



TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidated Financial Statements and Schedules and Reports as
Required by Chapter 10.650 "Rules of the Auditor General"

September 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

TAMPA BAY PERFORMING ARTS CENTER, INC.

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Independent Auditors' Report

The Board of Trustees
Tampa Bay Performing Arts Center, Inc.:

We have audited the accompanying consolidated statements of financial position of the Tampa Bay Performing Arts Center, Inc. as of September 30, 2007 and 2006, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Tampa Bay Performing Arts Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2005 summarized comparative information has been derived from the Organization's 2005 financial statements and, in our report dated January 4, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tampa Bay Performing Arts Center, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Tampa Bay Performing Arts Center, Inc. as of September 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008 on our consideration of the Tampa Bay Performing Arts Center, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in schedules 1, 2, and 3 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations. The supplementary information included in schedules 4 and 5 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Additionally, the supplemental schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General* and is not a required part of the basic financial statements. The consolidating and other supplementary information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

January 18, 2008
Certified Public Accountants

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidated Statements of Financial Position

September 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current assets:		
Cash	\$ 3,285,914	1,575,052
Short-term investments	9,301,806	10,444,606
Cash and cash equivalents	<u>12,587,720</u>	<u>12,019,658</u>
Receivables:		
Accounts receivable, net	347,323	118,759
Grants receivable	313,037	293,336
Interest receivable	98,860	89,836
Pledges receivable, net	1,371,159	2,100,417
	<u>2,130,379</u>	<u>2,602,348</u>
Inventory	126,370	82,662
Prepaid expenses	1,158,863	796,897
Total current assets	<u>16,003,332</u>	<u>15,501,565</u>
Noncurrent assets:		
Pledges receivable, net	3,282,012	3,444,873
Endowment investments	17,183,691	13,752,449
Other long-term investments	550,960	338,108
Beneficial interest in assets held by community foundation	876,859	814,060
Furniture, equipment, and leasehold improvements, net	9,537,865	8,413,110
Other assets	5,000	2,650
Total assets	<u>\$ 47,439,719</u>	<u>42,266,815</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,661,714	1,359,497
Deferred revenue – ticket sales	8,871,322	6,563,716
Deferred revenue – other	976,586	443,914
Total current liabilities	<u>11,509,622</u>	<u>8,367,127</u>
Other accrued expenses	339,224	—
Total liabilities	<u>11,848,846</u>	<u>8,367,127</u>
Net assets:		
Unrestricted – operations	7,862,451	9,363,983
Unrestricted – furniture, equipment, and leasehold improvements	9,537,865	8,413,110
Unrestricted – board designated	2,685,597	—
Temporarily restricted	4,738,756	5,372,528
Permanently restricted	10,766,204	10,750,067
Total net assets	<u>35,590,873</u>	<u>33,899,688</u>
Total liabilities and net assets	<u>\$ 47,439,719</u>	<u>42,266,815</u>

See accompanying notes to consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidated Statements of Activities

Years ended September 30, 2007 and 2006

	September 30, 2007			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue and other support:				
Ticket sales	\$ 18,120,016	—	—	18,120,016
Rent	1,060,830	—	—	1,060,830
Box office fees	2,269,137	—	—	2,269,137
Education program tuition and fees	1,083,354	—	—	1,083,354
Concessions	2,631,363	—	—	2,631,363
Investment income	2,411,907	—	—	2,411,907
Community support	4,025,709	467,481	16,137	4,509,327
Government funding and grants:				
Annual operating and program support	1,660,069	—	—	1,660,069
Capital and construction support	618,392	—	—	618,392
Endowment support	—	—	—	—
Service fee income	2,869,598	—	—	2,869,598
Net assets released from restrictions	1,101,253	(1,101,253)	—	—
Total revenue and other support	<u>37,851,628</u>	<u>(633,772)</u>	<u>16,137</u>	<u>37,233,993</u>
Expenses:				
Program and essential services				
Production costs	19,720,486	—	—	19,720,486
Education	1,778,429	—	—	1,778,429
Operating costs	7,226,819	—	—	7,226,819
Marketing and public information	2,035,453	—	—	2,035,453
Total program and essential services	<u>30,761,187</u>	<u>—</u>	<u>—</u>	<u>30,761,187</u>
Support services:				
General and administrative	3,780,883	—	—	3,780,883
Fundraising	1,000,738	—	—	1,000,738
Total support services	<u>4,781,621</u>	<u>—</u>	<u>—</u>	<u>4,781,621</u>
Total expenses	<u>35,542,808</u>	<u>—</u>	<u>—</u>	<u>35,542,808</u>
Change in net assets	2,308,820	(633,772)	16,137	1,691,185
Net assets at beginning of year	<u>17,777,093</u>	<u>5,372,528</u>	<u>10,750,067</u>	<u>33,899,688</u>
Net assets at end of year	<u>\$ 20,085,913</u>	<u>4,738,756</u>	<u>10,766,204</u>	<u>35,590,873</u>

See accompanying notes to consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidated Statements of Activities

