RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 and 2022

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Contents

EisnerAmper LLP
505 South Flagler Drive
Suite 900
West Palm Beach, FL 33401
T 561.832.9292
F 561.832.9455
www.eisneramper.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Raymond F. Kravis Center for the Performing Arts, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raymond F. Kravis Center for the Performing Arts, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Raymond F. Kravis Center for the Performing Arts, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Organization'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 Organization'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.

EisnerAmper LLP

EISNERAMPER LLP
West Palm Beach, Florida
November 2, 2023

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statements of Financial Position

	June 30, 2023	June 30, 2022
ASSETS		
Cash and cash equivalents	$ **1,315,135**	$ 909,316
Investments	**106,736,190**	92,225,004
Pledges and contributions receivable, net	**12,452,430**	16,075,839
Prepaid expenses and other assets	**1,545,834**	973,829
Interest rate swaps	**1,066,158**	332,631
Property and equipment, net	**81,836,737**	84,872,219
Total assets	$ **204,952,484**	$ 195,388,838
LIABILITIES		
Accounts payable and accrued expenses	$ **1,510,524**	$ 918,580
Advance ticket sales and theater rental deposits	**9,245,621**	6,672,312
Long-term debt, net	**55,997,642**	55,985,510
Total liabilities	**66,753,787**	63,576,402
Commitment and contingencies (Note O)		
NET ASSETS		
Without donor restrictions	**94,741,096**	86,211,431
With donor restrictions	**43,457,601**	45,601,005
Total net assets	**138,198,697**	131,812,436
	$ **204,952,484**	$ 195,388,838

See notes to financial statements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statements of Activities and Changes in Net Assets

	2023 Without Donor Restrictions	2023 With Donor Restrictions	2023 Total	2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Total
	Year Ended June 30,					
Public support and revenue:						
Theater admission	$ 19,731,694	$ -	$ 19,731,694	$ 12,334,796	$ -	$ 12,334,796
Theater rentals	1,328,806	-	1,328,806	1,156,360	-	1,156,360
Other theater income	3,879,400	-	3,879,400	1,779,595	-	1,779,595
Contributions and sponsorships	3,504,067	4,887,397	8,391,464	3,057,340	4,964,148	8,021,488
Special events, net of direct benefit to donors of $325,650 and $322,383 for 2023 and 2022, respectively	830,000	-	830,000	725,000	-	725,000
	29,273,967	4,887,397	34,161,364	19,053,091	4,964,148	24,017,239
Net assets released from restrictions	10,477,989	(10,477,989)	-	9,054,820	(9,054,820)	-
Total public support and revenue	39,751,956	(5,590,592)	34,161,364	28,107,911	(4,090,672)	24,017,239
Expenses						
Program services:						
Theater programming	23,041,743	-	23,041,743	16,796,119	-	16,796,119
Outreach and education	3,290,974	-	3,290,974	1,954,371	-	1,954,371
Theater operation	7,592,306	-	7,592,306	7,026,694	-	7,026,694
Total program services	33,925,023	-	33,925,023	25,777,184	-	25,777,184
Supporting services:						
Management and general	4,893,971	-	4,893,971	4,831,344	-	4,831,344
Fundraising and membership development	1,685,534	-	1,685,534	1,548,740	-	1,548,740
Total support services	6,579,505	-	6,579,505	6,380,084	-	6,380,084
Total expenses	40,504,528	-	40,504,528	32,157,268	-	32,157,268
Change in net assets before investment and other activity	(752,572)	(5,590,592)	(6,343,164)	(4,049,357)	(4,090,672)	(8,140,029)
Investment and other activity:						
Investment earnings (losses), net	8,565,669	3,447,188	12,012,857	(8,820,901)	(4,310,986)	(13,131,887)
Unrealized gain on interest rate swaps	733,527	-	733,527	1,017,237	-	1,017,237
Loss on disposition of property and equipment	(16,959)	-	(16,959)	(173,059)	-	(173,059)
Shuttered Venue Operators Grant	-	-	-	8,083,428	-	8,083,428
Paycheck Protection Program loan forgiveness	-	-	-	1,916,572	-	1,916,572
Employee Retention Credit income	-	-	-	159,729	-	159,729
Net investment and other activity	9,282,237	3,447,188	12,729,425	2,183,006	(4,310,986)	(2,127,980)
Change in net assets	8,529,665	(2,143,404)	6,386,261	(1,866,351)	(8,401,658)	(10,268,009)
Net assets, beginning of year	86,211,431	45,601,005	131,812,436	88,077,782	54,002,663	142,080,445
Net assets, end of year	$ 94,741,096	$ 43,457,601	$ 138,198,697	$ 86,211,431	$ 45,601,005	$ 131,812,436

See notes to financial statements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statement of Functional Expenses
Year ended June 30, 2023
(with summarized information for June 30, 2022)

	Program Services				Supporting Services			Total Expenses	
	Theater Programming	Outreach and Education	Theater Operations	Program Services	Management and General	Fund-raising	Total Supporting Services	2023	2022
Salaries, benefits and taxes	$ 2,573,452	$ 360,315	$ 5,322,139	$ 8,255,906	$ 2,570,679	$ 1,010,473	$ 3,581,152	$ 11,837,058	$ 11,066,494
Artist amenities	260,864	250,048	-	510,912	-	-	-	510,912	402,650
Artist fees	10,315,359	1,018,636	-	11,333,995	-	-	-	11,333,995	7,097,595
Credit card processing fees	552,792	23,279	-	576,071	-	55,190	55,190	631,261	352,097
Décor for donor events	-	-	-	-	-	151,776	151,776	151,776	183,272
Food and beverage for donor related events	-	-	-	-	-	200,082	200,082	200,082	136,206
Institutional advertising	292,977	11,432	-	304,409	-	-	-	304,409	248,849
Interest expense	1,080,230	154,286	355,938	1,590,454	229,436	-	229,436	1,819,890	959,939
Maintenance and custodial	561,538	80,203	185,028	826,769	119,268	59,639	178,907	1,005,676	672,406
Miscellaneous presentation expenses	45,066	19,752	-	64,818	-	-	-	64,818	51,674
Office and information technology expenses	-	-	60,198	60,198	619,319	-	619,319	679,517	494,556
Other miscellaneous donor benefit items	-	-	-	-	-	145,531	145,531	145,531	102,040
Other miscellaneous expenses	12,825	3,209	67,725	83,759	80,401	58,574	138,975	222,734	155,422
Outside professional services	175,215	-	-	175,215	343,006	90,750	433,756	608,971	528,953
Outside security	-	-	153,350	153,350	-	-	-	153,350	123,851
Printing and promotional materials	-	-	2,276	2,276	-	94,493	94,493	96,769	51,501
Property and liability insurance	843,961	120,540	278,087	1,242,588	179,254	89,636	268,890	1,511,478	1,337,396
Show related advertising	1,314,305	316,754	-	1,631,059	-	-	-	1,631,059	1,300,682
Stage labor and technical costs	1,469,739	305,831	-	1,775,570	-	-	-	1,775,570	1,464,284
Student transportation costs	-	120,595	-	120,595	-	-	-	120,595	10,756
Utilities	518,231	74,017	170,759	763,007	110,070	55,040	165,110	928,117	742,307
Depreciation	3,025,189	432,077	996,806	4,454,072	642,538	-	642,538	5,096,610	4,996,721
Total expenses, excluding special events	23,041,743	3,290,974	7,592,306	33,925,023	4,893,971	2,011,184	6,905,155	40,830,178	32,479,651
Special events - cost of direct benefit to donors:									
Food and entertainment	-	-	-	-	-	(110,924)	(110,924)	(110,924)	(97,408)
Décor and other	-	-	-	-	-	(214,726)	(214,726)	(214,726)	(224,975)
	-	-	-	-	-	(325,650)	(325,650)	(325,650)	(322,383)
Total functional expenses	$ 23,041,743	$ 3,290,974	$ 7,592,306	$ 33,925,023	$ 4,893,971	$ 1,685,534	$ 6,579,505	$ 40,504,528	$ 32,157,268

