



Agenda

Joint Meeting of Board of Directors & Committees

Friday | December 6, 2019

7:30 a.m. | Breakfast

8:00 a.m. | Business Meeting

Banquet Rooms | Van Andel Arena®

130 West Fulton | Grand Rapids | MI

- | | | |
|-----|--|----------------|
| 1. | Call to Order and Chairman's Comments | Steve Heacock |
| 2. | Minutes of November 1, 2019 | Action |
| 3. | Trends of the Industry Update | Rich MacKeigan |
| 4. | Van Andel Arena® Construction Project Presentation | Information |
| 5. | DeVos Place® Lighting Project | Information |
| 6. | Committee Reports | |
| | A. Operations Committee | |
| | i. Experience Grand Rapids Report | Information |
| | B. Finance Committee | |
| | i. SMG Special Purpose Financial Statements as of and for the Years Ended June 30, 2019 and 2018 – Rehmann Robson | Action |
| | ii. Communication from Independent Auditors Concerning SMG Special Purpose Financial Statements | Information |
| | iii. Financial Statements and Supplementary Information for the Years Ended June 30, 2019 and 2018 – Rehmann Robson | Action |
| | iv. Audit Wrap-up Letter for the Year Ended June 30, 2019 | Information |
| | v. Consolidated Financial Report, for the Year Ended June 30, 2019, Recap - Budget to Actual | Information |
| | vi. Acceptance of October 2019 Consolidated Financial Statements | Action |
| | vii. SMG – Oct. 2019 Van Andel Arena® and DeVos Place® Financials | Information |
| 7. | Proof of Concept Task Force Update | Doug Small |
| 8. | SMG Report and Facilities Calendars | Rich MacKeigan |
| 9. | Public Comment | |
| 10. | Adjournment | |

Next CAA Meeting Date: Friday, January 10, 2020

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY
MEETING OF BOARD OF DIRECTORS
300 MONROE AVENUE, NW | GRAND RAPIDS, MI
Friday, November 1, 2019**

Attendance

Members Present: Steve Heacock, Chairperson
Rosalynn Bliss
Charlie Secchia
Floyd Wilson, Jr.
Richard Winn

Members Absent: Lew Chamberlin
Birgit Klohs

| | | |
|---------------|------------------|-------------------------------------|
| Staff/Others: | Tom Bennett | Experience Grand Rapids |
| | Wayman Britt | Kent County |
| | Scott Gorsline | Grand Rapids Griffins |
| | Chris Knape | K Corner Consulting |
| | Chris Machuta | SMG |
| | Rich MacKeigan | SMG |
| | Brian McVicar | <i>MLive/The Grand Rapids Press</i> |
| | Emilee Syrewicze | Opera Grand Rapids |
| | Brad Thomas | Progressive AE |
| | John Van Houten | Progressive AE |
| | Susan Waddell | CAA |
| | Mark Washington | City of Grand Rapids |
| | Richard Wendt | Dickinson Wright |

1. Call to Order

Chairperson, Steve Heacock, called the meeting to order at 8:45 a.m. Secretary/Treasurer, Richard Winn, recorded the meeting minutes.

2. Minutes of Prior Meeting

Motion by Mr. Secchia, support by Ms. Bliss, to approve the October 4, 2019, Minutes. Motion carried.

3. Committee Reports

A. Operations Committee

i. Experience Grand Rapids Report

Mr. Bennett provided an overview of the CVB's recent bookings, sales activities, site visits, marketing efforts, and major bid presentations. The Smith Travel Research Star Report revealed that the September figures were down a little, but overall positive within the comp set. Staff booked four groups for the convention center, the sale team was busy on the road for trade shows, meetings, and sales missions.

B. Finance Committee

- i. Acceptance of September 2019 Consolidated Financial Statements

Motion by Mr. Winn, support by Mr. Wilson, to accept the September 2019 Consolidated Financial Statements. Motion carried.

- ii. SMG September 2019 DeVos Place® and Van Andel Arena® Financial Statements

The SMG financial statements were included in the agenda packet as information items.

- iii. First Quarter Capital Update

The first quarter capital update report was included in the agenda packet as an information item.

4. Auto Parking System Periodic Reporting

The quarterly report regarding the City/County utilization of discounted DeVos Place® monthly parking passes was included as an information item.

5. SMG Report and Facilities Calendars

Mr. MacKeigan reported that the Proof of Concept Task Force work continues as it related to the amphitheater and DeVos Place® headquarters hotel. Mr. MacKeigan will present an industry update at the December 6, 2019, CAA Board meeting.

6. Public Comment

None.

7. Adjournment

The meeting adjourned at 9:05 a.m. The next CAA Board meeting is Friday, December 6, 2019.

Richard A. Winn, Recording Secretary

DeVos Place,
as Managed by SMG

Years Ended
June 30, 2019 and
2018

Special-Purpose
Financial
Statements

DEVOS PLACE, AS MANAGED BY SMG

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INDEPENDENT AUDITORS' REPORT

September 24, 2019

DeVos Place, as Managed by SMG
Grand Rapids, Michigan**Report on the Financial Statements**

We have audited the accompanying special-purpose financial statements of *DeVos Place, as Managed by SMG* ("SMG-DeVos Place"), which comprise the special-purpose statements of assets, liabilities, and amount due Operator arising from activities managed by SMG as of June 30, 2019 and 2018, and the special-purpose statements of operating revenues, operating expenses, and incentive management fee arising from activities managed by SMG; special-purpose statements of changes in amount due Operator arising from activities managed by SMG; and special-purpose statements of operating cash flows arising from activities managed by SMG for the years then ended, and the related notes to the special-purpose financial statements (collectively, the "Special-Purpose Financial Statements").

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of presentation referred to in Note 1 to the special-purpose financial statements; this includes determining that the basis of presentation is an acceptable basis for the preparation of the special-purpose financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' 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 special-purpose 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 special-purpose 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 special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and amount due Operator of SMG-DeVos Place as of June 30, 2019 and 2018, and its operating revenues, operating expenses, changes in amount due Operator, and operating cash flows for the years then ended in accordance with the basis of presentation described in Note 1 to the special-purpose financial statements.

Basis of Presentation

We draw attention to Note 1 to the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared pursuant to the Management Agreement, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and are not intended to be a complete presentation of SMG-DeVos Place's financial position, results of operations and cash flows. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the management of SMG-DeVos Place and officials of the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lohman LLC

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Assets, Liabilities, and Amount

Due Operator Arising from Activities Managed by SMG

| | June 30, | |
|--|---------------------|---------------------|
| | 2019 | 2018 |
| Assets (all current) | | |
| Cash and cash equivalents: | | |
| Operating | \$ 1,065,104 | \$ 171,647 |
| Ticket sales escrow | 728,846 | 1,285,508 |
| Accounts receivable, net of allowance of \$58,724 and \$31,523 in 2019 and 2018, respectively | 1,310,480 | 990,960 |
| Prepaid expenses | 166,938 | 155,481 |
| Total assets (all current) | <u>\$ 3,271,368</u> | <u>\$ 2,603,596</u> |
| Liabilities (all current) | | |
| Accounts payable | \$ 628,839 | \$ 143,259 |
| Accrued expenses | 590,234 | 631,460 |
| Unearned revenue: | | |
| Advance ticket sales | 728,846 | 1,285,508 |
| Advance deposits | 427,806 | 472,010 |
| Other unearned revenue | 81,089 | 121,634 |
| Total liabilities (all current) | 2,456,814 | 2,653,871 |
| Amount due Operator (deficit) | <u>814,554</u> | <u>(50,275)</u> |
| Total liabilities and amount due Operator | <u>\$ 3,271,368</u> | <u>\$ 2,603,596</u> |

See notes to special-purpose financial statements.

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Operating Revenues, Operating Expenses, and Incentive Management Fee Arising from Activities Managed by SMG

| | Year Ended June 30, | |
|---|---------------------|-------------------|
| | 2019 | 2018 |
| Operating revenues | | |
| Events | \$ 3,450,565 | \$ 3,576,809 |
| Ancillary revenues, net: | | |
| Food and beverage | 1,376,908 | 1,291,449 |
| Decorating | 336,563 | 309,888 |
| Electrical | 392,579 | 350,538 |
| Equipment rental | 636,640 | 634,641 |
| Other (includes interest income of \$9,221 and \$7,391 in 2019 and 2018, respectively) | 179,259 | 179,068 |
| | <u>2,921,949</u> | <u>2,765,584</u> |
| Other operating revenues | <u>984,619</u> | <u>850,546</u> |
| Total operating revenues | <u>7,357,133</u> | <u>7,192,939</u> |
| Operating expenses | | |
| Personnel | 3,016,900 | 2,640,440 |
| Utilities | 1,757,092 | 1,763,621 |
| Supplies and expenses | 382,786 | 295,952 |
| Repairs and maintenance | 659,103 | 833,001 |
| General and administrative | 1,579,199 | 1,446,974 |
| Total operating expenses | <u>7,395,080</u> | <u>6,979,988</u> |
| Operating revenues over (under) operating expenses before incentive management fee | (37,947) | 212,951 |
| Incentive management fee | <u>151,831</u> | <u>218,923</u> |
| Operating revenues over (under) operating expenses and incentive management fee | <u>\$ (189,778)</u> | <u>\$ (5,972)</u> |

See notes to special-purpose financial statements.

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Changes in Amount Due Operator Arising from Activities Managed by SMG

| | Year Ended June 30, | |
|---|---------------------|--------------------|
| | 2019 | 2018 |
| Amount due Operator, beginning of year | \$ (50,275) | \$ 1,064,647 |
| Excess of operating revenues over (under) operating expenses and incentive management fee | (189,778) | (5,972) |
| Contributions received from Operator | 1,785,761 | 1,783,663 |
| Amounts paid to Operator | <u>(731,154)</u> | <u>(2,892,613)</u> |
| Amount due Operator, end of year | <u>\$ 814,554</u> | <u>\$ (50,275)</u> |

See notes to special-purpose financial statements.

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Operating Cash Flows

Arising from Activities Managed by SMG

| | Year Ended June 30, | |
|---|---------------------|-------------|
| | 2019 | 2018 |
| Cash flows from operating activities | | |
| Operating revenues under operating expenses and incentive management fees | \$ (189,778) | \$ (5,972) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (319,520) | 281,754 |
| Prepaid expenses | (11,457) | 21,274 |
| Accounts payable | 485,580 | (241,191) |
| Accrued expenses | (41,226) | 119,367 |
| Advance deposits | (44,204) | 144,442 |
| Other unearned revenue | (40,545) | (61,360) |
| Net cash provided by (used in) operating activities | (161,150) | 258,314 |
| Cash flows from financing activities | | |
| Contributions received from Operator | 1,785,761 | 1,783,663 |
| Amounts paid to Operator | (731,154) | (2,892,613) |
| Net cash provided by (used in) financing activities | 1,054,607 | (1,108,950) |
| Net change in operating cash | 893,457 | (850,636) |
| Operating cash, beginning of year | 171,647 | 1,022,283 |
| Operating cash, end of year | \$ 1,065,104 | \$ 171,647 |

See notes to special-purpose financial statements.

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DeVos Place provides space for conventions, trade shows, concerts, meetings, banquets, and other performances. DeVos Place is operated by the Grand Rapids-Kent County Convention/Arena Authority (the "Operator").

The Operator has entered into a Management Agreement with SMG to manage the operations of DeVos Place. The activities of DeVos Place that are managed by SMG are referred to herein as SMG-DeVos Place.

The Operator, from time to time, provides funding to SMG-DeVos Place to pay the obligations of DeVos Place when due. The Operator is contractually obligated to fund all liabilities and expenses of DeVos Place.

Measurement Focus and Basis of Accounting

The accompanying special-purpose financial statements were prepared to present the assets, liabilities, amount due Operator, operating revenues, operating expenses, and operating cash flows of DeVos Place arising from the management activities of SMG and are not intended to be a complete presentation of DeVos Place's financial position, results of operations, and cash flows. Such special-purpose financial statements have been prepared on the accrual basis of accounting and include transactions managed by SMG in accordance with the Management Agreement, measured in conformity with accounting principles generally accepted in the United States of America. Accordingly, the special-purpose financial statements do not include property and equipment, noncontractual repair expenses, and related-fund equity associated with DeVos Place or certain other activities of the Operator related to DeVos Place that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage DeVos Place under the Management Agreement. These employees are not employees of the Operator.

Assets and Liabilities

Cash and Cash Equivalents

SMG-DeVos Place considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents for the special-purpose statements of cash flows. Amounts in the ticket sales escrow account represent ticket sales proceeds for events that have not yet occurred. For the protection of the ticket holders, SMG and the Operator, such amounts are required to be held in a separate account to provide resources for payments to performers and promoters and for payment of operating expenses.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

Unearned Revenues

SMG-DeVos Place incurs a liability for all cash received from ticket sales in advance of an event; a corresponding amount is held in a separate escrow account. Revenues are not recognized until the related event occurs. Unearned revenue is comprised primarily of advanced billings, which are recognized as revenues on a straight-line basis over the term of the related contracts. Also included are ticket rebates received from the ticket agent prior to an event, which are not recognized as revenue until the event occurs.

Event Revenues

SMG-DeVos Place records event revenue upon the completion of the event. Accordingly, amounts received for advance ticket sales or deposits by promoters are recorded as liabilities until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event. Event revenues are reported net of related event expenses of \$4,306,575 and \$3,584,887 for the years ended June 30, 2019 and 2018, respectively.

Ancillary Revenues

All concession and catering, decorating, electrical, and audiovisual revenues are recognized when earned. Ancillary revenues are a contractually determined percentage of gross receipts collected by the vendor for each event.

Other Operating Revenues

Other operating revenues are comprised of interest income, nonevent equipment rental income, ticket rebates, and other miscellaneous items.

Noncontractual Repairs

At times, SMG-DeVos Place incurs costs funded by the Operator's capital projects budget, which is separate and distinct from the operating funds provided by the Operator to DeVos Place. The Operator ultimately decides which expenses will be capitalized or expensed. These costs are excluded from operating expenses in the accompanying special-purpose statements of operating revenues and operating expenses.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

2. MANAGEMENT AGREEMENT AND FEES

SMG and the Operator signed a new Management Agreement (the "Agreement") that has an effective date of July 1, 2018, expiring on June 30, 2028, with one ten-year renewal period extending through June 30, 2038. The Agreement provides for both an annual base and incentive management fee. The annual base management fee was set at \$176,440 for the first year of the agreement and is adjusted upward annually by the percentage change in the Consumer Price Index (not to exceed 3% in any one year). A decrease in the Consumer Price Index will not have an effect on the management fee. The agreement in effect for the year ended June 30, 2018 had the base management fee calculated after CPI-U change of \$176,440.

The incentive fee is based on the combined results of operations of SMG-DeVos Place and SMG-Van Andel Arena compared to a combined operating revenue benchmark of \$9,700,000, which shall be adjusted upward annually during the remainder of the term by the percentage change in the Consumer Price Index, as defined in the Agreement. The agreement in effect for the year ended June 30, 2018 had a combined operating revenue benchmark of \$9,700,000, which was a result of annual fixed increases. The maximum incentive to be paid in any fiscal year is equal to 100% of the base management fee. To qualify for the incentive fee, combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place must exceed combined operating expenses before incentive management fee by an established benchmark, as follows:

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Excess of operating revenues over operating expenses, as defined, SMG-Van Andel Arena | \$ 4,111,672 | \$ 2,054,408 |
| Excess of operating revenues over (under) operating expenses, as defined, SMG-DeVos Place | (37,947) | 212,951 |
| Total | <u>\$ 4,073,725</u> | <u>\$ 2,267,359</u> |
| Incentive benchmark | \$ 1,050,000 | \$ 750,000 |
| Benchmark met? | Yes | Yes |

In the event the combined operations of SMG-Van Andel Arena and SMG-DeVos Place exceed the established operating revenue benchmark, and the operating revenues exceed operating expenses by the benchmark discussed above, the incentive fee is determined based on the below calculation. The amount of the incentive fee paid based on the calculation below is determined by the amount by which combined operating revenues exceed combined operating expense in accordance with the threshold levels set forth below:

| Amount by Which Operating Revenues Exceed Operating Expenses for the Management Agreement in effect for the Year Ended June 30, 2019 | Percentage of Incentive Fee Payable to SMG |
|--|--|
| \$850,000 or more and less than \$950,000 | 50% |
| \$950,000 or more and less than \$1,050,000 | 75% |
| \$1,050,000 or more | 100% |

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

| Amount by Which Operating Revenues Exceed Operating Expenses for the Management Agreement in effect for the Year Ended June 30, 2018 | Percentage of Incentive Fee Payable to SMG |
|---|--|
| \$700,000 or more and less than \$750,000 | 75% |
| \$750,000 or more | 100% |

The following calculation is only performed when combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place exceed combined operating expenses by the established benchmark. A schedule of the base and incentive management fees for the years ended June 30, 2019 and 2018, is as follows:

| | Year Ended June 30, | |
|--|---------------------|-------------------|
| | 2019 | 2018 |
| SMG-DeVos Place base management fee, included in general and administrative expense (A) | \$ 176,440 | \$ 176,440 |
| Total operating revenues - SMG-Van Andel Arena | \$ 8,867,124 | \$ 6,767,205 |
| Total operating revenues - SMG-DeVos Place | 7,357,133 | 7,192,939 |
| | <u>16,224,257</u> | <u>13,960,144</u> |
| Revenue benchmark - SMG-Van Andel Arena | 5,150,000 | 5,150,000 |
| Revenue benchmark - SMG-DeVos Place | 4,550,000 | 4,550,000 |
| | <u>9,700,000</u> | <u>9,700,000</u> |
| Revenues in excess of benchmark | \$ 6,524,257 | \$ 4,260,144 |
| Computation of incentive fee resulting from revenues in excess of revenue benchmark: | | |
| 25% of the first \$500,000, collectively | \$ 125,000 | \$ 125,000 |
| 30% of the amount in excess of \$500,000, collectively, up to base fee of \$352,880 | 227,880 | 227,880 |
| | <u>352,880</u> | <u>352,880</u> |
| Percent payable | 100% | 100% |
| Total incentive fee payable | \$ 352,880 | \$ 352,880 |
| Incentive fee allocated to SMG-Van Andel Arena | \$ 201,049 | \$ 133,957 |
| Incentive fee allocated to SMG-DeVos Place (B) | 151,831 | 218,923 |
| Total incentive fee | <u>\$ 352,880</u> | <u>\$ 352,880</u> |
| Total management fees - SMG-DeVos Place (A + B) | <u>\$ 328,271</u> | <u>\$ 395,363</u> |

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

The incentive fee shall be allocated between facilities by the percentage of each facility's contribution to the excess revenue above benchmark. The base fee is contingent upon the Operator maintaining the SMG-Van Andel Arena concessions agreement with SMG Food and Beverage LLC. If that agreement were to be terminated, the base management fee would increase \$50,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

3. RETIREMENT PLAN

Employees at SMG-DeVos Place may elect to participate in the SMG Retirement and Savings Plan, a 401(k) defined contribution plan covering SMG employees who have completed one year of employment and 1,000 hours of service. SMG-DeVos Place makes matching contributions equal to 67% of each participants contribution up to a maximum of 5% of the employee's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-DeVos Place made \$27,663 and \$24,568 in matching contributions for the years ended June 30, 2019 and 2018, respectively.

