

Agenda

Joint Meeting of Board of Directors & Committees

Friday | December 4, 2020 | 8:00 a.m.
Remote Virtual Meeting

- | | | |
|-----|--|---------------------|
| 1. | Call to Order | Steve Heacock |
| 2. | Minutes of November 13, 2020 | Action |
| 3. | Kent County Update | Mandy Bolter |
| 4. | City of Grand Rapids Update | Hon. Rosalynn Bliss |
| 5. | Experience Grand Rapids Update | Doug Small |
| 6. | Committee Reports | |
| | A. Operations Committee | Information |
| | B. Finance Committee | |
| | i. SMG Special Purpose Financial Statements as of and for the
Years Ended June 30, 2020 and 2019 – 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, 2020 and 2019 – Rehmann Robson | Action |
| | iv. Audit Wrap-up Letter for the Year Ended June 30, 2020 | Information |
| | v. Consolidated Financial Report, for the Year Ended
June 30, 2020, Recap - Budget to Actual | Information |
| | vi. Acceptance of October 2020 Consolidated Financial Statements | Action |
| | vii. SMG, a Division of ASM Global – Oct. 2020 Van Andel Arena® and
DeVos Place® Financials | Information |
| 7. | Resolution Approving and Authorizing Execution of an Engineering Services
Agreement with Progressive AE Related to the Relocation of a Portion of the
Market Avenue Sanitary Trunk Sewer | Action |
| 8. | Report from SMG, a Division of ASM Global | Rich MacKeigan |
| 9. | Public Comment | |
| 10. | Board Member Comments | |
| 11. | Adjournment | |

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY
MEETING OF BOARD OF DIRECTORS
REMOTE VIRTUAL MEETING
Friday, November 13, 2020**

Attendance

Members Present: Steve Heacock, Chairperson
Rosalynn Bliss
Lew Chamberlin
Birgit Klohs
Floyd Wilson, Jr.
Richard Winn

Members Absent: Charlie Secchia

Staff/Others:	Joe Agostinelli	Downtown Grand Rapids, Inc.
	Mercedes Barragan	Spectrum Health/CIG
	Kathy Bart	ASM
	Wayman Britt	Kent County
	Kate Carlson	<i>MIBiz</i>
	Hilarie Carpenter	ASM
	James Conner	Triangle, Inc.
	Omar Cuevas	Grand Rapids Chamber/CIG
	Eric DeLong	City of Grand Rapids
	Christa Ferguson	WOOD TV
	Alison Goodyke	ASM
	Scott Gorsline	DP Fox
	Tim Gortsema	Grand Rapids Griffins
	Braden Graham	Bluewater Technologies
	Jen Henkel	ASM
	Al Jano	Kent County
	Todd Johnson	ASM
	Jennifer Kasper	Grand Rapids Parking Services
	Andy Kursch	ASM
	J.J. Loew	Vicinity Energy
	Chris Machuta	ASM
	Rich MacKeigan	ASM
	Mary Manier	Experience Grand Rapids
	Cheri McConomy	McConomy Properties
	Brian McVicar	<i>MLive/The Grand Rapids</i> Press
	Angela Nelson	Experience Grand Rapids/CIG
	Evette Pittman	City of Grand Rapids/CIG
	Torrance Richardson	Gerald R. Ford International Airport
	Doug Small	Experience Grand Rapids
	Brett Smith	Bluewater Technologies
	Emilee Syrewicze	Opera Grand Rapids
	Eddie Tadlock	ASM
	Aaron Terpstra	City of Grand Rapids
	Brad Thomas	Progressive AE
	John Van Fossen	Meijer

John Van Houten
Susan Waddell
Mark Washington
Richard Wendt
Robert White
Jessica Wood
Paul Ymker

Progressive AE
CAA
City of Grand Rapids
Dickinson Wright
CAA
Dickinson Wright
Bluewater Technologies

1. Call to Order

Steve Heacock, chairperson, called the remote virtual meeting to order at 8:57 a.m. Secretary/Treasurer, Richard Winn, recorded the meeting minutes.

2. Minutes of Prior Meeting

Motion by Ms. Klohs, support by Mr. Wilson, to approve the October 2, 2020, Minutes. Motion carried.

3. Committee Reports

A. Operations Committee

Chair Lew Chamberlin stated that he had nothing further to add since the October meeting.

i. Experience Grand Rapids Report

Mary Manier reported that the sales team hosted three clients for site visits during October. Staff held its first virtual FAM, with ASM Sales Director Kathy Bart as a co-host on the talk show format. The FAM highlighted downtown hotels, DeVos Place®, and downtown activities. More than 20 state and national meeting planners tuned in and participated. The FAM will be repeated in November and December, and 65 participants have registered for November and 46 for December. The sales team has been attending virtual and in-person conventions, such as Destination Michigan that was held at DeVos Place®. Sales staff participated virtually in Luxury Meeting Summit that focused on working with CVBs. The in-person conventions focus on how it is possible to hold a safe meeting. The sales team booked Solution Tree for DeVos Place® and the conference will occur in June 2021, with 1,200 people.

Omar Cuevas, co-chair of the Community Inclusion Group (CIG), reported that the CIG met virtually at the end of October to discuss how to maintain relevancy during the pandemic. The CIG is pursuing virtual options that highlight community of colors. More information of those will be forthcoming.

B. Finance Committee

i. Acceptance of September 2020 Consolidated Financial Statements

Motion by Mr. Winn, support by Ms. Bliss, (i) to accept the September 2020 Consolidated Financial Statements (ii) to authorize increased budgeted revenue and expenses by \$1,985,817, to recognize the grant from Kent County; and (iii) to waive the Purchasing Policy requirement for use of competitive open market procedures in the acquisition of grant funding equipment and materials. Motion carried.

Chair Heacock explained that a waiver of the Purchasing Policy was necessary, given the short time frame within which to complete the County contract requirements under the grant agreement.

- ii. SMG, a Division of ASM Global, September 2020 DeVos Place® and Van Andel Arena® Financial Statements

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

4. Resolution Approving and Authorizing the Execution of a Memorandum of Understanding Related to the Relocation of a Portion of the Market Avenue Sanitary Trunk Sewer, the Potential Location of an Amphitheater at 201 Market Avenue, S.W. and Other Matters Related Thereto

Boardmember Birgit Klohs, supported by Boardmember Lew Chamberlin, moved the adoption of the following resolution:

WHEREAS, the Grand Rapids – Kent County Convention/Arena Authority (the “CAA”) is exploring the feasibility of constructing an amphitheater on a portion of property owned by the City of Grand Rapids (the “City”) and located at 201 Market Avenue, S.W. (“201 Market”); and

WHEREAS, in order to utilize 201 Market for an amphitheater and/or other potential development, it is necessary to relocate a large sanitary trunk sewer that runs through 201 Market (the “Trunk Sewer”); and

WHEREAS, the CAA and City have agreed along with other owners of property through which the Trunk Sewer passes to share in the costs of relocating the Trunk Sewer; and

WHEREAS, the CAA and the City have agreed to the process by which a portion of 201 Market would be acquired and utilized as a site of an amphitheater; and

WHEREAS, the CAA and the City along with Amway Hotel Corporation and 63 Market Avenue Holdings, LLC, as the owners of other property along the west side of Market Avenue, S.W. through which the Trunk Sewer passes, have agreed to the terms of a Memorandum of Understanding (the “MOU”) addressing the relocation of the Trunk Sewer and the potential location of an amphitheater at 201 Market; and

WHEREAS, the MOU provides that the CAA shall assign to the City the Engineering Services Agreement it has with Progressive AE related to the relocation of the Trunk Sewer.

RESOLVED:

1. That the MOU in the form presented at this meeting is approved with such modifications not materially adverse to the CAA approved as to content by the Executive Director of the CAA and as to form by CAA legal counsel and the Chairperson of the Board is authorized and directed to execute the approved MOU for and on behalf of the CAA.

2. That the CAA shall assign the Engineering Services Agreement to the City pursuant to an assignment agreement approved as to content by the Executive Director of the CAA and as to form by CAA legal counsel and the Chairperson of the Board is authorized and directed to execute the approved agreement for and on behalf of the CAA.

3. *That all resolutions or parts of resolutions in conflict herewith shall be, and the same are hereby, rescinded.*

Resolution Declared Adopted.

5. Resolution Approving and Authorizing the Execution of a Grant Agreement with Kent County Related to the Receipt of Grant Funds Under the Cares Act

Boardmember Hon. Rosalynn Bliss, supported by Boardmember Richard Winn, moved the adoption of the following resolution:

WHEREAS, the Grand Rapids – Kent County Convention/Arena Authority (the “CAA”) has been advised by Kent County (the “County”) that funds are available through the County pursuant to Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) for costs incurred by the CAA due to the public-health emergency with respect to the Coronavirus Disease 2019 (“COVID-19”); and

WHEREAS, the CAA applied for and received a grant from the County in the amount of \$1,985,817.00 to mitigate the spread of COVID-19 and implement certain environmental hygiene programs to prepare DeVos Place, DeVos Performance Hall and VanAndel Arena for safe reopening; and

WHEREAS, in order to receive such grant funds, it is necessary for the CAA to enter into a Grant Agreement with the County.

RESOLVED:

1. *That the Grant Agreement (the “Agreement”) between the CAA and the County in the form presented at this meeting is approved and any officer of the CAA Board is authorized and directed to execute the Agreement for and on behalf of the CAA.*

2. *That all resolutions or parts of resolutions in conflict herewith shall be, and the same are hereby, rescinded.*

Resolution declared adopted.

6. Resolution Clarifying Ownership of the East Half of the Gillett Bridge and Granting Easement Rights to the City for Work in Relation to River Restoration Project

Although Chair Heacock did not have a technical conflict of interest, he turned over management of this action to Birgit Klohs, Vice Chair. Ms. Klohs requested a motion in support of clarifying ownership of the east half of Gillett Bridge and granting easement rights to the City of Grand Rapids. Attorney Richard Wendt explained this is a clean-up item with regards to the restore the rapids project. When the convention center was built and/or expanded 20 years ago, the City and the County transferred property to the CAA indirectly through the Building Authority and that transfer of property was silent to the ownership of the east half of the Gillett Bridge which touches and is adjacent to the CAA’s property. This motion would have the CAA convey any interest in the Gillett Bridge to the City, who owns the west half of the Gillett Bridge, and also provides an easement over the east half for access to the Gillett Bridge.

