2023	\$ 1,952,072
2024	1,599,233
2025	1,279,332
2026	1,092,000
2027	1,207,500
Thereafter	<u>2,640,000</u>
	<u>\$ 9,770,137</u>

Multi-year pledges due after September 30, 2022 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 \$524,639.

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 \$855,782.10 in fiscal year 2022.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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 \$855,782.10 in fiscal year 2022.

(6) INVESTMENT IN PARKING GARAGE (Continued)

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 \$524,639.

Capital assets not being depreciated:

Land	\$ 9,605,671	\$ -	\$ -	\$ -	\$ 9,605,671
Construction in progress	<u>10,921,211</u>	<u>1,488,407</u>	<u>-</u>	<u>(11,470,481)</u>	<u>939,137</u>
Total capital assets not being depreciated	<u>20,526,882</u>	<u>1,488,407</u>	<u>-</u>	<u>(11,470,481)</u>	<u>10,544,808</u>

Capital assets being depreciated:

Building and building improvements	107,118,511	-	(132,160)	11,376,033	118,362,384
Equipment	<u>15,878,930</u>	<u>240,951</u>	<u>-</u>	<u>94,448</u>	<u>16,214,329</u>
Total capital assets being depreciated	<u>122,997,441</u>	<u>240,951</u>	<u>(132,160)</u>	<u>11,470,481</u>	<u>134,576,713</u>
Less accumulated depreciation	<u>(62,142,905)</u>	<u>(5,145,571)</u>	<u>-</u>	<u>-</u>	<u>(67,288,476)</u>
Total capital assets being depreciated, net	<u>60,854,536</u>	<u>(4,904,620)</u>	<u>(132,160)</u>	<u>11,470,481</u>	<u>67,288,237</u>

Capital assets, net	<u>\$ 81,381,418</u>	<u>\$ (3,416,213)</u>	<u>\$ (132,160)</u>	<u>\$ -</u>	<u>\$ 77,833,045</u>
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(8) RESTRICTED NET ASSETS (Expendable) – Component Unit

At September 30, 2022, restricted net assets were available for the following purposes:

Rumbaugh Gardens	\$ 182,676
Leiser Room Renovations	41,270
Education Programs	636,638
Programming	312,464
Other	33,772
For Future Periods	3,024,922
Perpetual in Nature	<u>10,043,554</u>
	<u>\$ 14,275,296</u>

(9) BEQUESTS- Component Unit

As of September 30, 2022, the Foundation had signed bequests with an estimated current value of \$2,030,000 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, 2022 was as follows:

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(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, 2022, 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%.

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 2022. Future principal payments and interest to maturity are summarized below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	300,000	59,000	359,000
2024	300,000	48,000	348,000
2025	300,000	36,000	336,000
2026	300,000	24,000	324,000
2027	500,000	6,000	506,000
Total	<u>\$ 1,700,000</u>	<u>\$ 173,000</u>	<u>\$ 1,873,000</u>

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, 2021 was 2.23%. In fiscal year 2022 \$510,000 was paid in principal. Future principal payments and interest to maturity are summarized below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	526,000	32,000	558,000
2024	546,000	20,500	566,500
2025	522,000	8,100	530,100
2026	36,000	2,100	38,100
Total	<u>\$ 1,630,000</u>	<u>\$ 62,700</u>	<u>\$ 1,692,700</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 2022, \$683,553 was paid in principal.

PERFORMING ARTS CENTER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(10) LONG-TERM DEBT (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	1,723,000	244,940	1,967,940
2024	1,794,000	193,005	1,987,005
2025	1,532,000	145,560	1,677,560
2026	1,490,000	101,898	1,591,898
2027	1,489,000	58,992	1,547,992
2028-29	1,428,449	29,508	1,457,957
Total	<u>\$ 9,456,449</u>	<u>\$ 773,903</u>	<u>\$ 10,230,352</u>

Long term debt activity for the fiscal year ended September 30, 2022 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due within One Year</u>
Construction Loan Series 2013A	\$ 2,500,000	\$ -	\$ 800,000	\$ 1,700,000	\$ 300,000
Construction Loan Series 2013B	2,140,000	-	510,000	1,630,000	526,000
Capital Improvement Loan Series 2019	10,140,002		683,553	9,456,449	1,723,000
Total	<u>\$ 14,780,002</u>	<u>\$ -</u>	<u>\$ 1,993,553</u>	<u>\$ 12,786,449</u>	<u>\$ 2,549,000</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.