4. RELATED PARTY TRANSACTIONS

In addition to the operations of SMG-DeVos Place, SMG personnel also manage the operations of SMG-Van Andel Arena. The two facilities share certain expenses, such as payroll, employee fringe benefits, and insurance, resulting in frequent billings and payments between the two facilities. The two facilities also share a box office, resulting in frequent billings and payments between the two facilities for ticket sales. Accounts receivable includes \$189,178 and \$10,339 due from SMG-Van Andel Arena as of June 30, 2019 and 2018, respectively. Accounts payable includes \$0 and \$41,577 due to SMG-Van Andel Arena as of June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, SMG-DeVos Place made payments of \$38,737 and \$36,855, respectively, to SMG-Food and Beverage LLC, a related party to SMG, for catering services.

During the year ended June 30, 2019, SMG-DeVos Place received payment of \$204,689 in event fees from the Operator for events that were conducted at the facilities.

5. CONTINGENCIES

SMG-DeVos Place is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the entity.

6. RISK MANAGEMENT

SMG-DeVos Place is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2019 and 2018, SMG-DeVos Place carried commercial insurance to cover all risks of losses. SMG-DeVos Place has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three years.

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Van Andel Arena,
as Managed by SMG

Years Ended
June 30, 2019 and
2018

Special-Purpose
Financial
Statements

VAN ANDEL ARENA, AS MANAGED BY SMG

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INDEPENDENT AUDITORS' REPORT

September 24, 2019

Van Andel Arena, as Managed by SMG
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of *Van Andel Arena, as Managed by SMG* ("SMG-Van Andel Arena"), which comprise the special-purpose statements of assets, liabilities, and amount due Operator arising from activities managed by SMG as of June 30, 2019 and 2018, and the special-purpose statements of operating revenues, operating expenses and incentive management fee arising from activities managed by SMG; special-purpose statements of changes in amount due Operator arising from activities managed by SMG; and special-purpose statements of operating cash flows arising from activities managed by SMG for the years then ended, and the related notes to the special-purpose financial statements (collectively, the "Special-Purpose Financial Statements").

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of presentation referred to in Note 1 to the special-purpose financial statements; this includes determining that the basis of presentation is an acceptable basis for the preparation of the special-purpose financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' 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 special-purpose 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 special-purpose 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 special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and amount due Operator of SMG-Van Andel Arena as of June 30, 2019 and 2018, and its operating revenues, operating expenses, changes in amount due Operator, and operating cash flows for the years then ended in accordance with the basis of presentation described in Note 1 to the special-purpose financial statements.

Basis of Presentation

We draw attention to Note 1 to the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared pursuant to the Management Agreement, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and are not intended to be a complete presentation of SMG-Van Andel Arena's financial position, results of operations and cash flows. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the management of SMG-Van Andel Arena and officials of the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lobson LLC

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Assets, Liabilities, and Amount

Due Operator Arising from Activities Managed by SMG

| | June 30, | |
|---|-------------------|-------------------|
| | 2019 | 2018 |
| Assets (all current) | | |
| Cash and cash equivalents: | | |
| Operating | \$ 1,856,831 | \$ - |
| Ticket sales escrow | 7,579,823 | 8,032,102 |
| Accounts receivable | 801,294 | 1,704,575 |
| Prepaid expenses | 143,427 | 83,487 |
| | <u>10,381,375</u> | <u>9,820,164</u> |
| Total assets (all current) | \$ 10,381,375 | \$ 9,820,164 |
| Liabilities (all current) | | |
| Accounts payable | \$ 865,847 | \$ 359,615 |
| Accrued expenses | 562,086 | 558,241 |
| Unearned revenue: | | |
| Advance ticket sales | 7,579,823 | 8,032,102 |
| Advance deposits | 37,425 | 34,925 |
| Other unearned revenue | 1,270,085 | 1,275,414 |
| | <u>10,315,266</u> | <u>10,260,297</u> |
| Total liabilities (all current) | 10,315,266 | 10,260,297 |
| Amount due Operator (deficit) | <u>66,109</u> | <u>(440,133)</u> |
| Total liabilities and amount due Operator | \$ 10,381,375 | \$ 9,820,164 |

See notes to special-purpose financial statements.

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Operating Revenues, Operating Expenses, and Incentive Management Fee Arising from Activities Managed by SMG

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Operating revenues | | |
| Events | \$ 1,828,795 | \$ 1,352,722 |
| Ancillary revenues, net: | | |
| Food and beverage | 2,343,118 | 1,801,311 |
| Novelties | 247,736 | 138,770 |
| Other | 1,156 | 11,981 |
| | <u>2,592,010</u> | <u>1,952,062</u> |
| Other operating revenues: | | |
| Premium seating | 1,979,254 | 1,701,060 |
| Advertising income | 763,884 | 642,518 |
| Other (includes interest income of \$102,468 and \$19,266 in 2019 and 2018, respectively) | 1,703,181 | 1,118,843 |
| | <u>4,446,319</u> | <u>3,462,421</u> |
| Total operating revenues | <u>8,867,124</u> | <u>6,767,205</u> |
| Operating expenses | | |
| Personnel | 1,919,088 | 1,818,100 |
| Utilities | 922,507 | 935,150 |
| Supplies and expenses | 280,606 | 285,494 |
| Repairs and maintenance | 334,025 | 388,248 |
| General and administrative | 1,299,226 | 1,285,805 |
| Total operating expenses | <u>4,755,452</u> | <u>4,712,797</u> |
| Operating revenues over operating expenses before incentive management fee | 4,111,672 | 2,054,408 |
| Incentive management fee | <u>201,049</u> | <u>133,957</u> |
| Operating revenues over operating expenses and incentive management fee | <u>\$ 3,910,623</u> | <u>\$ 1,920,451</u> |

See notes to special-purpose financial statements.

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Changes in Amount Due Operator Arising from Activities Managed by SMG

| | Year Ended June 30, | |
|--|---------------------|---------------------|
| | 2019 | 2018 |
| Amount due Operator, beginning of year | \$ (440,133) | \$ (574,140) |
| Excess of operating revenues over operating expenses and incentive management fee | 3,910,623 | 1,920,451 |
| Contributions received from Operator | 909,829 | 1,021,168 |
| Amounts paid to Operator | <u>(4,314,210)</u> | <u>(2,807,612)</u> |
| Amount due Operator, end of year | <u>\$ 66,109</u> | <u>\$ (440,133)</u> |

See notes to special-purpose financial statements.

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Operating Cash Flows

Arising from Activities Managed by SMG

| | Year Ended June 30, | |
|---|---------------------|--------------------|
| | 2019 | 2018 |
| Cash flows from operating activities | | |
| Operating revenues over operating expenses | \$ 3,910,623 | \$ 1,920,451 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 903,281 | (314,183) |
| Prepaid expenses | (59,940) | 14,935 |
| Accounts payable | 506,232 | (1,547,569) |
| Accrued expenses | 3,845 | (289,489) |
| Advance deposits | 2,500 | 20,000 |
| Unearned revenue | (5,329) | 104,349 |
| Net cash provided by (used in) operating activities | <u>5,261,212</u> | <u>(91,506)</u> |
| Cash flows from financing activities | | |
| Contributions received from Operator | 909,829 | 1,021,168 |
| Amounts paid to Operator | <u>(4,314,210)</u> | <u>(2,807,612)</u> |
| Net cash used in financing activities | <u>(3,404,381)</u> | <u>(1,786,444)</u> |
| Net change in operating cash | 1,856,831 | (1,877,950) |
| Operating cash, beginning of year | - | 1,877,950 |
| Operating cash, end of year | <u>\$ 1,856,831</u> | <u>\$ -</u> |

See notes to special-purpose financial statements.

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Van Andel Arena (the "Arena") provides space for family shows, concerts, sporting events, meetings, and other performances. The Arena is operated by the Grand Rapids-Kent County Convention/Arena Authority (the "Operator").

The Operator has entered into a Management Agreement with SMG to manage the operations of the Arena. The activities of the Arena that are managed by SMG are referred to herein as SMG-Van Andel Arena.

The Operator, from time to time, provides funding to SMG-Van Andel Arena to pay the obligations of the Arena when due. The Operator is contractually obligated to fund all liabilities and expenses of the Arena.

Measurement Focus and Basis of Accounting

The accompanying special-purpose financial statements were prepared to present the assets, liabilities, amount due Operator, operating revenues, operating expenses, and operating cash flows of the Arena arising from the management activities of SMG and are not intended to be a complete presentation of the Arena's financial position, results of operations, and cash flows. Such special-purpose financial statements have been prepared on the accrual basis of accounting and include transactions managed by SMG in accordance with the Management Agreement, measured in conformity with accounting principles generally accepted in the United States of America. Accordingly, the special-purpose financial statements do not include property and equipment, noncontractual repair expenses, and related-fund equity associated with the Arena or certain other activities of the Operator related to the Arena that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage the Arena under the Management Agreement. These employees are not employees of the Operator.

Assets and Liabilities

Cash and Cash Equivalents

SMG-Van Andel Arena considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents for the special-purpose statements of cash flows. Amounts in the ticket sales escrow account represent ticket sales proceeds for events that have not yet occurred. For the protection of the ticket holders, SMG and the Operator, such amounts are required to be held in a separate account to provide resources for payments to performers and promoters and for payment of operating expenses.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amount is considered uncollectible at June 30, 2019 and 2018, respectively.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

Unearned Revenues

SMG-Van Andel Arena incurs a liability for all cash received from ticket sales in advance of an event; a corresponding amount is held in a separate escrow account. Revenues are not recognized until the related event occurs. Unearned revenue is comprised primarily of advanced billings and collections for luxury boxes and advertising contracts, which are recognized as revenues on a straight-line basis over the term of the related contracts. Also included are ticket rebates received from the ticket agent prior to an event, which are not recognized as revenue until the event occurs.

Event Revenues

SMG-Van Andel Arena records event revenue upon the completion of the event. Accordingly, amounts received for advance ticket sales or deposits by promoters are recorded as liabilities until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event. Event revenues are reported net of related event expenses of \$5,055,682 and \$3,795,551 for the years ended June 30, 2019 and 2018, respectively.

Ancillary Revenues

All concession and catering, decorating, electrical, and audiovisual revenues are recognized when earned. Ancillary revenues are a contractually determined percentage of gross receipts collected by the vendor for each event.

Other Operating Revenues

Other operating revenues include revenues associated with luxury seating, advertising, ticket rebates, interest income, and other miscellaneous items.

Noncontractual Repairs

From time to time, SMG-Van Andel Arena incurs costs funded by the Operator's capital projects budget, which is separate and distinct from the operating funds provided by the Operator to the Arena. The Operator ultimately decides which expenses will be capitalized or expensed. These costs are excluded from operating expenses in the accompanying special-purpose statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

2. MANAGEMENT AGREEMENT AND FEES

SMG and the Operator signed a new Management Agreement (the "Agreement") that has an effective date of July 1, 2018, expiring on June 30, 2028, with one ten-year renewal period extending through June 30, 2038. The Agreement provides for both an annual base and incentive management fee. The annual base management fee was set at \$176,440 for the first year of the agreement and is adjusted upward annually by the percentage change in the Consumer Price Index (not to exceed 3% in any one year). A decrease in the Consumer Price Index will not have an effect on the management fee. The agreement in effect for the year ended June 30, 2018 had the base management fee calculated after CPI-U change of \$176,440.

The incentive fee is based on the combined results of operations of SMG-DeVos Place and SMG-Van Andel Arena compared to a combined operating revenue benchmark of \$9,700,000, which shall be adjusted upward annually during the remainder of the term by the percentage change in the Consumer Price Index, as defined in the Agreement. The agreement in effect for the year ended June 30, 2018 had a combined operating revenue benchmark of \$9,700,000, which was a result of annual fixed increases. The maximum incentive to be paid in any fiscal year is equal to 100% of the base management fee. To qualify for the incentive fee, combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place must exceed combined operating expenses before incentive management fee by an established benchmark, as follows:

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Excess of operating revenues over operating expenses, as defined, SMG-Van Andel Arena | \$ 4,111,672 | \$ 2,054,408 |
| Excess of operating revenues over (under) operating expenses, as defined, SMG-DeVos Place | (37,947) | 212,951 |
| Total | <u>\$ 4,073,725</u> | <u>\$ 2,267,359</u> |
| Incentive benchmark | \$ 1,050,000 | \$ 750,000 |
| Benchmark met? | Yes | Yes |

In the event the combined operations of SMG-Van Andel Arena and SMG-DeVos Place exceed the established operating revenue benchmark, and the operating revenues exceed operating expenses by the benchmark discussed above, the incentive fee is determined based on the below calculation. The amount of the incentive fee paid based on the calculation below is determined by the amount by which combined operating revenues exceed combined operating expense in accordance with the threshold levels set forth below:

| Amount by Which Operating Revenues Exceed Operating Expenses for the Management Agreement in effect for the Year Ended June 30, 2019 | Percentage of Incentive Fee Payable to SMG |
|--|--|
| \$850,000 or more and less than \$950,000 | 50% |
| \$950,000 or more and less than \$1,050,000 | 75% |
| \$1,050,000 or more | 100% |

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

| Amount by Which Operating Revenues Exceed Operating Expenses for the Management Agreement in effect for the Year Ended June 30, 2018 | Percentage of Incentive Fee Payable to SMG |
|---|--|
| \$700,000 or more and less than \$750,000 | 75% |
| \$750,000 or more | 100% |

The following calculation is only performed when combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place exceed combined operating expenses by the established benchmark. A schedule of the base and incentive management fees for the years ended June 30, 2019 and 2018, is as follows:

| | Year Ended June 30, | |
|--|---------------------|-------------------|
| | 2019 | 2018 |
| SMG-Van Andel base management fee, included in general and administrative expense (A) | \$ 176,440 | \$ 176,440 |
| Total operating revenues - SMG-Van Andel Arena | \$ 8,867,124 | \$ 6,767,205 |
| Total operating revenues - SMG-DeVos Place | 7,357,133 | 7,192,939 |
| | <u>16,224,257</u> | <u>13,960,144</u> |
| Revenue benchmark - SMG-Van Andel Arena | 5,150,000 | 5,150,000 |
| Revenue benchmark - SMG-DeVos Place | 4,550,000 | 4,550,000 |
| | <u>9,700,000</u> | <u>9,700,000</u> |
| Revenues in excess of benchmark | \$ 6,524,257 | \$ 4,260,144 |
| Computation of incentive fee resulting from revenues in excess of revenue benchmark: | | |
| 25% of the first \$500,000, collectively | \$ 125,000 | \$ 125,000 |
| 30% of the amount in excess of \$500,000, collectively, up to base fee of \$352,880 | 227,880 | 227,880 |
| | <u>352,880</u> | <u>352,880</u> |
| Percent payable | 100% | 100% |
| Total incentive fee payable | \$ 352,880 | \$ 352,880 |
| Incentive fee allocated to SMG-Van Andel Arena (B) | \$ 201,049 | \$ 133,957 |
| Incentive fee allocated to SMG-DeVos Place | 151,831 | 218,923 |
| Total incentive fee | <u>\$ 352,880</u> | <u>\$ 352,880</u> |
| Total management fees - SMG-Van Andel Arena (A + B) | <u>\$ 377,489</u> | <u>\$ 310,397</u> |

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

The incentive fee shall be allocated between facilities by the percentage of each facility's contribution to the excess revenue above benchmark. The base fee is contingent upon the Operator maintaining the SMG-Van Andel Arena concessions agreement with SMG Food and Beverage LLC. If that agreement were to be terminated, the base management fee would increase \$50,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

3. RETIREMENT PLAN

Employees at SMG-Van Andel Arena may elect to participate in the SMG Retirement and Savings Plan, a 401(k) defined contribution plan covering SMG employees who have completed one year of employment and 1,000 hours of service. SMG-Van Andel Arena makes matching contributions equal to 67% of each participants contribution up to a maximum of 5% of the employee's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-Van Andel Arena made \$19,030 and \$15,046 in matching contributions for the years ended June 30, 2019 and 2018, respectively.

4. RELATED PARTY TRANSACTIONS

In addition to the operations of SMG-Van Andel Arena, SMG personnel also manage the operations of SMG-DeVos Place. The two facilities share certain expenses, such as payroll, employee fringe benefits, and insurance, resulting in frequent billings and payments between the two facilities. The two facilities also share a box office, resulting in frequent billings and payments between the two facilities for ticket sales. Accounts receivable includes \$0 and \$41,577 due from SMG-DeVos Place as of June 30, 2019 and 2018, respectively. Accounts payable includes \$189,178 and \$10,339 payable to SMG-DeVos Place as of June 30, 2019 and 2018, respectively.

