PASADENA CENTER OPERATING COMPANY
(A COMPONENT UNIT OF THE
CITY OF PASADENA, CALIFORNIA)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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YEAR ENDED JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pasadena Center Operating Company
Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of Pasadena Center Operating Company (the Company), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pasadena Center Operating Company, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2021 on our consideration of the Company'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 15, 2021

As the Pasadena Center Operating Company (the PCOC) management, we offer readers of the PCOC's financial statements, this narrative overview, and an analysis of the financial activities for the year ended June 30, 2021. The PCOC's financial statements consist of management's discussion and analysis (MD&A), statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the basic financial statements. We encourage readers to consider the information presented herein in conjunction with the accompanying basic financial statements and the accompanying notes.

BACKGROUND

The PCOC is a nonprofit 501(c) (4) corporation incorporated in 1973 to manage the Pasadena Convention Center, the Pasadena Civic Auditorium, the Pasadena Convention and Visitors Bureau, and the Pasadena Ice Skating Center. The PCOC was one of the first independent nonprofit organizations in the United States to combine its facility operations and destination marketing efforts.

The PCOC is funded by revenue from its facilities, proceeds from a Tourism Business Improvement District (2.9 percent), a self-imposed hotel assessment, and a 60 percent portion of the Transient Occupancy Tax (12.1 percent). In FY 2017, The City of Pasadena and the PCOC amended their operating agreement establishing a maximum amount of Transient Occupancy Tax revenue to be transferred to the PCOC annually. In FY 2018, the Pasadena Convention and Visitors Bureau converted the Pasadena TBID from the Parking and Business Area Law 1989 ('89 Law) to the Property and Business Improvement District Law of 1994 ('94 Law). The district assessment remained the same (2.89 percent) and was approved for a five-year term through June 30, 2023.

ABOUT OUR BUSINESS

The PCOC operates a world-class state of the art public assembly facilities that generate significant regional economic activity by attracting conventions, tradeshows, entertainment, and other events to Pasadena. Our facilities include a 55,000 square feet Exhibition Hall, 25,000 square feet Ballroom, 18 meeting rooms of varying sizes, the Historic Civic Auditorium that seats 3,000, the Gold Room, and a 17,000 square feet Exhibit Hall. The PCOC also manages a regulation-size skating rink onsite.

The Pasadena Convention and Visitor's Bureau (PCVB) attracts hundreds of thousands of people to the City annually, enriching the local economy with hotel and retail spending and other direct spending on goods and services.

PCVB promotes economic development, provides marketing support to the City's art, culture, innovation, and special events, including operating a Visitor Information Center opened year-round.

MANAGEMENT OBJECTIVE AND STRATEGY

The Company's mission is to promote Pasadena as a meeting and travel destination by attracting conventions, tradeshows, entertainment events, and tourism to its professionally managed facilities and first-class service. The Company's management operates the business consistent with strategic business principles for success in both the short term and over more extended periods. PCOC focuses on unifying the management team, dedicated employees, and third-party contractors to achieve its priority and remain competitive in the meeting industry.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to PCOC's basic financial statements. The annual financial report comprises three components: management's discussion and analysis, the financial statements, and the notes to the financial statements.

The Statement of Net Position presents all PCOC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2021. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of PCOC is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing PCOC's net position changes during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the related cash flow timing. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents information showing cash receipts and cash payments during the fiscal year, a reconciliation of operating income to net cash provided by operating activities, and detail of noncash investing, capital, and financing activities.

SUMMARY OF FINANCIAL PERFORMANCE

The COVID-19 pandemic impact on the Company's business resulted in a substantial reduction in operating revenues in the fiscal year 2021 compared to the previous year and recent trends. PCOC was closed for eleven of the twelve months in the year.

In the fiscal year 2021, the Company's cash and cash equivalents decreased by $10.0 million to support its operation and debt service payments. Capital assets also decreased by $3.3 million, mostly from depreciation expense of $4.2 million.
Deferred outflows of resources for PCOC are related to the accumulated decrease in fair value of hedging derivatives and amortization of deferred refunding charge. Deferred outflows of resources decreased $8.3 million from 2020 to 2021, mainly due to the change in the derivatives' fair value at year-end.

The Company's current liabilities, including accounts payable, other accrued liabilities, accrued salaries and benefits, deposits decreased by $530,000 compared to the fiscal year 2020. The current portion of long-term debt increased by $190,000.

Deferred inflows of resources for PCOC are related to the deferred refunding charges and an upfront amount received as part of a service concession agreement with Centerplate. Deferred inflows of resources decreased by $12,676 from 2020 to 2021 due to recognizing these revenues due to the passage of time. In the fiscal year 2021, the amortization of capital investments by Centerplate was suspended for ten months from September 2020 through June 2021.

The net position represents the residual interest in PCOC's assets, and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted. PCOC's net position at the end of FY 2021 is a deficit totaling $7,024,616, decreased by $7,480,680 during the year. Net position is reported in three major categories: net investment in capital assets, restricted, and unrestricted. A full explanation is in Note 7 to the basic financial statements.

