Sports & Exhibition Authority of Pittsburgh and Allegheny County

Single Audit

December 31, 2020

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

(Continued)

MaherDuessel

Independent Auditor's Report

Board of Directors
Sports & Exhibition Authority of
Pittsburgh and Allegheny County

Report on the Financial Statements

We have audited the accompanying financial statements of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), as of and for the years ended December 31, 2020 and 2019, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Authority as of December 31, 2020 and 2019, and the changes in its net position and its cash flows for the years 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority and Stadium Authority Property Map has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
May 13, 2021

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

As management of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the fiscal years ended December 31, 2020 and 2019. This Management's Discussion and Analysis is designed to assist the reader in focusing on the significant financial issues and activities. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources on December 31, 2020 by $315.9 million (net position). This represents a $16.8 million decrease compared to prior year-end net position.
- The Authority's total cash and cash equivalents balance at the close of the 2020 fiscal year was $93.5 million, representing an $8.7 million increase from the prior year-end. Cash and cash equivalents represents the money on deposit with the multiple bond trustees to meet the indenture and debt service requirements, money for the various Authority construction programs, and funds to cover operations.
- In January 2020, a new coronavirus (COVID-19) appeared in the United States, and quickly spread throughout the country. The result of this widespread disease was a shift for many businesses to working remotely until the crisis is controlled or, in the case of some businesses, to suspend or cease their operations. In March 2020, Pennsylvania Governor Tom Wolf declared a disaster emergency in the Commonwealth followed by issuance of an order on March 19, 2020 to temporarily close all non-life-sustaining businesses in Pennsylvania. All events were immediately cancelled at the David L Lawrence

Convention Center (Convention Center). As the year progressed, sporting events such as hockey, football, and baseball, were forced to reduce or eliminate fan attendance and the number of events held. Every facility owned and/or operated by the Authority was negatively impacted by the public health restrictions related to the virus.

- The Authority recognized $14.3 million in restricted and unrestricted operating revenues for the calendar year 2020, which is $15.1 less than 2019. Restricted operating revenues are mostly surcharges and rents from the various sports teams and parking revenue from the North Shore Garage and lots. Unrestricted revenues include Convention Center operations and garage revenues. Convention Center revenues come from rentals, event services, and ancillary services such as food and beverage, audio visual services, and equipment rentals. Convention Center total net revenues were $2.3 million in 2020, a $9.5 million decrease from prior year-end revenues; and Convention Center total net operating expenses were $11.1 million, a decrease of $2.9 million from 2019. The Convention Center operates at a loss, as is the case with the vast majority of convention centers in the country. The 2020 operating shortfall was $8.8 million. The shortfall was covered by payments from Allegheny County's Hotel Tax revenue, Authority reserves and a grant from the Allegheny County portion of the Federal Coronavirus Relief Fund.

- As shown on the statements of revenues, expenses, and changes in net position, total Authority operating revenues ($14.3 million), net of operating expenses ($59.3 million), resulted in a $45 million operating loss; this result, however, includes depreciation and amortization expenses of $49 million.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial report, which is comprised of a single enterprise fund.

To understand the operations and financial statements depicted, it is important to understand the primary role of the Authority. As a joint authority for the City of Pittsburgh and Allegheny County, the Authority's purpose is to provide venues for large public assemblies, including facilities incident thereto, for the benefit of the general public. In 1998, the Authority undertook and implemented the Regional Destination Financing Plan (Plan) to develop and construct a football stadium, a baseball park, an expanded convention center, parking facilities, riverfront park development, as well as the infrastructure improvements associated with these projects. The combined cost of the Plan exceeded $1 billion with monies coming from revenue bonds, state appropriations, federal funds, corporate and philanthropic funds, and sports team contributions.

In 2010, the Authority completed construction of a new arena, which replaced the Civic Arena as the home of Pittsburgh's hockey franchise. The Authority completed the demolition of the Civic Arena in September 2012 in preparation for the Lower Hill redevelopment project.

The Authority owns PNC Park, Heinz Field, the Convention Center (including the Garage and Riverfront Plaza), PPG Paints Arena and Garage, North Shore Garage, North Shore Riverfront Park, the Benedum Center, the Heinz History Center, and 19 acres of land that constitutes the Lower Hill project. The Authority leases PNC Park to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball Franchise) and Heinz Field to PSSI Stadium LLC. (a related entity to the holder of the Pittsburgh Steelers National Football League Franchise), pursuant to which each operates and manages the facility through 2030. The Authority leases PPG Paints Arena to the Pittsburgh Arena Operating L.P. (a related entity to the holder of the Pittsburgh Penguins National Hockey League Franchise), which operates and manages that facility and its Garage through June 30,

2040. The Authority oversees management of the Convention Center (including Garage and Riverfront Plaza), and the North Shore Garage. The Authority manages the North Shore Riverfront Park. The Authority also owns the Benedum Center and the Heinz History Center, but its ownership is for financing purposes only; the Authority has no significant operating or management responsibility with respect to those facilities.

Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statements of net position* present information on all of the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statements of revenues, expenses and changes in net position* present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued receivables).

The *statements of cash flows* report cash and cash equivalent activities for the year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the calendar year.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to analyze the changing financial position of the Authority as a whole. In the case of the Authority, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $315.9 million as of December 31, 2020, a $16.8 million decrease from the prior year. This is a result of several factors:

- Assets in total decreased $33 million. Most of this is due to capital assets that decreased $38.5 million largely due to depreciation. The deferred outflows of resources increased $12.8 million, related primarily to the accumulated increase in fair value of hedging derivatives related to the Commonwealth Lease Revenue Bonds, Series A and B of 2007. The accumulated increase in the fair value of hedging derivatives is offset by a corresponding increase in liabilities.

- Liabilities decreased $5.9 million. Accounts Payable decreased approximately $5.8 million as invoices due on capital projects were paid in 2020. Fair value of hedging derivatives increased $14.5 million and Bonds/loans Payable decreased $12.6 million.

The Condensed Summary of Net Position reports the amount of discretionary (unrestricted) assets that the organization has to meet its obligations. The net position summary below shows that the unrestricted portion of net position shows a surplus of $41,201. This is composed of funds from the Convention Center garage operations. These funds are used to pay Authority operating costs.

Additional information can be found in the "Economic Factors" section of the Management's Discussion and Analysis.

Condensed Summary of Net Position at December 31 (in thousands)

	2020	2019	2018
Current assets	$ 93,187	$ 85,272	$ 83,266
Capital assets	789,902	828,415	871,749
Other assets	37,044	39,537	50,024
Total assets	920,133	953,224	1,005,039
Deferred outflows of resources	78,450	65,692	50,797
Current liabilities	37,626	43,084	38,259
Bonds and loans outstanding (net of current portion)	565,140	580,003	608,325
Other long-term liabilities	77,470	63,124	48,337
Total liabilities	680,236	686,211	694,921
Deferred inflows of resources	2,489	-	-
Net position:			
Net capital investment	249,299	259,888	286,581
Restricted	66,518	72,422	73,014
Unrestricted	41	395	1,320
Total net position	$ 315,858	$ 332,705	$ 360,915

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt ($249 million). This category comprises 79% of the total net position. During 2020, a decrease in the Authority's net investment in capital assets was a combination of the refinancing of the 2010 bonds by the issuance of the Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2020 and the increase in fixed assets netted against the depreciation and amortization expenses. The Authority uses its capital assets primarily to provide public venues for baseball (PNC Park), football (Heinz Field), hockey and other arena events (PPG Paints Arena), and for convention center events (Convention Center). Other major capital assets are parking garages, and the North Shore Riverfront Park. Consequently, these assets are not available for future spending. All but $12 million of the Authority's capital assets are capitalized and in service. Amounts allocable to construction-in-progress mainly related to the I-579 Cap project, North Shore Garage concrete repair project and various Convention Center capital projects. The I-579 CAP project is owned by the City. Total net position also includes a restricted net position of $66.5 million.

Current assets include cash and receivables such as for event rentals, parking fees, surcharges, and contributions. Current assets are $7.9 million more than 2019. Other assets include noncurrent restricted cash and cash equivalents, receivables, capital assets, and construction-in-progress. A long-term receivable with a December 31, 2020 balance of $20.8 million was recorded on the Statements of Net Position. This is the portion of the outstanding principal of the Authority's Parking System Revenue Bonds, Series of 2017 that is allocated to the Stadium Authority of the City of Pittsburgh (Stadium Authority). The bonds are payable from, and are secured by, revenues of specific parking facilities of both the Authority and the Stadium Authority.

The largest component of the Authority's liabilities is bonds payable, which are secured by pledged revenues as described in the debt administration section. Bonds payable total more than $594 million and decreased $9.5 million in 2020.

Condensed Summary of Revenues, Expenses, and Changes in Net Position at December 31 (in thousands)

	2020	2019	2018
Operating revenues	$ 14,305	$ 29,362	$ 29,719
Operating expenses:			
Operations and maintenance	8,867	15,299	15,132
General and administrative	1,442	1,419	1,392
Depreciation and amortization	49,022	48,616	48,193
Other expenses	-	-	1
Total operating expenses	59,331	65,334	64,718
Operating income (loss)	(45,026)	(35,972)	(34,999)
Nonoperating revenues (expenses):			
Allegheny Regional Asset District and City, County, State	33,200	25,746	26,635
Hotel rooms excise tax	16,391	18,780	18,280
Pittsburgh Casino operator	7,651	7,643	7,638
Federal grants	11,617	4,597	224
Foundation and other grants	3	294	561
Interest expense (net of interest income)	(25,581)	(26,405)	(27,911)
Debt issue costs	(862)	-	-
Grant and development expense	(14,478)	(24,806)	-
Other revenue (expense)	238	1,913	351
Total nonoperating revenues (expenses)	28,179	7,762	25,778
Increase (decrease) in net position	$ (16,847)	$ (28,210)	$ (9,221)

The Authority's operating revenues are derived from ticket surcharges, team rent, parking revenues, and Convention Center income from building rental, event services, catering and concession charges, and ancillary fees such as booth cleaning, security, audio visual, and electrical usage. The Authority's unrestricted operating revenues support the administrative costs of the Authority. The restricted operating revenues are related to certain surcharges/parking revenues/team rent that are pledged for debt repayment or capital maintenance reserves. Heinz Field ticket surcharge and rent decreased from \$5 million in 2019 to \$3.5 million in 2020 and includes surcharge from Steelers home games, Pitt Panthers games, and concerts. Rent and parking surcharge related to the New Arena was \$189,000 less in 2020 than in 2019 at \$5.9 million. The PNC Park ticket surcharge and rent decreased from \$729,000 in 2019 to \$100,000 in 2020. All were due to the closing or reduction in attendance of fans at the stadium, ballpark, and arena because of the Coronavirus.

Non-operating revenues are primarily composed of state and local grants and other funding with respect to operations of the Convention Center, payment of debt, and costs related to capital projects. The majority of the restricted revenues in 2020 were comprised of (1) \$16.39 million from Allegheny County hotel rooms tax for debt service on the Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2010 and 2012 and operations of the Convention Center, (2) \$14.2 million from Allegheny Regional Asset District (RAD) for debt service on the RAD Sales Tax Revenue Bond, Refunding Series of 2010 and 2020 and a multi facility grant, (3) \$11.6 million of federal funding consisting of funds from the Federal Highway Administration for the I-579 CAP Project (\$10.1 million) and the Allegheny County portion of the Federal Coronavirus Relief Fund (\$1.5 million), (4) \$9.2 million in grants from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund for the establishment of a Sports Commission, and for debt service and rent payments related to the Commonwealth Lease Revenue Bonds, Series A and B of 2007, (5) \$7.6 million from the Rivers Casino for debt service on the Commonwealth Lease Revenue Bonds, Series A of 2007, and (6) \$6.7 million mainly from the Commonwealth of Pennsylvania's Redevelopment Assistance Capital Program and Multimodal Transportation Fund Grant for the I-579 CAP project .