On July 1, 2006, the Operator entered into a concessions agreement for the Arena with SMG-Food and Beverage LLC, a related party to SMG. Accounts receivable includes \$10 and \$131,375 from SMG-Food and Beverage LLC, as of June 30, 2019 and 2018, respectively. Accounts payable includes \$11,151 and \$987 as of June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, SMG-Van Andel received payments of \$4,128,088 and \$3,148,607, respectively, from SMG-Food and Beverage LLC which represents commission on sales. During the years ended June 30, 2019 and 2018, SMG-Van Andel made payments of \$360,420 and \$175,755, respectively, to SMG-Food and Beverage LLC.

5. CONTINGENCIES

SMG-Van Andel Arena is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the entity.

6. RISK MANAGEMENT

SMG-Van Andel Arena is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2019 and 2018, SMG-Van Andel Arena carried commercial insurance to cover all risks of losses. SMG-Van Andel Arena has had no settled claims resulting from these risks that exceeded their commercial coverage in the past four years.

■ ■ ■ ■ ■

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 24, 2019

To Management of
DeVos Place and Van Andel Arena, as Managed by SMG
Grand Rapids, Michigan

We have audited the special-purpose financial statements of *DeVos Place ("SMG-DeVos Place") and Van Andel Arena ("SMG-Van Andel Arena")*, as managed by SMG as of and for the years ended June 30, 2019 and 2018, and have issued our reports thereon dated September 24, 2019. Professional standards require that we advise you of the following matters relating to our audits.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 26, 2019, our responsibility, as described by professional standards, is to form and express opinions about whether the special-purpose financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with the Management Agreement with the Grand Rapids-Kent County Convention/Arena Authority (the "Authority"). Our audit of the special-purpose financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audits, we considered the internal control of SMG-DeVos Place and SMG-Van Andel Arena solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audits according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on August 5, 2019.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SMG-DeVos Place and SMG-Van Andel Arena is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- The allocation of shared costs between SMG-DeVos Place and SMG-Van Andel Arena is based on related time expended, services performed or other applicable activities and data.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the special-purpose financial statements.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audits.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the special-purpose financial statements or the auditors' report. No such disagreements arose during the course of the audits.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment A to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SMG-DeVos Place and SMG-Van Andel Arena, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the auditors.

This information is intended solely for the use of the governing body and management of SMG-DeVos Place, SMG-Van Andel Arena and the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Handwritten signature of Rehmann Lohman LLC in black ink.

SMG-DEVOS PLACE & SMG-VAN ANDEL ARENA

Attachment A - Management Representations

For the June 30, 2019 Audit

The following pages contain the written representations that we requested from management.

September 24, 2019

Rehmann Robson
 2330 East Paris Ave., SE
 Grand Rapids, MI 49546

Convention
 Arena
 Authority

Steven Heacock,

Chairman

Hon. Rosalynn Bl

Lew Chamberlin

Birgit M. Klohs

Charlie Secchia

Floyd Wilson, Jr.

Richard A. Winn

This representation letter is provided in connection with your audits of the special-purpose financial statements of *DeVos Place* ("SMG-DeVos Place") and *Van Andel Arena* ("SMG-Van Andel Arena"), as managed by SMG, as of and for the years ended June 30, 2019 and 2018, and the related notes to the special-purpose financial statements, for the purpose of expressing opinions on whether the special-purpose financial statements present fairly, in all material respects, the assets, liabilities, and amounts due/from Operator, and the respective operating revenues, operating expenses, and changes in amounts due/from Operator, and operating cash flows, in conformity with the Management Agreement with the Grand Rapids-Kent County Convention/Arena Authority (the "Authority").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 24, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 26, 2019, for the preparation and fair presentation of the special-purpose financial statements in accordance with the Management Agreement with the Authority. We have reviewed, approved, and taken responsibility for the special-purpose financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the special-purpose financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed.
7. All events subsequent to the date of the special-purpose financial statements have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed.



Van Andel Arena®
 130 West Fulton
 Grand Rapids, MI 49503-2601
 616.742.6600



DeVos Place®
 303 Monroe Ave. NW
 Grand Rapids, MI 49503-2233
 616.742.6500

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the special-purpose financial statements, such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.
10. All transactions have been recorded in the accounting records and are reflected in the special-purpose financial statements.
11. We have disclosed to you the results of our assessment of the risk that the special-purpose financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the special-purpose financial statements.
13. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's special-purpose financial statements communicated by employees, former employees, vendors, regulators, or others.
14. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the special-purpose financial statements and we have not consulted legal counsel concerning litigation or claims.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
16. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
17. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
18. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on special-purpose financial statement amounts.
19. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the special-purpose financial statements.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed.
20. We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor have any assets or future revenues been pledged as collateral, except as disclosed to you.
21. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the special-purpose financial statements in the event of noncompliance.

Rehmann Robson
Page 3 of 3

22. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.



Chris Machuta, Assistant General Manager

DocuSigned by:



72BB493DAB92423...

Richard Mackeigan, Regional General Manager

Grand Rapids - Kent County Convention/Arena Authority

Years Ended
June 30, 2019 and
2018

Financial
Statements

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

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INDEPENDENT AUDITORS' REPORT

November 18, 2019

Members of the Grand Rapids-Kent County
Convention/Arena Authority Board
Grand Rapids, Michigan

We have audited the accompanying financial statements of the *Grand Rapids-Kent County Convention/Arena Authority* (the "Authority"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to an express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 respective financial position of the Grand Rapids-Kent County Convention/Arena Authority as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, 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 Revenues, Expenses and Changes in Fund Net Position - Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

These financial statements are the responsibility of the Grand Rapids-Kent County Convention/Arena Authority. We offer readers this narrative overview and analysis for the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

| | |
|--------------------------------|---------------|
| • Total net position | \$ 25,591,746 |
| • Change in total net position | 103,214 |
| • Capital assets, net | 1,322,762 |
| • Change in net capital assets | (461,980) |

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses and changes in fund net position, the statement of cash flows and the notes to the financial statements.

- The *statements of net position* present information on all of the Authority's assets and liabilities, with the difference between these items 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 fund net position* present information showing how the Authority's net position changed during each 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.
- The *statements of cash flows* present information showing in greater detail how the Authority received and disbursed cash.
- The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The Authority's financial statements consist of a single enterprise fund (a proprietary fund type), as the Authority intends to recover all or a significant portion of its costs through user fees and charges (known as "business-type activities").

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis.

The *statement of revenues, expenses and change in fund net position - budget and actual* is presented as supplementary information and includes information on how the Authority performed in relation to the Board-adopted budget.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Financial Analysis

The Authority's assets exceeded its liabilities by \$25,591,746 and \$25,488,532 for the years ended June 30, 2019 and 2018, respectively. A summary of the Authority's net position for the current fiscal year and two years prior is presented below.

| Statements of Net Position | | | |
|------------------------------|----------------------|----------------------|----------------------|
| June 30, | | | |
| | 2019 | 2018 | 2017 |
| Assets | | | |
| Current and other assets | \$ 44,022,854 | \$ 37,256,015 | \$ 35,521,363 |
| Capital assets, net | 1,322,762 | 1,784,742 | 1,976,273 |
| | <u>45,345,616</u> | <u>39,040,757</u> | <u>37,497,636</u> |
| Liabilities | | | |
| Other liabilities | <u>19,753,870</u> | <u>13,552,225</u> | <u>12,109,910</u> |
| Net position | | | |
| Investment in capital assets | 1,322,762 | 1,784,742 | 1,976,273 |
| Unrestricted | <u>24,268,984</u> | <u>23,703,790</u> | <u>23,411,453</u> |
| Total net position | <u>\$ 25,591,746</u> | <u>\$ 25,488,532</u> | <u>\$ 25,387,726</u> |

A portion of the Authority's net position (5.2% and 7.0% in 2019 and 2018, respectively), reflects its net investment in capital assets (e.g. equipment and vehicles). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining portion, unrestricted net position represents resources that may be used at the Authority's discretion, but often have limitations based on policy action.

The following condensed financial information reflects how the Authority's net position changed during the current fiscal year and the two years prior:

| Statements of Changes in Net Position | | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| Year Ended June 30, | | | |
| | 2019 | 2018 | 2017 |
| Operating revenues | \$ 17,883,544 | \$ 15,569,822 | \$ 15,202,485 |
| Operating expenses | <u>17,961,728</u> | <u>16,003,676</u> | <u>14,193,769</u> |
| Operating income (loss) | (78,184) | (433,854) | 1,008,716 |
| Nonoperating revenues | <u>1,027,656</u> | <u>676,440</u> | <u>496,144</u> |
| Income before transfers out | 949,472 | 242,586 | 1,504,860 |
| Transfer of constructed assets | <u>(846,258)</u> | <u>(141,780)</u> | <u>(32,095)</u> |
| Change in net position | 103,214 | 100,806 | 1,472,765 |
| Net position, beginning of year | <u>25,488,532</u> | <u>25,387,726</u> | <u>23,914,961</u> |
| Net position, end of year | <u>\$ 25,591,746</u> | <u>\$ 25,488,532</u> | <u>\$ 25,387,726</u> |

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Operating Revenues

Operating revenues of the Authority are generated by the Authority's DeVos Place and Van Andel Arena. Management of each of these facilities is provided by a third party company, SMG, with whom the Authority has a management agreement. Operating revenues include event revenues as well as ancillary revenues related to luxury seating, advertising and commissions on vendor sales of food, beverage and novelties. The increase in 2019 operating revenues is a direct result of the continued popularity of both venues combined with the number and types of events held therein. During 2019, attendance records were broken and per capita spending and per event settlements were the best in the Authority's history.

The increase in 2018 operating revenues is a direct result of the continued popularity of both venues combined with the number and types of events held therein. While attendance and number of events for the facilities combined increased slightly, per capita spending and per event settlements decreased from 2017 to 2018.

Operating Expenses

Operating expenses include costs associated with the daily operation and continual upgrade and maintenance of DeVos Place and Van Andel Arena, as well as administrative costs related to the overall operating of the Authority. Generally, administrative costs relate to insurance, personnel services, and professional services. In 2019, operating expenses increased at a lower rate than operating revenues, even though some major capital replacement and repair needs of the facilities were addressed. The Van Andel Arena hosted a record 42 concerts in 2019 for which per event settlement amounts were much greater than hockey games and family shows. Additionally the facilities earned "Biggest Loser" honors in the Michigan Battle of the Buildings statewide competition (entertainment category) with a 12% energy reduction reflecting the Authority's continued green efforts and contributing to a very nominal increase in utilities expenses for the year.

In 2018, operating expenses increased at a higher rate than operating revenues primarily due to the increased capital replacement and repair needs of the facilities as they age.

Nonoperating Revenues

Nonoperating revenues result primarily from a parking lease (Area #2) and investment income. As cash is generated by operations, the Authority gauges future cash flow needs and invests excess cash as available to maximize return and value for the Authority. In 2019, investment returns increased by about 52% reflecting similar increases in the Federal funds rate. Additionally, lease payments increased at the Arena Area #2 lot, reflecting a full year of increased parking rates in 2019 (versus only ten months in 2018) from approximately \$367,000 in 2018 to approximately \$386,000 in 2019.

In 2018, investment returns increased by about 62% reflecting similar increases in the Federal funds rate. Additionally, due to the increasing popularity of the downtown area and an almost doubling of the related parking rates effective September 2017, especially south of the Arena, daily and event parking revenues continue to increase at the Arena Area #2 lot, increasing from approximately \$314,000 in 2017 to approximately \$367,000 in 2018.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Transfer of Constructed Assets

Bonds issued by the City-County Building Authority ("CCBA") and the City of Grand Rapids Downtown Development Authority ("DDA") are collateralized by assets and construction expenses associated with DeVos Place Convention Center and Van Andel Arena, respectively. During fiscal years 2019 and 2018, construction expenses of approximately \$846,000 and \$142,000, respectively, were transferred to the City-County Building Authority and the Downtown Development Authority. When the bonds issued by the City-County Building Authority have been retired, title to both the Arena and DeVos Place will be conveyed to the Authority.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2019 and 2018, the Authority had invested \$1,322,762 and \$1,784,742, respectively, net of accumulated depreciation, in capital assets (see the table below). Additional information regarding the Authority's capital assets can be found in Note 4 to the financial statements.

| | Capital Assets (Net of Depreciation) Year Ended June 30, | | |
|-----------|---|---------------------|---------------------|
| | 2019 | 2018 | 2017 |
| Equipment | <u>\$ 1,322,762</u> | <u>\$ 1,784,742</u> | <u>\$ 1,976,273</u> |

The facilities managed by the Authority were constructed with bonds issued by the CCBA and the DDA. When the bonds have been retired, title to both the Arena and DeVos Place will be conveyed to the Authority.

Debt Administration. The Authority had no long-term debt as of June 30, 2019, 2018 or 2017.

Economic Condition and Outlook

Management believes that the Grand Rapids-Kent County Convention/Arena Authority is in good condition both administratively and financially. This report covers the eighteenth and nineteenth years of operations. The Authority's operations and finance committees continue to monitor policies and practices governing facility rates, booking preferences and quality of service. Consolidated operating revenues at DeVos Place and Van Andel Arena continue to exceed booking expenses (including large-scale repair and replacement projects) on an annual basis. Long-term booking activity, enhanced by the services of the Grand Rapids-Kent County Convention and Visitor's Bureau, continues to draw commitments for convention center activity, which is now booking through calendar year 2027.

The Authority's facilities include a 12,000+ seat capacity Van Andel Arena, a 2,400 seat DeVos Performance Hall, a 685 parking space facility below the convention center complex, a 160,000 square foot full-service exhibit hall, related meeting rooms offering over 24,000 square feet of additional space, as well as a 40,000 square foot ballroom.

The fiscal year 2020 (beginning July 1, 2019) budget forecasts operating revenues of \$15.1 million with operating expenses (before depreciation) of \$13.9 million. Debt service obligations related to Van Andel Arena and DeVos Place Convention Center are being financed by Grand Rapids Downtown Development Authority tax increment revenues and Kent County lodging excise tax revenues.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenue it earns. Questions about this report or requests for additional financial information should be directed to the Grand Rapids-Kent County Convention/Arena Authority's Administrative Manager at 303 Monroe Avenue NW, Grand Rapids, MI 49503.

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BASIC FINANCIAL STATEMENTS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Net Position

| | June 30, | |
|--|----------------------|----------------------|
| | 2019 | 2018 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,567,285 | \$ 9,613,313 |
| Investments | 29,630,385 | 24,730,096 |
| Accounts receivable, net | 2,051,584 | 2,673,640 |
| Prepaid expenses | 773,600 | 238,966 |
| Total current assets | <u>44,022,854</u> | <u>37,256,015</u> |
| Noncurrent assets: | | |
| Capital assets being depreciated, net | <u>1,322,762</u> | <u>1,784,742</u> |
| Total assets | <u>45,345,616</u> | <u>39,040,757</u> |
| Liabilities (all current) | | |
| Accounts payable and accrued liabilities | 2,205,245 | 643,552 |
| Accrued expenses | 1,333,826 | 1,604,455 |
| Advance ticket sales | 8,308,667 | 9,317,610 |
| Advance deposits | 465,231 | 506,935 |
| Unearned revenue | <u>7,440,901</u> | <u>1,479,673</u> |
| Total liabilities (all current) | <u>19,753,870</u> | <u>13,552,225</u> |
| Net position | | |
| Investment in capital assets | 1,322,762 | 1,784,742 |
| Unrestricted | <u>24,268,984</u> | <u>23,703,790</u> |
| Total net position | <u>\$ 25,591,746</u> | <u>\$ 25,488,532</u> |

The accompanying notes are an integral part of these basic financial statements.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Revenues, Expenses and Changes in Fund Net Position

| | Year Ended June 30, | |
|-----------------------------------|---------------------|---------------|
| | 2019 | 2018 |
| Operating revenues | | |
| Charges for services - facilities | \$ 17,883,544 | \$ 15,569,822 |
| Operating expenses | | |
| Personnel services | 5,084,367 | 4,599,551 |
| Utilities | 2,711,039 | 2,696,859 |
| Supplies and other expenses | 4,307,164 | 3,162,687 |
| Contractual services | 4,266,343 | 3,803,018 |
| Depreciation | 522,885 | 488,495 |
| Repairs and maintenance | 998,951 | 1,166,963 |
| Professional services | 70,979 | 86,103 |
| Total operating expenses | 17,961,728 | 16,003,676 |
| Operating loss | (78,184) | (433,854) |
| Nonoperating revenues | | |
| Interest revenue | 642,041 | 309,466 |
| Other revenue | 385,615 | 366,974 |
| Total nonoperating revenues | 1,027,656 | 676,440 |
| Income before transfers out | 949,472 | 242,586 |
| Transfer of constructed assets | (846,258) | (141,780) |
| Change in net position | 103,214 | 100,806 |
| Net position, beginning of year | 25,488,532 | 25,387,726 |
| Net position, end of year | \$ 25,591,746 | \$ 25,488,532 |

The accompanying notes are an integral part of these basic financial statements.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Cash Flows

| | Year Ended June 30, | |
|---|----------------------|---------------------|
| | 2019 | 2018 |
| Cash flows from operating activities | | |
| Cash received from facility operations | \$ 18,658,079 | \$ 16,700,133 |
| Cash payments to employees | (4,879,707) | (4,610,179) |
| Cash payments for goods and services | (12,044,604) | (10,655,242) |
| Net cash provided by operating activities | <u>1,733,768</u> | <u>1,434,712</u> |
| Cash flows from capital and related financing activities | | |
| Acquisition/construction of capital assets | (60,905) | (296,964) |
| Acquisition/construction of transferred assets | (846,258) | (141,780) |
| Other receipts | <u>385,615</u> | <u>366,974</u> |
| Net cash used in capital and related financing activities | <u>(521,548)</u> | <u>(71,770)</u> |
| Cash flows from investing activities | | |
| Interest and dividends received | 642,041 | 309,466 |
| Proceeds from sale of investments | 6,600,000 | 4,200,000 |
| Purchases of investments | <u>(6,500,289)</u> | <u>(5,983,041)</u> |
| Net cash provided by (used in) investing activities | <u>741,752</u> | <u>(1,473,575)</u> |
| Net change in cash and cash equivalents | 1,953,972 | (110,633) |
| Cash and cash equivalents, beginning of year | <u>9,613,313</u> | <u>9,723,946</u> |
| Cash and cash equivalents, end of year | <u>\$ 11,567,285</u> | <u>\$ 9,613,313</u> |

continued...