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statement of Functional Expenses
Year ended June 30, 2022

	Program Services				Supporting Services			
	Theater Programming	Outreach and Education	Theater Operations	Program Services	Management and General	Fund-raising	Total Supporting Services	Total
Salaries, benefits and taxes	$ 2,152,141	$ 342,496	$ 4,822,449	$ 7,317,086	$ 2,706,039	$ 1,043,369	$ 3,749,408	$ 11,066,494
Artist amenities	313,024	89,626	-	402,650	-	-	-	402,650
Artist fees	6,489,562	608,033	-	7,097,595	-	-	-	7,097,595
Credit card processing fees	294,913	11,707	-	306,620	-	45,477	45,477	352,097
Décor for donor events	-	-	-	-	-	183,272	183,272	183,272
Food and beverage for donor related events	-	-	-	-	-	136,206	136,206	136,206
Institutional advertising	248,849	-	-	248,849	-	-	-	248,849
Interest expense	526,757	61,293	220,370	808,420	151,519	-	151,519	959,939
Maintenance and custodial	342,946	39,905	143,472	526,323	98,647	47,436	146,083	672,406
Miscellaneous presentation expenses	45,300	6,374	-	51,674	-	-	-	51,674
Office and information technology expenses	-	-	51,869	51,869	442,687	-	442,687	494,556
Other miscellaneous donor benefit items	-	-	-	-	-	102,040	102,040	102,040
Other miscellaneous expenses	15,235	2,412	57,513	75,160	36,650	43,612	80,262	155,422
Outside professional services	138,736	-	15,696	154,432	301,996	72,525	374,521	528,953
Outside security	-	-	123,851	123,851	-	-	-	123,851
Printing and promotional materials	-	388	645	1,033	-	50,468	50,468	51,501
Property and liability insurance	682,109	79,369	285,362	1,046,840	196,206	94,350	290,556	1,337,396
Show related advertising	1,182,302	118,380	-	1,300,682	-	-	-	1,300,682
Stage labor and technical costs	1,243,748	220,536	-	1,464,284	-	-	-	1,464,284
Student transportation costs	-	10,756	-	10,756	-	-	-	10,756
Utilities	378,597	44,053	158,387	581,037	108,902	52,368	161,270	742,307
Depreciation	2,741,900	319,043	1,147,080	4,208,023	788,698	-	788,698	4,996,721
Total expenses, excluding special events	16,796,119	1,954,371	7,026,694	25,777,184	4,831,344	1,871,123	6,702,467	32,479,651
Special events - cost of direct benefit to donors:								
Food and entertainment	-	-	-	-	-	(97,408)	(97,408)	(97,408)
Décor and other	-	-	-	-	-	(224,975)	(224,975)	(224,975)
	-	-	-	-	-	(322,383)	(322,383)	(322,383)
Total functional expenses	$ 16,796,119	$ 1,954,371	$ 7,026,694	$ 25,777,184	$ 4,831,344	$ 1,548,740	$ 6,380,084	$ 32,157,268

See notes to financial statements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statements of Cash Flows

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash flows from operating activities:		
Change in net assets	$ 6,386,261	$ (10,268,009)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,096,610	4,996,721
Amortization of bond issuance costs	12,132	12,132
Contributions received and restricted for capital campaign	(4,392,716)	(3,585,234)
Contributions received for permanently restricted endowment	(78,268)	(531,235)
Net realized and unrealized (gains) losses on investments	(8,558,899)	16,423,836
Unrealized gains on interest rate swaps	(733,527)	(1,017,237)
Loss on disposition of property and equipment	16,959	173,059
Paycheck Protection Program loan forgiveness	-	(1,916,572)
Changes in:		
Pledges and contributions receivable	3,623,409	3,846,252
Prepaid and other assets	(572,005)	(223,978)
Accounts payable and accrued expenses	591,944	(211,842)
Advance ticket sales and theater rental deposits	2,573,309	36,556
Net cash provided by operating activities	3,965,209	7,734,449
Cash flows from investing activities:		
Purchases of property and equipment	(2,078,087)	(1,844,837)
Proceeds from sales of investments	14,063,319	10,558,680
Purchases of investments	(20,015,606)	(21,371,752)
Net cash used in investing activities	(8,030,374)	(12,657,909)
Cash flows from financing activities:		
Contributions received for permanently restricted endowment	78,268	531,235
Contributions received and restricted for capital campaign	4,392,716	3,585,234
Net cash provided by financing activities	4,470,984	4,116,469
Net change in cash and cash equivalents	405,819	(806,991)
Cash and cash equivalents, beginning of year	909,316	1,716,307
Cash and cash equivalents, end of year	$ 1,315,135	$ 909,316
Supplemental disclosure of cash flows information:		
Cash paid for interest	$ 1,410,137	$ 1,044,278

See notes to financial statements.

NOTE A - ORGANIZATION

Raymond F. Kravis Center for the Performing Arts, Inc. (the “Organization”) is a performing arts facility (the “Center”) in West Palm Beach, Florida, consisting of a 2,200-seat theater, a 350-seat playhouse, and a five-story multi-purpose building. The Organization’s customers and donors consist primarily of residents of Palm Beach County, Florida, and neighboring areas.