Including the depreciation and amortization expense of \$49 million, the Authority's operating loss was \$45 million. Operations, without depreciation and amortization expense, would have yielded a surplus of \$4 million, which is composed of restricted revenue for debt service and for facility capital reserve funds.

Capital Assets

As of December 31, 2020, the Authority's investment in capital assets was $790 million (net of accumulated depreciation/amortization). Investment in capital assets includes buildings, improvements, equipment, infrastructure, and land (which is valued at $126 million and is not depreciated). The major projects capitalized during 2020 included expenses totaling $2.3 million for replacement of Heinz Field lighting, $1.6 million for scoreboard, projectors and dasher boards at PPG Paints Arena, and $4 million for ballroom concrete replacement, fire alarm system replacement and various smaller projects at the Convention Center. Additional information on capital assets can be found in Note 4 of this report.

Debt Administration

Long-term debt of the Authority, outstanding as of December 31, 2020, is comprised of nine bond issues and a loan from the Heinz Endowments.

Four bonds were originally issued to finance the Regional Destination Financing Plan: Hotel Room Excise Tax Revenue Bonds Series 1999, Regional Asset District Sales Tax Revenue Bonds Series 1999, Taxable Ticket Surcharge Revenue Bonds Series 2000, and Parking Revenue Bonds Series A of 2001. In 2010 and 2012, the Hotel Room Excise Tax Revenue Bonds Series 1999 and Parking Revenue Bonds Series A of 2001 were refinanced in full. The Regional Asset District Sales Tax Revenue Bonds, Series 1999, were refinanced in full in 2010, and then the 2010 bond was refinanced in 2020.

In 2014, the Authority issued its Guaranteed Revenue Bonds, Taxable Series of 2014 in the principal amount of $23,300,000 to finance the South Plaza Expansion project at Heinz Field. As of December 31, 2020, the outstanding bonds related to the Regional Destination Financing Plan (not including parking) and South Plaza Expansion project at Heinz Field are as follows:

Bond Issue	Issue Date	Maturity Date	Outstanding Principal Amount	Bond Ratings* Standard & Poor's	Moody's
Hotel Room Excise Tax Revenue Bonds, Series of 2010	Oct-2010	Feb-2035	$ 93,925,000	AAA (negative outlook)	Aa3 (negative outlook)
Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012	Aug-2012	Feb-2029	$ 43,215,000	AA- (stable outlook)	A2 (stable outlook) downgrade)
RAD Sales Tax Revenue Bonds, Refunding Series 2020	Sept-2020	Feb-2031	$ 113,250,000	AA (stable outlook)	A1
Taxable Ticket Surcharge Revenue Bonds, Series of 2000	Aug-2000	Jul-2030	$ 11,030,000	AAA	Aaa
Guaranteed Revenue Bonds, Taxable Series of 2014	Oct-2014	Jun-2029	$ 16,705,000	A+ (stable outlook)	A1

* Ratings at time of issuance, based upon credit support provided by bond insurance or RAD Guarantee. The rating may or may not have changed since initial issue date.

In 2020, principal payments totaling $16,455,000 were made ($6,835,000, $35,000, $0, $600,000, and $1,375,000, respectively), leaving outstanding debt of $276,920,000. Principal payments made in 2020 also includes $7,610,000 related to the RAD Sales Tax Revenue Bonds, Refunding Series 2010.

The Authority issued three series of bonds to finance the construction of the New Arena project: Commonwealth Lease Revenue Bonds, Series A of 2007, Taxable Series B of 2007, and Taxable Series of 2010. Principal payments of $7,085,000, $1,425,000, and $365,000, respectively, were made in 2020. The outstanding balance on these bonds as of December 31, 2020 is $179,655,000, $49,410,000, and $14,190,000, respectively.

Bond Issue	Issue Date	Maturity Date	Outstanding Principal Amount	Bond Ratings * Standard & Poor's	Moody's
Commonwealth Lease Revenue Bonds, Series A of 2007	Oct-2007	Nov-2038	$ 179,655,000	A-1	VMIG 1
Commonwealth Lease Revenue Bonds, Taxable Series B of 2007	Oct-2007	Nov-2039	$ 49,410,000	A-1	VMIG 1
Commonwealth Lease Revenue Bonds, Taxable Series of 2010	Apr-2010	Nov-2039	$ 14,190,000	A	Aa3

* Ratings at time of issuance, based upon credit support provided by bond insurance or Commonwealth Lease. The rating may or may not have changed since initial issue date.

In November 2017, the Authority issued its Parking System Revenue Bonds, Series of 2017 (2017 Parking Bonds) in the amount of $41,670,000 to pay off both the Authority and the Stadium Authority 2017 notes. The bonds are secured by a pledge of certain net parking revenues of the Authority and of the Stadium Authority. Of the $37,655,000 total remaining principal, $19,930,000 is allocated to the Stadium Authority.

Bond Issue	Issue Date	Maturity Date	Outstanding Principal Amount	Bond Rating * Standard & Poor's
Parking System Revenue Bonds, Series of 2017	Nov-2017	Jun-2037	$ 37,655,000	A-

*Rating at time of issuance. For the years 2025 to 2029 the bond rating is AA, based on the purchase of bond insurance. The rating may or may not have changed since initial issue date.

Additional information on bonds is shown in Note 6 of this report.

Economic Factors

Certain factors were considered in preparing the Authority's budget for the 2021 fiscal year. Because of the outbreak of the COVID-19 coronavirus, hotel room excise tax revenues, normally used to provide supplemental revenue for the operations of the Convention Center, are not available in 2021. As a result, the Authority entered into a $10 million grant agreement with the Stadium Authority to fund the operation of the Authority and the Convention Center. While the Authority's 2021 operating budget is balanced, it will continue to monitor current resource levels to make sure the Authority remains on firm financial ground.

If, in the future, the unrestricted portion of the hotel room excise tax revenues is again not sufficient or is unavailable to support Convention Center operations, and other revenue streams do not materialize, the Authority will have cash flow difficulties. In such case, it may then be forced to call upon the Cooperation Agreement with the City of Pittsburgh and Allegheny County. This agreement, dated January 23, 1978, approves a shared payment by the City of Pittsburgh and Allegheny County to cover the Authority's operating deficit with respect to the Convention Center.

Future Events that will Financially Impact the Authority

The Authority and the Urban Redevelopment Authority of Pittsburgh (URA) are owners of a 28-acre site in the Lower Hill where the Civic Arena had been located. The Authority owns two thirds of this property and the URA owns one third. Pittsburgh Arena Real Estate Redevelopment LP (PAR), a related entity to the Pittsburgh Penguins, has an option to develop the 28-acre site.

In support of the development of the 28-acre site, the Authority constructed a road grid at the Lower Hill site, which was dedicated to the City of Pittsburgh in 2019. The Authority has and is facilitating the development of the I-579 Cap project by undertaking the design and by taking the lead on obtaining and managing the funding.

With respect to the I-579 Cap project, the Authority hired HDR Engineering in October 2014 to design the project. The I-579 Cap final design was completed in 2018, and the Authority transferred certain land to the City of Pittsburgh. The City holds the construction contract and is the owner of and will maintain the I-579 Cap project upon completion. Construction began in June 2019 with an anticipated completion date of November 2021. The estimated cost of the base construction of the I-579 Cap is $26.44 million and is fully funded by federal, state, and local sources. The Authority and the City of Pittsburgh entered into a cooperation agreement providing for the transfer of funding during the project.

The Authority has certain capital obligations associated with each of the facilities that it owns, excluding the Benedum Center and Heinz History Center. The Authority holds various capital reserve funds related to these obligations. The Authority has responsibility for its capital obligations, should the reserve funds not be sufficient. While the extent and timing of its future capital obligations is impossible to predict with certainty, the Authority is able to cover what it considers to be its current obligations and those of the foreseeable future.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, Sports & Exhibition Authority, 171 10th Street, 2nd Floor, Pittsburgh, PA 15222.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF NET POSITION

DECEMBER 31, 2020 AND 2019

		2020		2019
Assets				
Current assets:				
Cash and cash equivalents	$	429,873	$	3,471,492
Restricted cash and cash equivalents		88,623,859		76,475,591
Receivables:				
Trade (no allowance for doubtful accounts necessary)		502,785		2,200,928
Restricted contributions and grants		3,336,017		2,497,300
Other		33,023		411,185
Prepaid expenses		261,825		215,251
Total current assets		93,187,382		85,271,747
Noncurrent assets:				
Restricted cash and cash equivalents		4,427,517		4,872,275
Note receivable, net		20,832,289		21,769,784
Other receivables		203,001		186,622
Capital assets, net		789,901,585		828,414,866
Construction in progress		11,581,089		12,708,464
Total noncurrent assets		826,945,481		867,952,011
Total Assets		920,132,863		953,223,758
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives		76,526,510		62,053,183
Deferred charges on bond refundings		1,923,969		3,639,187
Total Deferred Outflows of Resources		78,450,479		65,692,370
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities		3,221,370		8,976,538
Unearned revenue		531,236		1,200,101
Interest payable		4,878,620		6,162,429
Current portion of bonds payable		28,995,000		26,745,000
Total current liabilities		37,626,226		43,084,068
Noncurrent liabilities:				
Accrued liabilities		585,110		584,195
Unearned revenue		358,823		486,959
Fair value of hedging derivatives		76,526,510		62,053,183
Bonds payable		564,873,467		576,636,452
Loans/notes payable		266,672		3,366,672
Total noncurrent liabilities		642,610,582		643,127,461
Total Liabilities		680,236,808		686,211,529
Deferred Inflows of Resources				
Deferred gain on bond refundings		2,488,962		-
Net Position				
Net investment in capital assets		249,298,511		259,887,232
Restricted for facilities and debt service		66,517,860		72,422,220
Unrestricted		41,201		395,147
Total Net Position	$	315,857,572	$	332,704,599

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating Revenues:		
Restricted:		
Surcharges/rents	$ 9,573,649	$ 11,871,618
North Shore parking garage, net	669,742	1,741,555
Parking lot revenue, net	448,455	609,740
Unrestricted:		
Surcharges	13,252	515,532
Convention Center parking garage, net	997,534	2,413,462
License fees	2,098,462	2,983,191
Event service revenue	336,483	1,653,952
Ancillary revenue, net	(123,512)	7,184,097
Other revenue	291,023	388,805
Total operating revenues	14,305,088	29,361,952
Operating Expenses:		
Operations and maintenance	8,867,038	15,299,023
General and administrative	1,441,814	1,419,015
Depreciation and amortization	49,021,774	48,615,796
Total operating expenses	59,330,626	65,333,834
Operating Loss	(45,025,538)	(35,971,882)
Non-operating Revenues (Expenses):		
Restricted:		
Allegheny Regional Asset District	14,241,794	14,200,000
PA Gaming Economic Development & Tourism Fund	9,200,000	10,100,000
Other Commonwealth of PA Grants	6,658,179	1,445,508
Pittsburgh casino operator	7,650,636	7,642,977
County Hotel rooms tax	16,391,364	18,780,000
Allegheny County	3,100,000	-
Federal grants	11,616,940	4,596,728
Foundation and other grants	3,326	294,104
Other revenue (expense)	124,711	1,778,703
Interest expense	(25,886,766)	(27,359,899)
Interest revenue	306,071	954,946
Debt issuance costs	(861,956)	-
I-579 Cap grant and development expense	(14,478,003)	(24,805,823)
Unrestricted:		
Other revenue	99,161	129,621
Project development revenue	40,000	32,000
Financing expenses	(26,946)	(27,619)
Total non-operating revenues, net	28,178,511	7,761,246
Change in Net Position	(16,847,027)	(28,210,636)
Net Position:		
Beginning of year	332,704,599	360,915,235
End of year	$ 315,857,572	$ 332,704,599