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|---------------------|
| | 2019 | 2018 |
| Reconciliation of operating loss to net cash provided by operating activities | | |
| Operating loss | \$ (78,184) | \$ (433,854) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation expense | 522,885 | 488,495 |
| Change in operating assets and liabilities: | | |
| Accounts receivables, net | 622,056 | (98,453) |
| Prepaid expenses | (534,634) | 36,209 |
| Accounts payable and accrued liabilities | 1,561,693 | (1,489,822) |
| Accrued expenses | (270,629) | 71,978 |
| Advance ticket sales | (1,008,943) | 2,570,103 |
| Advance deposits | (41,704) | 164,442 |
| Unearned revenue | 961,228 | 125,614 |
| Net cash provided by operating activities | <u>\$ 1,733,768</u> | <u>\$ 1,434,712</u> |

concluded

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Grand Rapids - Kent County Convention/Arena Authority (the "Authority") was created by the City of Grand Rapids (the "City") and the County of Kent (the "County"), under the provisions of Act 203 of the Public Acts of Michigan of 1999. The Authority was established for the purpose of acquiring, constructing, improving, enlarging, renewing, replacing, repairing, financing, refinancing, equipping and operating convention facilities (including all or part of, or any combination of, a convention hall, auditorium, arena, meeting rooms, exhibition area and related adjacent public areas, together with appurtenant property including parking lots and structures) and real property on which they are located.

The Authority includes the operations of DeVos Place which provides space for conventions, concerts, meetings and other performances. Capital assets of DeVos Place were transferred to the City-County Building Authority (the "CCBA") where they are pledged until the related bonds are retired in 2031. At that time, ownership of these capital assets will be transferred to the Authority.

The Authority also includes the operations of the Van Andel Arena (the "Arena") which provides space for conventions, concerts, sporting events, meetings and other performances. The Grand Rapids Downtown Development Authority (the "DDA") maintains ownership of certain capital assets until the CCBA bonds are retired in 2031 according to the terms of the operating agreement signed by the CCBA, DDA and the Authority. At that time, ownership of these capital assets will be transferred to the Authority.

The accounting and reporting policies of the Authority conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority is a special-purpose entity that uses proprietary fund reporting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Authority's proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority uses the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for facility rentals, sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Assets, Liabilities and Net Position

Cash and Cash Equivalents

The Authority considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents for the statements of cash flows.

Investments

State statutes authorize governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

The Authority participates in the Kent County Investment Pool (the "Pool") which is managed by the County Treasurer. Investments underlying the County External Investment Pool consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, and U.S. treasuries and agencies, which are carried at fair value. Investment income earned as a result of cash pooling is allocated to participating governments. Positions in external investment pools are not required to be categorized within the fair value hierarchy.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which are limited to certain building improvements and equipment, are stated at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of three or more years. The facilities managed by the Authority were constructed with bonds issued by the CCBA and the DDA. When the bonds have been retired, title to both the Arena and DeVos Place will be conveyed to the Authority.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | Years |
|--------------------------|-------|
| Buildings and structures | 1-34 |
| Equipment | 3-10 |

Unearned Revenues

Amounts received in advance of project costs being incurred are reported as unearned revenue. During the year ended June 30, 2019, the Authority received \$5 million in grant funds from the State of Michigan to be used for a capital project. None of these funds had been spent as of year end; therefore the full amount is considered unearned revenue. Additionally, as part of the new management agreement with SMG effective for fiscal year 2019, SMG paid the Authority a \$1 million contribution to be amortized over a 20 year period. The Authority recognized \$50,000 as revenue in the current year. The remaining unamortized amount of \$950,000 will be recognized over the term of the agreement.

Compensated Absences

Employees are credited with 20 days of vacation each calendar year, which cannot be carried over. Accrued compensated absences totaled \$220,629 and \$208,137 at June 30, 2019 and 2018, respectively.

Revenues

The Authority records facilities revenue upon completion of the event at DeVos Place or the Arena. Accordingly, amounts received for advance ticket sales or deposits are recorded as unearned revenue until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event. In accordance with the SMG facility management agreement, certain direct event expenses billed to facility customers are netted against the related event revenue that they generate. Event revenues are reported net of related event expenses of \$9,362,257 and \$7,380,438 for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the statement of net position follows:

| | June 30, | |
|--|----------------------|----------------------|
| | 2019 | 2018 |
| Statement of net position | | |
| Cash and cash equivalents | \$ 11,567,285 | \$ 9,613,313 |
| Investments | 29,630,385 | 24,730,096 |
| Total | <u>\$ 41,197,670</u> | <u>\$ 34,343,409</u> |
| Deposits and investments | | |
| Bank deposits - checking / savings accounts | \$ 11,567,285 | \$ 9,613,313 |
| Investments in the Kent County Investment Pool | 29,630,385 | 24,730,096 |
| Total | <u>\$ 41,197,670</u> | <u>\$ 34,343,409</u> |

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. At June 30, 2019, \$11,971,114 of the Authority's bank balance of \$13,103,714 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2018, \$8,962,412 of the Authority's bank balance of \$10,017,072 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. As of June 30, 2019 and 2018, the Authority's investments were not subject to custodial credit risk. Additional information regarding custodial credit risk can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The County investment pool is not rated. Additional information regarding credit risk of the investments held in the County investment pool can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments at June 30, 2019 and 2018 consisted entirely of balances in the Kent County Investment Pool. Such amounts are accessible to the Authority on demand. The Authority's investments do not have identifiable maturity dates. Additional information regarding interest rate risk can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above. Information on concentration of credit risk for the County Investment Pool can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

3. ACCOUNTS RECEIVABLES

Accounts receivables are comprised of the following:

| | June 30, | |
|--------------------------------------|---------------------|---------------------|
| | 2019 | 2018 |
| Facility customers/events | \$ 1,294,595 | \$ 2,009,249 |
| Ancillary revenues | 815,713 | 695,913 |
| Allowance for uncollectible accounts | (58,724) | (31,522) |
| | <u>\$ 2,051,584</u> | <u>\$ 2,673,640</u> |

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|------------------------------------|----------------------|---------------------|-------------|-------------|---------------------|
| Capital assets, being depreciated: | | | | | |
| Buildings and structures | \$ 322,431 | \$ - | \$ - | \$ - | \$ 322,431 |
| Equipment | 4,233,948 | 60,905 | - | - | 4,294,853 |
| | <u>4,556,379</u> | <u>60,905</u> | <u>-</u> | <u>-</u> | <u>4,617,284</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and structures | (322,431) | - | - | - | (322,431) |
| Equipment | (2,449,206) | (522,885) | - | - | (2,972,091) |
| | <u>(2,771,637)</u> | <u>(522,885)</u> | <u>-</u> | <u>-</u> | <u>(3,294,522)</u> |
| Capital assets, net | <u>\$ 1,784,742</u> | <u>\$ (461,980)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,322,762</u> |

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Capital asset activity for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|------------------------------------|----------------------|---------------------|------------------|-------------|---------------------|
| Capital assets, being depreciated: | | | | | |
| Buildings and structures | \$ 322,431 | \$ - | \$ - | \$ - | \$ 322,431 |
| Equipment | 4,418,724 | 296,964 | (481,740) | - | 4,233,948 |
| | <u>4,741,155</u> | <u>296,964</u> | <u>(481,740)</u> | <u>-</u> | <u>4,556,379</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and structures | (322,431) | - | - | - | (322,431) |
| Equipment | (2,442,451) | (488,495) | 481,740 | - | (2,449,206) |
| | <u>(2,764,882)</u> | <u>(488,495)</u> | <u>481,740</u> | <u>-</u> | <u>(2,771,637)</u> |
| Capital assets, net | <u>\$ 1,976,273</u> | <u>\$ (191,531)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,784,742</u> |

5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, natural disasters, and employee injuries. The Authority carries commercial insurance for most risks of loss, including employee life, health and accident insurance. The Authority has not experienced settlements in excess of insurance coverage during the past three years.

6. COMMITMENTS AND CONTINGENCIES

The Authority has entered into an agreement with SMG to manage the operations of DeVos Place and the Arena through June 30, 2028.

The Authority pays SMG an annual base management fee and an incentive fee based on the results of operations of DeVos Place and the Arena. For the years ended June 30, 2019 and 2018, total management and incentive fees earned by SMG were approximately \$706,000 for each year, and are recorded in contractual services expense.

The Authority is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Authority.

7. DEFERRED COMPENSATION PLAN

The Authority offers a deferred compensation plan in accordance with Sections 409 and 457 of the Internal Revenue Code (the "Plan") that will provide for payments upon completion of performance requirements as established by the Plan agreement. The Plan assets are held in trust for the exclusive benefit of participants and designated beneficiaries. As such, these amounts have not been included in the financial statements. During the year ended June 30 2018, the Authority contributed \$200,000 and employees contributed \$0 to the Plan. There were no contributions in fiscal year 2019.

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SUPPLEMENTARY INFORMATION (UNAUDITED)

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Revenues, Expenses and Changes in Fund Net Position

Budget and Actual

For the Year Ended June 30, 2019

| | Budget | Actual | Actual Over (Under) Budget |
|-----------------------------------|---------------|---------------|----------------------------------|
| Operating revenues | | | |
| Charges for services - facilities | \$ 14,004,875 | \$ 17,883,544 | \$ 3,878,669 |
| Operating expenses | | | |
| Personnel services | 4,705,686 | 5,084,367 | 378,681 |
| Utilities | 2,684,400 | 2,711,039 | 26,639 |
| Supplies and other expenses | 1,334,660 | 4,307,164 | 2,972,504 |
| Contractual services | 3,104,654 | 4,266,343 | 1,161,689 |
| Depreciation | - | 522,885 | 522,885 |
| Repairs and maintenance | 937,789 | 998,951 | 61,162 |
| Professional services | 164,300 | 70,979 | (93,321) |
| Total operating expenses | 12,931,489 | 17,961,728 | 5,030,239 |
| Operating income (loss) | 1,073,386 | (78,184) | (1,151,570) |
| Nonoperating revenues | | | |
| Interest revenue | 392,000 | 642,041 | 250,041 |
| Other revenue | 454,000 | 385,615 | (68,385) |
| Total nonoperating revenues | 846,000 | 1,027,656 | 181,656 |
| Income before transfers out | 1,919,386 | 949,472 | (969,914) |
| Transfer of constructed assets | (6,188,190) | (846,258) | 5,341,932 |
| Change in net position | (4,268,804) | 103,214 | 4,372,018 |
| Net position, beginning of year | 25,488,532 | 25,488,532 | - |
| Net position, end of year | \$ 21,219,728 | \$ 25,591,746 | \$ 4,372,018 |

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 18, 2019

Honorable members of the Grand Rapids-Kent County
Convention/Arena Authority Board
Grand Rapids, Michigan

We have audited the financial statements of the *Grand Rapids-Kent County Convention/Arena Authority* (the "Authority") as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated November 18, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 26, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on October 31, 2019.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Authority's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during the course of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

■ Attachment A - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2019 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Authority in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Authority. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 84 ■ Fiduciary Activities

Effective 12/15/2019 (your FY 2020)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the Authority.

GASB 87 ■ Leases

Effective 12/15/2020 (your FY 2021)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2020 (your FY 2021)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the Authority.

GASB 90 ■ Majority Equity Interests

Effective 12/15/2019 (your FY 2020)

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the Authority.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2021 (your FY 2022)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is *more likely than not* that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the Authority.

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GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment B - Management Representations

For the June 30, 2019 Audit

The following pages contain the written representations that we requested from management.



November 18, 2019

Rehmann Robson
2330 East Paris Ave. SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the **Grand Rapids - Kent County Convention/Arena Authority**, (the "Authority") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Convention

Arena

Authority

Steven Heacock,

Chairman

Hon. Rosalynn Bliss

Lew Chamberlin

Birgit M. Klohs

Charlie Secchia

Floyd Wilson, Jr.

Richard A. Winn

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 18, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 26, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. With regard to items reported at fair value:



Van Andel Arena®
130 West Fulton
Grand Rapids, MI 49503-2601
616.742.6600

DEVOS PLACE

DeVos Place®
303 Monroe Ave. NW
Grand Rapids, MI 49503-2233
616.742.6500



- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
9. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
 10. All funds and activities are properly classified.
 11. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
 12. All components of net position and fund balance classifications have been properly reported.
 13. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 14. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
 15. All interfund and intra-entity transactions and balances have been properly classified and reported.
 16. Deposit and investment risks have been properly and fully disclosed.
 17. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
 18. All required supplementary information is measured and presented within the prescribed guidelines.

Information Provided

19. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
20. All transactions have been recorded in the accounting records and are reflected in the financial statements.
21. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
22. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.

23. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
24. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
25. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
26. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
27. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
28. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
29. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
30. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
31. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
32. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

34. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

35. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Robert White, Contracted Finance Director



Richard MacKeigan, Contracted Executive Director



Memorandum

To: CAA Board
CAA Finance Committee

From: Robert J. White

Subject: Consolidated Financial Report
FY 2019 Recap – Budget to Actual

Date: December 6, 2019

The attached material summarizes the CAA administrative operating budget and consolidated income statement for fiscal years ended June 30, 2018-2019 and provides a comparison to the current fiscal year (FY 2020) budget.

Table D provides a summary of the consolidated budget by facility for the fiscal year ended June 30, 2020, along with actual results for FY 2018 and FY 2019. ***The FY 2019 budget, as adopted, forecasted a (\$4,268,804) draw on unrestricted fund balance. Upon completion of the fiscal year and release of the audited financial statements, it was determined that the Authority had generated a net income of \$565,194 applied to its unrestricted fund balance.*** Specific variances are summarized in the following manner:

Van Andel Arena®

The original budgeted operating revenues, of \$5.8 million, forecast a (13.6%) decrease for this facility. At fiscal year end, the facility recorded \$8.9 million in actual operating revenues, representing a +31.0% increase from prior year. Concert activity has a significant impact on this operating account. The originally budgeted “net proceeds,” totaled \$1.6 million. Actual results totaled \$4.2 million.

DeVos Place® Convention Center

The FY 2019 budget forecast a decline in operating revenues of (9.4%). Increased activity at DeVos Place® resulted in a gain of +2.3% from prior year. FY 2019 operating expenses were forecast to decrease by (6.5%) from prior year. Due to increased event load and the addition of several significant repair/maintenance projects, operating expenses increased by 6.1% over prior year. The result was an improvement in “net proceeds,” from a budgeted net of \$0.9 million to a margin of \$1.1 million.

Administrative (Other)

Expenses:

- No significant change.

Capital Expenditures

The FY 19 budget included a spending allowance of \$6,188,190. Eleven “in progress” project balances, totaling \$1.3 million, were carried over to the FY 20 capital budget. All other projects were completed at a net savings of \$.6 million.

All of these revenue/expenditure variances resulted in a positive variance from a forecasted \$4.3 million draw on unrestricted fund balance to a positive balance of \$.6 million for the Fiscal Year ended June 30, 2019.

The Fiscal Year 2020 budget forecasts a draw of \$3.3 million from unrestricted fund balance. This draw is required as a result of a capital spending appropriation of \$5.0 million. Current year cash flow will provide \$1.7 million for these capital projects, with the remaining \$3.3 million to be drawn from unrestricted fund balance.