The portion of net position classified as net investment in capital assets, represents capital assets net of accumulated depreciation and net of related outstanding liabilities is $5.1 million at year end. Although PCOC's net investment in capital assets is net of related liabilities, the resources used to repay the debt must be from other sources; the capital assets cannot be used to liquidate these liabilities.

The restricted net position remained the same at $870 thousand in the fiscal year 2021. $867 thousand of this amount represents funds restricted for public art.

	2021	2020	Change
Cash and cash equivalents	$ 18,365,214	$ 28,405,322	$ (10,040,108)
Receivables and other assets	126,635,522	129,721,140	(3,085,618)
Total assets	145,000,736	158,126,462	(13,125,726)
Deferred outflows of resources	26,057,346	34,473,402	(8,416,056)
Total assets and deferred outflows of Resources	171,058,082	192,599,864	(21,541,782)
Current liabilities	8,040,154	8,381,046	(340,892)
Noncurrent liabilities	165,159,755	178,440,296	(13,280,541)
Total liabilities	173,199,909	186,821,342	(13,621,433)
Deferred inflows of resources	4,882,789	5,322,458	(439,669)
Total liabilities and deferred inflows	178,082,698	192,143,800	(14,061,102)
Net position (deficit)	$ (7,024,616)	$ 456,064	$ (7,480,680)

RESULTS OF OPERATIONS

Operating Revenues

The fiscal year 2021 operating revenue equaled $1.35 million, representing an 84.2% decline compared to the previous fiscal year. During the forced building closure due to public health concerns, the PCOC's primary mission was to protect employees and to mitigate revenue losses.

During the months of July 2020 through June 2021, revenues for the PCOC were recognized through space rental and all ancillary services (such as food & beverage, parking, etc.). Key revenue drivers were:

- Television production and Corporate Focus Groups
- F&B operations for the City of Pasadena initiatives, preparing meals for senior citizens and people experiencing homelessness
- Pasadena Ice Skating Center skating classes and hockey league games
- Parking for short-term leases for nearby projects

Operating Expenses

In the fiscal year 2021, total operating expenses fell to $8.6 million from $14.1 million, a reduction of 39.0%. The decrease was driven by immediate cost control efforts taken by PCOC's management to mitigate COVID related revenue shortfall. Personnel services decreased by $3.3 million or 52.7%. The decrease was due to realignment of labor requirements to match revenue generation in the fiscal year. Contractual services costs decreased by $964,000 or 62.6% compared to the fiscal year 2020. This was primarily due to management's renegotiating existing contracts, suspend some services during the period of closure, and reducing the operating budget to align with the revenue shortfall. Occupancy expense, which includes all utility-related costs such as electricity, telecommunications, water, and natural gas, totaled $798,000, a decrease of 35.3% from the fiscal year 2020. The decline resulted from the pandemic-related reduction of events related activities due to the cancellation and/or postponement of events. Depreciation expense, primarily for the convention center building, amounted to $4.2 million.

PCVB contracted and direct expenses in the fiscal year 2021 totaled $78,000, a decrease of 91.5% compared to $916,000 million in 2020. The reduction in PCVB spending directly results from the decline in TBID revenue in the year.

Nonoperating Revenues (Expenses), Net

Nonoperating revenues, mainly Transient Occupancy Tax and Tourism Business Improvement Tax revenue, totaled $5.5 million and were substantially impacted by the COVID 19 pandemic, declining $6.1 million or 52.3% compared to the fiscal year 2020. Interest income also decreased by $218,000 or 45.5% compared to the fiscal year 2020.

Capital Contributions

Capital contributions include $12,676, which is recognized as revenue from the $1.6 million contribution paid by Boston Culinary Group, now Centerplate. The remainder of the $269,574 unamortized amount paid by Centerplate will be recognized in equal monthly installments over the life of the agreement with PCOC.

	2021	2020	Change
Operating revenues	$ 1,347,177	$ 8,506,912	$ (7,159,735)
Operating expenses	8,594,402	14,083,681	5,489,279
Operating loss	(7,247,225)	(5,576,769)	(1,670,456)
Nonoperating revenues, net	(246,131)	6,433,441	(6,679,571)
Income before capital contributions	(7,493,356)	856,672	(8,350,027)
Capital Contributions	12,676	58,025	(45,349)
Change in net position	(7,480,680)	914,697	(8,395,377)
Net position, beginning of year	456,064	(458,633)	914,697
Net position, end of year	$ (7,024,616)	$ 456,064	$ (7,480,680)

CAPITAL ASSETS

PCOC's investment in capital assets as of June 30, 2021, and 2020, amounts to $125,439,846 and $128,748,847, respectively (net of accumulated depreciation). This investment in capital assets includes building and improvements, machinery and equipment, furniture and fixtures, land, and construction in progress. The net decrease in PCOC's investment in capital assets, net of depreciation, for the current fiscal year was $3.3 million. Additional information on PCOC's capital assets can be found in Note 4 of the financial statements.