Years ended September 30, 2007 and 2006

	September 30, 2006			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue and other support:				
Ticket sales	\$ 16,903,311	—	—	16,903,311
Rent	937,395	—	—	937,395
Box office fees	1,970,594	—	—	1,970,594
Education program tuition and fees	604,092	—	—	604,092
Concessions	2,123,049	—	—	2,123,049
Investment income	1,719,140	—	(544)	1,718,596
Community support	3,955,592	186,608	41,422	4,183,622
Government funding and grants:				
Annual operating and program support	1,460,124	—	—	1,460,124
Capital and construction support	250,000	—	—	250,000
Endowment support	—	—	240,000	240,000
Service fee income	2,836,676	—	—	2,836,676
Net assets released from restrictions	1,268,259	(1,268,259)	—	—
Total revenue and other support	<u>34,028,232</u>	<u>(1,081,651)</u>	<u>280,878</u>	<u>33,227,459</u>
Expenses:				
Program and essential services:				
Production costs	17,706,482	—	—	17,706,482
Education	1,455,949	—	—	1,455,949
Operating costs	6,220,230	—	—	6,220,230
Marketing and public information	1,713,007	—	—	1,713,007
Total program and essential services	<u>27,095,668</u>	<u>—</u>	<u>—</u>	<u>27,095,668</u>
Support services:				
General and administrative	2,567,916	—	—	2,567,916
Fundraising	952,595	—	—	952,595
Total support services	<u>3,520,511</u>	<u>—</u>	<u>—</u>	<u>3,520,511</u>
Total expenses	<u>30,616,179</u>	<u>—</u>	<u>—</u>	<u>30,616,179</u>
Change in net assets	3,412,053	(1,081,651)	280,878	2,611,280
Net assets at beginning of year	<u>14,365,040</u>	<u>6,454,179</u>	<u>10,469,189</u>	<u>31,288,408</u>
Net assets at end of year	<u>\$ 17,777,093</u>	<u>5,372,528</u>	<u>10,750,067</u>	<u>33,899,688</u>

See accompanying notes to consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidated Statements of Functional Expenses

Year ended September 30, 2007
(with comparative total for 2006)

	Program and essential services				Total program and essential services	Support services		Total support services	Total expenses	
	Production costs	Education	Operating costs	Marketing and public information		General and administrative	Fundraising		2007	2006
Salaries	\$ 1,200,526	974,611	2,246,200	793,152	5,214,489	1,796,296	553,146	2,349,442	7,563,931	6,417,650
Employee benefits	475,539	168,056	520,339	179,383	1,343,317	284,759	136,824	421,583	1,764,900	1,330,818
Artist and professional fees	15,005,843	290,334	44,088	1,419	15,341,684	3,884	136,651	140,535	15,482,219	14,022,492
Meetings, travel, and training	46,811	51,650	18,413	16,039	132,913	77,010	26,466	103,476	236,389	164,664
Advertising and promotion	1,779,610	149,033	22,995	1,005,137	2,956,775	33,498	10,960	44,458	3,001,233	2,657,027
Professional services	400	225	2,725	24,463	27,813	175,863	15,208	191,071	218,884	224,013
Supplies	28,666	13,640	204,945	12,974	260,225	47,530	5,313	52,843	313,068	244,274
Telephone	—	—	—	—	—	92,704	—	92,704	92,704	110,521
Postage and mailings	7,967	3,857	14,739	735	27,298	45,847	27,336	73,183	100,481	87,657
Utilities	—	—	984,853	—	984,853	—	—	—	984,853	991,412
Rent and lease	772,622	16,406	26,404	—	815,432	72,135	—	72,135	887,567	683,513
Maintenance and repairs	43,753	5,153	733,509	—	782,415	237,797	—	237,797	1,020,212	834,128
Insurance	107,186	32,371	—	—	139,557	299,271	—	299,271	438,828	507,270
Depreciation	—	—	697,829	—	697,829	—	—	—	697,829	696,976
Credit card commissions	—	27,094	580,112	—	607,206	—	35,615	35,615	642,821	444,292
Bad debt expense	—	5,761	4,509	—	10,270	338,506	—	338,506	348,776	3,386
Other	251,563	40,238	1,125,159	2,151	1,419,111	275,783	53,219	329,002	1,748,113	1,196,086
Total expenses	\$ 19,720,486	1,778,429	7,226,819	2,035,453	30,761,187	3,780,883	1,000,738	4,781,621	35,542,808	30,616,179

See accompanying notes to consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidated Statements of Functional Expenses

Year ended September 30, 2006
(with comparative total for 2005)

	Program and essential services				Total program and essential services	Support services		Total support services	Total expenses	
	Production costs	Education	Operating costs	Marketing and public information		General and administrative	Fundraising		2006	2005
Salaries	\$ 1,254,331	878,644	1,878,473	660,738	4,672,186	1,206,178	539,286	1,745,464	6,417,650	6,227,944
Employee benefits	402,464	141,014	440,069	132,658	1,116,205	89,311	125,302	214,613	1,330,818	1,522,351
Artist and professional fees	13,616,889	184,539	57,565	1,991	13,860,984	19,894	141,614	161,508	14,022,492	13,596,349
Meetings, travel, and training	25,423	19,804	16,176	17,363	78,766	72,843	13,055	85,898	164,664	171,334
Advertising and promotion	1,561,961	122,340	17,515	873,687	2,575,503	36,883	44,641	81,524	2,657,027	2,783,291
Professional services	8,333	570	—	19,228	28,131	188,382	7,500	195,882	224,013	856,147
Supplies	32,406	9,056	162,475	4,210	208,147	32,660	3,467	36,127	244,274	119,485
Telephone	—	—	—	—	—	110,521	—	110,521	110,521	96,255
Postage and mailings	5,927	2,565	7,480	351	16,323	42,783	28,551	71,334	87,657	73,061
Utilities	—	—	991,412	—	991,412	—	—	—	991,412	829,426
Rent and lease	587,599	—	29,177	—	616,776	66,737	—	66,737	683,513	129,002
Maintenance and repairs	52,702	8,008	620,475	—	681,185	152,943	—	152,943	834,128	894,244
Insurance	85,755	33,853	—	—	119,608	387,662	—	387,662	507,270	344,423
Depreciation	—	—	696,976	—	696,976	—	—	—	696,976	652,911
Credit card commissions	—	12,613	407,717	—	420,330	—	23,962	23,962	444,292	373,953
Bad debt expense	—	3,386	—	—	3,386	—	—	—	3,386	4,504
Other	72,692	39,557	894,720	2,781	1,009,750	161,119	25,217	186,336	1,196,086	1,064,426
Total expenses	\$ 17,706,482	1,455,949	6,220,230	1,713,007	27,095,668	2,567,916	952,595	3,520,511	30,616,179	29,739,106

See accompanying notes to consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidated Statements of Cash Flows