Boardmember Birgit Klohs, supported by Boardmember Richard Winn, moved the adoption of the following resolution:

WHEREAS, *the Grand Rapids-Kent County Convention Arena Authority (the “CAA”) is an authority created pursuant to Act 203 of the Public Acts of Michigan of 1999, as amended (“Act 203”), with such powers and responsibilities as provided in Act 203, its Articles of Organization and its Bylaws; and*

WHEREAS, *the City of Grand Rapids, a Michigan municipal corporation, with offices at 300 Monroe Ave. NW, Grand Rapids, MI 49503, (the “City”) conveyed the land on the east side of the Grand River to the CAA pursuant to a Quit Claim Deed dated June 30, 2000 (the “Deed”), and the Deed contained access easements to and across the Gillett Bridge, and the intent was for the City to retain ownership of the Gillett Bridge structure; and*

WHEREAS, *while it is clear that the City owns the west half of the Gillett Bridge structure, there is uncertainty as to the City’s ownership of the east half of the Gillett Bridge structure; and*

WHEREAS, *the City is in the process of establishing and confirming all property rights adjacent to the Grand River as part of its Restore the Rapids project and since the intent was for the City to retain ownership of the east half of the Gillett Bridge structure, the City is requesting a quit claim deed from the CAA clarifying the City’s ownership of the east half of the Gillett Bridge structure and granting easements to the City over a portion of CAA land adjacent to the Gillett Bridge, and*

WHEREAS, *the CAA’s engineers have reviewed and approved the easements.*

RESOLVED:

1. *That the CAA hereby quit claims to the City a quit claim deed conveying any interest it has in the property, and in particular, the east half of the Gillett Bridge and granting the requested easement in the form presented with such modifications not materially adverse to the CAA approved as to form by the CAA Executive Director and as to form by legal counsel.*

2. *That all resolutions or parts of resolutions in conflict herewith shall be, and the same are hereby, rescinded to the extent of such conflict.*

Resolution declared adopted.

7. ASM Report – New Logos

Mr. MacKeigan stated that the ASM marketing team developed new logos and introduced Hilarie Carpenter, Marketing Director. Ms. Carpenter provided an overview of the new logos, developed with local design firm DDM. The newly refreshed logos will be introduced as the marketing staff creates new materials to communicate the different safety protocols ASM is putting in place to reopen the buildings. There are no changes to the DeVos Place® logo. DeVos Performance Hall did not have a logo and new horizontal and stacked versions have been created. The Van Andel Arena® logo was completely updated and refreshed, with both stacked and horizontal versions. The CAA logo was also completely updated to give a nod to the three venues and the CAA’s own identity. Ms. Carpenter presented updated business card and letterhead designs that incorporated all of the new logos. Chair Heacock and Ms. Klohs commended Ms. Carpenter on the clean, contemporary designs.

Torrance Richardson, Gerald R. Ford International Airport, provided an airport update. Domestic sales for passenger tickets is down 82%. With the rise in Covid cases and several states strongly recommending not to travel during the holidays, we will see a negative impact on traffic through the airport. Ticket sales are down but passenger traffic has increased slightly. At the national level, passenger traffic has been averaging 34% while locally we are at 42%. The airport working closely with the Harvard TH Chan School of Public Health for a study on the pandemic and its impact on aviation. Two new routes to Newark and Dustin, Florida, will be announced next week.

8. Public Comment

Scott Gorsline, Grand Rapids Griffins, stated that indoor sports still present a challenge. The AHL start date is tentatively scheduled for February 5, 2021, and the league is working hard to make that happen.

9. Board Member Comments

Mayor Bliss thanked everyone for their hard work during the pandemic. Mr. Chamberlin stated expressed hope for some sort of baseball next summer. Mr. Winn stated that the MDRD, the new Spanish restaurant that replaced Cygnus, is now open.

10. Adjournment

The meeting adjourned at 9:35 a.m.

Richard A. Winn, Recording Secretary

DeVos Place,
as Managed by SMG,
a Division of ASM Global

Years Ended
June 30, 2020 and
2019

Special-Purpose
Financial
Statements



DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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INDEPENDENT AUDITORS' REPORT

September 25, 2020

DeVos Place, as Managed by SMG, a Division of ASM Global
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of *DeVos Place, as Managed by SMG, a Division of ASM Global* ("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, 2020 and 2019, 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 special-purpose 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, 2020 and 2019, 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, A DIVISION OF ASM GLOBAL

Special-Purpose Statements of Assets, Liabilities, and Amount

Due Operator Arising from Activities Managed by SMG

	June 30,	
	2020	2019
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ 668,589	\$ 1,065,104
Ticket sales escrow	912,188	728,846
Accounts receivable, net of allowance of \$76,253 and \$58,724 in 2020 and 2019, respectively	300,440	1,310,480
Prepaid expenses	163,344	166,938
Total assets (all current)	<u>\$ 2,044,561</u>	<u>\$ 3,271,368</u>
Liabilities (all current)		
Accounts payable	\$ 68,054	\$ 628,839
Accrued expenses	192,314	590,234
Unearned revenue:		
Advance ticket sales	912,188	728,846
Advance deposits	601,734	427,806
Other unearned revenue	115,872	81,089
Total liabilities (all current)	1,890,162	2,456,814
Amount due Operator	<u>154,399</u>	<u>814,554</u>
Total liabilities and amount due Operator	<u>\$ 2,044,561</u>	<u>\$ 3,271,368</u>

See notes to special-purpose financial statements.

DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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

	Year Ended June 30,	
	2020	2019
Operating revenues		
Events	\$ 2,468,476	\$ 3,450,565
Ancillary revenues, net:		
Food and beverage	767,824	1,376,908
Decorating	254,587	336,563
Electrical	307,206	392,579
Equipment rental	397,763	636,640
Other (includes interest income of \$17,084 and \$9,221 in 2020 and 2019, respectively)	136,703	179,259
	<u>1,864,083</u>	<u>2,921,949</u>
Other operating revenues	<u>634,163</u>	<u>984,619</u>
Total operating revenues	<u>4,966,722</u>	<u>7,357,133</u>
Operating expenses		
Personnel	2,842,694	3,016,900
Utilities	1,279,043	1,757,092
Supplies and expenses	228,412	382,786
Repairs and maintenance	652,684	659,103
General and administrative	<u>1,517,010</u>	<u>1,579,199</u>
Total operating expenses	<u>6,519,843</u>	<u>7,395,080</u>
Operating revenues under operating expenses before incentive management fee	(1,553,121)	(37,947)
Incentive management fee	<u>-</u>	<u>151,831</u>
Operating revenues under operating expenses and incentive management fee	<u>\$ (1,553,121)</u>	<u>\$ (189,778)</u>

See notes to special-purpose financial statements.

DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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

	Year Ended June 30,	
	2020	2019
Amount due Operator, beginning of year	\$ 814,554	\$ (50,275)
Excess of operating revenues under operating expenses and incentive management fee	(1,553,121)	(189,778)
Contributions received from Operator	1,396,548	1,785,761
Amounts paid to Operator	<u>(503,582)</u>	<u>(731,154)</u>
Amount due Operator, end of year	<u>\$ 154,399</u>	<u>\$ 814,554</u>

See notes to special-purpose financial statements.

DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

Special-Purpose Statements of Operating Cash Flows

Arising from Activities Managed by SMG

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities		
Operating revenues under operating expenses and incentive management fees	\$ (1,553,121)	\$ (189,778)
Changes in assets and liabilities:		
Accounts receivable	1,010,040	(319,520)
Prepaid expenses	3,594	(11,457)
Accounts payable	(560,785)	485,580
Accrued expenses	(397,920)	(41,226)
Advance deposits	173,928	(44,204)
Other unearned revenue	34,783	(40,545)
Net cash used in operating activities	<u>(1,289,481)</u>	<u>(161,150)</u>
Cash flows from financing activities		
Contributions received from Operator	1,396,548	1,785,761
Amounts paid to Operator	<u>(503,582)</u>	<u>(731,154)</u>
Net cash provided by financing activities	<u>892,966</u>	<u>1,054,607</u>
Net change in operating cash	(396,515)	893,457
Operating cash, beginning of year	<u>1,065,104</u>	<u>171,647</u>
Operating cash, end of year	<u>\$ 668,589</u>	<u>\$ 1,065,104</u>

See notes to special-purpose financial statements.

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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, a division of ASM Global, 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, A DIVISION OF ASM GLOBAL

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 \$3,164,254 and \$4,306,575 for the years ended June 30, 2020 and 2019, 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.

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.

DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

Notes to Special-Purpose Financial Statements

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. 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,	
	2020	2019
Excess of operating revenues over operating expenses, as defined, SMG-Van Andel Arena	\$ 1,705,698	\$ 4,111,672
Excess of operating revenues under operating expenses, as defined, SMG-DeVos Place	(1,553,121)	(37,947)
Total	<u>\$ 152,577</u>	<u>\$ 4,073,725</u>
Incentive benchmark	\$ 1,050,000	\$ 1,050,000
Benchmark met?	No	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	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, A DIVISION OF ASM GLOBAL

Notes to Special-Purpose Financial Statements

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, 2020 and 2019, respectively, is as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
SMG-DeVos Place base management fee, included in general and administrative expense (A)	<u>\$ 179,263</u>	<u>\$ 176,440</u>
Total operating revenues - SMG-Van Andel Arena		\$ 8,867,124
Total operating revenues - SMG-DeVos Place		<u>7,357,133</u>
		<u>16,224,257</u>
Revenue benchmark - SMG-Van Andel Arena		5,150,000
Revenue benchmark - SMG-DeVos Place		<u>4,550,000</u>
		<u>9,700,000</u>
Revenues in excess of benchmark		<u>\$ 6,524,257</u>
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively		\$ 125,000
30% of the amount in excess of \$500,000, collectively, up to base fee of \$352,880		<u>227,880</u>
		<u>352,880</u>
Percent payable		100%
Total incentive fee payable		<u>\$ 352,880</u>
Incentive fee allocated to SMG-Van Andel Arena		\$ 201,049
Incentive fee allocated to SMG-DeVos Place (B)		<u>151,831</u>
Total incentive fee		<u>\$ 352,880</u>
Total management fees - SMG-DeVos Place (A + B)	<u>\$ 179,263</u>	<u>\$ 328,271</u>

DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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 \$30,857 and \$27,663 in matching contributions for the years ended June 30, 2020 and 2019, 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 \$150,820 and \$189,178 due from SMG-Van Andel Arena as of June 30, 2020 and 2019, respectively. Accounts payable includes \$876 and \$0 due to SMG-Van Andel Arena as of June 30, 2020 and 2019, respectively.

During the years ended June 30, 2020 and 2019, SMG-DeVos Place made payments of \$48,341 and \$38,737, 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. No similar payments were made during the year ended June 30, 2020.

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, 2020 and 2019, 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.

DEVOS PLACE, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

Notes to Special-Purpose Financial Statements

7. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the SMG-Devos Place's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees and vendors, all of which cannot be reasonably predicted at this time. In addition, it will continue to place additional demands on SMG-Devos Place as it determines the appropriate methods to deliver services to patrons in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the SMG-Devos Place's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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Van Andel Arena,
as Managed by SMG,
a Division of ASM Global

Years Ended
June 30, 2020 and
2019

Special-Purpose
Financial
Statements



VAN ANDEL ARENA, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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INDEPENDENT AUDITORS' REPORT

September 25, 2020

Van Andel Arena, as Managed by SMG, a Division of ASM Global
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, a Division of ASM Global* ("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, 2020 and 2019, 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 special-purpose 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, 2020 and 2019, 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.

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

VAN ANDEL ARENA, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

Special-Purpose Statements of Assets, Liabilities, and Amount

Due Operator Arising from Activities Managed by SMG

	June 30,	
	2020	2019
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ -	\$ 1,856,831
Ticket sales escrow	8,789,366	7,579,823
Accounts receivable	1,302,885	801,294
Prepaid expenses	96,029	143,427
	<u>10,188,280</u>	<u>10,381,375</u>
Total assets (all current)	\$ 10,188,280	\$ 10,381,375
Liabilities (all current)		
Accounts payable	\$ 731,358	\$ 865,847
Accrued expenses	136,833	562,086
Unearned revenue:		
Advance ticket sales	8,789,366	7,579,823
Advance deposits	51,925	37,425
Other unearned revenue	1,383,968	1,270,085
	<u>11,093,450</u>	<u>10,315,266</u>
Total liabilities (all current)	11,093,450	10,315,266
Amount due Operator (deficit)	<u>(905,170)</u>	<u>66,109</u>
Total liabilities and amount due Operator	\$ 10,188,280	\$ 10,381,375

See notes to special-purpose financial statements.