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from operations	$ 15,043,343	$ 29,287,591
Cash paid for operating expenses	(6,050,473)	(9,588,147)
Cash paid to employees	(5,356,540)	(6,833,988)
Cash received from other income	291,023	388,805
Net cash provided by (used in) operating activities	3,927,353	13,254,261
Cash Flows From Non-Capital Financing Activities:		
Cash received from hotel tax distributions	2,611,364	5,000,000
Cash received from PA Gaming Economic Development & Tourism Fund	1,700,000	1,300,000
Cash received (paid) for development funds	915	1,123,585
Cash received from federal operating grants	1,500,000	-
Other receipts (payments)	486,500	496,054
Net cash provided by (used in) non-capital financing activities	6,298,779	7,919,639
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(14,797,414)	(9,169,170)
Proceeds from issuance of bonds and notes	136,069,750	-
Bond and note issuance costs	(861,956)	-
Cash received on note receivable to Stadium Authority	750,000	655,000
Interest payments on bonds, notes/loans payable, and capital lease obligations	(28,536,252)	(28,447,381)
Cash received from Allegheny Regional Asset District for bond payments and capital	14,241,794	14,200,000
Cash received from County hotel rooms tax for bond payments	13,780,000	13,780,000
Cash received from PA Gaming Economic Development & Tourism Fund for capital items and bond and loan payments	8,283,145	8,800,000
Cash received from Pittsburgh casino operator for bond payments	7,650,636	7,642,977
Cash received from other capital related grants	15,156,583	5,098,435
Cash paid for I-579 Cap Project	(14,800,671)	(7,046,146)
Principal payments on bonds payable	(138,790,000)	(26,337,143)
Principal payments on loans/notes payable	-	(266,668)
Net cash provided by (used in) capital and related financing activities	(1,854,385)	(21,090,096)
Cash Flows From Investing Activities:		
Interest income received	317,090	996,431
Bank/trustee fees paid	(26,946)	(27,619)
Net cash provided by (used in) investing activities	290,144	968,812
Net Increase (Decrease) in Cash and Cash Equivalents	8,661,891	1,052,616
Cash and Cash Equivalents:		
Beginning of year	84,819,358	83,766,742
End of year	$ 93,481,249	$ 84,819,358
Consists of:		
Restricted cash and cash equivalents	$ 93,051,376	$ 81,347,866
Unrestricted cash and cash equivalents	429,873	3,471,492
	$ 93,481,249	$ 84,819,358
Reconciliation of Operating Loss to Net Cash Flows Provided By (Used In) Operating Activities:		
Operating loss	$ (45,025,538)	$ (35,971,882)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	49,021,774	48,615,796
Change in operating assets and liabilities:		
Operating receivables	1,698,143	321,532
Prepaid operating expenses	(46,574)	(50,974)
Operating liabilities	(1,720,452)	339,789
Total adjustments	48,952,891	49,226,143
Net cash provided by (used in) operating activities	$ 3,927,353	$ 13,254,261
Noncash Items:		
Capital contributed to the City of Pittsburgh	$ -	$ 16,506,917
Forgiveness of loan payable	$ 3,100,000	$ -

See accompanying notes to financial statements.

1. Nature of Operations and Reporting Entity

The Public Auditorium Authority of Pittsburgh and Allegheny County was incorporated on February 3, 1954, pursuant to the Public Auditorium Authorities Law, as a joint authority organized by the City of Pittsburgh (City) and Allegheny County (County). Effective November 1999, the Authority's name was legally changed to the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority). The Public Auditorium Authorities Law was re-codified in 2000, and the Authority is now authorized and exists under the Sports and Exhibition Authority Act. The Authority's term of existence extends until April 5, 2049.

The Authority provides venues for large public assemblies, including facilities incident thereto, for the benefit of the people of the Commonwealth of Pennsylvania, by among other things, increasing their commerce and prosperity, and promoting their educational, cultural, physical, civic, social, and moral welfare. The Authority owns PNC Park, Heinz Field, the David L. Lawrence Convention Center (including garage and riverfront plaza), the PPG Paints Arena (including garage), the Lower Hill redevelopment site, North Shore Garage, North Shore Riverfront Park, and various associated infrastructure improvements. The Authority leases PNC Park and Heinz Field to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball franchise) and PSSI Stadium LLC (a related entity to the holder of the Pittsburgh Steelers National Football League franchise), respectively, which operate the facilities through October 31, 2030 and February 28, 2031, respectively. PPG Paints Arena is subleased through June 30, 2040 to Pittsburgh Arena Operating LP (a related entity to the holder of the Pittsburgh Penguins National Hockey League franchise). The teams are responsible for the daily operation, management and maintenance of the sports facilities. The Authority oversees management of the David L. Lawrence Convention Center (Convention Center), North Shore Garage, and North Shore Riverfront Park.

The Authority also owns the Benedum Center and the Senator John Heinz Pittsburgh Regional History Center. The Authority's ownership of these facilities was intended to be for financing purposes only; the Authority has no significant operating or management responsibility. The Pittsburgh Trust for Cultural Resources operates the Benedum Center pursuant to a lease. The Senator John Heinz Pittsburgh Regional History Center is leased to the Historical Society of Western Pennsylvania.

The Authority and the Urban Redevelopment Authority of Pittsburgh (URA) are owners of a 28-acre site in the Lower Hill. The Authority and the URA have entered into an option agreement (Lower Hill Option Agreement) with PAR (as defined in Note 14), a related entity of the Pittsburgh Penguins. The Authority, with the URA, is responsible for overseeing development in accordance with the Lower Hill Option Agreement.

The Authority's Board of Directors (Board) is a seven-member group appointed by the Mayor of the City and Chief Executive of the County. Each executive appoints three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of the Authority. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and is primarily accountable for fiscal matters. For financial reporting purposes, the Authority is a stand-alone entity and is not a component unit of the City or the County. (A component unit is defined as an entity that is operationally and financially accountable to a primary government.)

The Stadium Authority of the City of Pittsburgh (Stadium Authority) is responsible for the development of the land between Heinz Field and PNC Park (North Shore Option Area). Pending development, the land is used for surface parking with a portion of the Stadium Authority's revenue from the surface parking lots pledged to the debt service on the Authority's Parking System Revenue Bonds, Series of 2017 (see Note 6). The Stadium Authority has a separate board appointed by the Mayor of the City. An Administrative Services Agreement was entered into in November 2002 and amended November 2017 between the Stadium Authority and the Authority, whereby the Authority staff performs all administrative services required for the Stadium Authority to fulfill its duties and obligations.

2. Summary of Significant Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental units and promulgated by the Governmental Accounting Standards Board (GASB). The Authority is considered a special purpose government engaged in business-type activities and, as such, presents the financial statements required for enterprise funds. A summary of the Authority's more significant accounting policies applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting and Measurement Focus

The Authority's financial statements are prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets, deferred outflows of resources, deferred inflows of resources, and liabilities associated with the operations of the Authority are included on the statements of net position. The statements of revenues, expenses, and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in the Authority's total net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Authority considers cash in bank accounts and short-term investments with original maturities of three months or less from the date of purchase as cash and cash equivalents.

Investments

The Authority records investments at fair value in the statements of net position. Interest revenue and realized and unrealized gains and losses on investments are reflected in the statements of revenues, expenses and changes in net position. Fair value has been determined based on quoted market prices.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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 significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Capital Assets

Capital assets are stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, surveys, engineering costs, roads, bridges, buildings, and other construction costs for constructed assets. Once completed and in operation, additional projects valued at greater than $10,000, and paid for by the Authority, are capitalized except that repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Professional fees are expensed unless the total value of the project exceeds $1 million.

Capital assets include the infrastructure network (roads, sidewalks, water lines, and sewer lines) built in connection with the Authority's capital projects, including the Convention Center, the North Shore, and the Lower Hill. Some of this infrastructure, mainly road, water, and sewer system infrastructure, is dedicated to the City or Pittsburgh Water and Sewer Authority (PWSA) after the completion and is, thereafter, to be maintained by the City and/or PWSA. To the extent the Authority financed the projects and the financing is still outstanding, the Authority considers these costs an integral part of its total development cost of its major projects and, accordingly, capitalizes and amortizes those infrastructure costs over the life of that project.

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets. No depreciation expense is recorded for land or construction-in-progress.

Interest expense incurred during the construction phase of a capital asset is included as part of the capitalized value of the asset constructed and amortized over the useful life of the asset. During the years ended December 31, 2020 and 2019, there was no net capitalized interest.

Refunding Transactions

In accordance with applicable guidance, the excess (deficiency) of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow or inflow of resources on the statements of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds. Deferred outflows of resources are reported in relation to the Hotel Room Excise Tax Revenue Bonds, Series 2010 and 2012. In 2020, the Regional Asset District Sales Tax Revenue

Bonds, Refunding Series of 2010, were refunded from the proceeds of the issuance of Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2020. This refunding resulted in deferred inflow of resources on the statement of net position that is being amortized as a reduction of interest expense over the shorter of the term of the refunding issue or refunded bonds.

Noncurrent Accrued Liabilities

Noncurrent accrued liabilities, which represent monies held on behalf of the Stadium Authority in a Stadium Authority development fund, totaled $585,110 and $584,195 in 2020 and 2019, respectively. The Stadium Authority development fund can be used by the Stadium Authority for capital projects and financing of parking garages on the North Shore.

Revenues

The Authority's operating revenues consist of surcharges, rents, parking revenues, and Convention Center revenue from building rentals, event services, and catering and concessions. Non-operating revenues consist primarily of grants and subsidies received that are restricted for capital related costs, the payment of debt service, or operation of the Convention Center. Grants and subsidies are recorded as revenue when received or when all applicable requirements are met.

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

Surcharges/Rent

Surcharges are certain revenues derived from tickets or parking at the various facilities imposed by the Authority in accordance with the team leases. Additionally, the team leases provide that the Steelers, Pirates, and Penguins pay rent and/or other amounts to the Authority annually. See Note 13, PPG Paints Arena; Note 17, PNC Park; and Note 18, Heinz Field for the specific terms of each lease as it relates to the surcharges, rents, and/or other amounts and the restricted uses of the funds.