Years ended September 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 1,691,185	2,611,280
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	697,829	696,976
Loss on abandoned projects	—	49,020
Provision for uncollectible pledges receivable	348,776	3,386
Funding for capital acquisitions	(628,392)	(305,000)
Realized and unrealized gains on investments	(1,217,098)	(871,295)
(Increase) decrease in accounts receivable	(228,564)	11,751
Increase in grants receivable	(19,701)	(276,175)
Increase in interest receivable	(9,024)	(40,921)
Decrease in pledges receivable	543,343	1,360,642
Increase in prepaid expenses	(361,966)	(99,935)
(Increase) decrease in inventory and other assets	(46,058)	6,370
Increase in accounts payable and accrued expenses	302,217	63,756
Increase in deferred revenue – ticket sales	2,307,606	1,586,793
Increase in deferred revenue – other	532,672	7,504
Increase in noncurrent other accrued expenses	339,224	—
Net cash provided by operating activities	4,252,049	4,804,152
Cash flows from investing activities:		
Additions to furniture, equipment, and leasehold improvements	(1,822,584)	(829,751)
(Increase) decrease in beneficial interest in assets held by Community Foundation	(62,799)	544
Purchases of investments	(8,461,545)	(7,169,769)
Sales and maturities of investments	6,341,471	5,788,100
Purchase of other long-term investments	(306,922)	(153,750)
Net cash used in investing activities	(4,312,379)	(2,364,626)
Cash flows from financing activity:		
Funding for capital acquisitions	628,392	305,000
Net cash provided by financing activity	628,392	305,000
Net increase in cash and cash equivalents	568,062	2,744,526
Cash and cash equivalents, beginning of year	12,019,658	9,275,132
Cash and cash equivalents, end of year	\$ 12,587,720	12,019,658

See accompanying notes to consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies

(a) Organization

The Tampa Bay Performing Arts Center, Inc. (the Center) was incorporated on September 15, 1980 to manage and operate the performing arts facility for the City of Tampa. The Center's purpose is to enhance the quality of life in the Tampa Bay region by educating and developing their audiences through performing arts, with an emphasis on diversity and quality.

The Center established the Tampa Bay Performing Arts Center Foundation (the Foundation) on April 28, 1997 to perform the fundraising efforts for the support of the Center. The activities of the Foundation began in October 1999.

In accordance with the requirements of Financial Accounting Standards Board Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, the financial activities of the Center and the Foundation have been consolidated. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Basis of Accounting

The financial statements of the Center have been prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

All financial transactions have been recorded and reported as either unrestricted, temporarily restricted, or permanently restricted net assets.

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of the Center. These include those expendable resources, which have been designated for special use by the board of trustees for capital expenditures and business continuity purposes.
- Temporarily restricted net assets represent those amounts that are not available until future periods and/or are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Temporarily restricted gifts that are received and expended in the same fiscal year are classified as temporarily restricted revenue. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.
- Permanently restricted net assets result from gifts from donors who place restrictions on the use of the funds, which mandate that the original principal be invested in perpetuity. Generally, gains and related investment income on these gifts are available for unrestricted purposes.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

(c) Liquidity

Assets are presented in the accompanying consolidated financial statements according to their nearness to cash and liabilities according to their nearness of their maturity and resulting use of cash.

(d) Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Center considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, including those classified as short-term investments.

(e) Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first in, first out method.

(f) Endowment Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

(g) Other Long-Term Investments

Other long-term investments include investments in Broadway show productions and the cash surrender value of a life insurance policy on the President. The investments in Broadway show productions are recorded at cost, reduced by any investment returns, and amounted to \$216,922 and \$135,000 at September 30, 2007 and 2006, respectively. The cash surrender value of the life insurance policy amounted to \$334,038 and \$203,108 at September 30, 2007 and 2006, respectively, and is intended to finance the future obligation under a deferred compensation agreement as discussed in note 1(j).

(h) Beneficial Interest in Assets Held by Community Foundation

The Center has established an endowment at the Community Foundation of Tampa Bay, Inc. and has identified itself as the beneficiary. The value of the Center's endowment is reflected in the accompanying consolidated financial statements as beneficial interest in assets held by Community Foundation.

(i) Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are stated at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Depreciation is recognized over the estimated useful lives of the assets of 3 – 25 years using the straight-line method. An exception is given to leasehold improvements associated with the facility, which is leased from the City of Tampa, and are depreciated over a useful life of 30 years. Maintenance, repairs, and minor renewals are expensed as incurred.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

(j) Other Accrued Expenses

Other accrued expenses includes the Center's obligation under a deferred compensation agreement with the President which is payable upon her retirement.

(k) Advertising Costs

Advertising costs related to specific events and classes are deferred and amortized in the period of the event or class, which are reported under program and essential services expenses.

(l) Tax Status

The Center and the Foundation are both exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3).

(m) Revenue Recognition

In the absence of donor restrictions, contributions are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

Government funding and grants are recorded as unrestricted revenue as funds have been reimbursed for expenditures made for specific needs of the Center.

Deferred revenue represents cash received from advance ticket sales, concession, education class tuition and event sponsorships. Ticket sale, concession, education class tuition, and sponsorship revenue is recorded after related performances, classes and events are completed and associated cost settlements are calculated. Rent income is recorded as earned.

(n) Other Gifts

The Center is a beneficiary of several funds held and controlled by the Community Foundation. The total fair value of these funds held at the Community Foundation as of September 30, 2007 and 2006 were \$6,322,000 and \$5,883,000, respectively. These funds are not included in the accompanying consolidated financial statements.

The annual net earnings allocated by the Community Foundation are available for distribution to the Center and accordingly are recognized as income in the period earned.

(o) Contributed Services

Contributed services are recognized as in-kind revenue at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills, which would need to be purchased if they were not donated, and amounted to approximately \$815,000 for fiscal 2007 and \$489,000 for fiscal 2006.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

Community members volunteer as ushers, house managers, tour guides, administrative assistants, and advisors. The 100% volunteer usher program is unique in the industry. A dollar valuation of their effort is not reflected in the consolidated financial statements; however, volunteer hours for the years ended September 30, 2007 and 2006 were as follows:

	2007	2006
Total volunteer hours (unaudited)	67,920	68,075

(p) Use of Estimates

The preparation of the consolidated financial statements requires management of the Center to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(q) Functional Allocation of Expenses

Expenses are allocated between program and essential services, general and administrative, and fundraising. These expenses are based on management's estimate of the benefit derived by each activity. Salaries and benefits exclude related costs for stagehands, which are included in artist and professional fees expenses. Such expenses are directly associated with the production of events.