VAN ANDEL ARENA, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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

	Year Ended June 30,	
	2020	2019
Operating revenues		
Events	\$ 871,463	\$ 1,828,795
Ancillary revenues, net:		
Food and beverage	1,505,190	2,343,118
Novelties	158,109	247,736
Other	396	1,156
	<u>1,663,695</u>	<u>2,592,010</u>
Other operating revenues:		
Premium seating	1,607,287	1,979,254
Advertising income	641,966	763,884
Other (includes interest income of \$78,197 and \$102,468 in 2020 and 2019, respectively)	1,048,226	1,703,181
	<u>3,297,479</u>	<u>4,446,319</u>
Total operating revenues	<u>5,832,637</u>	<u>8,867,124</u>
Operating expenses		
Personnel	1,823,717	1,919,088
Utilities	742,780	922,507
Supplies and expenses	211,652	280,606
Repairs and maintenance	207,290	334,025
General and administrative	1,141,500	1,299,226
	<u>4,126,939</u>	<u>4,755,452</u>
Total operating expenses	<u>4,126,939</u>	<u>4,755,452</u>
Operating revenues over operating expenses before incentive management fee	1,705,698	4,111,672
Incentive management fee	-	201,049
Operating revenues over operating expenses and incentive management fee	<u>\$ 1,705,698</u>	<u>\$ 3,910,623</u>

See notes to special-purpose financial statements.

VAN ANDEL ARENA, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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

	Year Ended June 30,	
	2020	2019
Amount due Operator, beginning of year	\$ 66,109	\$ (440,133)
Excess of operating revenues over operating expenses and incentive management fee	1,705,698	3,910,623
Contributions received from Operator	1,505,559	909,829
Amounts paid to Operator	<u>(4,182,536)</u>	<u>(4,314,210)</u>
Amount due Operator (deficit), end of year	<u>\$ (905,170)</u>	<u>\$ 66,109</u>

See notes to special-purpose financial statements.

VAN ANDEL ARENA, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

Special-Purpose Statements of Operating Cash Flows

Arising from Activities Managed by SMG

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities		
Operating revenues over operating expenses	\$ 1,705,698	\$ 3,910,623
Changes in assets and liabilities:		
Accounts receivable	(501,591)	903,281
Prepaid expenses	47,398	(59,940)
Accounts payable	(134,489)	506,232
Accrued expenses	(425,253)	3,845
Advance deposits	14,500	2,500
Unearned revenue	113,883	(5,329)
Net cash provided by operating activities	<u>820,146</u>	<u>5,261,212</u>
Cash flows from financing activities		
Contributions received from Operator	1,505,559	909,829
Amounts paid to Operator	<u>(4,182,536)</u>	<u>(4,314,210)</u>
Net cash used in financing activities	<u>(2,676,977)</u>	<u>(3,404,381)</u>
Net change in operating cash	(1,856,831)	1,856,831
Operating cash, beginning of year	<u>1,856,831</u>	<u>-</u>
Operating cash, end of year	<u>\$ -</u>	<u>\$ 1,856,831</u>

See notes to special-purpose financial statements.

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

VAN ANDEL ARENA, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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, a Division of ASM Global, 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, 2020 and 2019, 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, A DIVISION OF ASM GLOBAL

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 \$3,080,034 and \$5,055,682 for the years ended June 30, 2020 and 2019, 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, A DIVISION OF ASM GLOBAL

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 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 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,	
	2020	2019
Excess of operating revenues over operating expenses, as defined, SMG-Van Andel Arena	\$ 1,705,698	\$ 4,111,672
Excess of operating revenues under operating expenses, as defined, SMG-DeVos Place	(1,553,121)	(37,947)
Total	<u>\$ 152,577</u>	<u>\$ 4,073,725</u>
Incentive benchmark	\$ 1,050,000	\$ 1,050,000
Benchmark met?	No	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	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, A DIVISION OF ASM GLOBAL

Notes to Special-Purpose Financial Statements

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, 2020 and 2019, respectively, is as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
SMG-Van Andel base management fee, included in general and administrative expense (A)	\$ 179,263	\$ 176,440
Total operating revenues - SMG-Van Andel Arena		\$ 8,867,124
Total operating revenues - SMG-DeVos Place		7,357,133
		<u>16,224,257</u>
Revenue benchmark - SMG-Van Andel Arena		5,150,000
Revenue benchmark - SMG-DeVos Place		4,550,000
		<u>9,700,000</u>
Revenues in excess of benchmark		<u>\$ 6,524,257</u>
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively		\$ 125,000
30% of the amount in excess of \$500,000, collectively, up to base fee of \$352,880		227,880
		<u>352,880</u>
Percent payable		100%
Total incentive fee payable		<u>\$ 352,880</u>
Incentive fee allocated to SMG-Van Andel Arena (B)		\$ 201,049
Incentive fee allocated to SMG-DeVos Place		<u>151,831</u>
Total incentive fee		<u>\$ 352,880</u>
Total management fees - SMG-Van Andel Arena (A + B)	\$ 179,263	<u>\$ 377,489</u>

VAN ANDEL ARENA, AS MANAGED BY SMG, A DIVISION OF ASM GLOBAL

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 \$19,753 and \$19,030 in matching contributions for the years ended June 30, 2020 and 2019, 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 \$876 and \$0 due from SMG-DeVos Place as of June 30, 2020 and 2019, respectively. Accounts payable includes \$150,820 and \$189,178 payable to SMG-DeVos Place as of June 30, 2020 and 2019, 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 \$10 from SMG-Food and Beverage LLC, as of June 30, 2020 and 2019, respectively. Accounts payable includes \$0 and \$11,151 as of June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, SMG-Van Andel received payments of \$2,530,570 and \$4,128,088, respectively, from SMG-Food and Beverage LLC which represents commission on sales. During the years ended June 30, 2020 and 2019, SMG-Van Andel made payments of \$162,516 and \$360,420, 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, 2020 and 2019, 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.

Notes to Special-Purpose Financial Statements

7. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the SMG-Van Andel Arena's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees and vendors, all of which cannot be reasonably predicted at this time. In addition, it will continue to place additional demands on SMG Van Andel Arena as it determines the appropriate methods to deliver services to its patrons in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the SMG-Van Andel Arena's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 25, 2020

To Management of
DeVos Place and Van Andel Arena,
as Managed by SMG, a Division of ASM Global
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, a Division of ASM Global, as of and for the years ended June 30, 2020 and 2019, and have issued our reports thereon dated September 25, 2020. 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 22, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the special-purpose financial statements ("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 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 July 21, 2020.

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. No entries were identified as part of audit procedures.

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,

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

SMG-DEVOS PLACE & SMG-VAN ANDEL ARENA

Attachment A - Management Representations

For the June 30, 2020 Audit

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

September 25, 2020

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

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, a Division of ASM Global, as of and for the year ended June 30, 2020 and 2019, and the related notes to the 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 25, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 22, 2020, 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. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
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. 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.
7. All events subsequent to the date of the special-purpose financial statements have been adjusted or disclosed.



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8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed.
9. In response to the novel coronavirus outbreak (COVID-19), the Governor issued various temporary Executive Orders that, among other stipulations, effectively prohibited in-person work activities for most businesses and industries including non-essential government services, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the SMG-Devos Place and SMG-Van Andel Arena's normal activities. The extent of the ultimate impact of the pandemic on the SMG-Devos Place and SMG-Van Andel Arena's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on employees and vendors, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the SMG-Devos Place and SMG-Van Andel Arena's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Information Provided

10. 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.
11. All transactions have been recorded in the accounting records and are reflected in the special-purpose financial statements.
12. 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.
13. 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.
14. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
15. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
16. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
17. 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.
18. 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.
19. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
21. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
22. 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.
23. 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.

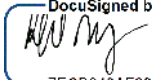


24. We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
25. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
26. 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:



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Richard Mackeigan, Regional General Manager



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Grand Rapids - Kent County
Convention/Arena Authority

Years Ended June 30,
2020 and 2019

Financial
Statements

Rehmann

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

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INDEPENDENT AUDITORS' REPORT

November 25, 2020

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, 2020 and 2019, 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 express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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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, 2020 and 2019, 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 Johnson 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, 2020 and 2019. 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	\$ 22,578,487
· Change in total net position	(3,013,259)
· Capital assets, net	949,807
· Change in net capital assets	(372,955)

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 \$22,578,487 and \$25,591,746 for the years ended June 30, 2020 and 2019, 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,		
	2020	2019	2018
Assets			
Current and other assets	\$ 40,624,146	\$ 44,022,854	\$ 37,256,015
Capital assets, net	949,807	1,322,762	1,784,742
	<u>41,573,953</u>	<u>45,345,616</u>	<u>39,040,757</u>
Liabilities			
Other liabilities	<u>18,995,466</u>	<u>19,753,870</u>	<u>13,552,225</u>
Net position			
Investment in capital assets	949,807	1,322,762	1,784,742
Unrestricted	<u>21,628,680</u>	<u>24,268,984</u>	<u>23,703,790</u>
Total net position	<u>\$ 22,578,487</u>	<u>\$ 25,591,746</u>	<u>\$ 25,488,532</u>

A portion of the Authority's net position (4.2% and 5.2% in 2020 and 2019, respectively), reflects its investment in capital assets (e.g. buildings, structures and equipment). 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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

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,		
	2020	2019	2018
Operating revenues	\$ 11,985,625	\$ 17,883,544	\$ 15,569,822
Operating expenses	<u>15,866,109</u>	<u>17,961,728</u>	<u>16,003,676</u>
Operating loss	(3,880,484)	(78,184)	(433,854)
Nonoperating revenues	<u>1,307,374</u>	<u>1,027,656</u>	<u>676,440</u>
Income (loss) before transfers out	(2,573,110)	949,472	242,586
Transfer of constructed assets	<u>(440,149)</u>	<u>(846,258)</u>	<u>(141,780)</u>
Change in net position	(3,013,259)	103,214	100,806
Net position, beginning of year	<u>25,591,746</u>	<u>25,488,532</u>	<u>25,387,726</u>
Net position, end of year	<u><u>\$ 22,578,487</u></u>	<u><u>\$ 25,591,746</u></u>	<u><u>\$ 25,488,532</u></u>

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, a Division of ASM Global, 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 decrease in 2020 operating revenues is a direct result of the global pandemic causing both facilities to "go dark" beginning March 14th, 2020 and stay that way through the end of the fiscal year. The impact seems even more stark compared to fiscal year 2019 which saw attendance records broken and per capita spending and per event settlements at the best in the Authority's history.

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 2020, operating expenses decreased at a lower rate than operating revenues as certain operating needs of the facilities remain, even when the facilities are not in use. Additionally certain major capital replacement and repair projects continued, and at a quicker pace because vendors were able to continue work instead of work around scheduled events of the facilities.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

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.