Parking Revenues

Parking revenues are generated from parking services at the North Shore parking garage, the Convention Center parking garage, and Authority lots in both downtown and on the North Shore, net of the related expenses (see accompanying Parking System Report). Currently, the net revenues of the North Shore Garage, Authority lots, and revenues from the Stadium Authority West General Robinson Street Garage, Gold 1 Garage, and lots (Lots 1 through 5 and 7A through 7J) are fully restricted for purposes of repaying the Authority's Parking System Revenue Bonds, Series of 2017 described in Note 6. Net revenues of the Convention Center parking garage are used for operations of the Authority and not pledged to bonds.

Pennsylvania Gaming Economic Development & Tourism Fund (EDTF)

Section 14.07 of Act 71 of 2004 (PA Race Horse Development and Gaming Act) provided for the creation of the EDTF. Act 53 of 2007, known as the Capital Budget Itemization Act of 2007, originally authorized recurring funding to the Authority from the EDTF in support of the New Arena project ($7.5 million), Convention Center operations ($1.3 million) and retirement of Convention Center indebtedness ($1.3 million) totaling $10.1 million in 2019. The funding authorization expired in 2019 with respect to the Convention Center operations and retirement of Convention Center indebtedness. The remaining funding for 2020 was $7.5 million (New Arena Project). This funding is pledged to the debt service on the Authority's Commonwealth Lease Revenue Bonds, Series A of 2007. Both years, the revenue was recognized as restricted non-operating revenue.

Section 27.4 of Act 42 of 2017 authorized recurring funding to the Authority for the establishment, administration, and maintenance of a regional sports commission. That funding was $1.7 million in 2020 and was recognized as restricted non-operating revenue.

Casino Operator Revenue

As described in Note 6, the Authority receives semi-annual payments from the holder of the gaming license for the Casino located in Pittsburgh, based on a Payment Agreement which details the payment amounts and due dates. The payments are pledged to pay debt service on the Authority's Commonwealth Lease Revenue Bonds, Series A of 2007. The Authority recognizes this revenue when the payments are received by the bond trustee.

Hotel Room Excise Tax

The County imposes a 7% hotel room excise tax on the temporary use or occupancy of hotel rooms within the County. The tax is composed of a 5% Basic Levy and a 2% Added Levy. From the 5% Basic Levy, the County is required to collect the tax and to distribute the funds, in accordance with state law (16 P.S. Section 4970.2 et seq) as follows: (1) provide the Municipality of Monroeville with 1/3 of the revenues generated in that jurisdiction, (2) fund the debt service on the Authority's Hotel Room Excise Tax Revenue Bonds, Series of 2010 and 2012, and reimburse the County for a collection fee of 5%, (3) make available 2/5 of the Basic Levy to the Greater Pittsburgh Convention and Visitor's Bureau and (4) remaining funds, if any, to fund Convention Center operations and regional tourist promotional activities. The 2% Added Levy is applied in accordance with state law (53 Pa.C.S.A. Section 8721) as follows: (1) to the Municipality of Monroeville, 1/3 of the revenues generated in that jurisdiction, and (2) the remaining balance to pay debt service on the Authority's Hotel Room Excise Tax Revenue Bonds, Series of 2010 and 2012.

Classification of Net Position

Accounting standards require the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net position consists of constraints placed on net position used through external restrictions, reduced by liabilities related to those assets.
- Unrestricted – This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

Pending Pronouncements

GASB has issued statements that will become effective in future years, including 87 (Leases), 89 (Accounting for Interest Cost), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), and

96 (Information Technology Arrangements). Management has not yet determined the impact of these statements on the financial statements.

Reclassification

Certain prior year amounts were reclassified to conform to the current year presentation.

3. Cash, Cash Equivalents, and Investments

The Authority maintains all cash deposits in qualified public depositories and is authorized to invest in securities of the United States government, other instruments that are collateralized by United States government securities, repurchase agreements subject to certain restrictions, and other debt instruments set forth by the office of the State Treasurer of the Commonwealth of Pennsylvania (Commonwealth). These types of investments are held by the purchasing entity in the Authority's name. The Authority's investment activities are governed by the Commonwealth, bond covenants, trust agreements, and the Authority's investment policy.

The following is a summary of the Authority's cash and cash equivalents for the year ended December 31, 2020 and December 31, 2019:

2020 Cash and Cash Equivalents	Unrestricted	Restricted	Total
Cash	$ 429,873	$ 2,397,313	$ 2,827,186
Money market funds	-	58,294,356	58,294,356
PA INVEST	-	30,811,707	30,811,707
Commercial paper	-	1,548,000	1,548,000
Total cash and cash equivalents	$ 429,873	$ 93,051,376	$ 93,481,249

2019 Cash and Cash Equivalents	Unrestricted	Restricted	Total
Cash	$ 3,471,492	$ 3,772,367	$ 7,243,859
Money market funds	-	38,507,398	38,507,398
PA INVEST	-	37,519,101	37,519,101
Commercial Paper	-	1,549,000	1,549,000
Total cash and cash equivalents	$ 3,471,492	$ 81,347,866	$ 84,819,358

Restricted cash and cash equivalents relate to bond accounts (established pursuant to the Authority's various trust indentures), grant agreements, enabling legislation, or other contractual agreements that restrict funding for the various facilities. Restricted cash and cash equivalents are reported on the statements of net position and are classified as current or noncurrent based on expected use.

The carrying value of the Authority's investments is the same as their fair value amount. Money markets are valued using quoted market prices (Level 1 inputs). The Authority's investment in the external investment pool (PA INVEST) is the same as the value of the pool shares and is reported at amortized cost, which approximates market. All investments in this external investment pool that is not SEC-registered are subject to oversight by the Commonwealth. The Authority can withdraw funds from PA INVEST without limitations or fees. Commercial paper is reported at amortized cost, as it matures in under one year.

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk – Deposits. In the case of cash, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2020 and 2019, $2,733,243 and $8,436,396 of the Authority's bank balance of $2,983,243 and $8,968,798, respectively, was exposed to custodial credit risk because it was uninsured but collateralized in accordance with Act 72 of 1971, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

The Authority's investments (PA INVEST and money markets) are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2020, $47.1 million of Authority funds held in money markets were rated A-1+, and the remaining $42.0 million of investments were rated AAA by Standard & Poor's. As of December 31, 2019, $26.1 million of Authority money market investments were rated A-1+, and the remaining $49.9 million were rated AAA by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Authority's investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. The Authority's investments, however, have maturities of less than one year.

4. Capital Assets

Capital assets and accumulated depreciation consist of the following:

	2020	2019	Useful Lives (in years)
Land and improvements	$ 126,192,850	$ 126,192,850	
Infrastructure	143,991,414	143,912,168	40-50
Building and improvements	1,261,586,277	1,242,417,997	10-50
Equipment	64,831,021	74,757,772	5-10
Other assets	7,736,559	8,657,038	30
Total capital assets	1,604,338,121	1,595,937,825	
Accumulated depreciation/amortization	(814,436,536)	(767,522,959)	
Capital assets, net	$ 789,901,585	$ 828,414,866	

Capital assets included above that are not being depreciated totaled $126 million for the years ended December 31, 2020 and 2019.

Changes in capital assets, net of accumulated depreciation, by development project, were as follows:

	January 1, 2020	Depreciation	Additions (Deletions)	December 31, 2020
Lower Hill Redevelopment	$ 7,706,885	$ (366,994)	$ -	$ 7,339,891
Benedum Center	11,072,385	(14,255)	-	11,058,130
Sen. John Heinz History Center	1,624,100	(52,400)	-	1,571,700
PNC Park	115,881,231	(9,083,008)	2,670,620	109,468,843
North Shore Garage	10,954,684	(929,165)	832,870	10,858,389
Heinz Field	146,759,971	(10,980,718)	341,476	136,120,729
Convention Center	204,149,346	(14,446,902)	6,429,494	196,131,938
Convention Center Riverfront Plaza	9,061,346	-	-	9,061,346
North Shore Riverfront Park	26,068,065	(83,462)	79,246	26,063,849
PPG Paints Arena	253,909,388	(11,138,970)	64,934	242,835,352
North Shore Infrastructure	36,401,519	(1,582,423)	-	34,819,096
Other	4,825,946	666,855	(920,479)	4,572,322
Total	$ 828,414,866	$ (48,011,442)	$ 9,498,161	$ 789,901,585

The costs of the Benedum Center and the Heinz History Center are original acquisition and/or improvement costs funded through the Authority. Any other costs to improve these properties have been incurred and capitalized solely by the Pittsburgh Trust for Cultural Resources and the Historical Society of Western Pennsylvania.

Since the opening of Heinz Field, PNC Park, and PPG Paints Arena, PSSI, the Pirates, and the Pittsburgh Penguins, respectively, have paid for certain leasehold improvements and furniture, fixtures, and equipment. Although these leasehold improvements and fixed asset purchases would remain with the building as property of the Authority upon termination of the leases, they are not capitalized by the Authority.

5. Construction in Progress

Construction in progress (CIP) of $11.5 million and $12.7 million as of December 31, 2020 and 2019, respectively, relates to the costs associated with the I-579 Cap project, North Shore concrete replacement, and various Convention Center projects. Infrastructure associated with the Lower Hill redevelopment of approximately $16.5 million was dedicated to the City in 2019 and removed from CIP.

6. Bonds Payable

All bonds issued by the Authority are limited obligation bonds, collateralized by supporting agreements entered into as of the date of each bond issue between the Authority, and the City, the County, the Stadium Authority, the Commonwealth, or other designated entity(ies), and/or some specifically identified revenue stream(s).

	Principal Outstanding		
	January 1, 2020	Additions (Reductions)	December 31, 2020
Commonwealth Lease Revenue Bonds Series A of 2007 of $252,000,000, due in annual installments ranging from $4,260,000 to $13,950,000 through November 2038, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 4.020% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: $7.5 million annually from PA Economic Development and Tourism Fund and $7.5 million annually by casino operator, paid directly to the Trustee.	$ 186,740,000	$ (7,085,000)	$ 179,655,000
Commonwealth Lease Revenue Bonds Taxable Series B of 2007 of $61,265,000, due in annual installments ranging from $620,000 to $4,095,000 through November 2039, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 5.335% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	50,835,000	(1,425,000)	49,410,000
Commonwealth Lease Revenue Bonds Taxable Series of 2010 of $17,360,000 due in annual installments ranging from $225,000 to $1,300,000 through November 2039, interest payable semi-annually on May 1 and November 1 at rates ranging from 3.98% to 7.04%, issued April 28, 2010 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	14,555,000	(365,000)	14,190,000
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2010 of $173,765,000, due in annual installments ranging from $3,420,000 to $12,760,000 through February 2031, interest payable semi-annually on February 1 and August 1 at rates ranging from 2% to 5%, issued in September 9, 2010 to refinance the Regional Asset District Sales Tax Revenue Bonds Series of 1999. Funding Source: Allegheny Regional Asset District Sales Tax, paid directly to the Trustee.	119,655,000	(119,655,000)	-
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2020 of $113,250,000, due in annual installments ranging from $8,975,000 to $12,760,000 through February 2031, interest payable semi-annually on February 1 and August 1 at rates ranging from 3% to 5%, issued September 30, 2020 to refinance the Regional Asset District Sales Tax Revenue Bonds Series of 2010. Funding Source: Allegheny Regional Asset District Sales Tax, paid directly to the Trustee.	-	113,250,000	113,250,000