(r) Reclassifications

Certain fiscal 2006 amounts have been reclassified to conform to the current year presentation.

(2) Investments

Investments must meet risk criteria established by the board of trustees. At September 30, investments are classified as follows:

	2007		2006	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 1,152,732	1,152,732	759,086	759,086
Government bonds	3,291,639	3,309,874	2,697,923	2,693,101
Corporate bonds	1,191,710	1,164,145	1,045,783	1,012,120
Real estate investment trusts	168,675	286,454	140,082	226,298
Common stocks	9,262,599	11,270,486	7,687,108	9,061,844
Total long-term investments	\$ 15,067,355	17,183,691	12,329,982	13,752,449

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

Investment return consisted of the following:

	2007	2006
Interest on cash equivalents and short-term investments	\$ 534,709	520,538
Dividends and interest on long-term investments	501,144	396,310
Net unrealized gains	693,869	917,263
Net realized gains (losses)	770,462	(46,512)
	2,500,184	1,787,599
Less investment expense	(88,277)	(69,003)
	\$ 2,411,907	1,718,596

(3) Pledges Receivable

Pledges receivable at September 30 are summarized as follows:

	2007	2006
Total unconditional promises	\$ 5,833,928	6,424,770
Less:		
Discount rate for present value (4.03% and 4.62% at September 30, 2007 and 2006, respectively)	(565,472)	(555,692)
Allowance for uncollectibles	(615,285)	(323,788)
	\$ 4,653,171	5,545,290

Pledges receivable expected to be collected after September 30, 2007 are as follows:

Year ended September 30:	
2008	\$ 1,505,780
2009	1,190,085
2010	780,142
2011	621,035
2012	615,375
Beyond 2012	1,121,511
	\$ 5,833,928

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

(4) Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements at September 30, 2007 and 2006 are as follows:

	2007	2006
Furniture and equipment	\$ 5,733,850	5,034,953
Leasehold improvements	8,959,068	8,761,656
Construction in progress	1,393,099	480,905
	16,086,017	14,277,514
Less accumulated depreciation	(6,548,152)	(5,864,404)
	\$ 9,537,865	8,413,110

The Center is leasing its operating facility from the City of Tampa for \$100 per year for a period of 99 years; however, a termination option is available to the City of Tampa. According to information provided by the City of Tampa, the estimated insured value of the operating and education facility (excluding contents) is approximately \$91,884,000.

(5) Line of Credit

The Center has a \$2,000,000 revolving line of credit available to meet working capital and capital expenditure business continuity contingencies. This line of credit was established during the current fiscal year. There were no borrowings against the line during the year ended September 30, 2007 and thus no outstanding balance at September 30, 2007. Management believes all restrictive covenants were complied with at September 30, 2007.

(6) Restrictions and Limitations on Net Assets

Temporarily restricted net assets consist of the following assets at September 30, 2007 and 2006:

	2007	2006
Cash and investments	\$ —	52,200
Pledges receivable	4,425,719	5,266,992
Grants receivable	313,037	53,336
	\$ 4,738,756	5,372,528

At September 30, 2007, pledges receivable of \$762,100 remained uncollected for the construction and maintenance of the new education facility. All other cash and investments, pledge receivables, and government grants receivable include those with time restrictions only and are otherwise unrestricted as to their use.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

Permanently restricted net assets are composed of the following donor categories:

	<u>2007</u>	<u>2006</u>
General endowment	\$ 8,738,752	8,671,769
Florida fine arts endowment	1,800,000	1,800,000
Pledges receivable	<u>227,452</u>	<u>278,298</u>
	<u>\$ 10,766,204</u>	<u>10,750,067</u>

(7) Net Assets Released from Restrictions

Net assets released from time restrictions during the year ended September 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Collection of pledges receivable	\$ 1,047,917	1,251,098
Collection of grants receivable	<u>53,336</u>	<u>17,161</u>
	<u>\$ 1,101,253</u>	<u>1,268,259</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

(8) Government Funding and Grants

Government funding and grant revenue for the years ended September 30 is as follows:

	<u>2007</u>	<u>2006</u>
City of Tampa	\$ 750,000	750,000
Hillsborough County:		
Tourist Development Council	619,255	480,745
Arts Council	69,875	69,875
State of Florida:		
Cultural Institutions Program	150,353	147,048
Commission on Tourism	5,000	5,000
Florida Humanities Council	22,500	—
Arts in Education	8,886	7,456
Challenge Program	34,200	—
Center annual operating and program support	<u>1,660,069</u>	<u>1,460,124</u>
City of Tampa – Poe Garage Fund	290,197	—
Hillsborough County – Board of County Commissioners	—	250,000
State of Florida – Cultural Facilities Program	328,195	—
Capital and construction support	<u>618,392</u>	<u>250,000</u>
State of Florida – Cultural Endowment Program	—	240,000
Endowment support	<u>—</u>	<u>240,000</u>
Total government funding and grant revenue	<u>\$ 2,278,461</u>	<u>1,950,124</u>