NOTE B - SUMMARY OF SIGNIFICANT POLICIES

[1] Basis of accounting:

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting conforming to accounting principles generally accepted in the United States of America (“U.S. GAAP”), as applicable to not-for-profit entities.

[2] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires the Organization’s management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions.

[3] Cash and cash equivalents:

For financial-reporting purposes, the Organization considers all highly liquid instruments, purchased with an original maturity of three months or less, to be cash equivalents, with the exception of those cash and cash equivalents that are part of the Organization’s investment portfolio.

[4] Investments:

The Organization’s investments in equity securities and exchange-traded funds, corporate debt securities, U.S. government obligations, fixed income funds and structured investment notes are reported at their fair values in the statements of financial position based on quoted market prices. Cash and cash equivalents held as part of the investment portfolio are also included in the balances reported as investments. The Organization’s investments in private equity, hedge and real estate investment funds are valued at their daily net asset value (“NAV”). If the reported NAV of the alternative investments are not calculated in a manner consistent with the measurement accounting principles under U.S. GAAP, then the Organization adjusts the reported NAV to reflect the impact of those measurement principles.

The Organization’s investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost basis to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investments’ costs to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[4] Investments: (continued)

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note D are those specific fees charged by the Organization's various investment managers in each fiscal year; however, they do not include those fees that may be embedded in various other investment accounts and transactions.

[5] Pledges and contributions receivable, net:

Unconditional pledges and contributions are recorded as receivables at the time such pledges are received. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is included in contributions and sponsorships revenue.

Pledges receivable are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding pledges receivable. Pledges are written off when they are deemed uncollectible. Management has recorded no allowance as of June 30, 2023 and 2022.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation, net of accumulated depreciation. The Organization capitalizes as assets those items of property and equipment that have a cost of $500 or more and have useful lives greater than one year, whereas minor costs for repairs and maintenance are expensed as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets. Buildings and parking garage are depreciated over 40 years and furniture, fixtures and equipment ranging from 5 to 10 years.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value and recognizes any impairment in the year of determination. There were no triggering events during the fiscal years 2023 or 2022 requiring management to test for impairment adjustment to property and equipment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Paycheck Protection Program loan:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S Small Business Administration ("SBA"), provides businesses with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Organization had elected to record the PPP funds as a loan under Financial Account Standards Board ("FASB") Accounting Standards Codification ("ASC") 470, *Debt*. The Organization applied for and received forgiveness from the bank and the SBA in the amount of $1,916,572 during the year ended June 30, 2022. Accordingly, the forgiven amount is reflected as PPP loan forgiveness on the statements of activities and changes in net assets for the year ended June 30, 2022 (see Note K).

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[8] Net assets:

The net assets of the Organization and the changes therein are reported as follows:

(i) Net assets without donor restrictions:

The Organization’s net assets without donor restrictions represent those resources that are not subject to donor-imposed restrictions (or certain grantor-imposed) as to their use and are available for current operations. The Board-designated funds, the related resources of which are subject to future uses at the discretion of the Board of Directors, are without donor restrictions and serve as funds reserved by the Board that are not considered endowments (see Note L).

(ii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that are subject to donor-imposed or certain grantor-imposed restrictions, such as specific purposes and/or the passage of time. Also included in net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from underlying assets to be used in the satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as “net assets released from restrictions.”

[9] Bond issue costs:

Bond issue costs are capitalized and amortized on the straight-line basis over the term of the bonds and are presented in the statements of financial position as a direct deduction from the related liability. As of June 30, 2023 and 2022, bond issue costs totaled $430,390, less accumulated amortization of $158,032 and $145,900, respectively. Amortization for each of the years ended June 30, 2023 and 2022 totaled $12,132 and is recorded as interest expense. Future amortization will be approximately $12,000 per year.

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[10] Revenue recognition:

The Organization has five main sources of revenue: theater admissions revenue, theater rentals, other theater income, contributions and sponsorships, and special events revenue.

(i) *Theater admissions and theater rentals*:

The majority of the Organization's revenues from contracts with customers are generated from theater admissions and theater rentals that are considered to be single performance obligations. Revenues for performance obligations satisfied at a point in time are recognized when the services are provided, which is when the related theater performances are presented. Tickets for theater performances are generally made available for purchase at the time the theater performance is advertised, which is less than one year prior to the date of the performance, and are nonrefundable. Payments for theater rentals are generally paid less than one year in advance of the theater performance.

Payments received for advance ticket sales and theater rentals are reported as a liability for advance ticket sales and theater rental deposits until the theater performance is presented. The aggregate amount of the Organization's contract performance obligation includes advance ticket sales, theater rental deposits and gift certificates which are reported as a current liability on the statements of financial position. The liability for advance ticket sales and theater rental deposits totaled $8,385,439 and $5,227,695 as of June 30, 2023 and 2022, respectively. Because the performance obligation for advance ticket sales and theater rental deposits relate to contracts with a duration of less than one year, the Organization has elected to apply the ASU practical expedients not to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period and not to capitalize the incremental costs of obtaining contracts. The performance obligations for advance ticket sales and theater rental deposits will generally be completed in the following fiscal year when the theater performance is presented.

Gift certificates purchased by customers are not recognized as revenues until the gift certificate is redeemed for tickets to a theater performance and the performance is presented. Gift certificates may also be issued to customers in certain hardship cases, such as a serious illness where the customer was unable to attend a theater performance. Gift certificates do not carry an expiration date and, therefore, customers can redeem their gift certificates for tickets to theater performances indefinitely. Historical trends indicate that a majority of gift certificates will not be fully redeemed. Management periodically estimates the unredeemed balances for gift certificates and recognizes revenue for these amounts in other theater income over the expected redemption period. The contract performance obligation related to gift certificates was $860,182 and $1,444,617 as of June 30, 2023 and 2022, respectively, and is included in the total liability for advance ticket sales and theater rental deposits reported on the statements of financial position.

(ii) *Other theater income:*

Other theater income includes theater performance related services such as ticket handling fees, valet parking revenues, concession revenues and contract reimbursements for labor and equipment that are considered to be single performance obligations recognized when the related theater performances are presented.

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[10] Revenue recognition: (continued)

(iii) *Contributions and sponsorships:*

Contributions are recognized when cash, securities or other assets or an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The CARES Act provides an employee retention credit (“CARES Employee Retention Credit”), which is a refundable tax credit against certain employment taxes. From March 12, 2020 through December 31, 2020, the tax credit is equal to 50% of qualified wages up to $10,000 or a maximum credit of up to $5,000 per employee. From January 1, 2021 through June 30, 2021, the tax credit is equal to 70% of qualified wages up to $10,000 during a quarter or a maximum credit of up to $14,000 per employee (or $7,000 per quarter). During the fiscal year ended June 30, 2022, the Organization recorded $159,729 related to the CARES Employee Retention Credit income on the statements of activity and changes in net assets. No CARES Employee Retention Credit income was recorded for the fiscal year ended June 30, 2023.