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 2020, investment returns initially increased at the beginning of the fiscal year, but then began to decrease about the same time the global pandemic hit, reflecting similar decreases in the Federal funds rate. Additionally, lease payments decreased at the Arena Area #2 lot, reflecting a large decrease in parking volume after the virtual shutdown of the State of Michigan in late March, 2020.

Late in the 2019 fiscal year the Authority received a \$5 million grant from the State of Michigan to be used for an amphitheater project. While the project is still considered to be in the Proof of Concept (POC) stage, certain expenses for feasibility, site selection and related consulting services have been incurred during fiscal year 2020. While none of these funds were spent during the year ended June 30, 2019, a total of \$350,207 was spent during fiscal year 2020. The remaining balance of unspent funds is considered unearned revenue.

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.

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 2020 and 2019, construction expenses of approximately \$440,000 and \$846,000, 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, 2020 and 2019, the Authority had invested \$949,807 and \$1,322,762, 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,		
	2020	2019	2018
Equipment	<u>\$ 949,807</u>	<u>\$ 1,322,762</u>	<u>\$ 1,784,742</u>

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

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, 2020, 2019 or 2018.

Economic Condition and Outlook

Management believes that the Grand Rapids-Kent County Convention/Arena Authority is in good condition both administratively and financially, even considering the global pandemic and its impact on the concert and convention business. The Authority further believes that eventually, this business will come back in a robust way, however how the business operates may be different in the future. This report covers the nineteenth and twentieth 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. Long-term booking activity, enhanced by the services of the Experience Grand Rapids, continues to draw commitments for convention center activity, which is now booking through calendar year 2028.

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 2021 (beginning July 1, 2020) budget forecasts operating revenues of only \$2.6 million with operating expenses (before depreciation) of \$9.4 million, reflecting an estimated continued closure of the facilities for the first six months of the fiscal year with a phased re-opening beginning January 1, 2021. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees and vendors, all of which cannot be reasonably predicted at this time. The Authority's fiscal year 2021 budget, while conservative, still provides for healthy operating reserves for the future. Should the pandemic continue into fiscal year 2022, all capital projects will be suspended in order to continue to preserve reserves. 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.

BASIC FINANCIAL STATEMENTS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Net Position

	June 30,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,693,859	\$ 11,567,285
Restricted Investments	5,109,546	5,014,604
Investments	23,097,494	24,615,781
Accounts receivable, net	1,463,876	2,051,584
Prepaid expenses	259,371	773,600
Total current assets	40,624,146	44,022,854
Noncurrent assets:		
Capital assets being depreciated, net	949,807	1,322,762
Total assets	41,573,953	45,345,616
Liabilities (all current)		
Accounts payable and accrued liabilities	647,716	2,205,245
Accrued expenses	942,906	1,333,826
Advance ticket sales	9,701,552	8,308,667
Advance deposits	653,659	465,231
Unearned revenue	7,049,633	7,440,901
Total liabilities (all current)	18,995,466	19,753,870
Net position		
Investment in capital assets	949,807	1,322,762
Unrestricted	21,628,680	24,268,984
Total net position	\$ 22,578,487	\$ 25,591,746

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,	
	2020	2019
Operating revenues		
Charges for services - facilities	\$ 11,985,625	\$ 17,883,544
Operating expenses		
Personnel services	4,816,904	5,084,367
Utilities	2,028,267	2,711,039
Supplies and other expenses	3,330,456	4,307,164
Contractual services	4,228,674	4,266,343
Depreciation	526,988	522,885
Repairs and maintenance	861,574	998,951
Professional services	73,246	70,979
Total operating expenses	15,866,109	17,961,728
Operating loss	(3,880,484)	(78,184)
Nonoperating revenues		
Interest revenue	642,749	642,041
State grant revenues	350,207	-
Other revenue	314,418	385,615
Total nonoperating revenues	1,307,374	1,027,656
Income (loss) before transfers out	(2,573,110)	949,472
Transfer of constructed assets	(440,149)	(846,258)
Change in net position	(3,013,259)	103,214
Net position, beginning of year	25,591,746	25,488,532
Net position, end of year	\$ 22,578,487	\$ 25,591,746

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,	
	2020	2019
Cash flows from operating activities		
Cash received from facility operations	\$ 13,861,668	\$ 18,658,079
Cash payments to employees	(5,213,480)	(4,879,707)
Cash payments for goods and services	(11,307,944)	(12,044,604)
Net cash provided by (used in) operating activities	<u>(2,659,756)</u>	<u>1,733,768</u>
Cash flows from capital and related financing activities		
Acquisition/construction of capital assets	(154,033)	(60,905)
Acquisition/construction of transferred assets	(440,149)	(846,258)
Other receipts	314,418	385,615
Net cash used in capital and related financing activities	<u>(279,764)</u>	<u>(521,548)</u>
Cash flows from investing activities		
Interest and dividends received	642,749	642,041
Proceeds from sale of investments	6,655,390	6,600,000
Purchases of investments	(5,232,045)	(6,500,289)
Net cash provided by investing activities	<u>2,066,094</u>	<u>741,752</u>
Net change in cash and cash equivalents	(873,426)	1,953,972
Cash and cash equivalents, beginning of year	<u>11,567,285</u>	<u>9,613,313</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,693,859</u></u>	<u><u>\$ 11,567,285</u></u>

continued...

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
Reconciliation of operating loss		
to net cash provided by (used in) operating activities		
Operating loss	\$ (3,880,484)	\$ (78,184)
Adjustments to reconcile operating loss		
to net cash provided by (used in) operating activities:		
Depreciation expense	526,988	522,885
Change in operating assets and liabilities:		
Accounts receivables, net	587,708	622,056
Prepaid expenses	514,229	(534,634)
Accounts payable and accrued liabilities	(1,557,529)	1,561,693
Accrued expenses	(390,920)	(270,629)
Advance ticket sales	1,392,885	(1,008,943)
Advance deposits	188,428	(41,704)
Unearned revenue	(41,061)	961,228
Net cash provided by (used in) operating activities	<u><u>\$ (2,659,756)</u></u>	<u><u>\$ 1,733,768</u></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 fund is 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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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 fund is 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.

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.

Restricted Investments

Restricted investments consist of amounts received in advance for a state grant project for which costs have not yet been reimbursed to the CAA operations cash account where grant expenses are paid.

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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Capital Assets

Capital assets, which are limited to certain building and structures 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.

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 during the year ended June 30, 2019 and \$350,207 was spent during the year ended June 30, 2020; the remaining balance not spent 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 and prior year. The remaining unamortized amount as of June 30, 2020 of \$900,000 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 \$177,144 and \$220,629 at June 30, 2020 and 2019, 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 \$6,244,288 and \$9,362,257 for the years ended June 30, 2020 and 2019, respectively.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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.

2. DEPOSITS AND INVESTMENTS

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

	June 30,	
	2020	2019
Statement of net position		
Cash and cash equivalents	\$ 10,693,859	\$ 11,567,285
Restricted Investments	5,109,546	5,014,604
Investments	<u>23,097,494</u>	<u>24,615,781</u>
Total	<u><u>\$ 38,900,899</u></u>	<u><u>\$ 41,197,670</u></u>
Deposits and investments		
Bank deposits - checking / savings accounts	\$ 10,693,859	\$ 11,567,285
Investments in the Kent County Investment Pool	<u>28,207,040</u>	<u>29,630,385</u>
Total	<u><u>\$ 38,900,899</u></u>	<u><u>\$ 41,197,670</u></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, 2020, \$9,658,242 of the Authority's bank balance of \$10,658,751 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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.

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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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, 2020 and 2019, 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.

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, 2020 and 2019 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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

3. ACCOUNTS RECEIVABLES

Accounts receivables are comprised of the following:

	June 30,	
	2020	2019
Facility customers/events	\$ 914,806	\$ 1,294,595
Ancillary revenues	625,322	815,713
Allowance for uncollectible accounts	(76,252)	(58,724)
	<u>\$ 1,463,876</u>	<u>\$ 2,051,584</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Buildings and structures	\$ 322,431	\$ -	\$ -	\$ -	\$ 322,431
Equipment	4,294,853	154,033	(149,545)	-	4,299,341
	<u>4,617,284</u>	<u>154,033</u>	<u>(149,545)</u>	<u>-</u>	<u>4,621,772</u>
Less accumulated depreciation for:					
Buildings and structures	(322,431)	-	-	-	(322,431)
Equipment	(2,972,091)	(526,988)	149,545	-	(3,349,534)
	<u>(3,294,522)</u>	<u>(526,988)</u>	<u>149,545</u>	<u>-</u>	<u>(3,671,965)</u>
Capital assets, net	<u>\$ 1,322,762</u>	<u>\$ (372,955)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 949,807</u>

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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>

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, 2020 and 2019, total management and incentive fees earned by SMG were approximately \$359,000 and \$706,000, respectively, 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. There were no contributions in fiscal year 2020 or 2019.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

8. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees and vendors, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Authority as it determines the appropriate methods to deliver services to patrons in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the Authority's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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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, 2020

	Budget	Actual	Actual Over (Under) Budget
Operating revenues			
Charges for services - facilities	\$ 14,649,483	\$ 11,985,625	\$ (2,663,858)
Operating expenses			
Personnel services	5,142,206	4,816,904	(325,302)
Utilities	2,588,400	2,028,267	(560,133)
Supplies and other expenses	1,274,676	3,330,456	2,055,780
Contractual services	3,786,139	4,228,674	442,535
Depreciation	-	526,988	526,988
Repairs and maintenance	935,699	861,574	(74,125)
Professional services	203,700	73,246	(130,454)
Total operating expenses	<u>13,930,820</u>	<u>15,866,109</u>	<u>1,935,289</u>
Operating income (loss)	<u>718,663</u>	<u>(3,880,484)</u>	<u>(4,599,147)</u>
Nonoperating revenues			
Interest revenue	564,750	642,749	77,999
State grant revenue	-	350,207	350,207
Other revenue	409,000	314,418	(94,582)
Total nonoperating revenues	<u>973,750</u>	<u>1,307,374</u>	<u>333,624</u>
Income (loss) before transfers out	1,692,413	(2,573,110)	(4,265,523)
Transfer of constructed assets	(3,689,600)	(440,149)	3,249,451
Change in net position	<u>(1,997,187)</u>	<u>(3,013,259)</u>	<u>(1,016,072)</u>
Net position, beginning of year	<u>25,591,746</u>	<u>25,591,746</u>	<u>-</u>
Net position, end of year	<u>\$ 23,594,559</u>	<u>\$ 22,578,487</u>	<u>\$ (1,016,072)</u>

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 25, 2020

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, 2020 and 2019, and have issued our report thereon dated November 25, 2020. 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 October 26, 2020, 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 12, 2020.

Rehmann is an independent member of Nexia International.



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 our 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,

Rehmann Lohman LLC

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2020 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 12/15/2020 (your FY 2021)

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.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

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 12/15/2021 (your FY 2022)

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 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2023)

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.

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2020 Audit

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the Authority.

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the Authority.

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the Authority.

GASB 96 ■ Subscription-Based Information Technology Arrangements

Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans

Effective 06/15/2022 (your FY 2022)

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.

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GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment B – Management Representations

For the June 30, 2020 Audit

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



November 25, 2020

Rehmann Robson
2330 East Paris Avenue
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 year ended June 30, 2020 and 2019, 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 25, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 26, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.