Mission Square (formerly 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 \$513,647 in fiscal year 2022. During the current year, employees contributed \$513,647. As of September 30, 2022, the number of active employee plan participants was 112.

(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.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(13) RELATED PARTY TRANSACTIONS

During fiscal year 2022 the Authority recognized \$3,739,940 in support and contributions from the Foundation for support of the Authority's programs and operations, and \$2,613,000 in support of capital projects.

During the year the Foundation's operating expenses including, but not limited to personnel, marketing, advertising, printing and supplies in the amount of \$1,832,696 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 architectural and engineering agreements during the previous fiscal year for the renovation of the Parker Playhouse. As of September 30, 2022, the total amount of the agreement was \$2,766,335; as of September 30, 2022, \$2,721,316 of the total agreement was earned. During fiscal year 2019, 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, 2022 was \$17,144,181; as of September 30, 2022, \$16,944,181 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 fiscal year 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.

(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, 2022 the deductible for commercial property coverage was \$25,000. Effective January 14, 2023, 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, 2023. The Authority continues to pursue cost-beneficial windstorm insurance.

PERFORMING ARTS CENTER AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(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 \$942,660 of cumulative donated support was received during the fiscal year ended September 30, 2022.

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 \$1,832,696.

(17) TRI-PARTY GRANT AGREEMENT

For fiscal year 2022, Broward County, the City and the Authority entered into an inter-local agreement. Broward County agreed to contribute \$16,938 for an annual audit. The County also provided the Authority with an operating grant of \$950,000 in 2022. The City agreed to make cash contributions from the net amount of the Arts and Science Parking Garage revenues not to exceed \$300,000; \$16,938 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, 2022, 13% of all performances, 30% of all attendance and 33% of total operating revenues came from the PTG-FL/Broadway Across America contract. The financial contribution of this programming makes it possible to provide the needed support for operating costs and support to local presenting organizations.

COMPLIANCE SECTION



CABALLERO FIERMAN
LLERENA + GARCIA LLP
accountants | advisors

**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, 2022, 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 27, 2023. 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*.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caballero Fierman Llerena & Garcia, LLP

Miramar, Florida
January 27, 2023

**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, 2022, and have issued our report thereon dated January 27, 2023. 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 and schedule, which are dated January 27, 2023, 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 financial audit report. There were no findings or recommendations made in the preceding 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.

Special Districts

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Authority reported:

- a. The total number of Authority employees compensated in the last pay period of the Authority's fiscal year as 245.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Authority's fiscal year as 64.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$716,097.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$280,933.
- e. Each construction project with a total cost of at least \$65,000 approved by the Authority that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as none.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the Authority amends a final adopted budget under Section 189.016(6), Florida Statutes, as presented in Appendix A following this report.

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 27, 2023

PERFORMING ARTS CENTER AUTHORITY
Appendix A
Budget Variance Report
For the Fiscal Year Ended September 30, 2022

	Enterprise Fund			
	Original Budget	Final Budget	Actual	Variance
Revenue				
Other Local Grants	1,832,284	1,832,284	1,888,232	55,948
Other Cultural/Recreational Charges	10,789,570	10,789,570	32,597,030	21,807,460
Interest	10,000	10,000	148,605	138,605
Rents and Royalties	21,578,640	21,578,640	3,196,062	(18,382,578)
Contributions/Donations from Private Sources	3,695,663	3,695,663	4,693,970	998,307
Capital Contribution - Other Public Sources		-	1,495,299	1,495,299
Capital Contribution - Private	-	-	2,613,000	2,613,000
Gain from Insurance Claim	-	-	80,943	80,943
Total Revenues	37,906,157	37,906,157	46,713,141	8,806,984
Expenses				
Financial and Administrative	12,215,772	12,215,772	11,292,274	(923,498)
Cultural Services	29,067,072	29,067,072	36,538,689	7,471,617
Proprietary Non-Operating Interest Expense	-	-	447,270	447,270
Total Expenses	41,282,844	41,282,844	48,278,233	6,995,389
Change in Net Position	(3,376,687)	(3,376,687)	(1,565,092)	1,811,595



**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, 2021 through September 30, 2022. 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, 2021 through September 30, 2022.

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 27, 2023