	June 30, 2021	June 30, 2020
Buildings and improvements	$ 122,081,487	$ 125,122,552
Machinery and equipment	747,998	823,062
Furniture and fixtures	66,372	79,497
Land	2,423,473	2,423,473
Construction in progress	120,516	300,263
Total	$ 125,439,846	$ 128,748,847

DEBT ADMINISTRATION

As of June 30, 2021, PCOC had long-term debt outstanding balance is $145,756,910, a decrease of $4.9 million from 2020 due to current year principal payments. There were no major debt events during the current fiscal year. For additional information on PCOC's long-term debt activity, refer to Note 5 of the financial statements' notes.

	June 30, 2021	June 30, 2020
COP 2006 Series A Capital Appreciation Bonds	$ 10,556,151	$ 14,977,587
COP 2008 Series A Capital Appreciation Bonds	134,720,000	134,720,000
Energy Conservation Loan	480,759	774,600
Ice Skating Loan 2012	-	167,208
Total	$ 145,756,910	$ 150,639,395

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of PCOC's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Finance, Pasadena Center Operating Company, 300 E. Green Street, Pasadena, California 91101.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	7,246,445
Investments		
Accounts Receivables		125,433
Due from the City of Pasadena		966,742
Prepaid Items		103,501
Total Current Assets		8,442,121
RESTRICTED CASH AND CASH EQUIVALENTS		11,118,769
NONCURRENT ASSETS		
Capital Assets, Not Depreciated		2,543,989
Capital Assets, Net of Accumulated Depreciation		122,895,857
Total Noncurrent Assets		125,439,846
Total Assets		145,000,736
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging Derivatives		25,068,455
Deferred Charges on Refunding		988,891
Total Deferred Outflows of Resources		26,057,346
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Other Liabilities	$	295,512
Interest Payable		520,358
Accrued Salaries and Benefits		350,761
Advance Deposits Payable		1,077,963
Long-Term Debt - Due Within One Year		5,795,560
Total Current Liabilities		8,040,154
NONCURRENT LIABILITIES		
Derivative Instruments Liability		25,068,456
Accrued Salaries and Benefits		129,949
Long-Term Debt		139,961,350
Total Noncurrent Liabilities		165,159,755
Total Liabilities		173,199,909
DEFERRED INFLOWS OF RESOURCES		
Deferred Charges on Refunding		4,613,215
Service Concession Arrangement		269,574
Total Deferred Inflows of Resources		4,882,789
NET POSITION		
Net Investment in Capital Assets		5,108,608
Restricted for Public Art		867,377
Restricted for Organ Repairs and Maintenance Project		2,863
Unrestricted		(13,003,464)
Total Net Position	$	(7,024,616)

See accompanying Notes to Financial Statements.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

OPERATING REVENUES	
Occupancy Fees	$ 900,313
Ice Skating Center	263,834
Commissions	183,030
Total Operating Revenues	1,347,177
OPERATING EXPENSES	
Pasadena Center	2,965,826
Ice Skating Center	354,496
Pasadena Convention and Visitors Bureau	1,079,594
Depreciation Expense	4,194,486
Total Operating Expenses	8,594,402
OPERATING LOSS	(7,247,225)
NONOPERATING REVENUES (EXPENSES)	
Contributions from City of Pasadena (Transient Occupancy Taxes)	4,181,042
Tourism Business Improvement District Taxes	1,368,681
Facility Restoration Fee	5,000
Investment Income	260,702
Interest Expense	(6,061,556)
Total Nonoperating Revenues (Expenses)	(246,131)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(7,493,356)
CAPITAL CONTRIBUTIONS	12,676
CHANGES IN NET POSITION	(7,480,680)
Net Position - Beginning of Year	456,064
NET POSITION - END OF YEAR	$ (7,024,616)

See accompanying Notes to Financial Statements.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 1,370,685
Cash Payments to Suppliers for Goods and Services	(2,202,808)
Cash Payments to Employees for Services	(2,376,231)
Net Cash Used by Operating Activities	(3,208,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from the City of Pasadena (Transient Occupancy Taxes)	3,845,380
Receipt of Tourism Business Improvement District Taxes	1,226,791
Net Cash Provided by Noncapital Financing Activities	5,072,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(885,485)
Principal Paid on Long-Term Debt	(5,606,049)
Interest Paid on Long-Term Debt	(5,265,915)
Facility Restoration Fee for Capital Improvements	5,000
Net Cash Used by Capital and Related Financing Activities	(11,752,449)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	(151,476)
Net Cash Used by Investing Activities	(151,476)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,040,108)
Cash and Cash Equivalents - Beginning of Year	28,405,322
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 18,365,214
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$ 7,246,445
Restricted Cash and Cash Equivalents	11,118,769
Total Reconciliation to Statement of Net Position	$ 18,365,214

See accompanying Notes to Financial Statements.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	$ (7,247,225)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	4,194,486
(Increase) Decrease in Assets:	
Accounts Receivable	224,799
Prepaid Items	14,552
Increase (Decrease) in Liabilities:	
Accounts Payable and Other Liabilities	(147,054)
Accrued Salaries and Benefits	(46,621)
Advance Deposits Payable	(201,291)
Net Cash Used by Operating Activities	$ (3,208,354)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY	
Amortization of Deferred Refunding Charges	$ 349,432
Accretion of Interest on Long-Term Debt	$ 723,564
Amortization of Service Concession Arrangement	$ 12,676

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pasadena Center Operating Company (the Company) was formed in 1973 as a nonprofit corporation under Section 501(c)(4) of the Internal Revenue Code for the purpose of managing and operating the Pasadena Center and the Pasadena Convention and Visitors Bureau. The Pasadena Center is comprised of the Civic Auditorium, which includes the auditorium and adjacent land, and the Conference Center, which includes the Conference Center, Exhibition Hall, and related parking facilities.