Attachments:

Table A – SMG Facilities Budget

Table B – Administrative-Operating/Capital Replacement Budget

Table B - Notes

Table B-1 – Detail of Expenditure Estimates

Table C – Consolidated Income Statement

Table D – Budget Summary by Facility/Other

Table E – Summary of Consolidated Income Statement – 10 Years

Table F – 15-Year Fund Balance Projection

Table A
Grand Rapids-Kent County Convention/Arena Authority
SMG Facilities Budget
Fiscal Years Ending June 30, 2018 - 2020

| | FY 2018 | | FY 2019 | | FY 2020 |
|-----------------------------|----------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| | Actual | Budget | Estimate | Actual | Budget |
| Van Andel Arena | | | | | |
| Operating - Revenues | \$ 6,767,205 | \$ 5,847,699 | \$ 8,348,738 | \$ 8,867,124 | \$ 6,261,150 |
| - Expenses - Facilities | (4,536,357) | (4,302,641) | (4,439,870) | (4,579,012) | (4,467,311) |
| - Management Fees | (176,440) | (176,440) | (176,440) | (176,440) | (179,969) |
| - Incentive Fees | (133,957) | (92,319) | (197,943) | (201,049) | (118,412) |
| Net Operating Income | <u>1,920,451</u> | <u>1,276,299</u> | <u>3,534,485</u> | <u>3,910,623</u> | <u>1,495,458</u> |
| DeVos Place | | | | | |
| Operating - Revenues | 7,192,939 | 6,519,176 | 7,053,779 | 7,357,133 | 6,697,333 |
| - Expenses - Facilities | (6,803,548) | (6,360,926) | (6,610,173) | (7,218,640) | (6,672,635) |
| - Management Fees | (176,440) | (176,440) | (176,440) | (176,440) | (179,969) |
| - Incentive Fees | (218,923) | (260,561) | (154,937) | (151,831) | (241,526) |
| Net Operating Income/(Loss) | <u>(5,972)</u> | <u>(278,751)</u> | <u>112,229</u> | <u>(189,778)</u> | <u>(396,797)</u> |
| Net Available to CAA: | | | | | |
| Van Andel Arena | 1,920,451 | 1,276,299 | 3,534,485 | 3,910,623 | 1,495,458 |
| DeVos Place | (5,972) | (278,751) | 112,229 | (189,778) | (396,797) |
| | <u>\$ 1,914,479</u> | <u>\$ 997,548</u> | <u>\$ 3,646,714</u> | <u>\$ 3,720,845</u> | <u>\$ 1,098,661</u> |

Table B
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2018-2020

| | FY2018 | FY 2019 | | FY 2020 | |
|-------------------------------------|---------------|----------------|-----------------|----------------|--------------------------|
| | Actual | Budget | Estimate | Actual | Budget |
| Revenues: | | | | | |
| Facility Operations | \$ 1,914,479 | \$ 997,548 | \$ 3,646,714 | \$ 3,720,845 | \$ 1,098,661 |
| Utility Reimbursement | 2,376,007 | 2,488,200 | 2,460,667 | 2,342,708 | 2,392,200 |
| Transfers from SMG | 4,290,486 | 3,485,748 | 6,107,381 | 6,063,553 | 3,490,861 |
| DeVos Place Parking ⁽¹⁾ | 1,521,621 | 1,518,000 | 1,565,000 | 1,644,741 | 1,570,000 |
| VanAndel Parking ⁽¹⁾ | 366,974 | 454,000 | 383,480 | 385,614 | 409,000 |
| Interest | 282,816 | 392,000 | 489,273 | 530,352 | 564,750 ⁽²⁾ |
| Miscellaneous ⁽⁷⁾ | 114,707 | 120,000 | 121,000 | 126,235 | 121,000 |
| Total Revenues | 6,576,604 | 5,969,748 | 8,666,134 | 8,750,495 | 6,155,611 |
| Expenditures: | | | | | |
| Utilities ⁽⁴⁾ | 2,376,007 | 2,488,200 | 2,460,667 | 2,342,708 | 2,392,200 |
| Other Operating ⁽⁵⁾ | 400,999 | 504,031 | 489,408 | 534,166 | 498,170 |
| Administration/Other ⁽⁶⁾ | 889,156 | 1,058,131 | 1,011,519 | 1,063,098 | 1,572,828 |
| Facility Maintenance | 2,179,361 | - | - | 3,338,156 | - |
| Capital | 438,744 | 6,188,190 | 5,475,212 | 907,173 | 4,994,905 ⁽³⁾ |
| Total Expenditures | 6,284,267 | 10,238,552 | 9,436,806 | 8,185,301 | 9,458,103 |
| Net Excess (Deficit) | \$ 292,337 | \$ (4,268,804) | \$ (770,672) | \$ 565,194 | \$ (3,302,492) |

Notes: See Following Pages

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2020 Budget

Notes:

| ⁽¹⁾ DeVos Place Parking Rates: | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> |
|---|----------------|----------------|----------------|
| 30 Minutes | \$ 1.50 | \$ 1.50 | \$ 1.50 |
| Daily Maximum | 15.00 | 15.00 | 15.00 |
| Event | 10.00 | 10.00 | 10.00 |
| Monthly - Public | 154.00 | 154.00 | 154.00 |
| - Reserved Premium | 58.00 | 58.00 | 58.00 |
| - County/ASM (O+M) | 60.77 | 65.25 | 55.25 |

| | | | |
|--------------------------------|----------|----------|----------|
| Van Andel Arena Parking Rates: | | | |
| Event | \$ 12.00 | \$ 12.00 | \$ 12.00 |
| Non-Event Coin Unit | 10.00 | 12.00 | 12.00 |
| Monthly - Public | 112.00 | 112.00 | 112.00 |

⁽²⁾ \$25.1 million (3/31/19 pool balance) in invested funds at 2.25%.

⁽³⁾ FY 2020 Eligible Projects:

| | |
|--|------------------|
| Van Andel Arena® | |
| Suite refresher - furniture/paint/flooring (years 1 & 2) | \$ 400,000 |
| Lockerroom upgrades (year 2 of 2) | 1,013,881 |
| Security upgrades | 50,000 |
| Skywalk HVAC | 275,000 |
| New Roof-Phase 1 | 89,952 |
| Landscaping | 440,149 |
| Total VAA | <u>2,268,982</u> |

| | |
|---|------------------|
| DeVos Place® | |
| Additional furniture areas, including outdoors | 50,000 |
| Keeler Lobby carpet | 54,300 |
| DeVos Performance Hall carpet | 289,280 |
| Chase Boardroom carpet | 26,020 |
| Airwall fabric replacements (years 1 & 2) | 141,485 |
| Overhead door replacement-Lyon dock 4 ramp door | 50,000 |
| Projection theater upgrades | 200,000 |
| OSHA safety changes | 98,426 |
| Fly rail system (design only) | 250,000 |
| Lyon Street landscaping (years 1 & 2 of 3) | 400,000 |
| Trash Compactor | 45,000 |
| New directional screens | 75,000 |
| Padded banquet chairs - new pads | 30,000 |
| Exhibit Hall lighting and controls | 700,000 |
| Security Office & Lobby Changes/Cameras | 4,211 |
| Elevator Modernization | 53,055 |
| New small motor equipment | 50,000 |
| | <u>2,516,777</u> |

| | |
|-------------------|----------------|
| Both Venues: | |
| New computers | 64,227 |
| New phone systems | 144,919 |
| Total Both Venues | <u>209,146</u> |

| | |
|-------------------------------------|-----------------------------------|
| Total FY 2020 Capital Budget | <u><u>\$ 4,994,905</u></u> |
|-------------------------------------|-----------------------------------|

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Detail of Expenditure Estimates
FY 2018-2020

| | FY 2018 | | FY 2019 | | FY 2020 |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| | Actual | Budget | Estimate | Actual | Budget |
| Utilities⁽⁴⁾: | | | | | |
| Electricity | \$ 1,586,881 | \$ 1,657,000 | \$ 1,670,204 | \$ 1,593,238 | \$ 1,618,000 |
| Steam/Gas | 633,616 | 671,600 | 640,844 | 602,690 | 625,600 |
| Water/Sewer | 155,510 | 159,600 | 149,619 | 146,780 | 148,600 |
| | <u>2,376,007</u> | <u>2,488,200</u> | <u>2,460,667</u> | <u>2,342,708</u> | <u>2,392,200</u> |
| Other Operating⁽⁵⁾: | | | | | |
| Parking Management | 248,680 | 270,931 | 283,500 | 300,315 | 284,270 |
| Pedestrian Safety | 127,973 | 168,100 | 144,568 | 193,622 | 148,900 |
| Repairs - F&B | - | 40,000 | 40,000 | 14,095 | 40,000 |
| Landscaping | 24,346 | 25,000 | 21,340 | 26,134 | 25,000 |
| | <u>400,999</u> | <u>504,031</u> | <u>489,408</u> | <u>534,166</u> | <u>498,170</u> |
| Administration/Other⁽⁶⁾: | | | | | |
| Wages | 111,648 | 104,606 | 108,207 | 113,196 | 111,084 |
| Benefits | 29,364 | 35,712 | 37,093 | 35,183 | 37,731 |
| Accounting/Audit | 62,519 | 48,000 | 48,000 | 58,373 | 50,000 |
| Legal Services | 23,584 | 30,000 | 29,000 | 12,606 | 30,000 |
| DID Assessment ^(A) | 60,326 | 58,200 | 62,616 | 62,616 | 64,500 |
| Consulting Services | 73,006 | 189,513 * | 189,513 | 258,175 ** | 689,513 *** |
| Insurance | 14,713 | 27,100 | 21,457 | 15,421 | 25,000 |
| Marketing - CVB/WMSC | 208,333 | 200,000 | 200,000 | 200,000 | 200,000 |
| Diversity Initiative | 60,420 | 75,000 | 75,000 | 26,398 | 275,000 |
| Diversity - African-American Series | - | 200,000 | 200,000 | 204,668 | - |
| Procurement of Art (ArtPrize) | 13,188 | 30,000 | 27,293 | 26,904 | 30,000 |
| Other | 232,055 | 60,000 | 13,340 | 49,558 | 60,000 |
| | <u>\$ 889,156</u> | <u>\$ 1,058,131</u> | <u>\$ 1,011,519</u> | <u>\$ 1,063,098</u> | <u>\$ 1,572,828</u> |

Notes:

^(A)Downtown Improvement District special assessment contribution from CAA based on benefit allocation formula.

*SMG-\$53,225, \$96,775 for "destination asset study follow-up work," and \$39,513 for hotel study carryover balance.

**SMG-\$53,225, \$159,700 hotel project, \$26,372 amphitheater project, \$6,458 Secchia Lobby signage, \$12,420 DeVos restrooms.

***SMG-\$54,290, \$50,000 DVP long-term capital study, and hotel project manager/other project consultants-\$85,223, and \$500,000 - Proof of Concept Task Force - including the engagement of architects, costing experts, and

Table C
Grand Rapids-Kent County Convention/Arena Authority
Consolidated Income Statement
Fiscal Years Ending June 30, 2018-2020

| | | FY 2018 | FY 2019 | | FY 2020 | |
|-------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| | | Actual | Budget | Estimate | Actual | Budget |
| Operating Revenue: | | | | | | |
| Event | - VanAndel Arena | \$ 1,352,722 | \$ 1,092,450 | \$ 1,730,844 | \$ 1,828,795 | \$ 1,388,670 |
| | - DeVos Place | 3,576,809 | 3,208,133 | 3,369,267 | 3,450,565 | 3,295,276 |
| Ancillary | - VanAndel Arena | 1,952,062 | 1,488,399 | 2,462,118 | 2,592,010 | 1,609,280 |
| | - DeVos Place | 2,765,584 | 2,631,492 | 2,934,102 | 2,921,949 | 2,598,699 |
| Other | - VanAndel Arena | 3,462,421 | 3,266,850 | 4,155,776 | 4,446,319 | 3,263,200 |
| | - DeVos Place | 850,546 | 679,551 | 750,410 | 984,619 | 803,358 |
| | -Administration | 114,707 | 120,000 | 121,000 | 126,235 | 121,000 |
| Parking | - VanAndel Arena | 366,974 | 454,000 | 383,480 | 385,614 | 409,000 |
| | - DeVos Place | 1,521,621 | 1,518,000 | 1,565,000 | 1,644,741 | 1,570,000 |
| | | <u>15,963,446</u> | <u>14,458,875</u> | <u>17,471,997</u> | <u>18,380,847</u> | <u>15,058,483</u> |
| Operating Expense / Appropriations: | | | | | | |
| Facility Operations | | | | | | |
| | - VanAndel Arena | 4,536,357 | 4,302,641 | 4,439,870 | 4,579,012 | 4,467,311 |
| | - DeVos Place | 6,803,548 | 6,360,926 | 6,610,173 | 7,218,640 | 6,672,635 |
| | - Management | 352,880 | 352,880 | 352,880 | 352,880 | 359,938 |
| | - Incentive | 352,880 | 352,880 | 352,880 | 352,880 | 359,938 |
| | - Parking/Maintenance | 400,999 | 504,031 | 489,408 | 534,166 | 498,170 |
| Other Operating | | 2,179,361 | - | - | 3,338,156 | - |
| Administration/Other | | 889,156 | 1,058,131 | 1,011,519 | 1,063,098 | 1,572,828 |
| | | <u>15,515,181</u> | <u>12,931,489</u> | <u>13,256,730</u> | <u>17,438,832</u> | <u>13,930,820</u> |
| Operating Income | | 448,265 | 1,527,386 | 4,215,267 | 942,015 | 1,127,663 |
| Non-Operating Revenue: | | | | | | |
| Interest/Capital Contribution | | 282,816 | 392,000 | 489,273 | 530,352 | 564,750 |
| Transfer (to) from Capital Acct. | | (438,744) | (6,188,190) | (5,475,212) | (907,173) | (4,994,905) |
| | | <u>(155,928)</u> | <u>(5,796,190)</u> | <u>(4,985,939)</u> | <u>(376,821)</u> | <u>(4,430,155)</u> |
| Net Income (Loss) | | 292,337 | (4,268,804) | (770,672) | 565,194 | (3,302,492) |
| Fund Balance, beg. of yr. | | 23,411,454 | 23,703,791 | 23,703,791 | 23,703,791 | 24,268,984 * |
| Fund Balance, end of yr. | | \$ 23,703,791 | \$ 19,434,987 | \$ 22,933,119 | \$ 24,268,985 | \$ 20,966,492 * |

*Excludes the recently-deposited \$5,000,000 state grant proceeds.

Table D
Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
FY 2018-2020 Actual/Estimate
FY 2020 Budget

| | FY 2018 | | FY 2019 | | FY 2020 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Budget | Estimate | Actual | Budget |
| Van Andel Arena | | | | | |
| Operating - Revenues | \$ 6,767,205 | \$ 5,847,699 | \$ 8,348,738 | \$ 8,867,124 | \$ 6,261,150 |
| - Expenses - Facilities | (4,536,357) | (4,302,641) | (4,439,870) | (4,579,012) | (4,467,311) |
| - Management Fees | (176,440) | (176,440) | (176,440) | (176,440) | (179,969) |
| - Incentive Fee | (133,957) | (92,319) | (197,943) | (201,049) | (118,412) |
| Net Operating Income (Loss) | 1,920,451 | 1,276,299 | 3,534,485 | 3,910,623 | 1,495,458 |
| Parking | 366,974 | 454,000 | 383,480 | 385,614 | 409,000 |
| Pedestrian Safety | (82,923) | (110,000) | (94,568) | (130,605) | (97,400) |
| Net Proceeds (Cost) of VAA | 2,204,502 | 1,620,299 | 3,823,397 | 4,165,632 | 1,807,058 |
| DeVos Place Convention Center | | | | | |
| Operating - Revenues | 7,192,939 | 6,519,176 | 7,053,779 | 7,357,133 | 6,697,333 |
| - Expenses - Facilities | (6,803,548) | (6,360,926) | (6,610,173) | (7,218,640) | (6,672,635) |
| - Management Fees | (176,440) | (176,440) | (176,440) | (176,440) | (179,969) |
| - Incentive Fee | (218,923) | (260,561) | (154,937) | (151,831) | (241,526) |
| Net Operating Loss | (5,972) | (278,751) | 112,229 | (189,778) | (396,797) |
| Parking | 1,272,941 | 1,247,069 | 1,281,500 | 1,344,426 | 1,285,730 |
| Pedestrian Safety | (45,050) | (58,100) | (50,000) | (63,017) | (51,500) |
| Net Proceeds (Cost) of DVP | 1,221,919 | 910,218 | 1,343,729 | 1,091,631 | 837,433 |
| Other | | | | | |
| Revenues | | | | | |
| Interest | 282,816 | 392,000 | 489,270 | 530,352 | 564,750 |
| Miscellaneous | 114,707 | 120,000 | 121,000 | 126,235 | 121,000 |
| | 397,523 | 512,000 | 610,270 | 656,587 | 685,750 |
| Expenses | | | | | |
| Administration | (889,156) | (1,058,131) | (1,011,519) | (1,063,098) | (1,572,828) |
| Other Operating | (24,346) | (65,000) | (61,340) | (40,229) | (65,000) |
| | (913,502) | (1,123,131) | (1,072,859) | (1,103,327) | (1,637,828) |
| Net Other | (515,979) | (611,131) | (462,589) | (446,740) | (952,078) |
| Total Net Proceeds/Operating | 2,910,442 | 1,919,386 | 4,704,537 | 4,810,523 | 1,692,413 |
| Capital Expenditures | (2,618,105) | (6,188,190) | (5,475,212) | (4,245,329) | (4,994,905) |
| Results Net of Capital Expenditures | \$ 292,337 | \$ (4,268,804) | \$ (770,675) | \$ 565,194 | \$ (3,302,492) |

Table E
Grand Rapids-Kent County Convention/Arena Authority
Summary of Consolidated Income Statement - By Facility
Fiscal Years 2011 through 2020
November 15, 2019
(In Thousands)

| | Actual | | | | | | | | | Budget |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
| VAA - Net Proceeds | \$ 925 | \$ 976 | \$ 1,793 | \$ 532 | \$ 1,610 | \$ 1,980 | \$ 2,865 | \$ 2,338 | \$ 4,367 | \$ 1,925 |
| DVP - Net Proceeds | 125 | 280 | 784 | 445 | 908 | 1,625 | 1,465 | 1,441 | 1,243 | 1,079 |
| SMG Incentive Fees | - | - | (331) | - | (344) | (344) | (347) | (353) | (353) | (360) |
| Other-Net Proceeds | <u>(276)</u> | <u>(425)</u> | <u>(313)</u> | <u>(456)</u> | <u>(308)</u> | <u>(565)</u> | <u>(442)</u> | <u>(516)</u> | <u>(447)</u> | <u>(952)</u> |
| Total Net Operating | 774 | 831 | 1,933 | 521 | 1,866 | 2,696 | 3,541 | 2,910 | 4,810 | 1,692 |
| Capital | <u>(3,416)</u> | <u>(662)</u> | <u>(962)</u> | <u>(2,565)</u> | <u>(1,130)</u> | <u>(2,361)</u> | <u>(2,360)</u> | <u>(2,618)</u> | <u>(4,245)</u> | <u>(4,995)</u> |
| Transfer To/(From) Fund Balance | <u>(2,642)</u> | <u>169</u> | <u>971</u> | <u>(2,044)</u> | <u>736</u> | <u>335</u> | <u>1,181</u> | <u>292</u> | <u>565</u> | <u>(3,303)</u> |
| Fund Balance, End of Year | <u>\$ 22,066</u> | <u>\$ 22,234</u> | <u>\$ 23,204</u> | <u>\$ 21,160</u> | <u>\$ 21,896</u> | <u>\$ 22,230</u> | <u>\$ 23,411</u> | <u>\$ 23,703</u> | <u>\$ 24,268</u> | <u>\$ 20,965</u> |

Table F
Grand Rapids-Kent County Convention/Arena Authority
15 Year Fund Balance Projection
(In Thousands)
November 15, 2019

| | Beginning Fund Balance | Revenues | Expenses | Net Income/ (Loss) | Capital | Ending Fund Balance |
|----------|---------------------------|-----------|-------------|--------------------------|------------|------------------------|
| FY 2019 | \$ 23,703 | \$ 18,911 | \$ (14,101) | \$ 4,810 | \$ (4,245) | \$ 24,268 |
| FY 2020 | 24,268 | 15,623 | (13,931) | 1,692 | (4,995) | 20,965 |
| FY 2021 | 20,965 | 15,901 | (13,684) | 2,217 | (7,389) | 15,793 |
| FY 2022 | 15,793 | 16,310 | (13,942) | 2,368 | (3,000) | 15,161 |
| FY 2023 | 15,161 | 16,624 | (14,205) | 2,419 | (3,159) | 14,421 |
| FY 2024 | 14,421 | 16,939 | (14,473) | 2,466 | (3,159) | 13,728 |
| FY 2025 | 13,728 | 17,264 | (14,745) | 2,519 | (3,159) | 13,088 |
| FY 2026 | 13,088 | 17,600 | (15,204) | 2,396 | (3,054) | 12,430 |
| FY 2027 | 12,430 | 17,943 | (15,307) | 2,636 | (3,115) | 11,951 |
| FY 2028 | 11,951 | 18,299 | (15,597) | 2,702 | (3,177) | 11,476 |
| FY 2029 | 11,476 | 18,665 | (15,892) | 2,773 | (3,241) | 11,008 |
| FY 2030 | 11,008 | 19,038 | (16,192) | 2,846 | (3,306) | 10,548 |
| FY 2031 | 10,548 | 19,420 | (16,499) | 2,921 | (4,295) | 9,174 |
| FY 2032* | 9,174 | 19,780 | (16,811) | 2,969 | (4,381) | 7,762 |
| FY 2033 | 7,762 | 20,147 | (17,130) | 3,017 | (4,468) | 6,311 |

NOTES:

Revenues - Facilities increase by 2% per annum, parking facilities increase by 3% per annum and interest at 1.6% (FY19) to 3.50% (FY21) on beginning fund balance each year, plus \$50K/annum amortized SMG contribution.