(iv) *Special events revenue:*

The Organization conducts special events whereby a portion of the gross proceeds paid by the attendees at these events, held as fundraising activities, represents contribution revenue, and the other portion represents the payment of the direct costs of the benefits received by the attendees at the event. The recognition of revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the event occurs, and attendees can no longer request a refund of their tickets purchased.

(v) *Shuttered venue operators grant:*

During the year ended June 30, 2022, the Organization received a Shuttered Venue Operators Grant in the amount of $8,083,428 from the SBA. This grant provided funding to be used for purposes indicated in the grant agreement. As the government is not receiving a benefit as a result of this transaction, the grant is considered to be a contribution to the Organization. The grant agreement contains certain spending requirements. As these stipulations create a barrier that must be achieved, the government grant is considered to be a conditional contribution until such time as the barriers are overcome. Contributions from this grant agreement is therefore recognized as revenue when costs are incurred and specific service requirements are met, as required by the agreement. There was no conditional government grant outstanding June 30, 2023 or 2022.

[11] Contributed services:

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time is not reflected in the accompanying financial statements since it does not meet accounting recognition requirements.

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[12] Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present expenses by natural classification and function. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs such as maintenance and custodial, property and liability insurance, depreciation, interest expense and utilities have been functionalized on the basis of estimates of time and effort.

[13] Advertising:

Advertising costs are expensed as incurred. Such expenses for the years ended June 30, 2023 and 2022 were approximately $1,935,000 and $1,549,000, respectively, and included in institutional and show related advertising in the accompanying statements of functional expenses.

[14] Labor costs:

Certain employees that provided stage production services represented approximately 10.61% and 9.22% of the Organization's total labor costs for the years ended June 30, 2023 and 2022, respectively, and were covered by a collective bargaining agreement that expires on June 30, 2027. The Organization's other employees are not represented by a union.

[15] Federal tax status:

The Organization is subject to the provisions of FASB's ASC Topic 740, *Income Taxes*, as it related to accounting and reporting for uncertainty in income taxes. Because of the Organization's tax exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's financial statements. U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if the Center has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

NOTE C - LIQUIDITY

Financial assets and funding available for general expenditure, that is, without donor or Board restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	June 30, 2023	June 30, 2022
Financial assets:		
Cash and cash equivalents	**$ 1,315,135**	$ 909,316
Investments	**106,736,190**	92,225,004
Pledges and contributions receivable, net	**12,452,430**	16,075,839
	120,503,755	109,210,159
Less: amounts unavailable for general expenditure within one year, due to:		
Restrictions by donors with time restrictions	**10,979,112**	13,995,461
Restrictions by donors that are perpetual in nature	**20,133,890**	20,055,510
	31,113,002	34,050,971
Less: amounts unavailable to management without Board approval:		
Investment earnings available for appropriation	**3,615,898**	1,759,566
Board-designated funds (Note L)	**78,120,397**	64,776,880
	81,736,295	66,536,446
Net assets subject to Board restrictions approved for release subsequent to year-end	**1,175,000**	1,335,000
Financial assets available to meet cash needs for general expenditures within one year	**$ 8,829,458**	$ 9,957,742

The Organization's endowments of $20,133,890 and $20,055,510 as of June 30, 2023 and 2022, respectively, are subjected to an annual spending rate of up to 5% of principal from the donor restricted and Board-designated endowment assets as described in Note M. Although the Organization does not intend to spend from Board-designated endowments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

As part of the Organization's liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note I, the Organization also has a committed line-of-credit in the amount of $5,000,000 as of June 30, 2023 and 2022, all of which can be drawn upon in the event of an unanticipated liquidity need.

NOTE D - INVESTMENTS

The following is a summary of investments as of June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Marketable securities:		
Cash and cash equivalents	**$ 9,706,514**	$ 8,966,086
Equity securities and exchange-traded funds	**40,863,612**	38,727,817
Corporate debt securities	**669,632**	978,849
U.S. government obligations	**4,962,210**	-
Fixed income funds	**12,436,048**	12,301,865
	68,638,016	60,974,617
Alternative investments:		
Structured investment notes	**35,420,025**	28,301,075
Private equity funds	**2,655,634**	2,885,260
Hedge fund	**5,693**	34,458
Real estate investment funds	**16,822**	29,594
	38,098,174	31,250,387
	$ 106,736,190	$ 92,225,004

Marketable Securities: Cash and cash equivalents consists of deposits with financial institutions and money market mutual funds. Equity securities and funds include domestic and international preferred and common stocks; mutual funds investing in domestic and international equities, commodities and real estate; exchange-traded equity index funds; publicly traded master limited partnership interests; and, option contracts. Corporate debt securities include domestic and international corporate bonds and convertible bonds. U.S. government obligations include U.S. treasury notes. Fixed income funds include mutual funds investing in domestic and foreign corporate, government, agency, mortgage-backed, high yield and other fixed income securities.

Alternative Investments: As of June 30, 2023 and 2022, approximately 35.7% and 33.9%, respectively, of the Organization's total investment portfolio was invested in alternative investments consisting of structured investment notes, private equity funds, a hedge fund and real estate investment funds. The investment objectives and terms of the alternative investment funds are summarized as follows:

Structured Investment Notes: The structured investment notes were issued by international banks and had a face value of $32,500,000 and $27,585,000 as of June 30, 2023 and 2022, respectively. The notes are unsecured debt of the banks and mature on dates ranging from September 2024 through August 2028. Notes with a face value of $18,500,000 may generally be redeemed quarterly and pay interest quarterly at a coupon rate of 7.0% to 11.0% per annum if the specified performance criteria of the underlying equity market indices is met. The remaining notes do not pay interest and may not be redeemed prior to maturity. The earnings or losses on those notes are based on various percentage participation factors linked to changes in various equity market indices. The structured investment notes are generally not publicly traded or readily marketable and their value is determined based on the underlying equity indices.

NOTE D - INVESTMENTS (CONTINUED)

Private Equity Funds: The primary investment objective of the private equity funds is to generate returns greater than that of the broad U.S. or global stock markets. These funds are approximately 80% invested in U.S. stock markets and approximately 20% in international stock markets. Redemptions are not permitted during the life of the funds. Of the five private equity funds held by the Organization as of June 30, 2023, two of the funds with an investment balance of approximately $89,000 are currently liquidating and the three remaining funds will operate beyond 2022. The Organization had remaining unfunded commitments of approximately $3,655,000 as of June 30, 2023 for the active private equity funds.