The Company operates under an agreement with the City of Pasadena (the City) whereby the Company maintains and operates the Pasadena Center and the Pasadena Convention and Visitors Bureau. The Pasadena City Council appoints the members of the Company's board of directors. The Company's operations constitute part of the overall financial reporting entity of the City and are accounted for as a discretely presented component unit in the City's Comprehensive Annual Financial Report consistent with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Company's financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34, which established standards for external financial reporting for all state and local governmental entities. The basic financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

Basis of Accounting

The Company is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Company utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

Classification of Revenues and Expenses

The Company classifies its revenues and expenses into the following classifications: operating revenues, operating expenses, nonoperating revenues, and nonoperating expenses.

Operating revenues consist of charges to customers for sales and use of the facilities, with the relating costs considered operating expenses. Nonoperating revenues consist of contributions from the City of Pasadena of their transient occupancy taxes, tourism business improvement district taxes, investment income, and other nonoperating income. Capital contributions consist of contributed capital assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less.

Investments

Investments are reported in the accompanying statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during the fiscal year are recognized as investment earnings reported for that fiscal year.

Investment earnings includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Prepaid Assets

Certain payments to vendors, which reflect costs applicable to future accounting periods are recorded as prepaid assets.

Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated acquisition value on the date received. The Company capitalizes all assets with a historical cost of at least $10,000 consistent with City practice. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Buildings	50 Years
Building Improvements	3 to 30 Years
Machinery and Equipment	3 to 30 Years
Furniture and Fixtures	10 Years

Compensated Absences

The Company has a paid time off (PTO) policy in effect. It is the Company's policy to permit employees to accumulate earned but unused PTO benefits. PTO hours can accrue up to a maximum of one and one-half times the annual allowable amount (maximum of 27 to 42 days, 216 to 336 hours). The Company pays all earned PTO benefits upon termination. All accumulated PTO is recorded as an expense and a liability at the time the benefit is earned. This is included in accrued salaries and benefits on the statements of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and liabilities on the statement of net position. Net positions were classified in the following categories: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, as applicable.

Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the Company's board of directors, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	$ 7,246,445
Restricted Cash and Cash Equivalents	11,118,769
Total Cash and Investments	$ 18,365,214

Cash and investments as of June 30, 2021, consist of the following:

Cash on Hand	$ 11,100
Deposits With Financial Institutions	4,262,835
City of Pasadena Investment Pool	2,972,510
Cash and Investments With Fiscal Agent:	
Money Market Mutual Funds	11,118,769
Total Cash and Investments	$ 18,365,214

Deposits

At June 30, 2021, the carrying amount of the Company's deposits was $4,262,835 and the bank balance was $4,283,421. The $20,586 difference represents outstanding checks and other reconciling items. All of the Company's cash and cash equivalents as of June 30, 2021 were collateralized or insured with securities held by pledging financial institutions in the Company's name.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Company's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Company by the California Government Code. Other than what is in the Government Code, the Company has no other investment policy.

Investment Types Authorized by the California Government Code	Authorized by Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 Years	None	None
U.S. Treasury Obligations	Yes	5 Years	None	None
U.S. Agency Securities	Yes	5 Years	None	None
Bankers' Acceptances	Yes	180 Days	40%	30%
Commercial Paper	Yes	270 Days	15%	10%
Negotiable Certificates of Deposit	Yes	5 Years	30%	None
Repurchase Agreements	Yes	1 Year	None	None
Reverse Repurchase Agreements	Yes	92 Days	20%	None
Medium-Term Notes	Yes	5 Years	30%	5%
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 Years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
Joint Power Agency Pools (Other Investment Pools)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Company's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Rating
U.S. Treasury Obligations	None	N/A
U.S. Agency Securities	None	N/A
State and Local Agency Bonds	None	Aa
Bankers' Acceptances	360 days	Aa
Commercial Paper	270 days	Aa
Negotiable Certificates of Deposit	None	Aa
Repurchase Agreements	None	Aa
Money Market Mutual Funds	N/A	Aaa
Investments Contracts	None	Aa

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Company manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Company's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Company's investments by maturity:

		Remaining Maturity	
Investment Type	Fair Value	12 Months or Less	12 to 60 Months
City of Pasadena Investment Pool	$ 2,972,510	$ 2,972,510	$ -
Fiscal Agent:			
Money Market Mutual Funds	11,118,769	11,118,769	-
Total	$ 14,091,279	$ 14,091,279	$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Company's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

			Ratings at End of Year	
Investment Type	Fair Value	Minimum Legal Rating	Aaa	Not Rated
City of Pasadena Investment Pool	$ 2,972,510	N/A	$ -	$ 2,972,510
Fiscal Agent:				
Money Market Mutual Funds	11,118,769	Aaa	11,118,769	-
Total	$ 14,091,279		$ 11,118,769	$ 2,972,510

Concentration of Credit Risk

The investment policy of the Company contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The Company categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets; Level 3 inputs are significant unobservable inputs.