The Center receives city, county, and state grants for annual operations, program support, and capital projects. A grant from the City of Tampa was received for general operating support. Additionally, the City of Tampa maintains the Poe Garage Trust Fund, which is funded by a specified portion of Poe Garage parking receipts, to be used for major capital repairs and reconstruction projects for the Center facility. Accordingly, during 2007 funds were received from the Poe Garage Trust Fund as reimbursement for capital expenditures incurred relating to major exterior renovations. Two grants from Hillsborough County were received: (1) the Tourist Development Council Grant, which is used to help promote the Center in the tourism markets; and (2) the Arts Council of Hillsborough County Grant, which helps cover the cost of artistic fees and salaries for educational performing arts programs and activities. Six grants from the State of Florida were received: (1) a Cultural Institutions Program Grant, which is applied to the season of activities and performances that demonstrate sustained commitment to cultural excellence; (2) a Challenge Program Grant, which is applied to launching new initiatives and helped fund a new youth theater company program; (3) an Arts in Education Grant, which is applied to artist residencies and arts education partnerships and helped fund a new program for lifelong learners; (4) a Florida Commission on Tourism Grant to help promote the Center as a cultural tourism attraction; (5) a Florida Humanities Council Grant that funded study guides for the Center’s production of Cigar City Chronicles; and (6) a State Cultural Facilities Program Grant that helped fund major capital renovations to the Center’s steel and glass canopy system, walkways, and fountains.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

(9) Retirement Plan

The Center has a defined contribution retirement plan for full-time employees. The Center contributes up to 8% of eligible gross salaries and employees are fully vested upon meeting eligibility requirements. Additionally, employees may voluntarily elect to contribute up to the maximum as allowed under Section 403(b) of the Internal Revenue Code. The moneys are invested and administered by an independent agent. Retirement contribution expenses were \$266,980 and \$101,870 for the years ended September 30, 2007 and 2006, respectively. Contributions for the year ended September 30, 2007 and 2006 have been reduced by employee forfeitures of \$0 and \$92,702, respectively.

(10) Commitments and Contingencies

Grant Funding

The Center is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes the Center is materially in compliance with the terms of its grant agreements.

(11) Related-Party Transactions

Contributions for the years ended September 30, 2007 and 2006 include the following:

	<u>2007</u>	<u>2006</u>
Board of directors and trustees	\$ <u>139,747</u>	<u>372,000</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidating Schedule – Statement of Financial Position Information

September 30, 2007

Assets	<u>Tampa Bay Performing Arts Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Current assets:				
Cash	\$ 3,210,761	75,153	—	3,285,914
Short-term investments	8,929,132	372,674	—	9,301,806
Cash and cash equivalents	<u>12,139,893</u>	<u>447,827</u>	<u>—</u>	<u>12,587,720</u>
Receivables:				
Accounts receivable, net	347,323	—	—	347,323
Due from Foundation/Center	—	98,655	(98,655)	—
Grants receivable	313,037	—	—	313,037
Interest receivable	64,084	34,776	—	98,860
Pledges receivable, net	184,986	1,186,173	—	1,371,159
	<u>909,430</u>	<u>1,319,604</u>	<u>(98,655)</u>	<u>2,130,379</u>
Inventory	126,370	—	—	126,370
Prepaid expenses	1,158,863	—	—	1,158,863
Total current assets	<u>14,334,556</u>	<u>1,767,431</u>	<u>(98,655)</u>	<u>16,003,332</u>
Noncurrent assets:				
Pledges receivable, net	304,735	2,977,277	—	3,282,012
Endowment investments	2,500,378	14,683,313	—	17,183,691
Other long-term investments	550,960	—	—	550,960
Beneficial interest in assets held by community foundation	—	876,859	—	876,859
Furniture, equipment, and leasehold improvements, net	9,537,865	—	—	9,537,865
Other assets	5,000	—	—	5,000
Total assets	<u>\$ 27,233,494</u>	<u>20,304,880</u>	<u>(98,655)</u>	<u>47,439,719</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,634,810	26,904	—	1,661,714
Due to Foundation/Center	98,655	—	(98,655)	—
Deferred revenue:				
Ticket sales	8,871,322	—	—	8,871,322
Other	976,586	—	—	976,586
Total current liabilities	<u>11,581,373</u>	<u>26,904</u>	<u>(98,655)</u>	<u>11,509,622</u>
Other accrued expenses	339,224	—	—	339,224
Total liabilities	<u>11,920,597</u>	<u>26,904</u>	<u>(98,655)</u>	<u>11,848,846</u>
Net assets:				
Unrestricted – operations	486,676	7,375,775	—	7,862,451
Unrestricted – furniture, equipment, and leasehold improvements	9,537,865	—	—	9,537,865
Unrestricted – board designated	2,685,597	—	—	2,685,597
Temporarily restricted	802,759	3,935,997	—	4,738,756
Permanently restricted	1,800,000	8,966,204	—	10,766,204
Total net assets	<u>15,312,897</u>	<u>20,277,976</u>	<u>—</u>	<u>35,590,873</u>
Total liabilities and net assets	<u>\$ 27,233,494</u>	<u>20,304,880</u>	<u>(98,655)</u>	<u>47,439,719</u>

See accompanying independent auditors' report.

TAMPA BAY PERFORMING ARTS CENTER, INC.
Consolidating Schedule – Statement of Activities Information

Year ended September 30, 2007

	Tampa Bay Performing Arts Center	Foundation	Consolidated total
Revenue and other support:			
Ticket sales	\$ 18,120,016	—	18,120,016
Rent	1,060,830	—	1,060,830
Box office fees	2,269,137	—	2,269,137
Education program tuition and fees	1,083,354	—	1,083,354
Concessions	2,631,363	—	2,631,363
Investment income	512,528	1,899,379	2,411,907
Community support	4,138,971	370,356	4,509,327
Government funding and grants:			
Annual operating and program support	1,660,069	—	1,660,069
Capital and construction support	618,392	—	618,392
Service fee income	2,869,598	—	2,869,598
Total revenue and other support	<u>34,964,258</u>	<u>2,269,735</u>	<u>37,233,993</u>
Expenses:			
Program and essential services:			
Production costs	19,720,486	—	19,720,486
Education	1,778,429	—	1,778,429
Operating costs	7,226,819	—	7,226,819
Marketing and public information	2,035,453	—	2,035,453
Total program and essential services	<u>30,761,187</u>	<u>—</u>	<u>30,761,187</u>
Support services:			
General and administrative	3,325,741	455,142	3,780,883
Fundraising	819,883	180,855	1,000,738
Total support services	<u>4,145,624</u>	<u>635,997</u>	<u>4,781,621</u>
Total expenses	<u>34,906,811</u>	<u>635,997</u>	<u>35,542,808</u>
Foundation distributed endowment support for Center	<u>1,010,000</u>	<u>(1,010,000)</u>	<u>—</u>
Change in net assets	1,067,447	623,738	1,691,185
Net assets at beginning of year	<u>14,245,450</u>	<u>19,654,238</u>	<u>33,899,688</u>
Net assets at end of year	<u>\$ 15,312,897</u>	<u>20,277,976</u>	<u>35,590,873</u>