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

4. 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.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. 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.
8. 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.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - 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.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. 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.
14. All components of net position classifications have been properly reported.
15. 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.
16. 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.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.

18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. In response to the novel coronavirus outbreak (COVID-19), the Governor issued various temporary Executive Orders that, among other stipulations, effectively prohibited in-person work activities for most businesses and industries including non-essential government services, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the Authority's normal activities. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on employees and vendors, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the Authority's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Information Provided

22. 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.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. 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.
25. 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.
26. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
27. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

28. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. We have a process to track the status of audit findings and recommendations.
30. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
31. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
32. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements [and we have not consulted legal counsel concerning litigation or claims].
33. 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.
34. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
35. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
36. We have disclosed to you all guarantees, whether written or oral, under which the Authority is contingently liable.
37. 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.
38. 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 Statement No. 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 Statement No. 62.
39. The Authority 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.
40. 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.
41. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 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

42. 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

43. 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 2020 Recap – Budget to Actual

Date: November 30, 2020

The attached material summarizes the CAA administrative operating budget and consolidated income statement for fiscal years ended June 30, 2019-2020 and provides a comparison to the current fiscal year (FY 2021) budget.

Table D provides a summary of the consolidated budget by facility for the fiscal year ending June 30, 2021, along with actual results for FY 2019 and FY 2020. ***The FY 2020 budget, as adopted, forecasted a (\$3,302,492) 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 drawn (\$2,640,304) from unrestricted fund balance.*** Specific variances are summarized in the following manner:

Van Andel Arena®

The original budgeted Operating Revenues, of \$6.3 million, was believed to be a reasonably achievable goal. At the six months “Roll,” the updated forecast was looking at a number several hundred thousand higher. Unfortunately, with closure of the facility on and after March 14th, year-end operating revenues were reported at \$5.8 million.

The decline in operating revenues, from original budget, was more than offset by decreased operating expenses resulting in a lapse of \$0.6 million from original budget.

DeVos Place® Convention Center

FY2020 budgeted operating revenues/expenses were tracking at budget through the first eight months. Closure of the facility, on and after March 14th, resulted in a significant decline from originally budgeted revenues reflecting a balance \$1.7 million below the original forecast.

Operating expenses came in \$0.6 million below the original authorization, partially offsetting the operating revenue decline.

The DeVos Place parking facility, a part of the convention facility account, experienced a decline of \$0.4 million from the original budget forecast.

Administrative (Other)

Several line items, Including Consulting Services and the Diversity Initiative, came in significantly under budget resulting in a savings of \$0.3 million.

Capital Expenditures

The FY2020 budget included a spending allowance of almost \$5.0 million. Thirteen “in progress” balances, totaling \$1.7 million, were carried over to the FY2021 capital budget. All other projects were completed at a slight overrun (\$14,303) from budget.

All these revenue/expenditure variances resulted in a lower draw on Unrestricted Fund Balance than anticipated in the original budget, from a forecasted draw of \$3.3 million to an actual draw of \$2.6 million.

The Fiscal Year 2021 budget forecasts a draw of \$11.1 million from Unrestricted Fund Balance. This draw is required as a result of an anticipated operating deficit of \$6.7 million and a capital budget (excluding restricted accounts) of \$4.4 million.

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 – Special Accounts

Table F – Summary of Consolidated Income Statement – 10 Years

Table A
Grand Rapids-Kent County Convention/Arena Authority
SMG Facilities Budget
Fiscal Years Ending June 30, 2019 - 2021

	FY 2019		FY 2020		FY 2021
	Actual	Budget	Estimate	Actual	Budget
Van Andel Arena					
Operating - Revenues	\$ 8,867,124	\$ 6,261,150	\$ 5,851,521	\$ 5,832,637	\$ 855,248
- Expenses - Facilities	(4,579,012)	(4,467,311)	(4,004,424)	(3,947,676)	(3,161,016)
- Management Fees	(176,440)	(179,969)	(179,263)	(179,263)	(182,848)
- Incentive Fees	(201,049)	(118,412)	-		-
Net Operating Income	<u>3,910,623</u>	<u>1,495,458</u>	<u>1,667,834</u>	<u>1,705,698</u>	<u>(2,488,616)</u>
DeVos Place					
Operating - Revenues	7,357,133	6,697,333	4,964,047	4,966,722	975,759
- Expenses - Facilities	(7,218,640)	(6,672,635)	(6,507,515)	(6,340,580)	(4,606,032)
- Management Fees	(176,440)	(179,969)	(179,263)	(179,263)	(182,848)
- Incentive Fees	(151,831)	(241,526)	-		-
Net Operating Income/(Loss)	<u>(189,778)</u>	<u>(396,797)</u>	<u>(1,722,731)</u>	<u>(1,553,121)</u>	<u>(3,813,121)</u>
Net Available to CAA:					
Van Andel Arena	3,910,623	1,495,458	1,667,834	1,705,698	(2,488,616)
DeVos Place	(189,778)	(396,797)	(1,722,731)	(1,553,121)	(3,813,121)
	<u>\$ 3,720,845</u>	<u>\$ 1,098,661</u>	<u>\$ (54,897)</u>	<u>\$ 152,577</u>	<u>\$ (6,301,737)</u>

Table B
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2019-2021

	FY2019	FY 2020		FY 2021	
	Actual	Budget	Estimate	Actual	Budget
Revenues:					
Facility Operations	\$ 3,720,845	\$ 1,098,661	\$ (54,897)	\$ 152,577	\$ (6,301,737)
Utility Reimbursement	2,342,708	2,392,200	1,891,085	1,783,652	1,644,906
Transfers from SMG	6,063,553	3,490,861	1,836,188	1,936,229	(4,656,831)
State Grant	-	-	106,939	350,207	4,893,061
County Grant	-	-	-	-	1,985,817
DeVos Place Parking ⁽¹⁾	1,644,741	1,570,000	1,201,279	1,163,477	470,000
VanAndel Parking ⁽¹⁾	385,614	409,000	290,064	314,418	234,000
Interest ⁽²⁾	530,352	564,750	571,453	547,468	140,000
Miscellaneous	126,235	121,000	118,069	118,069	58,022
Total Revenues	8,750,495	6,155,611	4,123,992	4,429,868	3,124,069
Expenditures:					
Utilities ⁽⁴⁾	2,342,708	2,392,200	1,891,085	1,783,652	1,644,906
Other Operating ⁽⁵⁾	534,166	498,170	426,814	408,690	162,000
Administration/Other ⁽⁶⁾	1,063,098	1,572,828	1,250,231	1,228,843	1,095,106
Facility Maintenance	3,338,156	-	-	2,704,598	-
Amphitheater	-	-	-	350,207	-
Capital	907,173	4,994,905	4,719,842	594,182	11,145,729 ⁽³⁾
Total Expenditures	8,185,301	9,458,103	8,287,972	7,070,172	14,047,741
Net Excess (Deficit)	\$ 565,194	\$ (3,302,492)	\$ (4,163,980)	\$ (2,640,304)	\$ (10,923,672)

Notes: See Following Pages

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2021 Budget

Notes:

⁽¹⁾ DeVos Place Parking Rates:	FY 2019	FY 2020	FY 2021
30 Minutes	\$ 1.50	\$ 1.50	\$ 1.50
Daily Maximum	15.00	15.00	15.00
Vehicles with Trailers: Courtesy Validations (2 Hr. Limit) ASM Designated Only	-	-	NC*
Event	10.00	10.00	10.00
Weekly (ASM Designated Only)**	-	-	14.00
Monthly -Public	154.00	154.00	154.00
-Reserved Premium	58.00	58.00	58.00
-County/SMG/ASM (O+M)	65.25	55.25	62.78

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

* No Charge

** Fourteen (14) Day Notice Requirement

⁽²⁾ \$29.9 million (2/29/20 pool balance) in invested funds at 0.5%.

⁽³⁾ FY 2021 Eligible Projects:

Van Andel Arena®	
Upper Bowl Seating	\$ 750,000
Total VAA	750,000
DeVos Place®	
Building Management Software-HVAC	150,000
Exterior Welsh Granite & Steps	300,000
Fly Rail System	1,450,000
Total DVP	1,900,000
Both Venues	
Box Office Speakers	60,000
Carryover (FY20) Projects	
Projection Theater Updates	200,000
Fly Rail System	114,604
Additional Furniture	33,000
Carpet: Keeler Lobby/Performance Hall	323,619
Airwall Fabric Replacement	42,015
OSHA Safety Changes	7,381
Lyon Street Landscaping	400,000
New Soft Start for Chiller	39,885
Suite Refresher	372,803
Security Upgrades	25,135
Elevator Modernization	10,985
New Computers	4,000
New Phone System	137,000
Total Carryover	1,710,427
Total Unrestricted Accounts	4,420,427
Amphitheater - State Grant	4,739,485
COVID-19 - County Grant	1,985,817
Total FY 2021 Capital Budget	\$ 11,145,729

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Detail of Expenditure Estimates
FY 2019-2021

	FY 2019		FY 2020		FY 2021
	Actual	Budget	Estimate	Actual	Budget
Utilities⁽⁴⁾:					
Electricity	\$ 1,593,238	\$ 1,618,000	\$ 1,235,429	\$ 1,183,672	\$ 1,052,280
Steam/Gas	602,690	625,600	511,254	465,818	506,595
Water/Sewer	146,780	148,600	144,402	134,162	86,031
	<u>2,342,708</u>	<u>2,392,200</u>	<u>\$ 1,891,085</u>	<u>\$ 1,783,652</u>	<u>\$ 1,644,906</u>
Other Operating⁽⁵⁾:					
Parking Management	300,315	284,270	\$ 260,500	\$ 256,321	\$ 75,000
Pedestrian Safety	193,622	148,900	124,541	124,542	22,000
Repairs - F&B	14,095	40,000	16,773	-	40,000
Landscaping	26,134	25,000	25,000	27,827	25,000
	<u>534,166</u>	<u>498,170</u>	<u>\$ 426,814</u>	<u>\$ 408,690</u>	<u>\$ 162,000</u>
Administration/Other⁽⁶⁾:					
Wages	113,196	111,084	\$ 111,084	\$ 118,116	\$ 112,300
Benefits	35,183	37,731	37,731	32,377	28,806
Accounting/Audit	58,373	50,000	53,184	54,480	55,000
Legal Services	12,606	30,000	13,286	15,576	30,000
DID Assessment ^(A)	62,616	64,500	65,284	65,284	33,000
Consulting Services	258,175	689,513 **	584,038	552,628	200,000 *
Insurance	15,421	25,000	23,676	17,429	26,000
Marketing - CVB/WMSC	200,000	200,000	200,000	200,000	200,000
Diversity Initiative	231,066	275,000	139,891	140,468	100,000
COVID-19 Preparedness Plan	-	-	-	-	300,000
Procurement of Art (ArtPrize)	26,904	30,000	2,105	2,105	-
Other	49,558	20,000	19,952	30,380	10,000
Contingent	-	40,000	-	-	-
	<u>\$ 1,063,098</u>	<u>\$ 1,572,828</u>	<u>\$ 1,250,231</u>	<u>\$ 1,228,843</u>	<u>\$ 1,095,106</u>

Notes:

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

*SMG-\$55,159 and \$144,891-Proof of Concept and general engineering.