Hedge Fund: The primary investment objective of the hedge fund is to provide long-term capital appreciation while attempting to reduce risk and volatility using multiple investment strategies. The fund invests in various U.S. and international equity and credit market instruments, including equity trading, long/short positions, corporate and convertible bonds, convertible and merger arbitrage, credit and currency trading and credit and equity derivatives. The fund entered liquidation on October 1, 2019 and redemptions are no longer permitted.

Real Estate Investment Funds: The primary investment objective of the real estate funds is to provide attractive risk-adjusted returns primarily through equity and equity-related investments in properties, real estate companies and service businesses ancillary to the real estate industry on a global basis. The funds may also invest in debt instruments, including nonperforming loans and other distressed debt instruments, or securities that meet the investment profile. Redemptions are not permitted during the life of the funds. Both real estate funds held by the Organization are in liquidation.

The alternative investments expose the Organization to certain additional investment risks, including liquidity risks, interest rate risks, foreign currency risks, derivative risks, counterparty risks, foreign political, economic, and governmental risks, and market risks. Due to the level of risk associated with the Organization's investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

State of Florida Endowment Investments: The Organization participates in the State of Florida Fine Arts Endowment Program, which requires the Organization to match the State grants and maintain the original amount of the State grants and matching funds in perpetuity. As of June 30, 2023 and 2022, the State grants and matching funds totaled $2,400,000. The Organization does not maintain separate investment accounts for the State grants, but the following investments were designated and invested in accordance with the requirements of the State of Florida Fine Arts Endowment Program and include unspent earnings on the original principal amounts:

	June 30,	
	2023	**2022**
Fixed income fund	**$ 2,656,943**	$ 2,809,445

Investment earnings (losses) in the statements of activities and changes in net assets are recorded net of investment fees of $302,181 and $362,185 for the years ended June 30, 2023 and 2022, respectively.

NOTE E - PLEDGES AND CONTRIBUTIONS RECEIVABLE, NET

The Organization has received pledges and contributions, some of which are receivable in future years. Pledges and contributions that are receivable in more than one year are discounted at a risk-free rate of return appropriate for the expected term of the promise to give to approximate the net present value of the estimated future cash flows. In considering estimated cash flows, the Organization considers the creditworthiness of the donors, the Organization's past collection experience and its procedures to collect promises to give.

Pledges and contributions receivable, net, consist of the following:

	June 30,					
	2023			2022		
	Pledges Receivable (a)	Restricted for Future Annual Contributions and Sponsorships	Total	Pledges Receivable (a)	Restricted for Future Annual Contributions and Sponsorships	Total
Receivable in less than one year	**$ 992,217**	**$ 1,466,933**	**$ 2,459,150**	$ 1,750,423	$ 1,275,108	$ 3,025,531
Receivable in one to five years	**6,181,563**	**2,654,406**	**8,835,969**	7,680,072	2,379,246	10,059,318
Receivable in more than five years	**1,205,000**	**938,143**	**2,143,143**	3,353,000	583,143	3,936,143
	8,378,780	**5,059,482**	**13,438,262**	12,783,495	4,237,497	17,020,992
Less discount to net present value	**429,018**	**556,814**	**985,832**	629,515	315,638	945,153
	$ 7,949,762	**$ 4,502,668**	**$ 12,452,430**	$ 12,153,980	$ 3,921,859	$ 16,075,839

The discount rates used ranged from 0.66% to 4.13%. The discounts will be recognized as contribution income over future years.

(a) Pledges receivable consisted of the following:

	June 30,	
	2023	2022
Donor restricted gifts in perpetuity	**$ 2,000**	$ 13,888
Donor restricted for capital campaign	**7,947,762**	12,140,092
	$ 7,949,762	$ 12,153,980

The gross pledges receivable include amounts due from Board Members which totaled approximately $2,278,000 and $3,603,000 as of June 30, 2023 and 2022, respectively.

NOTE F - INTEREST RATE SWAPS

The Organization entered into an interest rate swap transaction in 2013 to manage its exposure to the variability of future cash flows resulting from changes in the interest rate on the $41,500,000 Variable Rate Demand Revenue Bonds issued by Palm Beach County, Florida (see Note J). The notional amount of the swap is one-half of the outstanding principal of the bonds or $18,135,000. The Organization receives payments from the counterparty at the variable interest rate on the bonds and makes payments to the counterparty at a fixed rate of 1.86%. This swap agreement was terminated in April 2022 and replaced with a new swap agreement at a fixed rate of 2.63%. The new swap agreement expires on April 2, 2029 and the notional amount is $18,135,000.

On April 11, 2021, the Organization entered into an interest rate swap transaction on the $20,000,000 Industrial Development Revenue Bond (see Note J). The notional amount of the swap is one-half of the outstanding principal of the bonds or $10,000,000. The Organization receives payments from the counterparty at the variable interest rate on the bonds and makes payments to the counterparty at a fixed rate of 1.92%. The swap terminates on April 1, 2026.

The Organization has not designated the swaps as hedging instruments. Accordingly, the swaps are recorded as an asset or liability at fair value, with changes in fair value included in the change in net assets without donor restrictions in the period of change. The estimated fair value of the swaps as of June 30, 2023 and 2022 was an asset of $1,066,158 and $332,631, respectively. The net payments and changes in fair value of the swap for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Net realized credits (payments) on swap settlements	**$ 196,591**	$ (392,426)
Unrealized gain	**733,527**	1,017,237
	$ 930,118	$ 624,811

The net realized credits (payments) on swap settlements is included in interest expense and the net unrealized gain is reflected as unrealized gain on interest rate swaps in investment and other activity without donor restrictions in the accompanying statements of activities and changes in net assets.

NOTE G - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures,* provides a framework for measuring fair value. The framework provides 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 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2: Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; or (4) 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.

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

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 investment assets and interest rate swaps measured at fair value. There have been no changes in the methodologies used as of June 30, 2023 and 2022:

Equity securities and exchange-traded funds - Valued at the closing price reported on the active market on which the individual securities and funds are traded.

Corporate debt securities - The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (when observable), bond spreads, fundamental data relating to the issuer and credit default swap spreads adjusted for differences between cash and derivative instruments.

U. S. government obligations - The fair value of U.S. government obligations are based on quoted market prices in active markets.

Fixed income funds - Valued at the closing price reported on the active market on which the individual funds are traded.

Structured investment notes - Valued by the issuer or other third parties by reference to the underlying indices for the securities.