	Principal Outstanding		
	January 1, 2020	Additions (Reductions)	December 31, 2020
Hotel Room Excise Tax Revenue Bonds, Refunding Series 2010 of $146,465,000 due in annual installments ranging from $65,000 to $12,135,000 through February 2035, interest payable semi-annually on February 1 and August 1 at rates ranging from 2.00% to 5.00%, issued to refinance a portion of the Hotel Room Excise Tax Revenue Bonds, Series 1999 (which financed the expansion of DLLCC). Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	100,760,000	(6,835,000)	93,925,000
Hotel Room Excise Tax Revenue Bonds, Refunding Series 2012 of $44,160,000 due in annual installments ranging from $30,000 to $9,590,000 through February 2029, interest payable semi-annually on February 1 and August 1 at rates ranging from 2.00% to 5.00%, issued to refinance all of the outstanding Hotel Room Excise Tax Revenue Bonds, Series 1999 (which financed the expansion of DLLCC). Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	43,250,000	(35,000)	43,215,000
Taxable Ticket Surcharge Revenue Bonds, Series of 2000 of $17,175,000, due in annual installments ranging from $145,000 to $2,835,000 through July 2030, interest payable semi-annually on January 1 and July 1 at rates ranging from 7.72% to 7.92%, issued in August 2000 to finance the construction of Heinz Field. Funding Source: Heinz Field Ticket Surcharge, paid directly to the Trustee.	11,630,000	(600,000)	11,030,000
Guaranteed Revenue Bonds Taxable, Series of 2014 of $23,300,000, due in annual installments ranging from $1,280,000 to $1,990,000 through December 2030, interest payable semi-annually on June 15 and December 15 at rates ranging from 1.084% to 4.521%, issued in October 2014 to finance certain renovations and improvements of Heinz Field. Funding Source: Steelers Rent, paid directly to the Trustee.	18,080,000	(1,375,000)	16,705,000
Parking System Revenue Bonds, Series of 2017 of $41,670,000 due in annual installments ranging from $1,240,000 to $3,175,000 through December 2037, interest payable semi-annually on June 15 and December 15 at rates ranging from 3% to 5%, issued in November 2017 to refund Authority Bank Notes and refund Stadium Authority Bank Notes. Funding Source: Net Revenues of the Parking System.*	39,070,000	(1,415,000)	37,655,000
Total bonds payable	584,575,000	(25,540,000)	559,035,000
Deferred amounts:			
For issuance premiums	18,806,452	16,027,015	34,833,467
Bonds payable, net	$ 603,381,452	$ (9,512,985)	$ 593,868,467

*This chart reflects the total bond value for the Parking System Revenue Bonds, Series of 2017 and includes the whole original issue premium. See below for a description of the relationship with the Stadium Authority and the receivables due for payment on these bonds.

The aggregate annual amount of principal and interest payments required on all Authority bonds is as follows:

	Total Principal	Interest	Total
2021	$ 28,995,000	$ 24,764,979	$ 53,759,979
2022	29,525,000	24,374,463	53,899,463
2023	30,870,000	23,038,674	53,908,674
2024	32,300,000	21,636,536	53,936,536
2025	33,790,000	25,504,942	59,294,942
2026-2030	189,115,000	73,682,941	262,797,941
2031-2035	160,425,000	30,661,576	191,086,576
2036-2039	54,015,000	4,905,696	58,920,696
Total	$ 559,035,000	$ 228,569,807	$ 787,604,807

Interest payments related to the Commonwealth Lease Revenue Bonds, Series A and B of 2007 have been calculated using the synthetic fixed rates as described in Note 9.

Arbitrage

The investment of proceeds of certain of the bond issues is restricted by yield limitations. In instances where the yield limitations apply, a review is made of earnings on certain investments to determine if the rate of investment earnings exceeds the yield limitations. The excess earnings, or rebatable arbitrage, is required to be computed in accordance with, and pursuant to, Section 148 of the Internal Revenue Code of 1986 (Code), and treasury regulations issued by the Internal Revenue Service under Section 148(i) of the Code. The Internal Revenue Service requires the arbitrage computation to be performed, and the amount remitted, every fifth year that the bonds are outstanding. The Authority has determined there are currently no arbitrage obligations due.

Commonwealth Lease Revenue Bonds, Series A and Taxable Series B of 2007

On October 4, 2007, the Authority issued $252,000,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Series A of 2007 and $61,265,000 of variable interest rate Sports & Exhibition

Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (together, the New Arena Bonds) to acquire, construct, and equip a multi-purpose public auditorium and related facilities (New Arena Project). In conjunction with this transaction, the Authority has entered into a Standby Bond Purchase Agreement which has been extended through May 1, 2025. The 2007 bonds are to be repaid from (1) rent payments due from the sublease of the new arena to the Pittsburgh Penguins, (2) annual payments from the Commonwealth and (3) annual payments from the holder of the gaming license for the casino located in the City.

The Authority subleased the new arena to the Pittsburgh Penguins and, pursuant thereto, the Pittsburgh Penguins are obligated to pay the Authority annual lease payments of $4.3 million (with final payment on September 25, 2039). The lease payments are pledged to support the 2007 bonds. $4.3 million was received in both 2020 and 2019.

The Commonwealth has appropriated $7.5 million per year for 30 years (ending September 2036) from the EDTF to support the debt service on the 2007 bonds (Note 2). $7.5 million was received in both 2020 and 2019.

A Payment Agreement between the Authority and Holdings Acquisition Co, LLC, (d/b/a Rivers Casino), the holder of the gaming license for the casino located in the City, was executed November 10, 2009, requiring semi-annual payments to begin October 2009 and ending October 2038, with such payment pledged to secure the 2007 bonds. Payments in the amount of $7.651 million and $7.643 million were received in 2020 and 2019, respectively.

The Authority entered into interest rate swap agreements with PNC Bank, National Association (Counterparty) in connection with the 2007 bonds. Pursuant to the swap agreements, the Authority pays a fixed rate of interest to the Counterparty and the Counterparty then pays a variable rate of interest to the bond trustee to pay debt service on the 2007 bonds (Note 9). At December 31, 2020, the variable rate on the Series A and B bonds approximated .116% and .034%, respectively. At December 31, 2019, the variable rate on the Series A and B bonds approximated 1.302% and 1.714%, respectively.

The Authority has leased the New Arena Project to the Commonwealth and the Commonwealth has subleased it back to the Authority. The Commonwealth is obligated to pay rent under the lease to the extent there is a deficiency or delay in receipt of any amounts needed to pay debt service. The Commonwealth paid $783,145 and $695,393 in 2020 and 2019, respectively, pursuant to the Commonwealth lease.

Commonwealth Lease Revenue Bonds, Taxable Series of 2010

In 2010, the Authority issued $17,360,000 of fixed rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series of 2010 to pay costs to complete the acquisition, construction and equipping of the New Arena Project. The Series 2010 Bonds are to be repaid from additional rent payments ($1.36 million per year) due from the Pittsburgh Penguins per the Second Amendment to the New Arena Lease. This additional payment in the amount of $1,360,000 was received in both 2020 and 2019.

Hotel Room Excise Tax Revenue Bonds

On May 26, 1999, the Authority issued $193,375,000 of Public Auditorium Authority of Pittsburgh and Allegheny County Hotel Room Excise Tax Revenue Bonds, Series 1999 (1999 Hotel Bonds). In connection with the issuance of the 1999 Hotel Bonds, the Authority entered into a support agreement with the County, the County Treasurer, and the County Controller dated May 1, 1999, which requires the County, solely through the use of funds provided by the Hotel Room Excise Tax, to provide fixed payments sufficient to service the 1999 Hotel Bonds, and any refunding bonds, through 2035.

On October 13, 2010, the Authority issued $146,465,000 in Hotel Room Excise Tax Revenue Bonds, Series of 2010 (2010 Hotel Bonds), the proceeds of which were used to (a) redeem on October 18, 2010, a portion of the 1999 Hotel Bonds, and (b) pay a portion of the purchase price of the cooling system in the Convention Center. The 2010 Hotel Bonds have an average interest rate of 4.60% and were issued at an original issue premium of $9.1 million, which is being amortized over the life of the bonds.

On June 6, 2012, the Authority issued $44,160,000 in Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012 (2012 Hotel Bonds), the proceeds of which were used to (a) redeem the remaining 1999 Hotel Room Excise Tax Revenue Bonds, and (b) reimburse the Authority for a portion of the purchase price of a cooling system in the Convention Center. The 2012 Hotel Bonds have an average interest rate of 4.08% and were issued at an original issue premium of $2 million, which is being amortized over the life of the bonds.

The 2010 and 2012 refundings resulted in deferred refunding losses of $2,632,000 and $636,000, respectively, which is being amortized over the life of the 2010 and 2012 Hotel Bonds.
The Authority received hotel room excise tax revenues, in the amount of $13,780,000, in each of the calendar years 2020 and 2019, for payment of indebtedness on the 2010 and 2012 Hotel Tax Bonds.

Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2020

On September 30, 2020, the Authority issued $113,250,000 of Allegheny County Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2020 (2020 RAD Bonds). Pursuant to a Third Amendment to the Cooperation and Support Agreement with the Authority, the City, the County, and RAD, dated September 15, 2020, RAD agreed to provide financial support to the Authority for the 2020 RAD Bonds through maturity (2030). The 2020 RAD bonds were issued at an original issue premium of $22,819,750 that will be amortized over the life of the bonds. The bond proceeds were used to: (a) redeem on September 30, 2020, all of the Authority's Regional Asset District Sales Tax Revenue Bonds, Series of 2010, (b) provide $21 million to pay costs of capital repairs and improvements to the Authority's Major Facilities and (c) pay costs of issuance. The Authority obtained an economic gain ($21 million) from the refunding; however, the debt service requirements of the 2020 RAD bonds are substantially the same as what the debt service requirements would have been on the remaining 2010 RAD Bonds.

The 2020 refunding resulted in deferred refunding gain of $2,550,166, which is being amortized over the life of the 2020 RAD Bonds. The Authority received $13,400,000 from RAD for each of the calendar years 2020 and 2019 for payment of indebtedness on the 2010 and 2020 RAD Bonds.

Taxable Ticket Surcharge Revenue Bonds

In September 2000, the Authority issued $17,175,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Taxable Ticket Surcharge Revenue Bonds, Series 2000 (Ticket Surcharge Bonds). In connection with the issuance of the Ticket Surcharge Bonds, the Authority entered into a Security, Pledge, and Assignment Agreement with the Pittsburgh Steelers Sports, Inc. (PSSI) to facilitate the collection and receipt of a 5% ticket surcharge (not to exceed $3 per ticket) on each ticket sold for all exhibition, regular season, and post-season National Football League (NFL) games in which PSSI's NFL franchise is designated to be the "home team" by the rules of the NFL. For each football season beginning with the 2002 NFL season, the first $1,400,000 of total ticket surcharge monies collected for these NFL events is made available for payments of principal and interest on these bonds. This payment of $1,400,000 was received in both 2020 and 2019.

Guaranteed Revenue Bonds, Taxable Series of 2014

On October 15, 2014, the Authority issued $23,300,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Guaranteed Revenue Bonds, Taxable Series of 2014 (Series of 2014 Bonds). The Series 2014 Bonds are to be repaid from increased rent payments (2014 Rent) of $2.11 million per year, due from PSSI per an Amendment to the Heinz Field lease agreement, dated October 15, 2014. Payments were due beginning June 1, 2015, continue through and including June 1, 2029 and cover costs of principal, interest, ongoing fees and transaction expenses. Pursuant to a Cooperation and Support Agreement with the Authority, the City, the County and RAD, dated October 15, 2014, RAD guarantees payment of the Series 2014 Bonds should 2014 Rent be insufficient or not received. The bond proceeds were used to finance a portion of the costs of the South Plaza Expansion project (see Note 18). $2,110,000 was received from PSSI in 2020 and 2019 for payment of indebtedness and expenses on these bonds.