The Company's investments in the City investment pool and the fiscal agent money market mutual funds are not subject to the fair value hierarchy. Further details on the City's investment pool fair value hierarchy can be found in the City's Comprehensive Annual Financial Report for the year ended June 30, 2021.

NOTE 3 TOURISM BUSINESS IMPROVEMENT DISTRICT TAXES AND CONTRIBUTIONS OF CITY TRANSIENT OCCUPANCY TAXES

Tourism Business Improvement District (TBID) Taxes

The TBID was established in March 2003. The TBID is an assessment levied against each hotel and motel business in the City. The assessment is calculated as a percentage of each day's Gross Occupancy Revenue and is passed through to guests. The rate of assessment is set annually by resolution of the City Council but cannot exceed 2.89%. For the fiscal year ended June 30, 2021, the rate was set at 2.89%. The purpose of the TBID is to market Pasadena as a destination by funding activities, programs, expenses, and services of the Pasadena Convention & Visitors Bureau. Marketing activities of the Pasadena Convention & Visitors Bureau and the Pasadena Conference Center are financed by the TBID. For the year ended June 30, 2021, TBID taxes were $1,368,681, of which $202,575 was due from the City at June 30, 2021.

Contributions of City Transient Occupancy Taxes (TOT)

The Company receives support from the City equal to the sum of the annual debt service payments on the 2006A and 2008A expansion project bonds and an allowance of $500,000 to be used by the Company for maintenance, repairs, capital improvements and or debt service. A portion of this support is retained by the City to pay for the Company's insurance. Annual capital improvements to the Convention Center, Civic Auditorium and Ice Skating Center are approved by the City. For the year ended June 30, 2021, net TOT revenue was $4,181,042, of which $741,936 was due from the City at June 30, 2021.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, is as follows:

	Balance at June 30, 2020	Additions	Transfers and Deletions	Balance at June 30, 2021
Capital Assets Being Depreciated:				
Buildings and Improvements	$ 183,162,666	$ -	$ 1,065,232	$ 184,227,898
Machinery and Equipment	1,881,441	-	-	1,881,441
Furniture and Fixtures	366,934	-	-	366,934
Total Depreciable Capital Assets	185,411,041	-	1,065,232	186,476,273
Less Accumulated Depreciation:				
Buildings and Improvements	(58,040,114)	(4,106,297)	-	(62,146,411)
Machinery and Equipment	(1,058,379)	(75,064)	-	(1,133,443)
Furniture and Fixtures	(287,437)	(13,125)	-	(300,562)
Total Accumulated Depreciation	(59,385,930)	(4,194,486)	-	(63,580,416)
Net Depreciable Assets	126,025,111	(4,194,486)	1,065,232	122,895,857
Land	2,423,473	-	-	2,423,473
Construction in Progress	300,263	885,485	(1,065,232)	120,516
Capital Assets, Net	$ 128,748,847	$ (3,309,001)	$ -	$ 125,439,846

Depreciation expense for the year ended June 30, 2021, was $4,194,486.

NOTE 5 LONG-TERM DEBT

Long-term debt for the year ended June 30, 2021, is as follows:

	Balance at June 30, 2020	Additions/ Accretion	Payments/ Prepayments	Balance at June 30, 2021	Due in One Year
Certificates of Participation 2006 Series A	$ 16,485,000	$ -	$ (5,145,000)	$ 11,340,000	$ 5,490,000
Accreted Interest	(1,507,413)	723,564	-	(783,849)	-
Certificates of Participation 2008 Series A	134,720,000	-	-	134,720,000	-
Energy Conservation Loan	774,600	-	(293,841)	480,759	305,560
Ice Skating Loan 2012	167,208	-	(167,208)	-	-
Total	$ 150,639,395	$ 723,564	$ (5,606,049)	$ 145,756,910	$ 5,795,560

NOTE 5 LONG-TERM DEBT (CONTINUED)

2006 Certificates of Participation

On August 23, 2006, the City issued the 2006 Certificates of Participation, 2006 Series A and B in the amount of $162,639,972. The Certificates of Participation were issued to finance the cost of improvements to the Pasadena Conference Center and related facilities, establish a reserve fund per the Trust Agreement, and finance the cost of execution and delivery of the Certificates of Participation.