**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.

Table C
Grand Rapids-Kent County Convention/Arena Authority
Consolidated Income Statement
Fiscal Years Ending June 30, 2019-2021

		FY 2019	FY 2020		FY 2021	
		Actual	Budget	Estimate	Actual	Budget
Operating Revenue:						
Event	- VanAndel Arena	\$ 1,828,795	\$ 1,388,670	\$ 923,084	\$ 871,463	\$ 166,258
	- DeVos Place	3,450,565	3,295,276	2,475,767	2,468,476	520,660
Ancillary	- VanAndel Arena	2,592,010	1,609,280	1,633,828	1,663,695	228,632
	- DeVos Place	2,921,949	2,598,699	1,867,346	1,864,083	369,479
Other	- VanAndel Arena	4,446,319	3,263,200	3,294,609	3,297,479	460,358
	- DeVos Place	984,619	803,358	620,934	634,163	85,620
	-Administration	126,235	121,000	118,069	118,069	58,022
Parking	- VanAndel Arena	385,614	409,000	290,064	314,418	234,000
	- DeVos Place	1,644,741	1,570,000	1,201,279	1,163,477	470,000
		<u>18,380,847</u>	<u>15,058,483</u>	<u>12,424,980</u>	<u>12,395,323</u>	<u>2,593,029</u>
Operating Expense / Appropriations:						
Facility Operations						
	- VanAndel Arena	4,579,012	4,467,311	4,004,424	3,947,676	3,161,016
	- DeVos Place	7,218,640	6,672,635	6,507,516	6,340,580	4,606,032
	- Management	352,880	359,938	358,526	358,526	365,696
	- Incentive	352,880	359,938	-	-	-
	- Parking/Maintenance	534,166	498,170	426,814	408,690	162,000
Other Operating		3,338,156	-	-	2,704,598	-
Administration/Other		1,063,098	1,572,828	1,250,231	1,579,050	1,095,106
		<u>17,438,832</u>	<u>13,930,820</u>	<u>12,547,511</u>	<u>15,339,120</u>	<u>9,389,850</u>
Operating Income		942,015	1,127,663	(122,531)	(2,943,797)	(6,796,821)
Non-Operating Revenue:						
Interest/Capital Contribution		530,352	564,750	678,392	897,675	7,018,878
Transfer (to) from Capital Acct.		(907,173)	(4,994,905)	(4,719,842)	(594,182)	(11,145,729)
		<u>(376,821)</u>	<u>(4,430,155)</u>	<u>(4,041,450)</u>	<u>303,493</u>	<u>(4,126,851)</u>
Net Income (Loss)		565,194	(3,302,492)	(4,163,981)	(2,640,304)	(10,923,672)
Fund Balance, beg. of yr.		23,703,791	24,268,984	24,268,984	24,268,984	21,628,680
Fund Balance, end of yr.		\$ 24,268,985	\$ 20,966,492	\$ 20,105,003	\$ 21,628,680	\$ 10,705,008

Table D
Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
FY 2019-2020 Actual
FY 2021 Budget

	FY 2019		FY 2020		FY 2021
	Actual	Budget	Estimate	Actual	Budget
Van Andel Arena					
Operating - Revenues	\$ 8,867,124	\$ 6,261,150	\$ 5,851,521	\$ 5,832,637	\$ 855,248
- Expenses - Facilities	(4,579,012)	(4,467,311)	(4,004,424)	(3,947,676)	(3,161,016)
- Management Fees	(176,440)	(179,969)	(179,263)	(179,263)	(182,848)
- Incentive Fee	(201,049)	(118,412)		-	-
Net Operating Income (Loss)	3,910,623	1,495,458	1,667,834	1,705,698	(2,488,616)
Parking	385,614	409,000	290,064	314,418	234,000
Pedestrian Safety	(130,605)	(97,400)	(82,159)	(82,159)	(13,700)
Net Proceeds (Cost) of VAA	4,165,632	1,807,058	1,875,739	1,937,957	(2,268,316)
DeVos Place Convention Center					
Operating - Revenues	7,357,133	6,697,333	4,964,047	4,966,722	975,759
- Expenses - Facilities	(7,218,640)	(6,672,635)	(6,507,515)	(6,340,580)	(4,606,032)
- Management Fees	(176,440)	(179,969)	(179,263)	(179,263)	(182,848)
- Incentive Fee	(151,831)	(241,526)	-	-	-
Net Operating Loss	(189,778)	(396,797)	(1,722,731)	(1,553,121)	(3,813,121)
Parking	1,344,426	1,285,730	940,779	907,156	395,000
Pedestrian Safety	(63,017)	(51,500)	(42,382)	(42,382)	(8,300)
Net Proceeds (Cost) of DVP	1,091,631	837,433	(824,334)	(688,347)	(3,426,421)
Other					
Revenues					
Interest	530,352	564,750	571,453	547,468	140,000
Miscellaneous	126,235	121,000	225,008	468,276	58,022
	656,587	685,750	796,461	1,015,744	198,022
Expenses					
Administration	(1,063,098)	(1,572,828)	(1,250,231)	(1,579,050)	(1,095,106)
Other Operating	(40,229)	(65,000)	(41,773)	(27,827)	(65,000)
	(1,103,327)	(1,637,828)	(1,292,004)	(1,606,877)	(1,160,106)
Net Other	(446,740)	(952,078)	(495,543)	(591,133)	(962,084)
Total Net Proceeds/Operating	4,810,523	1,692,413	555,862	658,477	(6,656,821)
Capital Expenditures	(4,245,329)	(4,994,905)	(4,719,842)	(3,298,781)	(4,420,427)
Results Net of Capital Expenditures	\$ 565,194	\$ (3,302,492)	\$ (4,163,980)	\$ (2,640,304)	\$ (11,077,248)

Table E
Grand Rapids-Kent County Convention/Arena Authority
Special Accounts

	<u>Amphitheater Project</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Budget</u>
Revenue - State Grant		\$ 350,207	\$ 4,893,061
Expenses		<u>(350,207)</u>	<u>(4,739,485)</u>
Net Balance		<u><u>\$ -</u></u>	<u><u>\$ 153,576</u></u>
	<u>COVID-19 Grant</u>		
Revenue - County Grant		\$ -	\$ 1,985,817
Expenses		<u>-</u>	<u>(1,985,817)</u>
Net Balance		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Table F
Grand Rapids-Kent County Convention/Arena Authority
Summary of Consolidated Income Statement - By Facility
Fiscal Years 2012 through 2021
October 19, 2020
In Thousands

	Actual								Est.	Actual	Budget
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2020	FY 2021
VAA - Net Proceeds	\$ 976	\$ 1,793	\$ 532	\$ 1,610	\$ 1,980	\$ 2,865	\$ 2,338	\$ 4,367	\$ 1,876	\$ 1,938	\$ (2,268)
DVP - Net Proceeds	280	784	445	908	1,625	1,465	1,441	1,243	(824)	(688)	(3,426)
SMG Incentive Fees	-	(331)	-	(344)	(344)	(347)	(353)	(353)	-	-	-
Other-Net Proceeds	<u>(425)</u>	<u>(313)</u> ⁽¹⁾	<u>(456)</u>	<u>(308)</u>	<u>(565)</u>	<u>(442)</u>	<u>(516)</u>	<u>(447)</u>	<u>(496)</u>	<u>(591)</u>	<u>(962)</u>
Total Net Operating	831	1,933	521	1,866	2,696	3,541	2,910	4,810	556	659	(6,656)
Capital	<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>(4,720)</u>	<u>(3,299)</u>	<u>(4,420)</u>
Transfer To/(From) Fund Balance	<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>(4,164)</u>	<u>(2,640)</u>	<u>(11,076)</u>
Fund Balance, End of Year	<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>\$ 20,104</u>	<u>\$ 21,628</u>	<u>\$ 10,552</u> ⁽¹⁾

Notes:

⁽¹⁾ Minimum fund balance, below which budget approvals are City/County oversight, is \$4.1 million at 6/30/2021.

**Grand Rapids-Kent County
Convention/Arena Authority
Consolidated Financial Report
October 31, 2020**

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Financial Dashboard
Year-To-Date (4 Months)
October 31, 2020

Van Andel Arena®						
	All Events			Concert		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	24	-	2	13	-	-
Attendance	149,555	-	-	105,878	-	-
Event Income	\$ 1,213,008	\$ -	\$ 21,569	\$ 1,097,485	\$ -	\$ (196)
DeVos Place®						
	All Events			Convention/Trade		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	175	-	5	53	-	-
Attendance	101,320	-	226	38,890	-	-
Event Income	\$ 1,713,472	\$ -	\$ (1,476)	\$ 728,998	\$ -	\$ (6,796)
				Prior Year	Budget	Actual
Operating Income (Loss)				\$ 25,473	\$ (1,960,809)	\$ (1,156,230)
Capital/Repair/Replacement				(1,261,021)	(1,038,820)	(1,024,717)
Net - To/(From) on Fund Balance				\$ (1,235,548)	\$ (2,999,629)	\$ (2,180,947)

*NOTES: (1):

Unrestricted Fund Balance (unaudited) @ June 30, 2020

\$21.6M

(1)

Grand Rapids-Kent County Convention/Arena Authority
Summary by Facility/Other
Fiscal Year Ending June 30, 2021

	FY 2021				FY 2020
	7/1 - 10/31				
	Year-to-Date	Roll	Estimate⁽¹⁾	Budget	Prior Year
Van Andel Arena					
Operating - Revenues	\$ 479,796	\$ 443,836	\$ 923,632	\$ 855,248	\$ 5,832,637
- Expenses - Facilities	(666,173)	(2,206,282)	(2,872,455)	(3,161,016)	(3,947,676)
- Base Management Fees	(60,113)	(120,227)	(180,340)	(182,848)	(179,263)
- Incentive Fee	-	-	-	-	-
Net Operating Income (Loss)	(246,490)	(1,882,673)	(2,129,163)	(2,488,616)	1,705,698
Parking	51,634	139,584	191,218	234,000	314,418
Pedestrian Safety	-	(13,700)	(13,700)	(13,700)	(82,159)
Net Proceeds (Cost) of VAA	(194,856)	(1,756,789)	(1,951,645)	(2,268,316)	1,937,957
DeVos Place Convention Center					
Operating - Revenues	28,302	711,175	739,477	975,759	4,966,722
- Expenses - Facilities	(1,170,213)	(3,124,426)	(4,294,639)	(4,606,032)	(6,340,580)
- Base Management Fees	(60,113)	(120,227)	(180,340)	(182,848)	(179,263)
- Incentive Fee	-	-	-	-	-
Net Operating Income (Loss)	(1,202,024)	(2,533,478)	(3,735,502)	(3,813,121)	(1,553,121)
Parking	294,892	100,108	395,000	395,000	907,156
Pedestrian Safety	-	(8,300)	(8,300)	(8,300)	(42,382)
Net Proceeds (Cost) of DVP	(907,132)	(2,441,670)	(3,348,802)	(3,426,421)	(688,347)
Other					
Revenues	69,565	128,457	198,022	198,022	1,015,744
Expenses	(123,807)	(1,036,299)	(1,160,106)	(1,044,963)	(1,606,877)
Net Other	(54,242)	(907,842)	(962,084)	(846,941)	(591,133)
Total Net Proceeds/Operating	(1,156,230)	(5,106,301)	(6,262,531)	(6,541,678)	658,477
Capital/Repair Expenditures	(1,024,717)	(3,381,607)	(4,406,324)	(4,420,427) ⁽²⁾	(3,298,781)
Results Net of Capital/Repair Expenditures	\$ (2,180,947)	\$ (8,487,908)	\$ (10,668,855)	\$ (10,962,105)	\$ (2,640,304)

Notes:

(1) Roll and year-end estimate will be next updated, on a quarterly basis, at the Board meeting of Feb. 5th.