Parking System Revenue Bonds, Series of 2017

On November 30, 2017, the Authority issued the Sports & Exhibition Authority of Pittsburgh and Allegheny County Parking System Revenue Bonds, Series of 2017 (2017 Parking Bonds). The 2017 Parking Bonds are payable from, and are secured solely by, net revenues of a “Parking System” comprised of specified parking facilities of the Authority and specified parking facilities of the Stadium Authority.

The proceeds of the bonds were used to (a) refund the Authority 2017 PNC/Dollar Bank Variable Rate Term Notes, (b) refund the Stadium Authority 2017 PNC/Dollar Bank Variable Rate Term Notes, (c) fund a reserve fund, and (d) pay costs of the issuance.

While the Authority issued the bonds, the Stadium Authority has certain obligations with respect to the bonds, as provided for in the Collateral Assignment Agreement and the Joinder Agreement, each dated as of November 1, 2017 and each between the Stadium Authority and the bond trustee. Pursuant thereto, the Stadium Authority has recorded a note payable to the Authority and the Authority recorded a long-term receivable from the

Stadium Authority, related to the 2017 Parking Bonds in the amount of the principal and original issue discount, less bond debt service payable. As of December 31, 2020 and 2019, that note receivable was $20,832,289 and $21,769,784, respectively.

Note Receivable (Net)

	2020	2019
Principal	$ 19,930,000	$ 20,680,000
Original issue discount	3,171,789	3,359,284
Bond debt service payable	(2,269,500)	(2,269,500)
Total	$ 20,832,289	$ 21,769,784

As of December 31, 2020, the aggregate annual amount of principal and interest payments due from the Stadium Authority for the 2017 Parking Bonds is as follows:

	Total Principal	Interest	Total
2021	$ 775,000	$ 988,750	$ 1,763,750
2022	810,000	957,750	1,767,750
2023	850,000	917,250	1,767,250
2024	895,000	874,750	1,769,750
2025	940,000	830,000	1,770,000
2026-2030	5,440,000	3,397,250	8,837,250
2031-2035	6,940,000	1,894,750	8,834,750
2036-2037	3,280,000	72,000	3,352,000
Total	$ 19,930,000	$ 9,932,500	$ 29,862,500

The Authority and the Stadium Authority each covenant with respect to the 2017 Parking Bonds to maintain rates and charges for the use of the pledged parking facilities sufficient to produce net revenues of at least 150% of the debt service requirements for each fiscal year period. Due to the impact of the pandemic on parking demand, the rate covenant was not met for 2020. The Authority calculated that net revenues were 1.23% of debt service. Failure to meet the rate covenant is not an event of default but requires that recommendations of a parking consultant be obtained and followed with respect to revising rates and adjusting operations in order to increase net revenues. In April 2021, the Authority obtained the report of Alco Parking Corporation (Alco), as parking consultant, wherein Alco concludes that neither rate increases nor changes in operations will increase net revenues in the current prevailing conditions and recommends that no changes be made at this time. Alco considers the key factor that will improve net revenues is for the public health emergency to pass, the COVID-19 restrictions to be lifted, and the COVID-19 life-style changes to reverse.

7. Loans and Notes Payable

Terms of the loans and notes payable are as follows:

	Principal Outstanding - Fixed Loans		
	January 1, 2020	Additions/ Reductions	December 31, 2020
Loan from Heinz Endowments in the amount of $3,000,000, issued December 2002, 1% interest, annual payments due through December 2023.	$ 266,672	$ -	$ 266,672
Total loans/notes payable - Fixed	$ 266,672	$ -	$ 266,672

	Principal Outstanding - Open Ended Loans		
	January 1, 2020	Additions/ Reductions	December 31, 2020
Loan from Allegheny County in the amount of $3,100,000, issued October 1991, 0% interest, no stated repayment terms.	$ 3,100,000	$ (3,100,000)	$ -
Total loans/notes payable - Open Ended	$ 3,100,000	$ (3,100,000)	$ -

The aggregate amounts of principal and interest payments required on loans and notes payable are as follows:

Year	Principal	Interest	Total Debt Service
2021	$ -	$ 2,667	$ 2,667
2022	133,334	2,667	136,001
2023	133,338	1,333	134,671
Total	$ 266,672	$ 6,667	$ 273,339

Heinz Endowment Loans

In 2002, the Howard Heinz Endowments and the Vira I. Heinz Endowments (Endowments) provided $3 million in loans to the Authority to support the green building features of the Convention Center. The Endowments forgave the first year's payment of $230,000 in principal and deferred the interest in 2009. Additionally, the Endowments approved the delay of the second payment until December 31, 2010. On December 21, 2011, the Endowments amended the loan to forgive $66,666 of principal for each year, reducing the principal payments by one-third and allowing for prepayment of principal, without penalty. The Authority has been prepaying this loan. As of December 31, 2020, no payment is due in 2021 due to the prepayment prior to December 31, 2020. On December 31, 2020, the principal balance was $266,672.

Other Loans

On October 22, 1991, Allegheny County (County) entered into an agreement with the Authority to lend $3.1 million for the purchase of land and building at 13th and Smallman Streets. The Authority then leased the property to the Historical Society of Western Pennsylvania for the Senator John Heinz History Center. (Note 16). The loan from the County was to be repaid if and when the Authority issued bonds for this purpose.

The Authority never issued the bonds due to a change in circumstances. By an amendment to the Loan Agreement, the County (1) retroactively converted the $3.1 million loan to a grant in the same amount and (2) deemed satisfied the promissory note executed by the Authority on October 22, 1991 with respect to the loan.

8. Net Investment in Capital Assets

Total net position includes net investment in capital assets. The calculations for the years ending 2020 and 2019 are as follows:

	2020	2019
Capital assets, net	$ 789,901,585	$ 828,414,866
Construction in progress	11,581,089	12,708,464
Less bonds payable related to capital assets	(593,868,467)	(603,381,452)
Less loans/notes payable related to capital assets	(266,672)	(3,366,672)
Less deferred inflows attributable to capital assets	(2,488,962)	-
Plus loan receivable from Stadium Authority	20,832,289	21,769,784
Plus deferred outflows attributable to capital assets	1,923,969	3,639,187
Plus net unspent bond proceeds	21,683,680	103,055
Net investment in capital assets	$ 249,298,511	$ 259,887,232

9. Derivative Financial Instruments - Interest Rate Swaps

The Authority had the following interest rate swaps as of December 31, 2020 and 2019:

	Notional Amount	Effective Date	Maturity Date	Interest Rate Paid	Interest Rate Received	Counterparty Moody's/S&P Rating*	Underlying Bonds
Hedging Derivatives							
Cash flow hedges							
Receive variable - pay fixed:							
Interest rate swaps	$ 49,410,000	10/4/2007	11/1/2039	5.335%	1M LIBOR	A2/ A	2007 Series B
	179,655,000	10/4/2007	11/1/2038	4.020%	SIFMA	A2/ A	2007 Series A

	Notional Amount	12/31/2018 Market Value **	Change in Market Value	12/31/2019 Market Value **	Change in Market Value	12/31/2020 Market Value **
Hedging Derivatives						
Cash flow hedges						
Receive variable - pay fixed:						
Interest rate swaps	$ 49,410,000	$ (13,892,785)	$ (4,435,411)	$ (18,328,196)	$ (4,606,772)	$ (22,934,968)
	179,655,000	(32,985,621)	(10,739,366)	(43,724,987)	(9,866,555)	(53,591,542)
Total		$ (46,878,406)	$ (15,174,777)	$ (62,053,183)	$ (14,473,327)	$ (76,526,510)

* Counterparty Ratings as of December 31, 2020

** The market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation. The swap values are considered to be Level 2 in the fair value hierarchy.

Objective of the Interest Rate Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance of its variable rate New Arena Bonds, the Authority entered into pay-fixed, receive-variable interest rate swap agreements with the counterparty (PNC Bank, National Association). The intention of the swaps was to effectively change the Authority's variable interest rates on the New Arena Bonds to synthetic fixed rates of 4.020% (Series A) and 5.335% (Taxable Series B).

Terms

The swap agreements were entered into at the same time the New Arena Bonds were issued (October 2007). The swap agreements expire on November 1, 2038 (Series A) and November 1, 2039 (Taxable Series B), consistent with the final maturity of each series of bonds. The interest payments on the interest rate swaps are calculated based on notional amounts, all of which began reducing in 2008, so that the notional amounts approximate the principal outstanding on the respective bonds. The swap's original notional amounts were $252,000,000 (Series A) and $61,265,000 (Series B).

Pursuant to the swap contracts, the Authority pays the counterparty semi-annually on each November 1 and May 1, and the counterparty pays the Authority monthly on the first of each month. In accordance with the swap agreements, for the year ended December 31, 2020, the Authority paid $5,922,012 net fixed interest with respect to the swap on the

Series A Bonds, and paid $2,374,864 net fixed interest with respect to the swap on the Taxable Series B Bonds, which are recorded as interest expenses. On December 31, 2020, the SIFMA Municipal Swap Index and 1M LIBOR rates were 0.116% and 0.034%, respectively.

	2020	2019
Net payments under swap agreements	$ 8,656,878	$ 6,495,251
Variable interest paid on bonds	1,795,428	4,122,921
Total interest expense on New Arena Bonds	$ 10,452,306	$ 10,618,172

Accounting and Risk Disclosures

As noted in the tables above, current period changes in market value for the interest rate swaps that are accounted for as hedges are recorded on the statements of net position as deferred outflows. The cumulative fair market value of the outstanding interest rate swaps as of December 31, 2020 and 2019 are reported on the statements of net position as a swap liability.

The Authority has the ability to early terminate the interest rate swaps and to cash settle the transaction on any business day by providing at least two business days written notice to the counterparty. Evidence that the Authority has sufficient funds available to pay any amount payable to the counterparty must be provided at the time notice is given. At early termination, the Authority will be required to pay or receive a settlement amount which is comprised of the fair market value of the terminated transaction(s) based on market quotations and any amounts accrued under the contract(s).

Through the use of derivative instruments such as interest rate swaps, the Authority is exposed to a variety of risks, including credit risk, remarketing/interest rate/basis risk and termination risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. The credit ratings by Moody's Investors Service, Inc. and Standard & Poor's, nationally recognized statistical rating organizations for the counterparty, are listed in the table above. If the counterparty fails to perform according to the terms of the interest rate swap agreements, there is some risk of loss to the Authority. This risk includes the potential for the counterparty to fail to make termination payments to the Authority if the swaps are terminated and a termination payment is due from the counterparty. If the Authority would need to replace the swaps, it would likely cost the Authority the then fair market values. Because the swaps have negative fair market values, there is no current credit risk to the Authority.

The Authority has not entered into master netting arrangements with its counterparty; as such, each derivative instrument should be evaluated on an individual basis for credit risk.

Concentration of credit risk: The Authority currently has one counterparty for both of its interest rate swaps. Total fair market value of interest rate swaps held with this counterparty is ($76,526,510) at December 31, 2020.