Expense (Operating) - Facilities increase by 2% per annum, parking/administration increase by 1% per annum, less FY 21 (\$500K/annum) one-time consultant fees.

Capital - Indexed at 2% per annum.

*Final bond maturity - December 1, 2031.

**Grand Rapids-Kent County
Convention/Arena Authority
Consolidated Financial Report**

October 31, 2019

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**Financial Dashboard
Year-To-Date (4 Months)
October 31, 2019**

| Van Andel Arena® | | | | | | |
|---------------------------------|-------------------|---------------|---------------|-------------------------|----------------|-------------------------------|
| | All Events | | | Concert | | |
| | Prior Year | Budget | Actual | Prior Year | Budget | Actual |
| Events | 15 | 17 | 24 | 11 | 12 | 13 |
| Attendance | 122,177 | 142,600 | 149,555 | 95,051 | 102,000 | 105,878 |
| Event Income | \$ 1,021,720 | \$ 1,382,916 | \$ 1,213,008 | \$ 921,676 | \$ 1,242,402 | \$ 1,097,485 |
| | | | | | | |
| DeVos Place® | | | | | | |
| | All Events | | | Convention/Trade | | |
| | Prior Year | Budget | Actual | Prior Year | Budget | Actual |
| Events | 166 | 178 | 175 | 69 | 77 | 53 |
| Attendance | 130,322 | 142,370 | 101,320 | 44,490 | 69,550 | 38,890 |
| Event Income | \$ 1,915,443 | \$ 1,804,480 | \$ 1,713,472 | \$ 937,480 | \$ 921,976 | \$ 728,998 |
| | | | | | | |
| | | | | Prior Year | Budget | Actual |
| Operating Income (Loss) | | | | \$ 594,945 | \$ 371,776 | \$ 95,599 |
| Capital/Repair/Replacement | | | | (1,528,527) | (1,588,410) | (1,303,153) |
| Net - To/(From) on Fund Balance | | | | \$ (933,582) | \$ (1,216,634) | \$ (1,207,554) ⁽¹⁾ |

*NOTES: (1):

Unrestricted Fund Balance (preliminary) @ June 30, 2019 \$ 24,268,985

Grand Rapids-Kent County Convention/Arena Authority
Summary by Facility/Other
Fiscal Year Ending June 30, 2020

| | FY 2020 | | | | FY 2019 |
|---|-----------------------|-----------------------|-------------------------------|----------------------------|------------------------|
| | 7/1 - 10/31 | | | | |
| | Year-to-Date | Roll | Estimate⁽¹⁾ | Budget | Prior Year |
| Van Andel Arena | | | | | |
| Operating - Revenues | \$ 2,045,241 | \$ 4,329,463 | \$ 6,374,704 | \$ 6,261,150 | \$ 8,797,609 |
| - Expenses - Facilities | (1,352,416) | (3,118,424) | (4,470,840) | (4,467,311) | (4,523,497) |
| - Base Management Fees | (59,754) | (116,686) | (176,440) | (179,969) | (176,440) |
| - Incentive Fee | - | (118,853) | (118,853) | (118,412) | (196,210) |
| Net Operating Income (Loss) | 633,071 | 975,500 | 1,608,571 | 1,495,458 | 3,901,462 |
| Parking | 111,547 | 297,067 | 408,614 | 409,000 | 368,000 |
| Pedestrian Safety | (7,108) | (90,292) | (97,400) | (97,400) | (130,605) |
| Net Proceeds (Cost) of VAA | 737,510 | 1,182,275 | 1,919,785 | 1,807,058 | 4,138,857 |
| DeVos Place Convention Center | | | | | |
| Operating - Revenues | 1,734,512 | 5,168,099 | 6,902,611 | 6,697,333 | 7,306,195 |
| - Expenses - Facilities | (2,267,712) | (4,408,452) | (6,676,164) | (6,672,635) | (7,107,159) |
| - Base Management Fees | (59,754) | (116,686) | (176,440) | (179,969) | (176,440) |
| - Incentive Fee | - | (239,673) | (239,673) | (241,526) | (151,879) |
| Net Operating Income (Loss) | (592,954) | 403,288 | (189,666) | (396,797) | (129,283) |
| Parking | 359,523 | 926,207 | 1,285,730 | 1,285,730 | 1,336,967 |
| Pedestrian Safety | (1,263) | (50,237) | (51,500) | (51,500) | (63,017) |
| Net Proceeds (Cost) of DVP | (234,694) | 1,279,258 | 1,044,564 | 837,433 | 1,144,667 |
| Other | | | | | |
| Revenues | 162,222 | 529,570 | 691,792 | 685,750 | 651,353 ⁽³⁾ |
| Expenses | (569,439) | (1,068,389) | (1,637,828) | (1,637,828) | (974,663) |
| Net Other | (407,217) | (538,819) | (946,036) | (952,078) | (323,310) |
| Total Net Proceeds/Operating | 95,599 | 1,922,714 | 2,018,313 | 1,692,413 | 4,960,214 |
| Capital/Repair Expenditures | (1,303,153) | (3,406,495) | (4,709,648) | (4,994,905) ⁽²⁾ | (4,294,340) |
| Results Net of Capital/Repair Expenditures | \$ (1,207,554) | \$ (1,483,781) | \$ (2,691,335) | \$ (3,302,492) | \$ 665,874 |

Notes:

⁽¹⁾ Second quarter updated full-year estimate provided at the February 7th Board meeting.

⁽²⁾ Includes budget amendment to provide for several capital project balances carried over from FY 19. See June 2019 consolidated financial report for details.

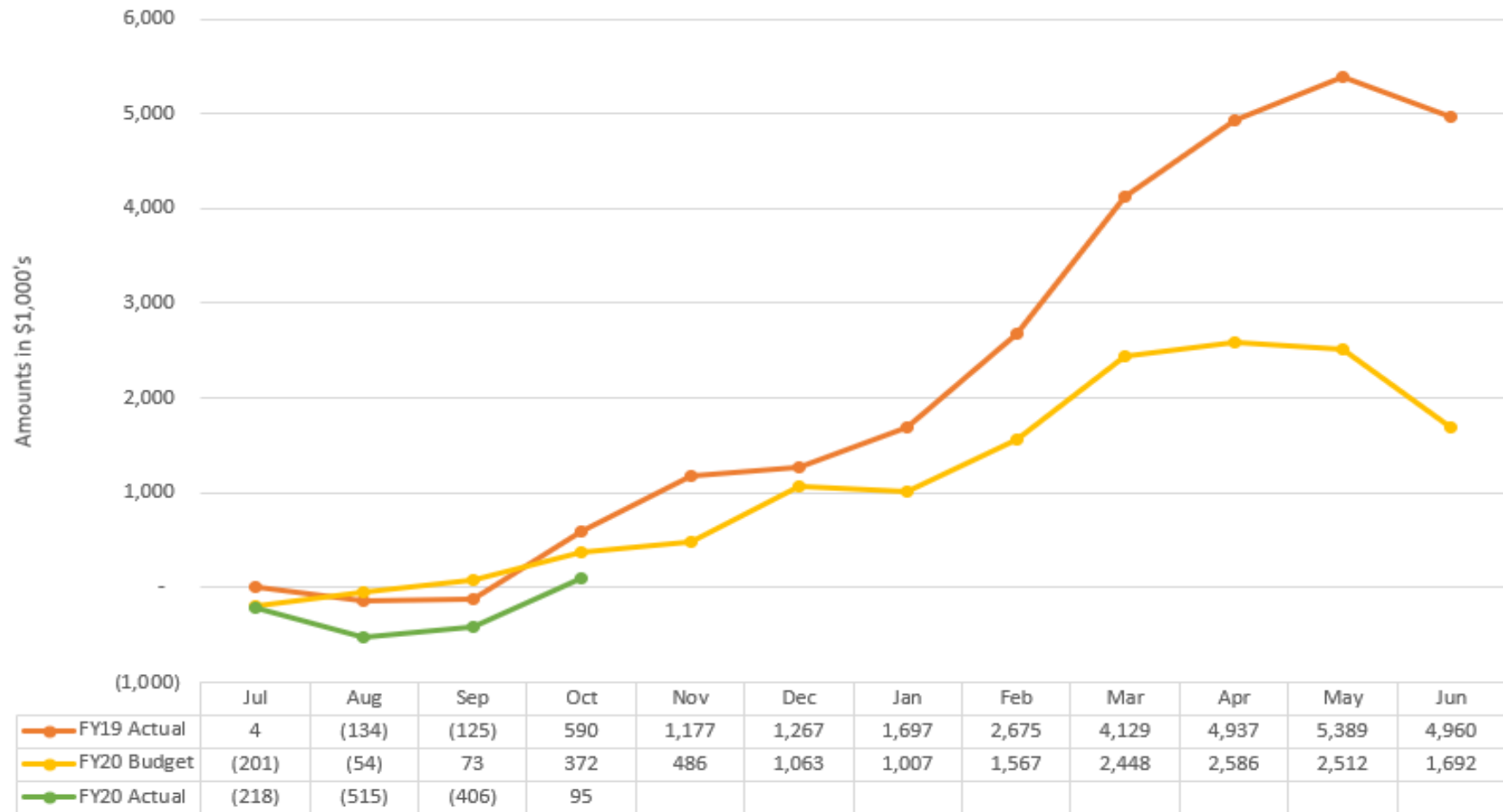
⁽³⁾ Excludes 4/4/19 deposit of \$5 million grant proceeds from State of Michigan.

Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
Financial Trends for Year Ending June 30, 2020

| | Annual | | | Year-To-Date | | |
|--|--------------------------|---------------------------|---|------------------------------|--------------------------------|---|
| | FY 2019 Final | FY 2020 Budget | Change Positive (Negative) | FY 2019 7/1-10/31 | FY 2020 7/1 - 10/31 | Change Positive (Negative) |
| Van Andel Arena | | | | | | |
| Operating - Revenues | \$ 8,797,609 | \$ 6,261,150 | (28.8) | \$ 1,881,831 | \$ 2,045,241 | 8.7 |
| - Expenses - Facilities | (4,523,497) | (4,467,311) | 1.2 | (1,407,930) | (1,352,416) | 3.9 |
| - Base Management Fees | (176,440) | (179,969) | (2.0) | (58,813) | (59,754) | (1.6) |
| - Incentive Fee | (196,210) | (118,412) | 39.7 | - | - | - |
| Net Operating Income (Loss) | 3,901,462 | 1,495,458 | (61.7) | 415,088 | 633,071 | 52.5 |
| Parking | 368,000 | 409,000 | 11.1 | 104,110 | 111,547 | 7.1 |
| Pedestrian Safety | (130,605) | (97,400) | 25.4 | (11,945) | (7,108) | 40.5 |
| Net Proceeds (Cost) of VAA | 4,138,857 | 1,807,058 | (56.3) | 507,253 | 737,510 | 45.4 |
| DeVos Place Convention Center | | | | | | |
| Operating - Revenues | 7,306,195 | 6,697,333 | (8.3) | 1,934,443 | 1,734,512 | (10.3) |
| - Expenses - Facilities | (7,107,159) | (6,672,635) | 6.1 | (2,044,193) | (2,267,712) | (10.9) |
| - Base Management Fees | (176,440) | (179,969) | (2.0) | (58,813) | (59,754) | (1.6) |
| - Incentive Fee | (151,879) | (241,526) | (59.0) | - | - | - |
| Net Operating Income (Loss) | (129,283) | (396,797) | (206.9) | (168,563) | (592,954) | (251.8) |
| Parking | 1,336,967 | 1,285,730 | (3.8) | 337,088 | 359,523 | 6.7 |
| Pedestrian Safety | (63,017) | (51,500) | 18.3 | (5,982) | (1,263) | 78.9 |
| Net Proceeds (Cost) of DVP | 1,144,667 | 837,433 | (26.8) | 162,543 | (234,694) | (144.4) |
| Other | | | | | | |
| Revenues | 651,353 | 685,750 | 5.3 | 140,232 | 162,222 | 15.7 |
| Expenses | (974,663) | (1,637,828) | (68.0) | (215,083) | (569,439) | (164.8) |
| Net Other | (323,310) | (952,078) | (194) | (74,851) | (407,217) | (444.0) |
| Total Net Proceeds/Operating | 4,960,214 | 1,692,413 | (65.9) | 594,945 | 95,599 | (83.9) |
| Capital/Repair Expenditures | (4,294,340) | (4,994,905) | (16.3) | (1,528,527) | (1,303,153) | 14.7 |
| Results Net of Capital Expenditures | \$ 665,874 | \$ (3,302,492) | (496.0) | \$ (933,582) | \$ (1,207,554) | (29.3) |

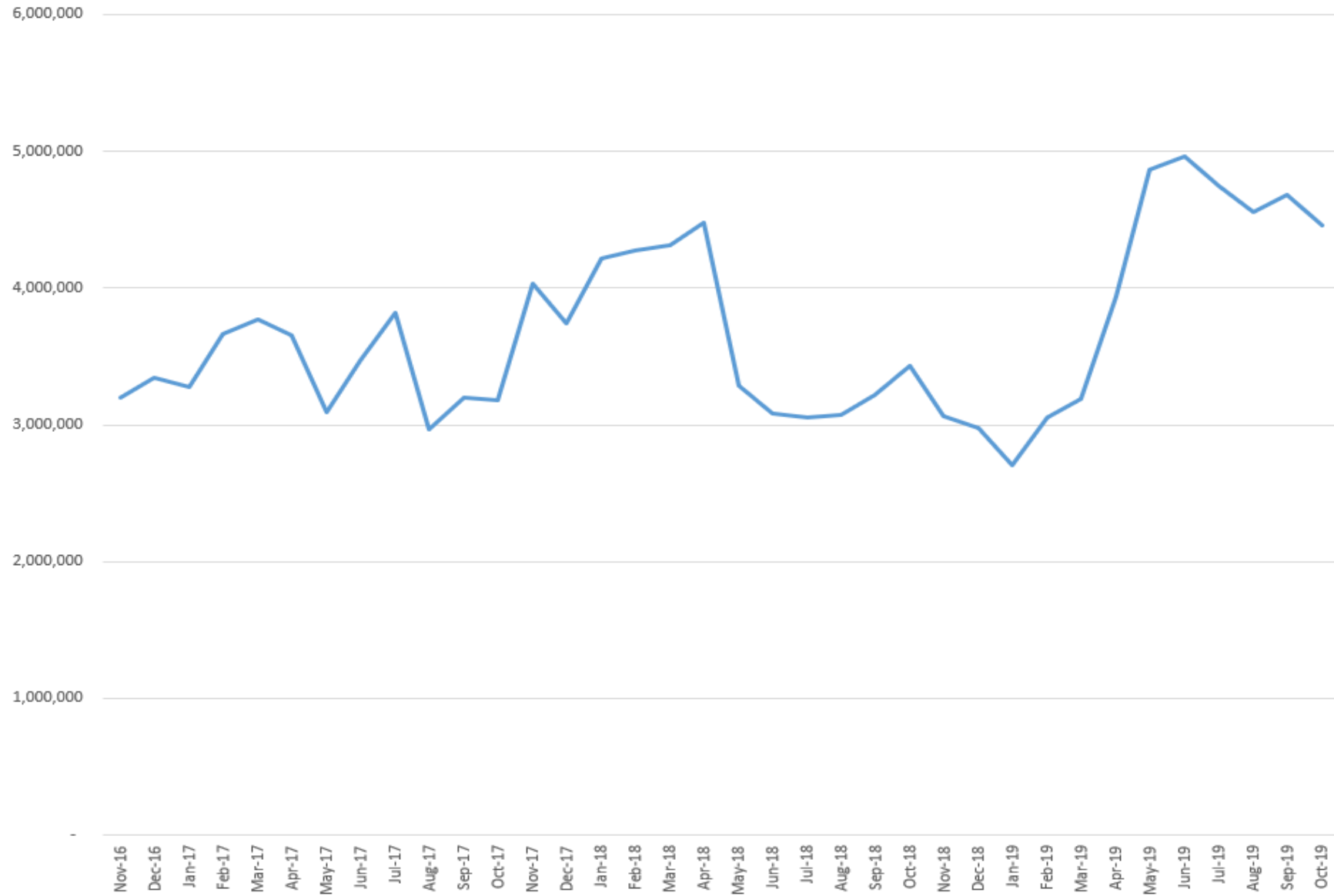
CAA Trends

Monthly Net Operating Proceeds through October 31, 2019



Accumulative Net Proceeds by Month

Lagging 12 Months Net Operating Proceeds



Significant Notes

Van Andel Arena®

- Page 1 - Thirteen concerts generated \$1,097,485 in event revenue, an increase of +19.1% from prior year (11 concerts) of \$921,676.
- Page 3 - Net proceeds of \$737,510 increased by +45.4% from prior year of \$507,253.