2006 Series A of the Certificates of Participation were issued as Capital Appreciation Certificates. These certificates of participation appreciate in value based on annual accretion of the initial amount at a rate of interest that will result in each such capital appreciation certificate of participation appreciating to its maturity value on its final maturity date. Accretion will commence on August 23, 2006. Interest accretes at a yield ranging from 3.85% to 4.81%. By their nature, there are no regular interest payments associated with capital appreciation certificates of participation; interest on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. Each year, the outstanding balance is increased by the accreted value associated with the certificates of participation. Principal on the 2006 Series A Certificates of Participation is payable in annual installments ranging from $415,000 to $5,850,000 commencing February 2010 and ending February 2023.

2006 Series B of the Certificates of Participation was refunded by the 2008 Series A Certificates of Participation (see note below).

The annual requirements to repay the outstanding Certificates of Participation 2006 Series A at June 30, 2021, are as follows:

Year Ending June 30,	Principal Payment	Accretion
2022	$ 5,490,000	$ (512,288)
2023	5,850,000	(271,561)
Total	$ 11,340,000	$ (783,849)

2008 Certificates of Participation

On April 15, 2008, the City issued the 2008 Refunding Certificates of Participation, 2008 Series A in the amount of $134,720,000. These certificates of participation were issued to refund the City's Certificates of Participation (Conference Center Project), 2006 Series B Certificates of Participation and finance the costs of execution of the 2008 Series A Certificates of Participation. The refunded certificates of participation were repaid in April 2008 and the liability has been removed from the statement of net position. Interest on 2008 Series A Certificates of Participation were issued at a variable rate with the reassignment of the synthetic fixed rate swap of 3.536%. Principal is payable in annual installments ranging from $6,775,000 to $11,445,000 commencing February 1, 2024, and ending February 1, 2035.

NOTE 5 LONG-TERM DEBT (CONTINUED)

2008 Certificates of Participation (Continued)

The annual requirements to repay the outstanding Certificates of Participation 2008 Series A at June 30, 2021, are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Hedging Derivative, Net	Total
2022	$ -	$ 148,367	$ 4,554,513	$ 4,702,880
2023	-	148,367	4,554,513	4,702,880
2024	6,775,000	145,258	4,457,804	11,378,062
2025	7,480,000	137,473	4,215,711	11,833,184
2026	8,260,000	128,878	3,948,572	12,337,450
2027-2031	54,370,000	483,560	14,752,769	69,606,329
2032-2035	57,835,000	130,639	3,506,123	61,471,762
Total	$ 134,720,000	$ 1,322,542	$ 39,990,005	$ 176,032,547

The above table incorporates the net receipts/payments of the hedging derivative instrument associated with this debt issue. These amounts assume that current interest rates on variable rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 6 for additional information regarding the derivative instruments associated with the debt of the Company.

Energy Conservation Loan

The Company received approval from the City in June 2008 to commence a project designed to conserve energy through use of more efficient air conditioning systems and energy efficient lighting. The project budget cost was $4,581,071; $1,560,000 was pledged by Pasadena Water and Power (PWP) as a rebate based on energy savings and $3,000,000 was covered by a loan from the California Energy Commission with an interest rate of 3.95% for 13 years. The payments on this $3,000,000 loan are budgeted at approximately $320,000 for 13 years.

The annual requirements to repay the outstanding loan from the State of California Energy Conservation Commission at June 30, 2021, are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2022	$ 305,562	$ 16,011	$ 321,573
2023	175,197	3,822	179,019
Total	$ 480,759	$ 19,833	$ 500,592

Ice Skating Loan 2012

The Company borrowed $1,500,000 per City Council Action in August 2012 for construction of the new Ice Skating Center. The term of the loan is ten years with a fixed interest rate of 2.5%. The principal and interest payment of $171,388 is due annually in March. The final payment on this loan was made during the fiscal year ended June 30, 2021.

NOTE 6 DERIVATIVE INSTRUMENT LIABILITY

The Company has entered into a floating to fixed interest rate swap in order to hedge the change in cash flows with respect to certain variable debt as described below. This structure results in a lower borrowing cost by accessing interest rate markets more attractive than traditional fixed rate debt structures of the time. The greater liquidity and flexibility of the swap market has offered the Company significant cost savings opportunities in the swap the Company has engaged in.

Conference Center Variable Rate Demand Refunding Certificates of Participation (COP)

On September 18, 2006, the Company entered into an interest rate swap agreement with DEPFA Bank related to the $135,500,000 Conference Center Auction Rate Certificates Series 2006B. The objective was to effectively change the Company's variable interest rate to a synthetic fixed rate of 3.536%. Under the terms of the swap, the Company pays the counterparty the fixed rate of 3.536% and receives a floating rate equal to 64% of the one-month LIBOR rate. The swap has a notional amount of $133,000,000 representing a hedge ratio of 98.7% and declines according to the schedule set forth in the contract until the final principal payment on the certificates in 2034.

Objective and Terms

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay Fixed Interest Rate Swap	Hedge of Changes in Cash Flows on the 2008A COPs	$ 133,000,000	4/1/2011	2/1/2034	Pay 3.536% Receives 64% LIBOR Index	A1/AA-

In 2011, due to its declining credit ratings, DEPFA Bank was replaced by RBC as the counterparty for the swap. Pursuant to GASB Statement No. 64, the replacement did not require any change in accounting treatment.