Private equity funds, hedge fund and *real estate investment funds* - Valued at the unadjusted NAV per share, without giving consideration to certain attributes of the investment or transaction prices from principal-to-principal or brokered transactions pursuant to the practical expedient method permitted by ASU 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. Certain funds are valued as deemed appropriate by the fund manager, in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The funds in liquidation are valued at net realizable value as determined by the investment manager.

Interest rate swap - Valued by the counterparty using one or more proprietary models using inputs that are derived principally from or corroborated by observable market data.

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value as of June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Equity securities and exchange-traded funds	**$ 40,863,612**	**$ -**	**$ -**	**$ 40,863,612**
Corporate debt securities	**-**	**669,632**	**-**	**669,632**
U.S. government obligations	**4,962,210**	**-**	**-**	**4,962,210**
Fixed income funds	**12,436,048**	**-**	**-**	**12,436,048**
Structured investment notes	**-**	**-**	**35,420,025**	**35,420,025**
	58,261,870	**669,632**	**35,420,025**	**94,351,527**
Interest rate swaps asset	**-**	**1,066,158**	**-**	**1,066,158**
	$ 58,261,870	**$ 1,735,790**	**$ 35,420,025**	**95,417,685**
Private equity, hedge and real estate investment funds (A)				**2,678,149**
				$ 98,095,834

	Assets at Fair Value as of June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Equity securities and exchange-traded funds	$ 38,727,817	$ -	$ -	$ 38,727,817
Corporate debt securities	-	978,849	-	978,849
Fixed income funds	12,301,865	-	-	12,301,865
Structured investment notes	-	-	28,301,075	28,301,075
	51,029,682	978,849	28,301,075	80,309,606
Interest rate swaps asset	-	332,631	-	332,631
	$ 51,029,682	$ 1,311,480	$ 28,301,075	80,642,237
Private equity, hedge and real estate investment funds (A)				2,949,312
				$ 83,591,549

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

A summary of the changes in the Level 3 investments measured at fair value for the years ended June 30, 2023 and 2022 is as follows:

	June 30, 2023	June 30, 2022
Balance at beginning of year	**$ 28,301,075**	$ 25,663,995
Net realized gain (loss)	**1,937,701**	(35,464)
Net unrealized gains (losses) related to assets held at year-end	**2,920,025**	(291,148)
Purchases	**7,450,000**	13,551,390
Sales and redemptions	**(5,188,776)**	(10,587,698)
Balance at end of year	**$ 35,420,025**	$ 28,301,075

The following table describes the funding commitment and redemption information for the Organizations' investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	$ 2,655,634	$ 3,655,699	N/A	N/A
Hedge funds	5,693	-	Quarterly	95 Days
Real estate investment funds	16,822	331,624	N/A	N/A
	$ 2,678,149	$ 3,987,323		

NOTE H - PROPERTY AND EQUIPMENT, NET

Major classes of property and equipment, net and accumulated depreciation as of June 30, 2023 and 2022 are as follows:

	2023	2022
Land	**$ 4,499,300**	$ 4,499,300
Buildings	**127,764,711**	127,563,149
Furniture, fixtures and equipment	**26,667,034**	25,202,866
Parking garage	**7,631,770**	7,631,770
	166,562,815	164,897,085
Less: accumulated depreciation	**84,726,078**	80,024,866
	$ 81,836,737	$ 84,872,219

Depreciation for the years ended June 30, 2023 and 2022 was $5,096,610 and $4,996,721, respectively.

NOTE I - LINE-OF-CREDIT

In December 2018, the Organization entered into a line-of-credit agreement with UBS Bank USA authorizing a maximum borrowing of $5,000,000. Advances on the line-of-credit are due on demand and for the years ended June 30, 2023 and 2022, bear interest at a variable rate based UBS Variable Rate, plus a percentage spread set forth in the line-of-credit agreement (5.988% and 2.012% as of June 30, 2023 and 2022, respectively). If requested by the Organization, advances greater than or equal to $25,000 on the line-of-credit may instead bear interest at a fixed rate determined on the date of the advance based on a tiered interest structure that incorporates the 30-day Secured Overnight Financing Rate ("SOFR") average rate, or UBS Bank USA Fixed Funding Rate and a percentage spread set forth in the line-of-credit agreement that varies based on the amount and duration of the advance. Borrowings on the line-of-credit are secured by a first lien on the Organization's cash and investments held by UBS Bank USA which totaled approximately $33,200,000 and $27,500,000 as of June 30, 2023 and 2022, respectively. The line-of-credit has no stated expiration date. There was no outstanding balance on the line-of-credit as of June 30, 2023 and 2022.

NOTE J - LONG-TERM DEBT

Long-term debt, net of unamortized bond issue costs, as of June 30, consisted of the following:

	2023	2022
Variable rate demand revenue bonds	**$ 36,270,000**	$ 36,270,000
Industrial development revenue bond	**20,000,000**	20,000,000
	56,270,000	56,270,000
Unamortized debt issuance costs	**(272,358)**	(284,490)
	$ 55,997,642	$ 55,985,510

Variable Rate Demand Revenue Bonds: In June 2002, Palm Beach County, Florida (the "County"), issued $41,500,000 of tax exempt, Variable Rate Demand Revenue Bonds, designed specifically for not-for-profit organizations. The bonds, which are publicly-traded conduit debt securities, were issued under a Trust Indenture between the County and Wells Fargo Bank, N.A., acting as trustee to provide the funds to the Organization. In June 2002, the County loaned the proceeds of the bonds to the Organization pursuant to a loan agreement. The bonds were issued for the purposes of providing the Organization with the funds necessary to finance (1) the acquisition of the existing parking garage from the City of West Palm Beach, Florida; (2) the demolition of the then existing Cohen Pavilion (the Center's former banquet hall); (3) the construction of a new five-story, multi-purpose support building, and renovations to certain areas of the existing Center; and (4) certain costs incurred in connection with the issuance of the bonds. The new multi-purpose support building, which opened in the fall of 2003, includes approximately 54,000 square feet of parking on two levels and 102,000 square feet of additional space located on three floors, which houses multi-purpose areas, a kitchen area, education/rehearsal space and administrative offices.