See accompanying independent auditors' report.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended September 30, 2007

	Tampa Bay Performing Arts Center	Foundation	Consolidated total
Cash flows from operating activities:			
Change in net assets	\$ 1,067,447	623,738	1,691,185
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	697,829	—	697,829
Provision for uncollectible pledges receivable	—	348,776	348,776
Funding for capital acquisitions	(628,392)	—	(628,392)
Realized and unrealized losses (gains) on investments	99,450	(1,316,548)	(1,217,098)
Increase in accounts receivable	(228,564)	—	(228,564)
Increase in grants receivable	(19,701)	—	(19,701)
Increase in interest receivable	(4,960)	(4,064)	(9,024)
(Increase) decrease in pledges receivable	(299,887)	843,230	543,343
Increase (decrease) in due to/Foundation and (increase) decrease in due from Center	81,803	(81,803)	—
Increase in prepaid expenses	(361,966)	—	(361,966)
Increase in inventory and other assets	(46,058)	—	(46,058)
Increase in accounts payable and accrued expenses	291,496	10,721	302,217
Increase in deferred revenue – ticket sales	2,307,606	—	2,307,606
Increase in deferred revenue – other	532,672	—	532,672
Increase in noncurrent other accrued expenses	339,224	—	339,224
Net cash provided by operating activities	<u>3,827,999</u>	<u>424,050</u>	<u>4,252,049</u>
Cash flows from investing activities:			
Additions to furniture, equipment, and leasehold improvements	(1,822,584)	—	(1,822,584)
Increase in beneficial interest in assets held by Community Foundation	—	(62,799)	(62,799)
Purchases of investments	(1,647,820)	(6,813,725)	(8,461,545)
Sales and maturities of investments	1,108,962	5,232,509	6,341,471
Purchase of other long-term investments	(306,922)	—	(306,922)
Net cash used in investing activities	<u>(2,668,364)</u>	<u>(1,644,015)</u>	<u>(4,312,379)</u>
Cash flows from financing activity:			
Funding for capital acquisitions	628,392	—	628,392
Net cash provided by financing activity	<u>628,392</u>	<u>—</u>	<u>628,392</u>
Net increase (decrease) in cash and cash equivalents	1,788,027	(1,219,965)	568,062
Cash and cash equivalents, beginning of year	<u>10,351,866</u>	<u>1,667,792</u>	<u>12,019,658</u>
Cash and cash equivalents, end of year	<u>\$ 12,139,893</u>	<u>447,827</u>	<u>12,587,720</u>

See accompanying independent auditors' report.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Center Stand Alone – Statement of Financial Position Information

September 30, 2007

(with comparative financial information for September 30, 2006)

Assets	2007	2006
Current assets:		
Cash	\$ 3,210,761	1,286,744
Short-term investments	8,929,132	9,065,122
Cash and cash equivalents	<u>12,139,893</u>	<u>10,351,866</u>
Receivables:		
Accounts receivable, net	347,323	118,759
Grants receivable	313,037	293,336
Interest receivable	64,084	59,124
Pledges receivable, net	184,986	189,834
	<u>909,430</u>	<u>661,053</u>
Inventory	126,370	82,662
Prepaid expenses	1,158,863	796,897
Total current assets	<u>14,334,556</u>	<u>11,892,478</u>
Noncurrent assets:		
Pledges receivable, net	304,735	—
Endowment investments	2,500,378	1,966,900
Other long-term investments	550,960	338,108
Furniture, equipment, and leasehold improvements, net	9,537,865	8,413,110
Other assets	5,000	2,650
Total assets	<u>\$ 27,233,494</u>	<u>22,613,246</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,634,810	1,343,314
Due to Foundation	98,655	16,852
Deferred revenue:		
Ticket sales	8,871,322	6,563,716
Other	976,586	443,914
Total current liabilities	<u>11,581,373</u>	<u>8,367,796</u>
Other accrued expenses	<u>339,224</u>	<u>—</u>
Total liabilities	<u>11,920,597</u>	<u>8,367,796</u>
Net assets:		
Unrestricted – operations	486,676	3,738,970
Unrestricted – furniture, equipment, and leasehold improvements	9,537,865	8,413,110
Unrestricted – board designated	2,685,597	—
Temporarily restricted	802,759	293,370
Permanently restricted	1,800,000	1,800,000
Total net assets	<u>15,312,897</u>	<u>14,245,450</u>
Total liabilities and net assets	<u>\$ 27,233,494</u>	<u>22,613,246</u>

See accompanying independent auditors' report.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Center Stand Alone – Statement of Activities Information