(2) Includes budget amendment to provide for several capital project balances carried over from FY20. See June 2020 consolidated financial report for details.

Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
Financial Trends for the Month of October 2020

	October Monthly		
	FY 2020	FY 2021	Change Positive (Negative)
Van Andel Arena			
Operating - Revenues	\$ 809,346	\$ 7,570	(99.1)
- Expenses - Facilities ⁽¹⁾	(335,321)	(153,637)	54.2
- Base Management Fees	(15,644)	(15,028)	3.9
- Incentive Fee	-	-	-
Net Operating Income (Loss)	458,381	(161,095)	(131.1)
Parking	31,977	14,658	(54.2)
Pedestrian Safety	-	-	-
Net Proceeds (Cost) of VAA	490,358	(146,437)	(130.0)
DeVos Place Convention Center			
Operating - Revenues	682,637	8,218	(98.8)
- Expenses - Facilities ⁽¹⁾	(620,901)	(275,145)	55.7
- Base Management Fees	(15,644)	(15,028)	3.9
- Incentive Fee	-	-	-
Net Operating Income (Loss)	46,092	(281,955)	(711.7)
Parking	107,144	64,567	(39.7)
Pedestrian Safety	-	-	-
Net Proceeds (Cost) of DVP	153,236	(217,388)	(241.9)
Other			
Revenues	52,933	4,045	(92.4)
Expenses	(232,630)	(54,997)	76.4
Net Other	(179,697)	(50,952)	71.6
Total Net Proceeds/Operating	463,897	(414,777)	(189.4)
Capital/Repair Expenditures	(95,949)	(247,059)	157.5
Results Net of Capital Expenditures	\$ 367,948	\$ (661,836)	(279.9)

Notes:

(1) Includes ASM line item - "Net Salaries and Benefits": Oct. 2019 (Actual) \$364K, Oct. 2020 (Budget) \$217K, and Oct. 2020 (Actual) \$209K, [a 42.6% reduction from Oct. 2019 (Actual)].

Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2021 Budget

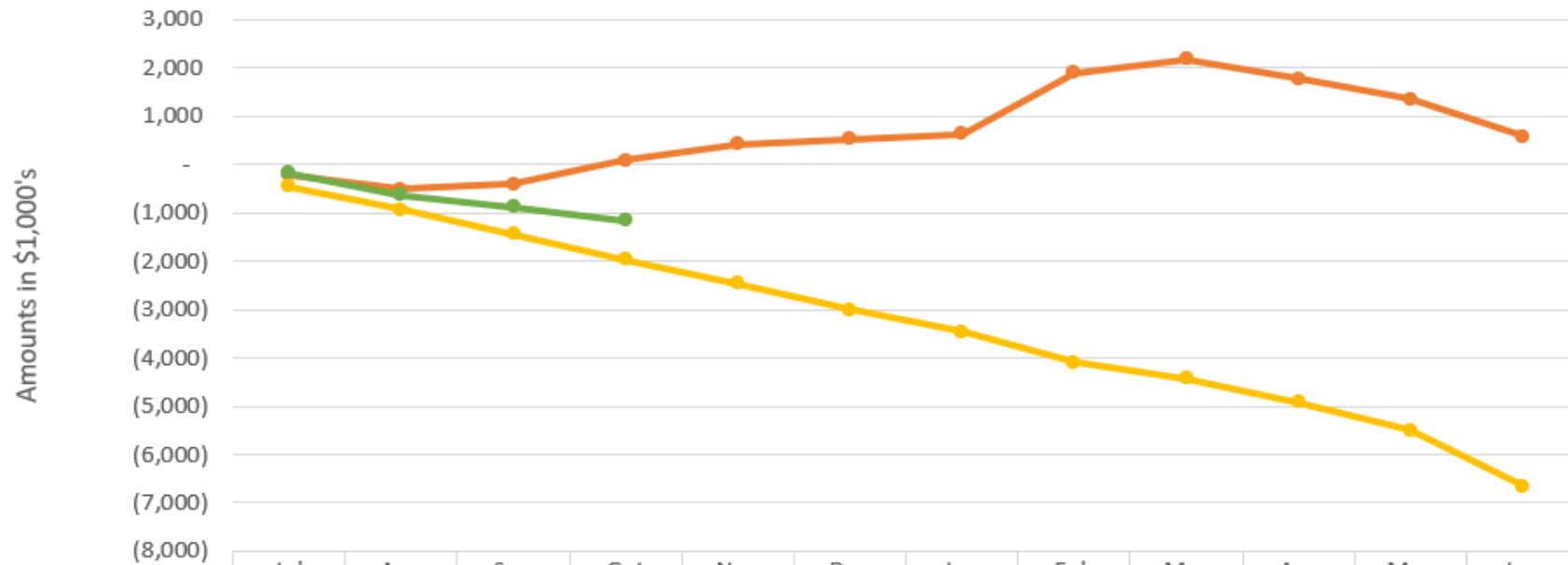
FY 2021 Eligible Projects:	Budget	Actual 7/1-10/31	Roll	Full-Year Estimate
Van Andel Arena®				
Upper Bowl Seating	\$ 750,000	-	\$ 745,897	\$ 745,897
Total VAA	750,000	-	745,897	745,897
DeVos Place®				
Building Management Software-HVAC	150,000	-	150,000	150,000
Exterior Welsh Granite & Steps	300,000	88,763	211,237	300,000
Fly Rail System	1,450,000	566,962	883,038	1,450,000
Total DVP	1,900,000	655,725	1,244,275	1,900,000
Both Venues				
Box Office Speakers	60,000	-	50,000	50,000
Carryover (FY20) Projects				
DVP Projection Theater Updates	200,000	-	200,000	200,000
DVP Fly Rail System	114,604	114,604	-	114,604
DVP Additional Furniture	33,000	-	33,000	33,000
DVP Carpet: Keeler Lobby/Performance Hall	323,619	205,909	117,710	323,619
DVP Airwall Fabric Replacement	42,015	42,015	-	42,015
DVP OSHA Safety Changes	7,381	-	7,381	7,381
DVP Lyon Street Landscaping	400,000	-	400,000	400,000
DVP New Soft Start for Chiller	39,885	-	39,885	39,885
VAA Suite Refresher	372,803	1,463	371,340	372,803
VAA Security Upgrades	25,135	5,000	20,135	25,135
BOTH Elevator Modernization	10,985	-	10,985	10,985
BOTH New Computers	4,000	-	4,000	4,000
BOTH New Phone System	137,000	-	137,000	137,000
Total Carryover	1,710,427	368,991	1,341,436	1,710,427
Total Unrestricted Accounts	4,420,427	1,024,716	3,381,608	4,406,324
Amphitheater - State Grant (Restricted Account)	4,854,628	95,362	4,669,574	4,764,936
COVID-19 County Grant (Restricted Account)	1,985,817	-	1,985,817	1,985,817
Total FY 2021 Capital Budget	\$ 11,260,872	\$ 1,120,078	\$ 10,036,999	\$ 11,157,077

Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
Financial Trends for Year Ending June 30, 2021

	Annual			Year-To-Date		
	FY 2020 Final	FY 2021 Budget	Change Positive (Negative)	FY 2020 7/1-10/31	FY 2021 7/1 - 10/31	Change Positive (Negative)
Van Andel Arena						
Operating - Revenues	\$ 5,832,637	\$ 855,248	(85.3)	\$ 2,030,446	\$ 479,796	(76.4)
- Expenses - Facilities	(3,947,676)	(3,161,016)	19.9	(1,380,130)	(666,173)	51.7
- Base Management Fees	(179,263)	(182,848)	(2.0)	(59,754)	(60,113)	(0.6)
- Incentive Fee	-	-	-	-	-	-
Net Operating Income (Loss)	1,705,698	(2,488,616)	(245.9)	590,562	(246,490)	(141.7)
Parking	314,418	234,000	(25.6)	111,547	51,634	(53.7)
Pedestrian Safety	(82,159)	(13,700)	83.3	(7,108)	-	100.0
Net Proceeds (Cost) of VAA	1,937,957	(2,268,316)	(216.5)	695,001	(194,856)	(128.0)
DeVos Place Convention Center						
Operating - Revenues	4,966,722	975,759	(80.4)	1,734,513	28,302	(98.4)
- Expenses - Facilities	(6,340,580)	(4,606,032)	27.4	(2,267,713)	(1,170,213)	48.4
- Base Management Fees	(179,263)	(182,848)	2.0	(59,754)	(60,113)	(0.6)
- Incentive Fee	-	-	-	-	-	-
Net Operating Income (Loss)	(1,553,121)	(3,813,121)	(145.5)	(592,954)	(1,202,024)	(202.7)
Parking	907,156	395,000	(56.5)	279,060	294,892	5.7
Pedestrian Safety	(42,382)	(8,300)	80.4	(1,266)	-	100.0
Net Proceeds (Cost) of DVP	(688,347)	(3,426,421)	(497.8)	(315,160)	(907,132)	(287.8)
Other						
Revenues	1,015,744	198,022	(80.5)	215,264	69,565	(67.7)
Expenses	(1,606,877)	(1,044,963)	35.0	(569,632)	(123,807)	78.3
Net Other	(591,133)	(846,941)	(43.3)	(354,368)	(54,242)	84.7
Total Net Proceeds/Operating	658,477	(6,541,678)	(1,093.5)	25,473	(1,156,230)	(4,639.0)
Capital/Repair Expenditures	(3,298,781)	(4,420,427)	(34.0)	(1,261,021)	(1,024,717)	18.7
Results Net of Capital Expenditures	\$ (2,640,304)	\$ (10,962,105)	(315.2)	\$ (1,235,548)	\$ (2,180,947)	(76.5)