The bonds mature on July 1, 2032, with interest accruing under one of four interest rate modes, at the Organization's option: daily or weekly variable rate, a Commercial Paper Rate or a Fixed Rate. Effective April 1, 2013, the Organization entered into an interest rate swap agreement with Northern Trust Bank for one-half of the then outstanding bond issue or $18,135,000, which effectively locked in a fixed rate of 1.86% per annum on that portion of the bonds. This swap agreement was terminated in April 2022 and replaced with a new swap agreement with a fixed rate of 2.63% per annum. The remaining balance of the bonds continues to bear interest under the weekly variable rate mode, which was 4.04% and 0.94% as of June 30, 2023 and 2022, respectively. The terms of the loan agreement between the Organization and the County permit complete or partial early redemption with appropriate notice. The outstanding balance on the bonds as of June 30, 2023 and 2022 was $36,270,000, and unamortized bond issue costs totaled $132,880 and $139,524, respectively.

NOTE J - LONG-TERM DEBT (CONTINUED)

The loan agreement is collateralized by an irrevocable, direct-pay letter of credit issued by Northern Trust Bank pursuant to a reimbursement agreement and expires on June 30, 2026. The reimbursement agreement requires the Organization to pay the bank certain annual fees and expenses (including a letter-of-credit fee of 0.50%) and to maintain certain affirmative and negative covenants. The reimbursement agreement was also secured by a first mortgage on the Organization's land and all improvements for the portion of the Organization's property under the facility constructed in 2002 and a second mortgage on the land and improvements under the facilities constructed prior to 2002. The City of West Palm Beach and the County, which donated a total of $15,000,000 to the Organization, hold a subordinated mortgage on the Organization's land and building equivalent to their contributions. The subordinated mortgage balance is reduced by 2.5% annually over a 40-year period that commenced in February 1994. As of June 30, 2023 and 2022, the subordinated mortgage balance was $3,937,500 and $4,312,500, respectively. There is no mortgage on the 1.9 acres of vacant land adjacent to the Center. In conjunction with the issuance of the industrial development revenue bond in 2018, the first and second mortgages were satisfied and released.

Industrial Development Revenue Bond: In December 2018, the County issued a $20,000,000 tax exempt, Industrial Development Revenue Bond to Northern Trust Company and loaned the proceeds to the Organization pursuant to a financing agreement. The bond was issued for the purposes of providing the funds necessary to finance the acquisition, construction, renovation and equipping of various capital improvements to the Organization's facilities. These improvements include, without limitation, implementing new technological improvements throughout the facilities, the addition of a new entrance and exit ramp to the fourth floor of the parking garage, construction and improvements to certain drop-off areas and canopies, and construction and equipping of a new valet parking garage.

Effective April 11, 2021, the Organization entered into an interest rate swap agreement with Northern Trust Bank for one-half of the then outstanding bond issue or $10,000,000, which effectively locked in a fixed rate of 1.92% per annum on that portion of the bond. Interest on the remaining balance of the bond is payable semi-annually, commencing on January 1, 2019, at a variable rate based on the one-month LIBOR rate administered by the ICE Benchmark Administration multiplied by 0.83, plus 0.94%. In December 2022, the Center entered into an amendment to the Financing Agreement to replace the LIBOR rate with the Daily Simple SOFR-Based rate. Interest to be calculated based on the sum of the Applicable Percentage multiplied by the Daily Simple SOFR-Based plus the Applicable Spread multiplied by the Margin Rate Factor (5.99% and 1.98% as of June 30, 2023 and 2022, respectively). The principal amount of the debt is payable at maturity on December 1, 2048. The terms of the financing agreement between the Organization and the County permit complete or partial early redemption with appropriate notice. The outstanding balance on the bond as of both June 30, 2023 and 2022 was $20,000,000, and unamortized bond issue costs totaled $139,478 and $144,966, respectively. The loan agreement is collateralized by substantially all assets of the Organization pursuant to a security agreement. The financing agreement also requires the Organization to maintain certain affirmative and negative covenants and limits the Organization's future borrowing to $1 million and capital expenditures to $2 million annually without approval of the bondholder.

NOTE K - PAYCHECK PROTECTION PROGRAM LOAN

In April 2021, the Organization received $1,916,572 in funds from the PPP loan, which was reported as part of long-term debt in the statement of financial position as of June 30, 2022. Neither principle nor interest was due for a six-month deferral period through October 2021. This loan may be forgiven subject to bank approval in accordance with the SBA guidelines. During fiscal year June 30, 2022, the Organization was notified that the full amount of the loan was fully forgiven by the bank and the SBA. Accordingly, the Organization reported a gain on PPP loan forgiveness in the statements of activities and changes to net assets for the year ended June 30, 2022.

NOTE K - PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The SBA may audit any PPP loan at its discretion for up to six years after the date the SBA forgave the loan. The SBA reserves the right to audit any PPP loan, regardless of size, and these audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain the PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

NOTE L - BOARD DESIGNATED FUNDS

The Board of Directors has designated net assets without donor restrictions as of June 30, is composed of the following:

	June 30,	
	2023	**2022**
Unrestricted Board-designated funds:		
General use funds:		
Balance, beginning of year	**$ 2,991,823**	$ 5,244,876
Investment (loss) gain	**1,302,070**	(498,216)
Transfer from/(to) operations	**6,433,378**	(1,754,837)
Balance, end of year	**10,727,271**	2,991,823
Capital Campaign funds:		
Balance, beginning of year	**61,785,057**	70,773,705
Investment (loss) gain	**7,215,442**	(8,267,170)
Contributions	**-**	50
Change in present value discount	**200,385**	226,280
Transfer to operations	**(1,807,758)**	(947,808)
Balance, end of year	**67,393,126**	61,785,057
Unrestricted Board-designated funds balance, end of year	**$ 78,120,397**	$ 64,776,880

The Board-designated amounts may be changed by a vote of the Board of Directors at any time. The funds for general use above are generally used for capital expenditures and the capital campaign funds are generally used for debt service expenses on bonds (see Note J).

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

Restrictions on assets are imposed by donors and include restrictions for specified programs, specified purposes and in perpetuity. In addition, pledges that are receivable over a period of time are considered donor restricted until the cash is received, at which time the restriction is released if the pledge did not have a purpose restriction. Pledges and donations received with purpose restrictions remain restricted until expenditures are incurred for the restricted purpose or for capital expenditures, when the assets are placed in service, at which time the purpose restriction is released.