Year ended September 30, 2007

(with summarized financial information for the year ended September 30, 2006)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals	
				2007	2006
Revenue and other support:					
Ticket sales	\$ 18,120,016	—	—	18,120,016	16,903,311
Rent	1,060,830	—	—	1,060,830	937,395
Box office fees	2,269,137	—	—	2,269,137	1,970,594
Education program tuition and fees	1,083,354	—	—	1,083,354	604,092
Concessions	2,631,363	—	—	2,631,363	2,123,049
Investment income	512,528	—	—	512,528	543,243
Community support	3,664,081	474,890	—	4,138,971	3,609,095
Government funding and grants:					
Annual operating and program support	1,660,069	—	—	1,660,069	1,460,124
Capital and construction support	618,392	—	—	618,392	250,000
Endowment support	—	—	—	—	240,000
Service fee income	2,869,598	—	—	2,869,598	2,836,676
Net assets released from restrictions	(34,499)	34,499	—	—	—
Total revenue and other support	<u>34,454,869</u>	<u>509,389</u>	<u>—</u>	<u>34,964,258</u>	<u>31,477,579</u>
Expenses:					
Program and essential services:					
Production costs	19,720,486	—	—	19,720,486	17,706,482
Education	1,778,429	—	—	1,778,429	1,455,949
Operating costs	7,226,819	—	—	7,226,819	6,220,230
Marketing and public information	2,035,453	—	—	2,035,453	1,713,007
Total program and essential services	<u>30,761,187</u>	<u>—</u>	<u>—</u>	<u>30,761,187</u>	<u>27,095,668</u>
Support services:					
General and administrative	3,325,741	—	—	3,325,741	2,525,876
Fundraising	819,883	—	—	819,883	752,008
Total support services	<u>4,145,624</u>	<u>—</u>	<u>—</u>	<u>4,145,624</u>	<u>3,277,884</u>
Total expenses	<u>34,906,811</u>	<u>—</u>	<u>—</u>	<u>34,906,811</u>	<u>30,373,552</u>
Foundation distributed endowment support for Center	<u>1,010,000</u>	<u>—</u>	<u>—</u>	<u>1,010,000</u>	<u>463,107</u>
Change in net assets	558,058	509,389	—	1,067,447	1,567,134
Net assets at beginning of year	<u>12,152,080</u>	<u>293,370</u>	<u>1,800,000</u>	<u>14,245,450</u>	<u>12,678,316</u>
Net assets at end of year	<u>\$ 12,710,138</u>	<u>802,759</u>	<u>1,800,000</u>	<u>15,312,897</u>	<u>14,245,450</u>

See accompanying independent auditors' report.



KPMG LLP
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100 North Tampa Street
Tampa, FL 33602

**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***

The Board of Trustees
Tampa Bay Performing Arts Center, Inc.:

We have audited the consolidated financial statements of the Tampa Bay Performing Arts Center, Inc. as of and for the year ended September 30, 2007 and 2006, and have issued our report thereon dated January 18, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Tampa Bay Performing Arts Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tampa Bay Performing Arts Center, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.



Compliance and Other Matters

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

We noted certain matters that we reported to management of the Tampa Bay Performing Arts Center, Inc. in a separate letter dated January 18, 2008.

The Tampa Bay Performing Arts Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Tampa Bay Performing Arts Center, Inc.'s response and, accordingly, we express no opinion on it.

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

KPMG LLP

January 18, 2008
Certified Public Accountants



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

**Report on Compliance with Requirements Applicable to Each Major State
Project and on Internal Control over Compliance in Accordance
with Chapter 10.650, *Rules of the Auditor General***

The Board of Trustees
Tampa Bay Performing Arts Center, Inc.:

Compliance

We have audited the compliance of the Tampa Bay Performing Arts Center, Inc. with the types of compliance requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to its major state project for the year ended September 30, 2007. The Tampa Bay Performing Arts Center, Inc.'s major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state project is the responsibility of the Tampa Bay Performing Arts Center, Inc.'s management. Our responsibility is to express an opinion on the Tampa Bay Performing Arts Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Tampa Bay Performing Arts Center, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Tampa Bay Performing Arts Center, Inc.'s compliance with those requirements.

In our opinion, the Tampa Bay Performing Arts Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Tampa Bay Performing Arts Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered the Tampa Bay Performing Arts Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Tampa Bay Performing Arts Center, Inc.'s internal control over compliance.



A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

KPMG LLP

January 18, 2008
Certified Public Accountants

TAMPA BAY PERFORMING ARTS CENTER, INC.

Schedule of Expenditures of State Financial Assistance

Year ended September 30, 2007

<u>Grantor/program title</u>	<u>Grant ID number</u>	<u>State CSFA number</u>	<u>Expenditures</u>
Department of State, Division of Cultural Affairs:			
Cultural Institutions Program	07-4048	45.010	\$ 150,353
Cultural Facilities Program	07-9037	45.014	328,195
Challenge Grants Program	07-3010	45.008	34,200
Arts in Education Grants	07-6090	45.004	8,886
Total Department of State			<u>521,634</u>
Total expenditures of state financial assistance			\$ <u><u>521,634</u></u>

See accompanying independent auditors' report and notes to schedule of expenditures of state financial assistance.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Notes to Schedule of Expenditures of State Financial Assistance

Year ended September 30, 2007

Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (Schedule) includes the state financial assistance activity of the Tampa Bay Performing Arts Center, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Department of Banking and Finance Rule 3A -5.003. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

(1) Summary of Auditors' Results:

- | | |
|---|---------------------|
| (a) The type of report issued on the financial statements: | Unqualified opinion |
| (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: | Yes |
| Material weaknesses: | No |
| (c) Noncompliance that is material to the financial statements: | No |
| (d) Significant deficiencies in internal control over major state projects: | None reported |
| Material weaknesses: | No |
| (e) The type of report issued on compliance for major state projects: | Unqualified opinion |
| (f) Any audit findings that are required to be reported under Chapter 10.656, <i>Rules of the Auditor General</i> : | No |
| (g) Major state project: | |
| CSFA# 45.014 Cultural Facilities Program | |
| (h) Dollar threshold used to distinguish between Type A and Type B state projects: | \$300,000 |

(2) Findings relating to the financial statements required to be reported in accordance with *Government Auditing Standards*:

Finding 2007-1 Bank Reconciliations

Criteria:

An important element of effective internal control is the periodic and timely review and reconciliation of cash accounts.

Condition:

Bank reconciliations were performed timely for the period through July 2007, however, there appeared to be no effective management review of these reconciliations. As a result there were several journal entries that had not been made to properly record cash balances. Bank reconciliations for the months of August and September had not been completed in a timely manner.

TAMPA BAY PERFORMING ARTS CENTER, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

Cause:

Turnover in the accounting department and resulting workloads.