The Authority had an agreement with the counterparty that required the counterparty to post collateral if certain circumstances existed in a specific period of the swap agreement. This provision expired on May 1, 2010. Current terms provide that if the counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's Investors Services, Inc., then there would be an automatic termination event under the swap agreement, as required by the swap insurer. As of year-end, such a termination event had not occurred.

- Remarketing/interest rate/basis risk is the risk that arises when variable interest rates on a derivative and associated bond are based on different indexes. The Authority is subject to remarketing/interest rate/basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index (Series A Bonds) or 1M LIBOR (Taxable Series B Bonds), as previously discussed, and the variable interest rate on the New Arena Bonds is based on a trading spread to the index based on current market conditions as determined by the remarketing agent. Although expected to correlate over the long-term, the short-term relationships between the SIFMA Municipal Swap Index and the weekly tax-exempt rate, and the 1M LIBOR and the weekly taxable rate may vary. The variance could adversely affect the Authority's calculated payments, and synthetic interest rates may not be realized. This risk has been minimized, however, because the swap indexes are directly related to the markets for the bonds and the variance over the long-term is expected to be minimal.

- Termination risk is the risk that the swaps will end before the final maturity of the New Arena Bonds. The stated terms of the swaps are equal to the terms of the bonds. There are instances, however, when the swaps could be terminated earlier. The swaps use the International Swaps and Derivatives Association Master

Agreement, which includes standard termination events, such as rating downgrades, covenant violations, bankruptcy, or swap payment default by either the Authority or the counterparty. The Authority or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. Additional termination events include provisions such as if the underlying bonds were converted to fixed rate, if the indenture or Commonwealth lease is amended or supplemented in a manner that adversely affects the counterparty without the counterparty's prior approval, or in the event of a natural or man-made disaster, armed conflict, act of terrorism, riot, etc., that may occur beyond the control of the parties and would prevent a party from performing under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate.

- Rollover risk is the risk that a derivative associated with the Authority's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. The Authority is not exposed to rollover risk as the swap agreements terminate on the same day the last payment is due on the respective bonds.

Variable Rate Changes

With respect to the New Arena Bonds (Taxable Series B), the interest index on the variable arm of the swap is based on 1M LIBOR. While LIBOR has been the most widely used interest rate benchmark, there is now a transition away from the use of LIBOR and an expectation that it will no longer be published at some point in the next few years. In 2014, the Federal Reserve formed the Alternative Reference Rates Committee (ARRC) to select a replacement for US Dollar LIBOR. In 2017, ARRC announced the Secured Overnight Financing Rate (SOFR) as its recommended replacement and the New York Federal Reserve Bank is now publishing SOFR. The Federal Reserve has also tasked ARRC with guiding the transition to SOFR. The Taxable Series B swap contract is governed by the International Swaps and Derivatives Association (ISDA) documentation. ISDA has been in the process of consulting with regulators and industry groups in order to publish "Amendments to the 2006 ISDA Definitions and related protocol" that is expected to address the cessation risk of LIBOR and include reference to the new SOFR. In concert with this publication, industry participants and counterparties, the Authority will seek to implement an appropriate transition, agreeing to contractual fallback provisions with respect to the Taxable Series B swap agreement and bond documents, before the cessation of LIBOR.

10. Employee Benefit Plans

The Authority has a defined contribution retirement plan (plan) covering substantially all of its full-time employees. None of its employees are subject to collective bargaining agreements. Participation in the plan requires an employee to have completed six months of service. Employees are required to make mandatory contributions to the plan equal to 5% of their base compensation, on a pre-tax basis. The Authority annually contributes 7% of eligible employee compensation to the plan. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the remainder of a participant's account is based on years of continuous service. A participant is 100% vested after five years of service. The Authority contributed $30,557 and $64,572 to the plan for the years ended December 31, 2020 and 2019, respectively.

In 2000, the Authority established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code of 1986. Under the deferred compensation plan, employees may voluntarily contribute additional pre-tax monies up to allowable federal limits. In 2016, the Plan was expanded to add a post-tax Roth 457 option. Eligibility for the deferred compensation plan is consistent with the defined contribution plan and employees are immediately 100% vested in any contributions and earnings thereon. The Authority does not make matching contributions to the deferred compensation plan.

11. Operation of David L. Lawrence Convention Center

By agreement dated January 1, 2002, the Authority entered into a management agreement with SMG, a Pennsylvania general partnership, to provide management services for the Convention Center. Subsequent agreements with SMG were approved by the Board, with the current agreement expiring December 31, 2025.

The Convention Center generates revenue through rental contracts and various ancillary services charged directly to the customer. The largest component of ancillary services is food and beverage (F & B). The Authority first entered into a contract with Levy Premium Food Service L.P. (Levy) on June 1, 2003 to provide F & B services for the Convention Center. In the ensuing years, the Board has approved amendments and agreements for Levy to continue to manage the F & B services at the Convention Center. The current agreement runs through December 31, 2023.

12. Parking System

The Authority owns and maintains both structured and surface parking facilities in Downtown Pittsburgh and on the City's North Shore. The Stadium Authority (Note 1) also owns two parking garages, and several lots, all of which are located on the City's North Shore. These combined facilities provide daily commuter parking, as well as event parking related to the Authority's venues. Certain of the Authority's and Stadium Authority's combined parking revenues are pledged as security for the Parking System Revenue Bonds, Series of 2017 (Note 6).

The Convention Center Garage revenues are not currently pledged and are used for the Authority's operations. Also not pledged are revenues from the PPG Paints Arena garage and the lot spaces at the Lower Hill development site, which are currently fully leased to the Pittsburgh Arena Operating L.P. (a related entity to the holder of the Pittsburgh Penguins National Hockey League Franchise).

The Authority has contracted with Alco Parking, Inc. (Alco) to operate its parking facilities. Depending upon the facility, the operation is pursuant to a management contract or a lease agreement.

13. PPG Paints Arena Operating Lease

Pursuant to the sublease agreement dated September 18, 2007, as amended (the New Arena Lease), the annual rent due from the Pittsburgh Penguins is (a) $4.3 million per year to pay the debt service on Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Note 6), (b) $1.36 million to pay the debt service on the Commonwealth Lease Revenue Bonds, Taxable Series of 2010, and (d) $100,000 for the use of an expanded service yard to be deposited in the Authority's restricted New Arena capital reserve account .

A parking surcharge in the amount of up to $400,000 is due from the Pittsburgh Penguins each year and is deposited into the Authority restricted New Arena capital reserve account. The Pittsburgh Penguins hockey season was abruptly cut short due to the COVID 19 pandemic, resulting in a deposit of $311,826 for the team's fiscal year 2020 to the New Arena capital reserve account.

Under the conditions of the New Arena Lease, the Pittsburgh Penguins are granted naming and advertising rights pertaining to the New Arena. The Pittsburgh Penguins are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of the New Arena necessary to keep and maintain the New Arena in first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. The Authority has certain obligations for capital repairs as defined in the Lease for which the Authority may use the New Arena capital reserve account.

14. Lower Hill Redevelopment

Upon completion of the New Arena, the Authority undertook the demolition of the Civic Arena. The demolition was completed in September 2012. The site was paved for use as surface parking until the property is redeveloped. Pending the redevelopment of the property, the Pittsburgh Penguins (or affiliate) manage, operate, maintain, and receive all net revenue from the parking spaces located on the site (subject to the $400,000 parking surcharge described in Note 13) until October 22, 2023.

Pursuant to the Lower Hill Option Agreement dated September 18, 2007, and amended in 2014, 2018, and 2019, among the Authority, the URA, and the Lemieux Group LP (as assigned to Pittsburgh Arena Real Estate Redevelopment LP, an affiliate of the Pittsburgh Penguins) (PAR), PAR was given rights to develop the Lower Hill site (approximately 28 acres, of which 2/3 is owned by the Authority and 1/3 by the URA), on certain terms and conditions.

15. Benedum Center Operating Lease

On June 15, 1984, the Authority acquired certain property and entered into an agreement to lease the property to the Allegheny International Realty Development Corporation (AIRDC). AIRDC subsequently assigned the lease to the Pittsburgh Trust for Cultural Resources (Trust) for purposes of constructing and operating the Benedum Center. The lease agreement provides for annual rentals of one dollar and requires the Trust to pay for all improvements, maintenance, utilities and insurance. The lease is for a period of 50 years and is due to expire in June 2034, with an option to renew the lease for an additional 30 years.

16. Historical Society of Western Pennsylvania Operating Lease

On October 22, 1991, the Authority acquired the former Chautaqua Ice Company property and entered into an agreement to lease the property to the Historical Society of Western Pennsylvania (Society). The Society has established the Senator John Heinz History Center and supporting facilities that operate as a museum, research center and cultural facility. The lease agreement provides for annual rental of one dollar and requires the Society to pay for all improvements, maintenance, utilities and insurance. The lease is for a period of 25 years and was due to expire in October 2016, with options to renew for three consecutive periods of 25 years each. On August 4, 2015, the Society exercised their option for the first 25-year period, extending the lease through October 21, 2041.

17. PNC Park Operating Lease

The Authority entered into a lease agreement with Pittsburgh Associates (Pirates) with an initial term of 29.5 years, commencing in March 2001 and ending on October 31, 2030. Obligated payments to the Authority include the following components: (a) base rent of $100,000 per year, (b) excess gate revenues ((i) 5% of gate revenues over $44.5 million up to and including $52 million and, (ii) 10% of gate revenues over $52 million increased annually by the percentage increase in the average ticket price), (c) excess concession revenue ((i) if the Pirates' arrangement with its concessionaire(s) entitles the team to receive more than 42% of the aggregate gross concession revenues, the Pirates shall pay the Authority 5% of the excess over the 42% and 10% of the excess over 45% and (ii) 5% of gross food and beverage revenues in excess of $9.00 per capita (adjusted annually by CPI increases)) and (d) ticket surcharges (the team receives the first $1,500,000 of ticket surcharges each year, with the next $375,000 (adjusted annually by CPI increases) to the Authority for deposit into the PNC Park capital reserve fund, the next $250,000 to the Authority to be used at the Authority's discretion, and anything above these amounts to the team. In fiscal year 2020, the Authority recognized $100,000 in base rent and nothing in ticket surcharges. Due to the COVID 19 pandemic, while 32 games were played at PNC Park, they were not open to the public for viewing. In lease year 2019, the Authority recognized $100,000 in base rent and $628,630 in ticket surcharges. No money was received in either year for excess gate and/or excess concession revenues.

Under the conditions of the lease, the Pirates are granted naming, advertising, broadcasting, and telecommunications rights pertaining to PNC Park. The Pirates are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of PNC Park. The Authority has certain obligations for capital repairs as defined in the lease, for which the Authority may use the PNC Park capital reserve fund.

Pursuant to the lease agreement, $650,000 per lease year is to be deposited into a PNC Park capital reserve fund.