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions as of June 30, 2023 and 2022 consist of the following:

	June 30,	
	2023	**2022**
Subject to expenditure for specified purpose:		
Pledge receivable, restricted for Capital Campaign	**$ 7,947,762**	$ 12,140,092
Kravis Foundation for future programming support	**1,582,970**	1,607,970
Educational program support	**692,681**	1,208,604
PEAK program support	**1,968,868**	2,047,975
Technology fund	**705,160**	704,818
	12,897,441	17,709,459
Subject to the passage of time:		
Future sponsorship or programs annual contributions and sponsorships	**4,502,668**	3,921,859
Other	**2,307,704**	2,154,611
	6,810,372	6,076,470
	19,707,813	23,785,929
Endowment:		
Subject to appropriation and expenditure when a specified event occurs	**3,615,898**	1,759,566
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
General use	**20,131,890**	20,041,622
Pledge receivable	**2,000**	13,888
	20,133,890	20,055,510
Total endowments	**23,749,788**	21,815,076
	$ 43,457,601	$ 45,601,005

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors for the years ended June 30, 2023 and 2022 are as follows:

	June 30, 2023	June 30, 2022
Satisfaction of purpose restrictions:		
Pledge receivable, restricted for Capital Campaign	**$ 4,392,816**	$ 3,585,234
Kravis Foundation for future programming support	**25,000**	25,000
Educational program support	**600,000**	475,000
For technology expenditures	**85,250**	-
PEAK program support	**332,372**	241,735
	5,435,438	4,326,969
Satisfaction time restriction:		
Future sponsorships or programs annual contributions and sponsorships	**2,442,715**	2,704,916
Other	**1,431,914**	800,483
	3,874,629	3,505,399
Restricted-purpose spending-rate distributions and appropriations	**1,167,922**	1,222,452
	$ 10,477,989	$ 9,054,820

NOTE N - ENDOWMENT FUNDS

The Organization's endowments consist of a number of funds established for a variety of purposes and include both donor restricted endowment funds and funds without donor restrictions that are designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted endowment funds reported as net assets with donor restrictions consist of contributions that must be maintained in perpetuity. The earnings on these assets may be used to support the Organization's activities and are used as needed and approved by the Board. Net assets restricted by donors in perpetuity totaled $20,133,890 and $20,055,510 as of June 30, 2023 and 2022, respectively. Board-designated endowments are reported as net assets without donor restrictions.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. Effective July 1, 2012, the State of Florida enacted a version of UPMIFA, known as the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") that governs the investment, management and spending of donor restricted endowment funds by Florida not-for-profit organizations. Absent explicit donor stipulations, FUPMIFA generally requires prudent care in investing, managing and developing spending plans for donor-restricted endowment funds.

NOTE N - ENDOWMENT FUND (CONTINUED)

The Organization's net assets with donor restrictions includes the portion of pledges receivable that were restricted by donors for endowment and donor gifts in perpetuity consisting of: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts; (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment; and, (d) the portion of investment earnings, if any, added to maintain its purchasing power. The Board of Directors has interpreted FUPMIFA as allowing the Organization to appropriate for expenditures or accumulate as much of a donor restricted endowment fund as the Organization determines is prudent considering the uses, benefits, purposes, and duration for which the donor restricted endowment fund is established, subject to the intent of the donor.

The changes in endowment assets for the years ended June 30, 2023 and 2022 are summarized as follows:

	June 30, 2023		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, July 1, 2022	**$ 1,759,566**	**$ 20,055,510**	**$ 21,815,076**
Investment gain, net	**3,024,254**	**-**	**3,024,254**
Contributions	**-**	**78,268**	**78,268**
Change in present value discount	**-**	**112**	**112**
Appropriation of endowment assets pursuant to spending rate policy	**(1,167,922)**	**-**	**(1,167,922)**
Endowment net assets, June 30, 2023	**$ 3,615,898**	**$ 20,133,890**	**$ 23,749,788**

	June 30, 2022		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, July 1, 2021	$ 6,816,049	$ 19,502,308	$ 26,318,357
Investment loss, net	(3,834,031)	-	(3,834,031)
Contributions	-	541,235	541,235
Change in present value discount	-	11,967	11,967
Appropriation of endowment assets pursuant to spending rate policy	(1,222,452)	-	(1,222,452)
Endowment net assets, June 30, 2022	$ 1,759,566	$ 20,055,510	$ 21,815,076

NOTE N - ENDOWMENT FUND (CONTINUED)

[1] Funds with deficiencies:

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor requires the Organization to maintain in perpetuity. These deficiencies generally result from unfavorable market declines in the Organization's endowment investments and are reported as part of net assets with donor restrictions. Pursuant to Board policy, transfers of investment income and expenditures from endowment funds with deficiencies are suspended until such deficiencies are eliminated. There were no donor restricted endowment funds with deficiencies as of June 30, 2023 and 2022.

[2] Investment objective and risk parameters:

The Organization has adopted investment policies for endowment assets that attempt to provide for growth of principal with moderate current income to fund programs supported by the endowment assets. Under the policy approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index, while assuming a moderate level of investment risk. The Organization expects its endowment assets, over time, to provide an average rate of return of approximately eight percent annually. Actual returns in any given year may vary from this amount.

[3] Strategies for achieving investment objectives:

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current earnings (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity and alternative investments to achieve its long-term return objectives within prudent risk constraints.

[4] Spending policy:

The Organization's Board of Directors has established a policy authorizing the use of accumulated annual income and gains of up to five percent of principal from the donor restricted endowment assets and Board designated endowment funds to support current operations consistent with the donors' restrictions and Board policy for the Board designated endowment funds. Generally, over the long-term, the Organization expects the current spending to allow its endowment to grow at an average rate of five percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as provide additional real growth through new gifts and investment return.

NOTE O - COMMITMENTS AND CONTINGENCIES

[1] Retirement plan:

The Organization offers its employees a retirement plan under the provisions of Section 403(b) of the Internal Revenue Code. The plan is available to all employees and permits them to defer a portion of their salary until future years. The Organization may make discretionary contributions to the Plan, but is not required to do so. Such contributions vest at a rate of 20% per year. For the years ended June 30, 2023 and 2022, the Organization contributed $311,944 and $278,779, respectively, to the plan.

NOTE O - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[2] Concentration of credit and market risks:

Financial instruments that potentially expose subject the Organization to concentrations of credit risk consist primarily of cash accounts deposited in financial institutions in the amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Corporation limits, management believes that the Organization does not face a significant risk of loss on these accounts that would result from failures of the institutions.

The Organization invests in investment securities that are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the financial statements.

[3] Contingency:

The government awards received by the Organization are subject to audit and adjustment by the grantor agencies, principally the Federal government and the State of Florida. If expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement would be a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grants and applicable federal and state laws and regulations.

NOTE P - RELATED PARTY TRANSACTIONS

The Organization had a contractual relationship with a vendor for the provisioning of food and beverage services at the Organization, of which a member of the Organization's Board was on the executive management team of the vendor. The contract with this vendor terminated in August 2022. Total income from this contractual relationship totaled approximately $1,000 and $331,000 during the years ended June 30, 2023 and 2022, respectively.

NOTE Q - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 2, 2023, which is the date the financial statements were available to be issued.