DeVos Place®

- Page 1 - Convention/trade show business generated \$728,998 in event revenue, a decrease of (22.2%) from prior year (attendance decreased from 44,490 to 38,890) of \$937,480.
- Page 3 - Net "proceeds" of (\$234,694) decreased by (144.4%) from prior year Net Proceeds of (\$162,543).

Grand Rapids-Kent County Convention/Arena Authority
Administrative Accounts
Net Other Detail
October 31, 2019

| | Annual | | | Actual | | |
|--------------------------|---------------------------|---------------------------|---|------------------------------|------------------------------|---|
| | FY 2019 Final | FY 2020 Budget | Change Positive (Negative) | FY 2019 7/1-10/31 | FY 2020 7/1-10/31 | Change Positive (Negative) |
| Other | | | | | | |
| Revenues | | | | | | |
| Interest/Capital Contr. | \$ 580,124 ⁽¹⁾ | \$ 564,750 | (2.7) | \$ 140,232 | \$ 162,222 | 15.7 |
| Miscellaneous | 71,229 | 121,000 | 69.9 | - | - | - |
| | 651,353 | 685,750 | 5.2 | 140,232 | 162,222 | 15.7 |
| Expenses | | | | | | |
| Marketing (CVB/Sports) | 200,000 | 200,000 | - | - | - | - |
| Diversity Initiative | 231,339 | 275,000 | (18.9) | 10,866 | 128,876 | (1,086.0) |
| Wages/Benefits | 144,774 | 148,815 | (2.8) | 37,633 | 29,721 | 21.0 |
| Professional Services | 69,606 | 80,000 | (14.9) | 26,260 | 29,364 | (11.8) |
| DID Assessment | 62,616 | 64,500 | (3.0) | 62,616 | 43,569 | 30.4 |
| Food & Beverage Repairs | 14,095 | 40,000 | (183.8) | - | - | - |
| Consulting Services | 159,794 | 689,513 ⁽²⁾ | (331.5) | 24,269 | 299,970 | (1,136.0) |
| Landscaping | 26,134 | 25,000 | 4.3 | - | 4,275 | (100.0+) |
| Procurement of Art | 26,904 | 30,000 | (11.5) | 26,214 | 2,105 | 92.0 |
| Insurance | 21,457 | 25,000 | (16.5) | 23,896 | 29,712 | (24.3) |
| Supplies/Other | 17,944 | 60,000 | (234.3) | 3,329 | 1,847 | 44.5 |
| | 974,663 | 1,637,828 | (68.0) | 215,083 | 569,439 | (164.8) |
| Net Proceeds - Operating | <u>\$ (323,310)</u> | <u>\$ (952,078)</u> | <u>(194.5)</u> | <u>\$ (74,851)</u> | <u>\$ (407,217)</u> | <u>(444.0)</u> |

Notes:

⁽¹⁾ Excludes 4/4/19 deposit of \$5 million grant proceeds from the State of Michigan.

⁽²⁾ SMG-\$54,290, \$50,000 DVP long-term capital study, and hotel project manager/other project consultants-\$85,223, and \$500,000-Proof of Concept Task Force - including the engagement of architects, costing experts, and geological experts.

Grand Rapids-Kent County Convention/Arena Authority
Special Accounts
Amphitheater Project
Revenues/Expenses
4/4/19 to 10/31/19

Revenues:

| | |
|-------------------------|--------------|
| State of Michigan Grant | \$ 5,000,000 |
|-------------------------|--------------|

Expenses:

| |
|---|
| - |
|---|

Net Balance

| |
|---------------------|
| <u>\$ 5,000,000</u> |
|---------------------|

NOTES:

- MEDC Grant - West Michigan Amphitheater
- Grant Period: 1/1/19- 1/31/21
- Grant Activities: "Park/Playground Improvements"
- Interest credited to the operating account

DEVOS PLACE

DE VOS PLACE

FINANCIAL STATEMENT
FOR THE MONTH ENDED OCTOBER 31, 2019

Distribution:

Grand Rapids – KentCounty Convention / Arena Authority
Robert White
Harry Cann
Hope Parkin
Howard Feldman
Richard MacKeigan
Chris Machuta



An SMG Managed Facility

DE VOS PLACE
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2020

| | YTD Actual | Roll | TOTAL FYE | BUDGET FYE | VARIANCE |
|--|------------|-----------|--------------|---------------|----------|
| NO. EVENTS | 175 | 341 | 516 | 487 | 29 |
| ATTENDANCE | 101,320 | 560,814 | 662,134 | 664,570 | (2,436) |
| DIRECT EVENT INCOME | 744,853 | 2,770,401 | 3,515,254 | 3,295,276 | 219,978 |
| ANCILLARY INCOME | 857,428 | 1,779,844 | 2,637,272 | 2,598,699 | 38,573 |
| OTHER EVENT INCOME | 111,190 | 575,671 | 686,861 | 753,358 | (66,497) |
| TOTAL EVENT REVENUE | 1,713,471 | 5,125,916 | 6,839,387 | 6,647,333 | 192,054 |
| TOTAL OTHER REVENUE | 21,040 | 42,184 | 63,224 | 50,000 | 13,224 |
| TOTAL OPERATING REVENUE | 1,734,511 | 5,168,100 | 6,902,611 | 6,697,333 | 205,278 |
| INDIRECT EXPENSES | | | | | |
| EXECUTIVE | 70,831 | 176,292 | 247,123 | 247,123 | - |
| FINANCE | 92,620 | 206,245 | 298,865 | 298,865 | - |
| MARKETING | 66,056 | 109,256 | 175,312 | 175,312 | - |
| OPERATIONS | 488,468 | 1,186,403 | 1,674,871 | 1,674,871 | - |
| EVENT SERVICES | 560,658 | 877,030 | 1,437,688 | 1,437,688 | - |
| BOX OFFICE | 95,437 | 95,278 | 190,715 | 190,715 | - |
| SALES | 160,900 | 361,428 | 522,328 | 522,328 | - |
| OVERHEAD | 792,495 | 1,513,207 | 2,305,702 | 2,305,702 | - |
| TOTAL OPERATING EXP. | 2,327,465 | 4,525,139 | 6,852,604 | 6,852,604 | - |
| NET REVENUE ABOVE EXPENSES | (592,954) | 642,961 | 50,007 | (155,271) | 205,278 |
| INCENTIVE FEE | | 239,673 | 239,673 | 241,526 | 1,853 |
| NET OPERATING REVENUE OVER OPERATING EXPENSES | (592,954) | 403,288 | (189,666) | (396,797) | 207,131 |

Comments:

DeVos Place continues to perform reasonably consistent with budget overall. October saw the facility finish a little ahead of budget for the month, a trend we anticipate continuing through the second quarter of the fiscal year.

DocuSigned by:

[Signature]
General Manager

[Signature]
Assistant General Manager

DE VOS PLACE
FINANCIAL STATEMENT HIGHLIGHTS
FISCAL YEAR ENDING JUNE 30, 2020

The following schedule summarizes operating results for both the current month and Year to Date as compared to budget and prior year:

| MONTH | October Actual | October Budget | October FY 2019 |
|------------------------|---------------------------|---------------------------|----------------------------|
| Number of Events | 59 | 58 | 63 |
| Attendance | 43,961 | 39,350 | 64,508 |
| Direct Event Income | \$272,854 | \$294,059 | \$393,140 |
| Ancillary Income | 360,580 | 236,311 | 375,038 |
| Other Event Income | 42,887 | 56,200 | 58,866 |
| Other Operating Income | 6,316 | 4,166 | 8,239 |
| Indirect Expenses | (636,546) | (571,051) | (521,294) |
| Net Income | \$46,091 | \$19,685 | \$313,989 |

| YTD | YTD 2020 Actual | YTD 2020 Budget | YTD 2019 Prior Year |
|------------------------|----------------------------|----------------------------|--------------------------------|
| Number of Events | 175 | 178 | 166 |
| Attendance | 101,320 | 136,450 | 130,322 |
| Direct Event Income | \$744,853 | \$827,552 | \$899,158 |
| Ancillary Income | 857,429 | 865,328 | 875,255 |
| Other Event Income | 111,190 | 111,600 | 141,030 |
| Other Operating Income | 21,040 | 16,664 | 19,000 |
| Indirect Expenses | (2,327,466) | (2,284,204) | (2,103,006) |
| Net Income | (\$592,954) | (\$463,060) | (\$168,562) |

EVENT INCOME

Event income finished consistent with budget overall.

ANCILLARY INCOME

Ancillary Income came in well ahead of budget as spending in most areas came in higher than expected.

INDIRECT EXPENSES

Indirect expenses came in higher than budget for the month, however, continues to trend reasonable close to budget overall.

DeVos Place
Income Statement
For the Three Months Ended October 31, 2019

| | Current Month Actual | Current Month Budget | Variance | Current Month Prior Year | Year to Date Actual | Year to Date Budget | Variance | Year to Date Prior Year |
|---------------------------------------|-------------------------|-------------------------|-----------------|-----------------------------|------------------------|------------------------|------------------|----------------------------|
| Event Income | | | | | | | | |
| Direct Event Income | | | | | | | | |
| Rental Income | \$337,521 | \$316,018 | \$ 21,503 | \$423,049 | \$932,856 | \$957,864 | \$ (25,008) | \$1,039,439 |
| Service Revenue | 320,997 | 283,057 | 37,940 | 479,087 | 928,843 | 857,959 | 70,884 | 920,878 |
| Service Expenses | (385,664) | (305,016) | (80,648) | (508,996) | (1,116,846) | (988,271) | (128,575) | (1,061,159) |
| Total Direct Event Income | 272,854 | 294,059 | (21,205) | 393,140 | 744,853 | 827,552 | (82,699) | 899,158 |
| Ancillary Income | | | | | | | | |
| F&B Concession | 25,302 | 16,756 | 8,546 | 19,798 | 49,979 | 42,987 | 6,992 | 57,075 |
| F&B Catering | 126,366 | 108,619 | 17,747 | 134,785 | 314,587 | 330,700 | (16,113) | 352,946 |
| Novelty Sales | 2,427 | 4,400 | (1,973) | 7,606 | 12,008 | 10,400 | 1,608 | 13,965 |
| Booth Cleaning | 33,845 | 18,072 | 15,773 | 26,908 | 85,707 | 109,170 | (23,463) | 74,322 |
| Telephone/Long Distance | 0 | 0 | - | 0 | 0 | 300 | (300) | 338 |
| Electrical Services | 67,442 | 21,894 | 45,548 | 64,398 | 141,698 | 138,926 | 2,772 | 125,623 |
| Audio Visual | 66,442 | 26,890 | 39,552 | 73,350 | 147,529 | 126,491 | 21,038 | 150,833 |
| Internet Services | 20,519 | 10,700 | 9,819 | 22,267 | 50,170 | 42,660 | 7,510 | 43,521 |
| Equipment Rental | 18,237 | 28,980 | (10,743) | 25,926 | 55,751 | 63,694 | (7,943) | 56,632 |
| Total Ancillary Income | 360,580 | 236,311 | 124,269 | 375,038 | 857,429 | 865,328 | (7,899) | 875,255 |
| Other Event Income | | | | | | | | |
| Ticket Rebates(Per Event) | 42,887 | 56,200 | (13,313) | 58,866 | 111,190 | 111,600 | (410) | 141,030 |
| Total Other Event Income | 42,887 | 56,200 | (13,313) | 58,866 | 111,190 | 111,600 | (410) | 141,030 |
| Total Event Income | 676,321 | 586,570 | 89,751 | 827,044 | 1,713,472 | 1,804,480 | (91,008) | 1,915,443 |
| Other Operating Income | | | | | | | | |
| Luxury Box Agreements | 942 | 1,333 | (391) | 1,071 | 3,767 | 5,332 | (1,565) | 4,589 |
| Advertising | 1,333 | 1,000 | 333 | 0 | 1,333 | 4,000 | (2,667) | 0 |
| Other Income | 4,041 | 1,833 | 2,208 | 7,168 | 15,940 | 7,332 | 8,608 | 14,411 |
| Total Other Operating Income | 6,316 | 4,166 | 2,150 | 8,239 | 21,040 | 16,664 | 4,376 | 19,000 |
| Adjusted Gross Income | 682,637 | 590,736 | 91,901 | 835,283 | 1,734,512 | 1,821,144 | (86,632) | 1,934,443 |
| Operating Expenses | | | | | | | | |
| Salaries and Wages | 460,557 | 359,752 | 100,805 | 442,259 | 1,546,658 | 1,439,008 | 107,650 | 1,453,501 |
| Payroll Taxes and Benefits | 100,230 | 105,577 | (5,347) | 105,038 | 277,667 | 422,308 | (144,641) | 280,499 |
| Labor Allocations to Events | (317,093) | (216,387) | (100,706) | (351,779) | (913,407) | (865,548) | (47,859) | (924,904) |
| Net Salaries and Benefits | 243,694 | 248,942 | (5,248) | 195,518 | 910,918 | 995,768 | (84,850) | 809,096 |
| Contracted Services | 46,687 | 23,692 | 22,995 | 36,682 | 166,179 | 94,768 | 71,411 | 152,185 |
| General and Administrative | 58,651 | 34,502 | 24,149 | 13,123 | 228,551 | 138,008 | 90,543 | 138,028 |
| Operations | 44,703 | 13,613 | 31,090 | 19,221 | 91,754 | 54,452 | 37,302 | 53,577 |
| Repair and Maintenance | 54,058 | 47,100 | 6,958 | 63,408 | 239,365 | 188,400 | 50,965 | 206,503 |
| Operational Supplies | 29,696 | 24,675 | 5,021 | 27,455 | 82,308 | 98,700 | (16,392) | 95,871 |
| Insurance | 24,338 | 20,463 | 3,875 | 23,694 | 68,582 | 81,852 | (13,270) | 64,124 |
| Utilities | 119,075 | 143,067 | (23,992) | 127,490 | 480,055 | 572,268 | (92,213) | 524,809 |
| SMG Management Fees | 15,644 | 14,997 | 647 | 14,703 | 59,754 | 59,988 | (234) | 58,813 |
| Total Operating Expenses | 636,546 | 571,051 | 65,495 | 521,294 | 2,327,466 | 2,284,204 | 43,262 | 2,103,006 |
| Net Income(Loss) From Operatic | 46,091 | 19,685 | 26,406 | 313,989 | (592,954) | (463,060) | (129,894) | (168,562) |
| Other Non-Operating Expenses | | | | | | | | |
| Adjusted Net Income(Loss) | 46,091 | 19,685 | 26,406 | 313,989 | (592,954) | (463,060) | (129,894) | (168,562) |

3

SMG DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Year to Date Event Summary Report
For the Four Months Ended October 31, 2019

| Event Type | Events/Days | | Attendance | | Total Event Income | |
|------------------------|-------------|--------|------------|---------|--------------------|-----------|
| | Actual | Budget | Actual | Budget | Actual | Budget |
| Convention/Trade Shows | 53 | 77 | 38,890 | 69,550 | 728,998 | 921,976 |
| Consumer/Gated Shows | 2 | 1 | 1,307 | 1,200 | 15,251 | 16,050 |
| DeVos Performance Hall | 32 | 29 | 38,194 | 54,000 | 349,889 | 362,600 |
| Banquets | 10 | 13 | 5,715 | 2,200 | 124,600 | 170,376 |
| Meetings | 52 | 52 | 12,500 | 12,200 | 453,649 | 312,124 |
| Other | 26 | 6 | 4,714 | 3,220 | 41,084 | 21,355 |
| GRAND TOTALS | 175 | 178 | 101,320 | 142,370 | 1,713,472 | 1,804,480 |

As Percentage of Overall

| | | | | | | |
|------------------------|--------|--------|--------|--------|--------|--------|
| Convention/Trade Shows | 30.29% | 43.26% | 38.38% | 48.85% | 42.55% | 51.09% |
| Consumer/Gated Shows | 1.14% | 0.56% | 1.29% | 0.84% | 0.89% | 0.89% |
| Devos Performance Hall | 18.29% | 16.29% | 37.70% | 37.93% | 20.42% | 20.09% |
| Ballroom Exclusive | 5.71% | 7.30% | 5.64% | 1.55% | 7.27% | 9.44% |
| Meetings | 29.71% | 29.21% | 12.34% | 8.57% | 26.48% | 17.30% |
| Other | 14.86% | 3.37% | 4.65% | 2.26% | 2.40% | 1.18% |

4

**DeVos Place
Balance Sheet
As of October 31, 2019**

ASSETS

Current Assets

| | |
|--------------------|-----------|
| Cash | 2,025,420 |
| Account Receivable | 1,298,583 |
| Prepaid Expenses | 286,042 |

| | | |
|-----------------------------|--|--------------------|
| Total Current Assets | | \$3,610,045 |
|-----------------------------|--|--------------------|

Total Assets

\$3,610,045

LIABILITIES AND EQUITY

Current Liabilities

| | |
|----------------------------------|-----------|
| Accounts Payable | 80,369 |
| Accrued Expenses | 404,351 |
| Deferred Income | 157,354 |
| Advanced Ticket Sales & Deposits | 2,323,564 |

| | | |
|----------------------------------|--|--------------------|
| Total Current Liabilities | | \$2,965,638 |
|----------------------------------|--|--------------------|

Other Liabilities

Equity

| | |
|-----------------------------|-----------|
| Funds Remitted to CAA | - |
| Funds Received by CAA | (12,000) |
| Expenses Paid Direct by CAA | 434,807 |
| Beginning Balance Equity | 814,555 |
| Current Year Equity | (592,955) |

| | | |
|---------------------|--|------------------|
| Total Equity | | \$644,406 |
|---------------------|--|------------------|

Total Liabilities and Equity

\$3,610,044



SMG - DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2019

| | |
|-------------------------------|---------------|
| Current - Under 30 Days | |
| Food & Beverage | 151,831 |
| Ticketing | 104,958 |
| Merchandise | 1,465 |
| Decorating | 33,845 |
| Audio/Visual | 109,735 |
| Van Andel Arena | 264,766 |
| Operating | 469,688 |
| Over 30 Days | 94,284 |
| Over 60 Days | 68,011 |
| Over 90 Days | |
| Total Accounts Receivable | 1,298,583 |

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2020**

MANAGEMENT FEE SUMMARY

| | Arena Estimate | DeVos Place Estimate | Total Estimate | FY 2019 Unaudited |
|----------------------------|-------------------|-------------------------|-------------------|----------------------|
| Net Revenue above Expenses | 1,727,424 | 50,007 | 1,777,431 | 4,120,269 |
| Benchmark++ | | | 1,050,000 | 1,050,000 |
| Excess | 1,727,424 | 50,007 | 727,431 | 3,070,269 |

Incentive Fee Calculation (Only if above greater than zero)

| | Arena Estimate | DeVos Place Estimate | Total Estimate | Total Unaudited |
|--------------------------|-------------------|-------------------------|-------------------|--------------------|
| Base Fee | 179,263 | 179,263 | 358,526 | 352,880 |
| Incentive Fee | | | | |
| Revenue | 6,374,704 | 6,902,611 | 13,277,315 | 16,103,804 |
| Benchmark Revenue | 5,232,400 | 4,622,800 | 9,855,200 | 9,700,000 |
| Revenue Excess | 1,142,304 | 2,279,811 | 3,422,115 | 6,403,804 |
| Incentive Fee ** | 119,676 | 238,850 | 358,526 | 352,880 |
| Total SMG Management Fee | 298,939 | 418,113 | 717,052 | 705,760 |

** Incentive fee is 25% of the first \$500,000 in excess, 30% of remaining capped at base fee amount.

++ SMG will be eligible for an Incentive fee if Net Revenues exceed Expenses by the following amounts:

Equal to \$850,000 and less than \$950,000 shall be paid at 50% of calculated fee.