On April 15, 2008, the Company issued the 2008 Refunding COPs, Series 2008A in the amount of $134,720,000. These certificates were issued to refund the Company's Certificates of Participation (Conference Center Project), Series 2006B and finance the cost of execution of the 2008A Certificates of Participation backed by a letter of credit from Bank of America. The final maturity on the 2008A COPs was extended by one year to 2035 in order to reduce the reserve requirement and consequently, reduce the size of the issue by approximately $800,000. The refunded certificates are considered to be defeased, and the liability has been removed from the Company's statement of net position and recorded as a deferred amount upon refunding. During the fiscal year ended June 30, 2011, the Company entered into a new agreement to take advantage of a more advantageous interest rate adjustment mode than the 2008 Series Bonds previously had. As a result, the former derivative instrument terminated, and the new instrument has off-market terms. As a result, an up-front payment was received. The up-front payment is reported as a borrowing. The borrowing is amortized over the life of the swap and amortizes using the effective interest method for the life of the swap with adjustments to interest expense during each fiscal year. The original balance of the borrowing was $8,935,613. As of the year ended June 30, 2021, the balance was $4,613,215.

NOTE 6 DERIVATIVE INSTRUMENT LIABILITY (CONTINUED)

Objective and Terms (Continued)

The deferred amount is amortized over the life of the swap using the effective interest method for the life of the swap with adjustments to interest expense during each fiscal year as follows:

Year Ending June 30,	Beginning Balance	Accrued Interest	Payment	Ending Balance
2022	$ 4,613,215	$ 199,651	$ (646,380)	$ 4,166,486
2023	4,166,486	179,003	(646,380)	3,699,109
2024	3,699,109	157,461	(635,404)	3,221,166
2025	3,221,166	136,068	(601,344)	2,755,890
2026	2,755,890	115,332	(563,760)	2,307,462
2027	2,307,462	95,454	(522,409)	1,880,507
2028	1,880,507	76,649	(477,171)	1,479,985
2029	1,479,985	59,154	(427,721)	1,111,418
2030	1,111,418	43,226	(373,774)	780,870
2031	780,870	29,157	(315,009)	495,018
2032	495,018	17,258	(251,140)	261,136
2033	261,136	7,877	(181,805)	87,208
2034	87,208	1,487	(88,695)	-
Total		$ 1,117,777	$ (5,730,992)	

The Company categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices in active markets for similar assets; Level 3 inputs are significant unobservable inputs.

The Company has the following recurring fair value measurements as of June 30, 2021:

Measurements by Fair Value Level	Total	Level 1	Level 2	Level 3
Derivative Instrument Liability	$ 25,068,456	$ -	$ 25,068,456	$ -

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2021		
	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedge:					
Pay-Fixed Interest Rate Swaps	Deferred Outflow	$ (8,338,494)	Liability	$ 25,068,456	$ 133,000,000

NOTE 6 DERIVATIVE INSTRUMENT LIABILITY (CONTINUED)

Objective and Terms (Continued)

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk

The Company is exposed to credit risk on hedging derivative instruments to the extent the value of the swap is positive from the Company's perspective. The aggregate fair value of hedging derivative instruments was negative as of June 30, 2021, and therefore the Company had no credit risk exposure.

Interest Rate Risk

The purpose of the swap is to eliminate interest rate risk on the associated hedged bonds and therefore the swap, in combination with related bonds does not create interest rate risk for the Company.

Basis Risk

The Company is exposed to basis risk on its pay-fixed interest rate swap because the variable-rate payments received by the Company on these hedging derivative instruments are based on a rate or index other than interest rates the Company pays on its hedged variable-rate debt, which is typically remarketed every seven days. As of June 30, 2021, the weighted-average interest rate on the Company's hedged variable-rate debt is 0.01433%, while 64% of LIBOR is 0.0594%.

Termination Risk

The Company or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The derivative contract uses the International Swap Dealers Association Master Agreement which includes standard termination events such as failure to pay and bankruptcy. In addition, the Company may optionally terminate the agreement on any date. If at the time of a termination, the Company may be required to make a termination payment to its counterparty. If the Company had to terminate the Swap for any reason on June 30, 2021, the maximum exposure/loss would have been $30,683,055.

Rollover Risk

The Company is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate prior to the maturity of the related debt, the Company will be re-exposed to the risks being hedged by the hedging derivative instrument.

NOTE 7 NET POSITION

Net position at June 30, 2021, consisted of the following:

Net Investment in Capital Assets:	
Property, Plant, and Equipment, Net	$ 125,439,846
Less: Net Carrying Value of	
Capital-Related Debt	(120,331,238)
Total Net Investment in Capital Assets	5,108,608
Restricted Net Position:	
Public Art	867,377
Organ Repair and Maintenance	2,863
Total Restricted Net Position	870,240
Unrestricted Net Position:	
Undesignated	(13,003,464)
Total Unrestricted Net Position	(13,003,464)
Total Net Position	$ (7,024,616)

Net position restrictions are as follows:

Public Art – The $1.2 million capital public art project was originally appropriated for the development of onsite public art. The funds, less monies spent on artist selection, were reallocated for permanent public art in the Civic Center area through the 2013 Public Art Master Plan, which also established the Civic Center Public Art Advisory Group comprised of arts and historic preservation professionals.