Effect:

Upon completion of the bank reconciliations for August and September, several journal entries, in addition to those for the prior 10 months, were required to properly state cash balances at September 30, 2007.

Recommendation:

Bank reconciliations should be completed monthly in a timely manner. Such reconciliations and any resulting journal entries should be reviewed by someone other than the preparer. This review should evaluate not only the accuracy of the reconciliation, but the reasonableness of the reconciling items and lack of recurring reconciling items as well.

Management Response:

- Management agrees with stated condition, cause and effect as of September 30, 2007. Given timing of staff transitions and impact on work load in the Controller, Assistant Controller and Staff Accountant positions, a lack of adequate focus, timeliness and proper levels of review in the bank reconciliation area was a deficiency area for the year ending September 30, 2007.
- Temporary help was brought in to help complete the bank reconciliations as of September 30, 2007. Subsequent to year end, all accounts have been reconciled and related adjustments made for audit completion. Respective reconciliations were reviewed by the Controller, with reconciling items approved by the CFO.
- In order to address this deficiency subsequent to September 30,2007:
 - Reorganization of the TBPAC Finance Organization structure has been made to include an additional Bookkeeper and Accounting clerk. Mandatory requirement and high prioritization for monthly bank reconciliations, and accordingly all balance sheet account reconciliations is understood and being emphasized by the Finance staff now in place.
 - Cross training will be done across the Finance staff, keeping segregation of duties in mind, in order to complete bank and balance sheet reconciliations in a consistent and in a timely manner, with proper review.
 - Monthly review of bank reconciliations will be done by the Assistant Controller and Controller; with quarterly review and signoff by the CFO.

(3) **Findings and questioned costs relating to state projects:** None



KPMG LLP
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100 North Tampa Street
Tampa, FL 33602

Management Letter

The Board of Trustees
Tampa Bay Performing Arts Center, Inc.:

We have audited the consolidated financial statements of the Tampa Bay Performing Arts Center, Inc., as of and for the years ended September 30, 2007 and 2006, and have issued our report thereon dated January 18, 2008.

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.

We have issued our report on internal control over financial reporting and on compliance and other matters, our report on compliance with requirements applicable to each major state financial assistance project and on internal control over compliance, and the related schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated January 18, 2008, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the Auditor General*.

The *Rules of the Auditor General* Section 10.654(1)(e) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or in the schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and that have an effect on the financial statements or major state project that is less than material, but more than inconsequential and were discovered within the scope of the audit; (2) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements or major state project; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit identified no matters that are required to be disclosed.

We noted certain recommendations for improvement in the current year that are included in Appendix A.

This management letter is intended solely for the information of the Board of Trustees, management, others within the organization, state awarding agencies and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 18, 2008
Certified Public Accountants

Current Year Recommendations

Password Policy

Observation

We noted the following policies regarding passwords:

Tessitura Password Policy:

- Passwords are required to be at least four letters in length.
- Passwords are not required to meet complexity standards.
- The same password as the last password cannot be used; however a password history is not retained.

Blackbaud Password Policy:

- Blackbaud does not have any password policy.

Recommendation:

Tessitura:

- Password requirements should be increased to meet security standards

Blackbaud:

- None, as application does not have the functionality to change password policies; vendor has noted this as a known issue.

Management Response:

Tessitura:

In order to meet best practice security standards:

- Configuration for passwords will be adjusted to require passwords to meet complexity standards by March 08; this will be incorporated into the existing network Password Policy to include Tessitura. The same password as the last password will continue to not be able to be used; a password history audit report will be retained beginning March 08 when the configuration to meet complexity standards is implemented.
- Standard Operating Procedure (SOP) will be created for this password change process or incorporated with the existing network password policy and SOP for implementation commencement in March 08.

Blackbaud:

In order to mitigate the lack of password functionality in the application a control process that will be implemented in March 08:

- A manual 90-day password change will be encouraged for all Blackbaud users to embrace best practices. IT will send out a reminder each quarter beginning in March 08. However, any further consequential follow-up process will not be implemented. Given lack of functionality in system, we

have no way of knowing when someone changes their password in Blackbaud. That date is not stored in the system. Given staff resources, to put any further manual process in place is considered too administrative and costly.

- The existing password policy and SOP will be updated to incorporate the above action for implementation commencement in March 08.
- IT and Finance staff will continue to monitor progress on potential future Blackbaud system functionality with the vendor for password security enhancement updates.

Terminations

Observation:

KPMG inspected termination tickets for 5 employees and noted that 3 of the 5 had the appropriate TrackIT! tickets associated with their termination. 1 of the 5 had a memorandum which detailed that their access was to be removed, but no ticket. 1 of the 5 did not have any documentation. Also, users were identified with inappropriate access to the Network Domain.

Recommendation:

SOP should be established.

Management Response:

An SOP Terminated Employees – Network and application system removal SOP has been established and implemented in 11/07 to ensure consistency and prompt removal of terminated employees.

Physical Security

Observation:

A key lock is used to secure the backup media in the server room which does not provide a documented history of access. Also, keys may be copied or given to unauthorized individuals without record.

Recommendation:

Key cards should be implemented to provide greater security and a documented record of access.

Management Response:

Security access project for swipe card implementation for limited access points through the Center facility commenced in December 07. Key cards will be provided for the server room to the authorized IT related personnel only and access will be documented and auditable. Completion of the implementation for this area is scheduled between Q2 and Q4 FY 07/08.

Firewall Configuration

Observation:

There is no Intrusion Detection System configured for the firewall.

There are no alert notifications configured to be sent in the event of intrusion or failure.

Recommendation:

The Watchguard Firewall System should be configured to monitor intrusion attempts and also should be configured to send alert notifications to the appropriate individuals in the event of an intrusion or failure.

Management Response:

Based on costs and risk, management decided not to engage a 24/7 Intrusion Detection System at this point in time. Mitigating Control in place is that Vertical IT Care4IT Support monitors daily firewall activity, however is after the fact. Intrusion Detection System has been evaluated as part of the Center IT Business Continuity plan and is prioritized to be further evaluated in FY 07/08.