Equal to \$950,000 and less than \$1,050,000 shall be paid at 75% of calculated fee.

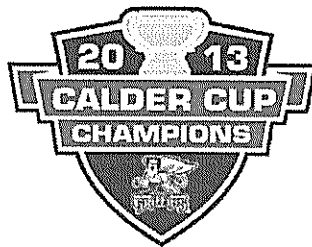
Equal to \$1,050,000 and above shall be paid at 100% of calculated fee.



VAN ANDEL ARENA

FINANCIAL STATEMENT FOR THE MONTH ENDED OCTOBER 31, 2019

PROUD HOME OF THE GRAND RAPIDS GRIFFINS – TWO TIME CALDER CUPS CHAMPIONS



Distribution:

Grand Rapids – Kent County Convention / Arena Authority
Robert White
Harry Cann
Hope Parkin
Howard Feldman
Richard MacKeigan
Chris Machuta



An SMG Managed Facility


VAN ANDEL ARENA
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2020

| | YTD | ROLL | TOTAL FYE | BUDGET FYE | VARIANCE |
|--|-----------|-----------|--------------|---------------|----------|
| NO. EVENTS | 24 | 81 | 105 | 94 | 11 |
| ATTENDANCE | 149,555 | 489,625 | 639,180 | 607,300 | 31,880 |
| DIRECT EVENT INCOME | 266,252 | 1,038,443 | 1,304,695 | 1,388,670 | (83,975) |
| ANCILLARY INCOME | 575,908 | 1,112,915 | 1,688,823 | 1,609,280 | 79,543 |
| OTHER EVENT INCOME | 370,848 | 481,027 | 851,875 | 869,100 | (17,225) |
| TOTAL EVENT INCOME | 1,213,008 | 2,632,385 | 3,845,393 | 3,867,050 | (21,657) |
| TOTAL OTHER INCOME | 832,233 | 1,697,078 | 2,529,311 | 2,394,100 | 135,211 |
| TOTAL INCOME | 2,045,241 | 4,329,463 | 6,374,704 | 6,261,150 | 113,554 |
| INDIRECT EXPENSES | | | | | |
| EXECUTIVE | 70,938 | 186,209 | 257,147 | 257,147 | - |
| FINANCE | 87,570 | 148,049 | 235,619 | 235,619 | - |
| MARKETING | 88,307 | 232,913 | 321,220 | 321,220 | - |
| OPERATIONS | 647,099 | 1,446,980 | 2,094,079 | 2,094,079 | - |
| BOX OFFICE | 52,736 | 243,837 | 296,573 | 296,573 | - |
| LUXURY SEATING | - | - | - | - | - |
| SKYWALK ADMIN | 11,895 | 42,205 | 54,100 | 54,100 | - |
| OVERHEAD | 453,626 | 934,916 | 1,388,542 | 1,388,542 | - |
| TOTAL INDIRECT EXP. | 1,412,170 | 3,235,109 | 4,647,280 | 4,647,280 | - |
| NET REVENUE ABOVE EXPENSES | 633,071 | 1,094,354 | 1,727,424 | 1,613,870 | 113,554 |
| LESS INCENTIVE FEE | | 118,853 | 118,853 | 118,412 | (441) |
| NET REVENUE ABOVE EXPENSES AFTER INCENTIVE | 633,071 | 975,501 | 1,608,571 | 1,495,458 | 113,113 |

Comments:

After a slower start to the fiscal year, October was a bit of a bounceback month with strong event activity. This is a trend expected through the 2nd quarter as the Bassnectar shows (all part of November financials) was not expected with budget.

DocuSigned by:



General Manager



Assistant General Manager

**VAN ANDEL ARENA
FINANCIAL STATEMENT HIGHLIGHTS
FOR FISCAL YEAR ENDING JUNE 30, 2020**

The following schedule summarizes operating results for both the current month and Year to Date as compared to budget and prior year:

| MONTH | October Actual | October Budget | October FY 2019 |
|------------------------|---------------------------|---------------------------|----------------------------|
| Number of Events | 13 | 7 | 7 |
| Attendance | 75,675 | 60,600 | 60,633 |
| Direct Event Income | \$84,436 | \$158,595 | \$169,359 |
| Ancillary Income | 300,132 | 202,559 | 225,568 |
| Other Event Income | 159,912 | 9,800 | 144,224 |
| Other Operating Income | 279,663 | 223,971 | 306,070 |
| Indirect Expenses | (323,251) | (387,273) | (39,348) |
| Net Income | \$500,892 | \$207,652 | \$805,873 |

| YTD | YTD 2020 Actual | YTD 2020 Budget | YTD 2019 Prior Year |
|------------------------|----------------------------|----------------------------|--------------------------------|
| Number of Events | 24 | 17 | 15 |
| Attendance | 149,555 | 142,600 | 122,177 |
| Direct Event Income | \$266,252 | \$560,595 | \$224,449 |
| Ancillary Income | 575,908 | 469,321 | 454,649 |
| Other Event Income | 370,848 | 353,000 | 342,622 |
| Other Operating Income | 832,233 | 871,884 | 860,111 |
| Indirect Expenses | (1,412,170) | (1,549,092) | (1,466,743) |
| Net Income | \$633,071 | \$705,708 | \$415,088 |

EVENT INCOME

Direct event income came in lower than budget, however, consistent with forecast.

ANCILLARY INCOME

Ancillary income came in well ahead of budget as per caps on the concerts hosted were very strong.

INDIRECT EXPENSES

Indirect expenses came in ahead of budget overall and continue to trend better than budget overall.

Van Andel Arena
Income Statement
For the Three Months Ended October 31, 2019

| | Current Month Actual | Current Month Budget | Variance | Current Month Prior Year | Year to Date Actual | Year to Date Budget | Variance | Year to Date Prior Year |
|---|-------------------------|-------------------------|-----------------|-----------------------------|------------------------|------------------------|------------------|----------------------------|
| Event Income | | | | | | | | |
| Direct Event Income | | | | | | | | |
| Rental Income | \$198,675 | \$238,595 | (\$39,920) | \$218,932 | \$397,298 | \$711,595 | (\$314,297) | \$250,051 |
| Service Revenue | 414,576 | 188,000 | 226,576 | 308,823 | 1,031,131 | 730,000 | 301,131 | 944,446 |
| Service Expenses | (528,815) | (268,000) | (260,815) | (358,396) | (1,162,177) | (881,000) | (281,177) | (970,048) |
| Total Direct Event Income | 84,436 | 158,595 | (74,159) | 169,359 | 266,252 | 560,595 | (294,343) | 224,449 |
| Ancillary Income | | | | | | | | |
| F&B Concession | 241,228 | 179,939 | 61,289 | 176,128 | 448,666 | 393,661 | 55,005 | 357,518 |
| F&B Catering | 25,220 | 11,700 | 13,520 | 24,114 | 50,099 | 32,760 | 17,339 | 44,950 |
| Novelty Sales | 33,390 | 10,920 | 22,470 | 25,326 | 76,849 | 42,900 | 33,949 | 51,686 |
| Booth Cleaning | 199 | - | 199 | - | 199 | - | 199 | - |
| Audio Visual | 95 | - | 95 | - | 95 | - | 95 | 495 |
| Other Ancillary | - | - | - | - | - | - | - | - |
| Total Ancillary Income | 300,132 | 202,559 | 97,573 | 225,568 | 575,908 | 469,321 | 106,587 | 454,649 |
| Other Event Income | | | | | | | | |
| Ticket Rebates(Per Event) | 159,912 | 98,000 | 61,912 | 144,224 | 370,848 | 353,000 | 17,848 | 342,622 |
| Total Other Event Income | 159,912 | 98,000 | 61,912 | 144,224 | 370,848 | 353,000 | 17,848 | 342,622 |
| Total Event Income | 544,480 | 459,154 | 85,326 | 539,151 | 1,213,008 | 1,382,916 | (169,908) | 1,021,720 |
| Other Operating Income | | | | | | | | |
| Luxury Box Agreements | 217,130 | 165,888 | 51,242 | 240,998 | 593,857 | 639,552 | (45,695) | 619,628 |
| Advertising | 56,680 | 52,083 | 4,597 | 56,680 | 210,408 | 208,332 | 2,076 | 209,505 |
| Other Income | 5,853 | 6,000 | (147) | 8,392 | 27,968 | 24,000 | 3,968 | 30,978 |
| Total Other Operating Income | 279,663 | 223,971 | 55,692 | 306,070 | 832,233 | 871,884 | (39,651) | 860,111 |
| Adjusted Gross Income | 824,143 | 683,125 | 141,018 | 845,221 | 2,045,241 | 2,254,800 | (209,559) | 1,881,831 |
| Operating Expenses | | | | | | | | |
| Salaries and Wages | 238,971 | 197,102 | 41,869 | 225,533 | 887,366 | 788,408 | 98,958 | 804,380 |
| Payroll Taxes and Benefits | 51,429 | 57,957 | (6,528) | 45,392 | 122,388 | 231,828 | (109,440) | 120,922 |
| Labor Allocations to Events | (170,431) | (87,885) | (82,546) | (144,915) | (401,794) | (351,540) | (50,254) | (338,711) |
| Net Salaries and Benefits | 119,969 | 167,174 | (47,205) | 126,010 | 607,960 | 668,696 | (60,736) | 586,591 |
| Contracted Services | 18,153 | 23,800 | (5,647) | 23,723 | 90,170 | 95,200 | (5,030) | 106,464 |
| General and Administrative | 36,305 | 33,598 | 2,707 | 43,711 | 181,639 | 134,392 | 47,247 | 162,045 |
| Operations | 13,460 | 7,899 | 5,561 | 3,139 | 21,524 | 31,596 | (10,072) | 27,877 |
| Repair and Maintenance | 10,080 | 30,875 | (20,795) | 47,279 | 59,205 | 123,500 | (64,295) | 137,441 |
| Operational Supplies | 19,403 | 21,558 | (2,155) | 52,784 | 87,341 | 86,232 | 1,109 | 96,225 |
| Insurance | 24,148 | 14,739 | 9,409 | 17,525 | 56,961 | 58,956 | (1,995) | 41,227 |
| Utilities | 66,089 | 72,633 | (6,544) | 64,534 | 247,616 | 290,532 | (42,916) | 250,060 |
| SMG Management Fees | 15,644 | 14,997 | 647 | 14,703 | 59,754 | 59,988 | (234) | 58,813 |
| Total Operating Expenses | 323,251 | 387,273 | (64,022) | 393,408 | 1,412,170 | 1,549,092 | (136,922) | 1,466,743 |
| Net Income(Loss) From Operations | 500,892 | 295,852 | 205,040 | 451,813 | 633,071 | 705,708 | (72,637) | 415,088 |
| Other Non-Operating Expenses | | | | | | | | |
| Adjusted Net Income(Loss) | 500,892 | 295,852 | 205,040 | 451,813 | 633,071 | 705,708 | (72,637) | 415,088 |

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Event Summary
For the Four Months Ended October 31, 2019

| Event Type | Events/Days | | Attendance | | Total Event Income | |
|--------------------------|-------------|--------|------------|---------|--------------------|-----------|
| | Actual | Budget | Actual | Budget | Actual | Budget |
| Family Show | | | | | | |
| Sporting Event | | | | | | |
| Concert | 13 | 12 | 105,878 | 102,000 | 1,097,485 | 1,242,402 |
| Team Home Games | 5 | 3 | 22,761 | 18,600 | 6,688 | 41,124 |
| Other | 6 | 2 | 20,916 | 22,000 | 108,835 | 99,390 |
| GRAND TOTALS | 24 | 17 | 149,555 | 142,600 | 1,213,008 | 1,382,916 |
| As Percentage of Overall | | | | | | |
| Family Show | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Sporting Event | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Concert | 54.17% | 70.59% | 70.80% | 71.53% | 90.48% | 89.84% |
| Team Home Games | 20.83% | 17.65% | 15.22% | 13.04% | 0.55% | 2.97% |
| Other | 25.00% | 11.76% | 13.99% | 15.43% | 8.97% | 7.19% |

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**Van Andel Arena
Balance Sheet
As of October 31, 2019**

ASSETS

Current Assets

| | |
|--------------------|-----------|
| Cash | 9,343,247 |
| Account Receivable | 181,049 |
| Prepaid Expenses | 67,930 |

| | | |
|-----------------------------|--|--------------------|
| Total Current Assets | | \$9,592,226 |
|-----------------------------|--|--------------------|

Total Assets

\$9,592,226

LIABILITIES AND EQUITY

Current Liabilities

| | |
|----------------------------------|-----------|
| Accounts Payable | 102,607 |
| Accrued Expenses | 294,210 |
| Deferred Income | 2,367,789 |
| Advanced Ticket Sales & Deposits | 7,583,120 |

| | | |
|----------------------------------|--|---------------------|
| Total Current Liabilities | | \$10,347,725 |
|----------------------------------|--|---------------------|

Other Liabilities

Equity

| | |
|-----------------------------|-------------|
| Funds Remitted to CAA | (1,667,668) |
| Expenses Paid Direct by CAA | 212,987 |
| Beginning Balance Equity | 66,110 |
| Current Year Equity | 633,071 |

| | | |
|---------------------|--|--------------------|
| Total Equity | | (\$755,500) |
|---------------------|--|--------------------|

Total Liabilities and Equity

\$9,592,226

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SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2019

| | |
|-------------------------------|-------------|
| Current - Under 30 Days | |
| Food & Beverage | 457,883 |
| Ticketing | 5,297 |
| Merchandise | - |
| Permanent Advertising | - |
| DeVos Place | (264,766) |
| Operating | (31,159) |
| Over 30 Days | 2,214 |
| Over 60 Days | 11,580 |
| Over 90 Days | |
| Total Accounts Receivable | 181,049 |

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2020**

MANAGEMENT FEE SUMMARY

| | Arena Estimate | DeVos Place Estimate | Total Estimate | FY 2019 Unaudited |
|----------------------------|-------------------|-------------------------|-------------------|----------------------|
| Net Revenue above Expenses | 1,727,424 | 50,007 | 1,777,431 | 4,120,269 |
| Benchmark++ | | | 1,050,000 | 1,050,000 |
| Excess | 1,727,424 | 50,007 | 727,431 | 3,070,269 |

Incentive Fee Calculation (Only if above greater than zero)

| | Arena Estimate | DeVos Place Estimate | Total Estimate | Total Unaudited |
|--------------------------|-------------------|-------------------------|-------------------|--------------------|
| Base Fee | 179,263 | 179,263 | 358,526 | 352,880 |
| Incentive Fee | | | | |
| Revenue | 6,374,704 | 6,902,611 | 13,277,315 | 16,103,804 |
| Benchmark Revenue | 5,232,400 | 4,622,800 | 9,855,200 | 9,700,000 |
| Revenue Excess | 1,142,304 | 2,279,811 | 3,422,115 | 6,403,804 |
| Incentive Fee ** | 119,676 | 238,850 | 358,526 | 352,880 |
| Total SMG Management Fee | 298,939 | 418,113 | 717,052 | 705,760 |

** Incentive fee is 25% of the first \$500,000 in excess, 30% of remaining capped at base fee amount.

++ SMG will be eligible for an Incentive fee if Net Revenues exceed Expenses by the following amounts:

Equal to \$850,000 and less than \$950,000 shall be paid at 50% of calculated fee.

Equal to \$950,000 and less than \$1,050,000 shall be paid at 75% of calculated fee.

Equal to \$1,050,000 and above shall be paid at 100% of calculated fee.