Organ Repair and Maintenance – This is the remaining balance of a $15,000 grant which was received for the repair and maintenance of the Moller organ located in the Pasadena Civic Auditorium.

NOTE 8 SERVICE CONCESSION ARRANGEMENTS

Centerplate

In the fiscal year ended June 30, 2009, the Company entered into an agreement with Boston Culinary Group, which then changed to Distinctive Gourmet Services, but is now called Centerplate (CP), that allows CP the exclusive right to operate the food services concession for the Company. The agreement covered the period March 1, 2009, through June 30, 2014. In exchange for this exclusive right, CP agreed to contribute up to $1,000,000 for capital asset purchases at the new kitchen in the Conference Center Expansion Project. An amendment to the agreement was made and entered into on January 6, 2012 to extend the term of the agreement for five years, expiring on June 30, 2021 with an additional five-year extension that is eligible, contingent upon mutual agreement between CP and the Company.

NOTE 8 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Centerplate (Continued)

With the amended agreement, CP was additionally granted the exclusive right to operate a Starbucks Café at the Pasadena Center in the space formerly leased by Lovebirds Café & Bakery. CP's ability to operate the Starbucks Café runs concurrently with the initial agreement entered into on March 1, 2009 and covers the period through June 30, 2021. A second amendment to the agreement was entered into on June 28, 2019 to extend the agreement an additional five years expiring on June 30, 2024.

Prior to July 1, 2019, CP provided $975,000 for Kitchen space and $399,960 for Café space. As of June 30, 2021, CP has contributed a total of $1,580,184. This has been recorded as advances on contracts and is being amortized over the lease period including extensions. The sum of $1,310,610 has been recognized as capital contributions to date. The remaining $269,574 is recorded as a deferred inflow of resources.

NOTE 9 DEFINED CONTRIBUTION RETIREMENT PLAN

Plan Description

Eligible employees of the Company participate in the Pasadena Center Operating Company 401(k) Profit Sharing Plan (the Plan), which is a defined contribution retirement plan covering all employees except those whose employment is governed by a collective bargaining agreement. To be eligible to participate in the Plan, an employee must be age 21 and have completed 90 consecutive days of employment. To be eligible for the employer's match, an employee must be age 21 and have completed one full year of employment and must have 1,000 hours of service in a twelve-month period.

Funding Policy

An employee may either defer an amount of their salary on a pre-tax basis, or contribute after tax dollars to a Roth 401k account up to the maximums allowed by federal law. The Company will make a contribution equal to 5% of eligible employees' pay regardless of whether an employee contributes to the Plan. Employee contributions are vested immediately. Employer match contributions prior to July 1, 2004, are subject to vesting on a graduating basis, beginning at two years and becoming fully vested after five years of service. Employer match contributions after July 1, 2004, are vested immediately. The Company matched $165,442 for the fiscal year ended June 30, 2021. The total closing balance on the Plan's assets are $7,399,359 for the fiscal year ended June 30, 2021.

NOTE 10 RELATED PARTY TRANSACTIONS

During the current year, the Company incurred charges for the use of the City's building maintenance, electricians, plumbers, locksmiths, printing, and mail services. These nonevent expenses totaled $1,060,004 and had a total of $2,620 in events expenses for a grand total of $1,062,624 of related party expenses. The expenses are included within general and administrative expenses. At June 30, 2021, there were no amounts payable to the City.

In addition to the revenues and receivables described in Note 3, the Company has $22,121 due from the City related to interest earned on cash and investments pooled with the City at June 30, 2021.

NOTE 11 RISK MANAGEMENT

The Company is entitled to indemnity from the City; however, the Company purchases a Special Liability Insurance Program (SLIP) for general liability and employment practice coverage. The City manages the Company's claims and tenders to the insurance carrier third party administrator. The Company carries statutory workers' compensation insurance with no retention. The company requires licensees to provide insurance or purchase Special Events Liability Insurance from the Company. The City buys liability insurance on the parking structures at the Convention Center. The Company buys separate liability insurance on the ice rink. There are lawsuits pending that are being defended by an insurance company without a reservation of rights. During the past three fiscal years, no settlements or judgements exceeded insurance coverage.

NOTE 12 SUBSEQUENT EVENT

On September 22, 2021, the Company received federal financial assistance in the amount of $2,144,012 through the shuttered venue operators grant from the U.S. Small Business Administration. The purpose of this grant is to provide capital to help an organization survive the COVID-19 pandemic.

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*

Board of Directors
Pasadena Center Operating Company
Pasadena, California

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 Pasadena Center Operating Company (the Company),a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 15, 2021