18. Heinz Field Operating Lease

The Authority entered into a lease agreement with PSSI Stadium LLC (PSSI) with an initial term of 29.5 years, commencing in August 2001 and ending February 18, 2031. PSSI (a related entity to the Steelers) subleases the facility to Pittsburgh Steelers Sports, Inc. (Steelers) and the University of Pittsburgh. Obligated payments to the Authority include the following (a) ticket surcharge revenues from NFL events (5% ticket surcharge is imposed by the Authority on all NFL event tickets sold at Heinz Field [capped at $3]), with the first $1.4 million of total ticket surcharge monies restricted to pay principal and interest on the Ticket Surcharge Bonds and surcharge proceeds over $1.4 million paid to the Authority for deposit into the Heinz Field capital reserve fund; (b) ticket surcharge revenues from non-NFL Events (5% ticket surcharge is imposed by the Authority on all non-NFL events tickets [capped at $2.25]) and (c) non-sporting event revenues (15% of net revenues from non-sporting events). In lease year 2020, no revenue was recognized by the Authority from NFL events or non-sporting event revenues. $18,410 was recorded from non-NFL event ticket surcharge. In fiscal year 2020, the National Football League, like all professional sporting events, had to eliminate or reduce stadium capacity due to the COVID-19 pandemic. In fiscal year 2019, the Authority recognized $494,595 in ticket surcharge revenue from NFL events (after bond payment), $479,889 from non-NFL event ticket surcharge, and $35,643 from 15% of the non-sporting event revenues.

On October 15, 2014, the Authority and PSSI entered into an Amendment to the Lease Agreement (Amendment) whereby, beginning June 1, 2015, PSSI pays additional annual rent of $2,110,000, which is pledged to pay principal and interest on the Guaranteed Revenue Bonds, Taxable Series of 2014 (see Note 6). This money was received in 2020 and 2019. Pursuant to the Amendment beginning April 1, 2015 and continuing thereafter if certain conditions are met, an additional, fixed $1 capital reserve fund ticket surcharge (Additional Surcharge) is imposed on all tickets sold for all NFL events and non-NFL events utilizing the seating bowl of Heinz Field, and is to be deposited into the Heinz Field capital reserve fund. Nothing was generated in 2020 due to the COVID 19 pandemic, and $991,000 was generated in 2019 from the $1 Additional Surcharge and was deposited to the Heinz Field capital reserve fund.

Pursuant to the lease, PSSI is granted naming, advertising, broadcasting, and telecommunications rights pertaining to Heinz Field. PSSI is obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of Heinz Field necessary to keep and maintain Heinz Field. The Authority has certain obligations for capital repairs as defined in the lease for which the Authority may use the Heinz Field capital reserve fund.

Pursuant to the lease agreement, $650,000 per lease year (increased by CPI) is to be deposited into a Heinz Field capital reserve fund.

19. North Shore Option Agreement

In accordance with the North Shore Option Agreement between the Stadium Authority and a joint venture of the Pirates and the Steelers, the Stadium Authority annually deposited certain baseball event parking revenues to the Pirates Development Fund and certain football event parking revenues to the Steelers Development Fund, both held by the Authority. The North Shore Option Agreement provided that, at the direction of the Stadium Authority, these funds were to be transferred to the Pirates and Steelers as development of the North Shore Option Area occurred. In October 2019, the North Shore Option Agreement was amended and, in accordance therewith, the Pirates Development Fund and Steelers Development Fund were closed and all money then in the funds was transferred, and all money that would have been deposited from and after July 7, 2019 is instead deposited to the Authority's PNC Park capital reserve fund and the Authority's Heinz Field capital reserve fund, respectively.

Pursuant to the PNC Park lease, the Heinz Field lease, and the North Shore Option Agreement, the teams were to annually earn certain baseball and football event parking revenues (Permanent Space Revenue). Per the 2019 amendment, the Permanent Space Revenue is instead deposited to the Authority's PNC Park capital reserve fund and the Authority's Heinz Field capital reserve fund.

20. I-579 Cap Park Project

In 2019, construction began on the I-579 Cap Urban Connector Project (the Cap Project). The project consists of the construction of a new "cap" structure spanning over a portion of I-579 Crosstown Boulevard to create a three-acre urban park. Multiple partners are involved in the project with the City of Pittsburgh holding the construction contracts, the Pennsylvania Department of Transportation providing construction management and oversight, and the Authority providing the design, funding, and administration services for the project. The total construction cost of the project is anticipated to be $32 million, with grants being provided from the US Department of Transportation through FHWA (TIGER VIII), along with funding from state and local governmental entities, including the Authority, and multiple foundations. In 2020 and 2019, revenues for the construction of the I-579 Cap Project totaled $16,033,768 and $5,315,647, respectively. Upon completion, the Cap Project will be owned, programmed, and maintained by the City of Pittsburgh.

21. Commitments and Contingencies

Litigation

The Authority is involved in claims and legal actions arising from construction and in the normal course of operations. There are multiple claims resulting from the operation of Authority facilities, including the Convention Center, Heinz Field, PNC Park, and PPG Paints Arena, and parking garages for which, in some cases, the respective tenants or management companies have indemnified the Authority. The range of potential loss and the outcomes of these cases cannot be determined. However, in the opinion of management, the ultimate disposition of these matters, considering indemnification agreements, insurance and Authority defenses, will not have a material adverse effect on the Authority's financial position.

22. Economic Factors

In early 2020, an outbreak of a novel strain of coronavirus was identified and found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on trade, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on economic activity. The extent of the long-term impact of the coronavirus on the Authority's operational and financial performance is currently uncertain and cannot be predicted.

The loss of events at the Convention Center, the reduction in hotel tax revenues, the reduction in parking revenues, all due to the COVID-19 pandemic, have caused the Authority to require additional support of its operations. On December 14, 2020, the Stadium Authority Board approved a grant agreement with the Authority in order to provide $10 million in support of the Authority's 2021 operating costs. As of December 31, 2020, the $10 million is held by the Stadium Authority as restricted funds and will be paid to the Authority as needed to sustain its 2021 operations as draw requests are made.

SUPPLEMENTARY INFORMATION

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
National Infrastructure Investments	20.933	FHWA FY 2016 TIGER Grant No. 13	$ 11,717,591	$ 10,855,625
Highway Planning and Construction Cluster:				
Passed Through Pennsylvania Department of Transportation:				
Highway Planning and Construction	20.205	General Reimbursement Agreement for Federal Aid Agreement No. 118895 MPMS No. 97846	40,883	-
Total U.S. Department of Transportation			11,758,474	10,855,625
U.S. Department of the Treasury				
Passed through Allegheny County, Pennsylvania:				
COVID 19 - Coronavirus Relief Fund	21.019	Contract Number 6091-20	1,500,000	-
Total Expenditures of Federal Awards			$ 13,258,474	$ 10,855,625

See accompanying notes to schedule of expenditures of federal awards.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to not use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

Sports & Exhibition Authority of Pittsburgh and Allegheny County

Independent Auditor’s Reports
Required by the Uniform Guidance

For the Year Ended December 31, 2020

MaherDuessel

<u>Independent Auditor's 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*</u>

Board of Directors
Sports & Exhibition Authority of
Pittsburgh and Allegheny County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Maher Duessel

Pittsburgh, Pennsylvania
May 13, 2021

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Sports & Exhibition Authority of
Pittsburgh and Allegheny County

Report on Compliance for Each Major Federal Program

We have audited the Sports & Exhibition Authority of Pittsburgh and Allegheny County's (Authority) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
May 13, 2021

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiencies identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiencies identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.933	National Infrastructure Investments
21.019	COVID 19 - Coronavirus Relief Fund

8. Dollar threshold used to distinguish between type A and type B programs: $750,000

9. Auditee qualified as low-risk auditee? ☐ yes ☒ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

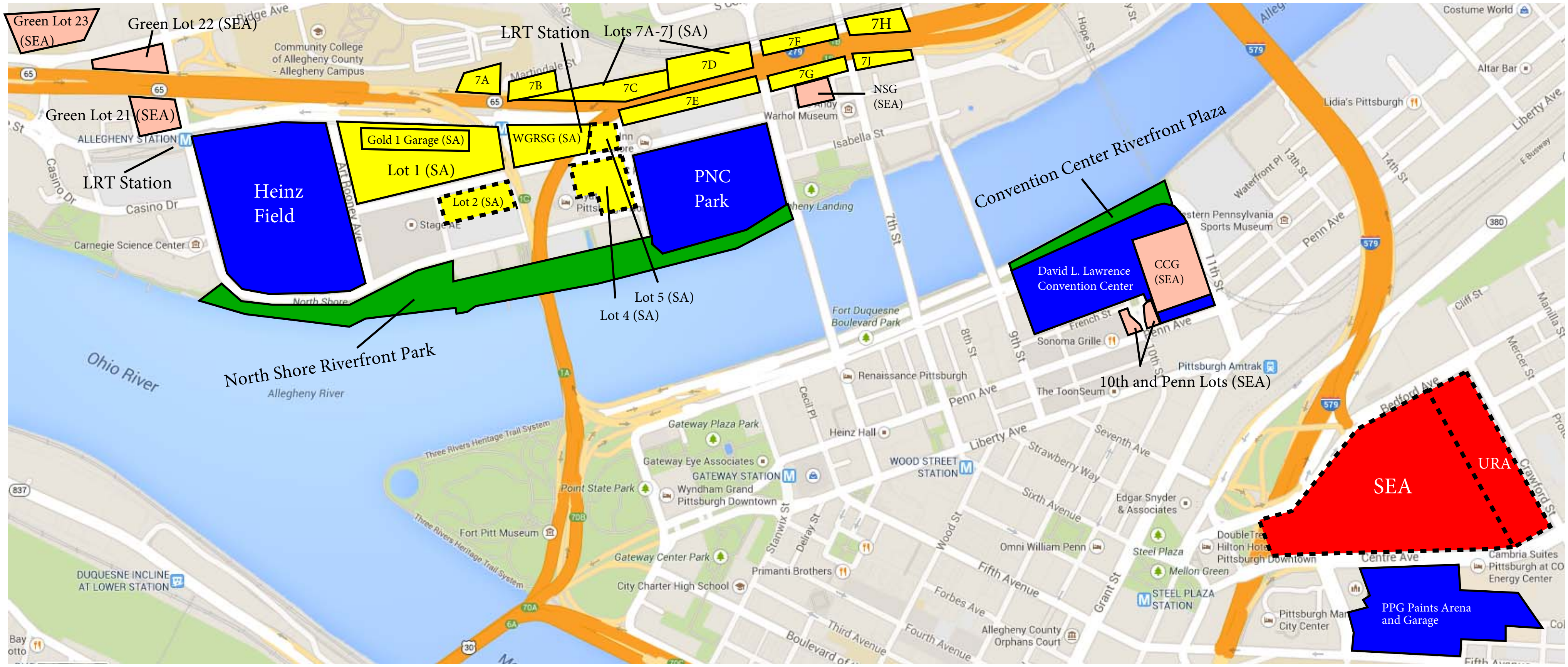
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2020

NONE

OTHER INFORMATION

Sports & Exhibition Authority (SEA) and Stadium Authority (SA) Property Overview Map



- Sports and exhibition venues owned by SEA (PPG Paints Arena includes a 640 space integral garage leased to the Penguins)
- SA parking lots and garages: land for Lots 7A-7J leased long-term from PennDOT; "WGRSG" refers to West General Robinson Street Garage
- SEA parking lots and garages: "NSG" refers to North Shore Garage; "CCG" refers to Convention Center Garage
- 28-Acre Lower Hill Redevelopment site (19 acres owned by SEA; 9 acres owned by Urban Redevelopment Authority); Penguins hold development option; SEA currently coordinating with City and PennDOT on I-579 Cap Project construction; Penguins currently receive surface parking revenues
- North Shore Riverfront Park and Convention Center Riverfront Plaza, both owned by SEA
- Remaining North Shore development parcels (owned by SA); joint venture of Steelers and Pirates holds development option; development of Lot 4 in planning stages