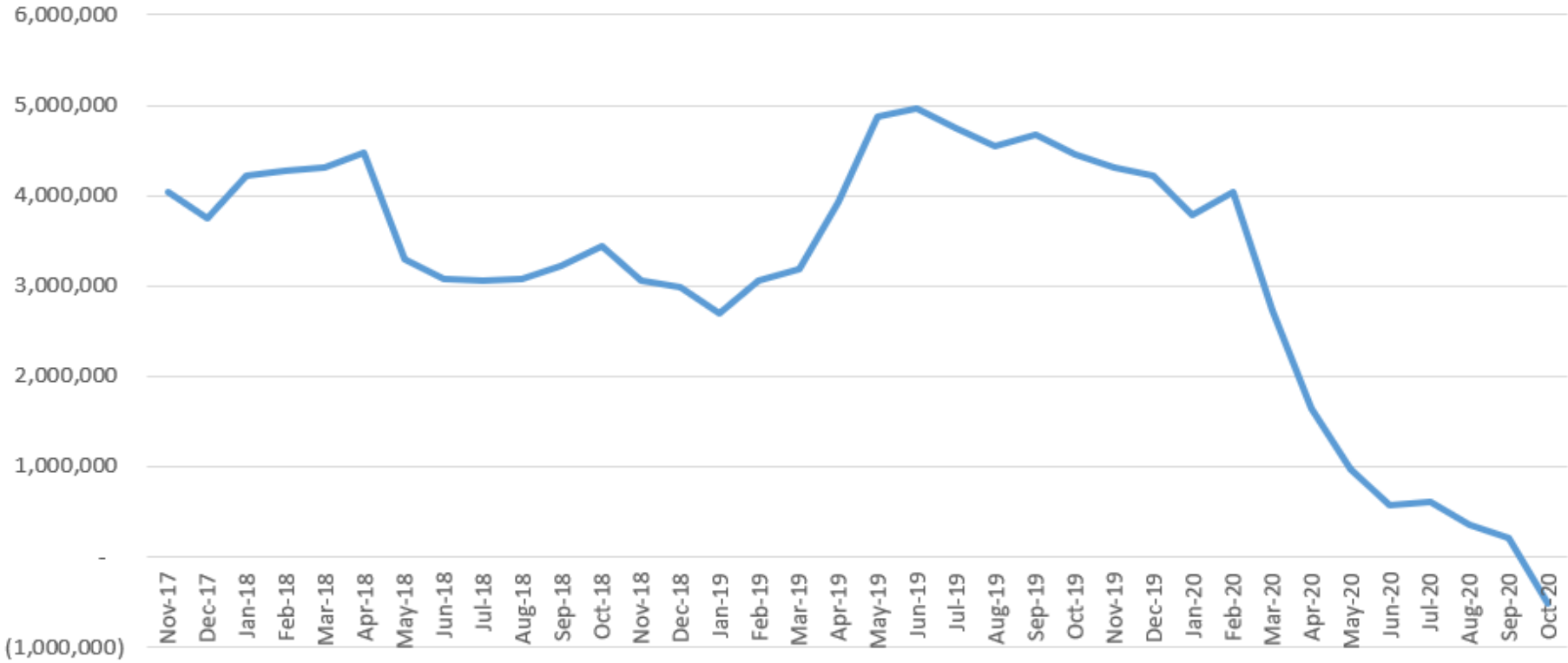
CAA Trends

Monthly Net Operating Proceeds through October 31, 2020



Accumulative Net Proceeds by Month

Lagging 12 Months Net Operating Proceeds



Significant Notes

Van Andel Arena®

- Page 1 - Zero concerts generated \$0.00 in event revenue, a decrease of (100.0%) from prior year (13 concerts) of \$1,097,485.
- Page 5 - Net proceeds of (\$194,856) decreased by (128.0%) from prior year of \$695,001.

DeVos Place®

- Page 1 - Convention/trade show business generated \$0.00 in event revenue, a decrease of (100.0%) from prior year (attendance decreased from 38,890 to zero) of \$728,998.
- Page 5 - Net "proceeds" of (\$907,132) decreased by (287.8%) from prior year Net Proceeds of (\$315,160).

Grand Rapids-Kent County Convention/Arena Authority
Administrative Accounts
Net Other Detail
October 31, 2020

	Annual			Actual		
	FY 2020 Final	FY 2021 Budget	Change Positive (Negative)	FY 2020 7/1-10/31	FY 2021 7/1/-10/31	Change Positive (Negative)
Other						
Revenues						
Interest/Capital Contr.	\$ 597,468	\$ 190,000	(68.2)	\$ 215,264	\$ 65,520	(69.7)
Miscellaneous	68,069	8,022	(88.2)	-	4,045	+100.0
	665,537	198,022	(70.2)	215,264	69,565	(67.7)
Expenses						
COVID-19 Preparedness Plan	-	300,000	(100.0)	-	-	-
Marketing (CVB/Sports)	200,000	200,000	-	-	-	-
Diversity Initiative	140,468	100,000	28.8	128,876	-	100.0
Wages/Benefits	150,493	141,106	6.2	39,299	30,188	23.2
Professional Services	73,246	85,000	(16.0)	29,602	9,785	66.9
DID Assessment	65,284	33,000	49.5	43,569	32,110	26.3
Food & Beverage Repairs	-	40,000	(100.0)	-	-	-
Consulting Services	547,584	84,857 ⁽¹⁾	84.5	290,417	13,600	95.3
Landscaping	27,827	25,000	10.2	4,275	3,526	17.5
Procurement of Art	2,105	-	100.0	2,105	-	100.0
Insurance	17,429	26,000	(49.2)	29,712	31,083	(4.6)
Supplies/Other	25,791	10,000	61.2	1,777	3,515	(97.8)
	1,250,227	1,044,963	16.4	569,632	123,807	78.3
Net Proceeds - Operating	\$ (584,690)	\$ (846,941)	(44.9)	\$ (354,368)	\$ (54,242)	84.7

Notes:

⁽¹⁾ SMG-\$55,159 and \$144,841 proof of concept and general engineering, less \$115,143 transferred to amphitheater project on 12/4.

Grand Rapids-Kent County Convention/Arena Authority
Special Accounts
Amphitheater Project
Revenues/Expenses
4/4/19 to 10/31/20

	FY 2020	FY 2021	
	<u>Actual</u>	<u>7/1-10/31 Actual</u>	<u>11/1-12/31 Estimated</u>
Revenues:			
State of Michigan Grant	\$ 350,207	\$ 95,362	\$ 4,554,431
Transfer from Operating Account-Consulting Services			115,143
Expenses:			
Progressive AE - Amphitheater Utility Project	(235,064)	(95,362)	(60,418)
- Feasibility Project	(73,126)	-	-
Other Grant Eligible Services	(42,017)	-	-
Contribution to City - Sewer Relocation	-	-	(4,609,156)
Net Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,669,574</u></u>

NOTES:

- MEDC Grant - West Michigan Amphitheater - \$5M
- Grant Period: 1/1/19- 1/31/21 (Extended to 1/31/2023)
- Grant Activities: "Park/Playground Improvements"
- Interest credited to the operating account
- The unexpended balance of \$4,596,448 will be paid to the City of Grand Rapids, on or before 12/31/2020, based on an MOU approved at the CAA Board meeting held 11/13/2020.
- Transfer from Operating Account-Consulting Services - prior to entering into MOU, \$115,143 of eligible administrative costs had been expensed to the grant account. The MOU only references payments made to Progressive AE with the remainder of the \$5,000,000 paid over to the City.

Grand Rapids-Kent County Convention/Arena Authority
Special Accounts
Federal CARES Allotment (County)
Grant Period: 10/8/20 to 12/30/20
Revenues/Expenses
October 31, 2020

	<u>Budget</u>	<u>Actual</u>
Revenues:		
County Grant	\$ 1,985,817	\$ -
Expenses:		
	<u>(1,985,817)</u>	<u>-</u>
Net Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NOTES:

- County Board Approval - 10/8/2020
- CAA - Funds Received - 10/27/2020
- ASM - Purchase Orders Issued - 10/28/2020
- CAA Board - Grant Agreement Approved - 11/13/2020
- Timing Limitation - All Grant Funds Must Be Spent on or Before 12/30/2020.

DEVOS PLACE

DE VOS PLACE

FINANCIAL STATEMENT FOR THE MONTH ENDED OCTOBER 31, 2020

Distribution:

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



DE VOS PLACE
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2021

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	5	-	5	0	5
ATTENDANCE	226	-	226	0	226
DIRECT EVENT INCOME	5,086	438,368	443,454	520,660	(77,206)
ANCILLARY INCOME	(6,562)	214,442	207,880	369,479	(161,599)
OTHER EVENT INCOME	0	15,333	15,333	37,620	(22,287)
TOTAL EVENT REVENUE	(1,476)	668,143	666,667	927,759	(261,092)
TOTAL OTHER REVENUE	29,778	43,032	72,810	48,000	24,810
TOTAL OPERATING REVENUE	28,302	711,175	739,477	975,759	(236,282)
INDIRECT EXPENSES					
EXECUTIVE	32,018	129,270	161,288	171,288	10,000
FINANCE	59,527	132,948	192,475	202,475	10,000
MARKETING	30,067	89,680	119,747	125,940	6,193
OPERATIONS	230,648	408,453	639,101	659,101	20,000
EVENT SERVICES	263,122	1,092,132	1,355,254	1,378,098	22,844
BOX OFFICE	45,397	44,891	90,288	90,288	-
SALES	102,445	280,507	382,952	405,660	22,708
OVERHEAD	467,104	1,066,770	1,533,874	1,756,030	222,156
TOTAL OPERATING EXP.	1,230,328	3,244,651	4,474,979	4,788,880	313,901
NET REVENUE ABOVE EXPENSES	(1,202,026)	(2,533,476)	(3,735,502)	(3,813,121)	77,619
INCENTIVE FEE		-	0	0	-
NET OPERATING REVENUE OVER OPERATING EXPENSES	(1,202,026)	(2,533,476)	(3,735,502)	(3,813,121)	77,619

Comments:


DeVos Place continues to be mostly dark. A couple of small meetings were hosted during October.

DocuSigned by:



7E6D840AF00F405...

General Manager



Assistant General Manager

DE VOS PLACE
FINANCIAL STATEMENT HIGHLIGHTS
FISCAL YEAR ENDING JUNE 30, 2021

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 2020
Number of Events	5	0	59
Attendance	226	0	43,961
Direct Event Income	\$2,886	\$0	\$272,854
Ancillary Income	(1,136)	0	360,580
Other Event Income	0	0	42,887
Other Operating Income	6,468	4,000	6,316
Indirect Expenses	(290,173)	(350,781)	(636,545)
Net Income	(\$281,955)	(\$346,781)	\$46,092

YTD	YTD 2021 Actual	YTD 2021 Budget	YTD 2020 Prior Year
Number of Events	5	0	175
Attendance	226	0	101,320
Direct Event Income	\$5,086	\$0	\$744,853
Ancillary Income	(6,562)	0	857,429
Other Event Income	0	0	111,190
Other Operating Income	29,778	16,000	21,040
Indirect Expenses	(1,230,326)	(1,373,550)	(2,327,467)
Net Income	(\$1,202,024)	(\$1,357,550)	(\$592,954)

EVENT INCOME

Venue hosted a couple of very small meetings during the month.

ANCILLARY INCOME

Very limited ancillary income for events hosted.

INDIRECT EXPENSES

Indirect expenses came in ahead of budget.

DeVos Place
Income Statement
For the Four Months Ended October 31, 2020

	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	\$5,450	\$0	\$ 5,450	\$337,521	\$7,650	\$0	\$ 7,650	\$932,856
Service Revenue	8,062	-	8,062	320,997	8,062	-	8,062	928,843
Service Expenses	(10,626)	-	(10,626)	(385,664)	(10,626)	-	(10,626)	(1,116,846)
Total Direct Event Income	2,886	0	2,886	272,854	5,086	0	5,086	744,853
Ancillary Income								
F&B Concession	0	-	-	25,302	0	-	-	49,979
F&B Catering	0	-	-	126,366	0	-	-	314,587
Novelty Sales	0	-	-	2,427	0	-	-	12,008
Booth Cleaning	0	-	-	33,845	0	-	-	85,707
Telephone/Long Distance	0	-	-	0	0	-	-	0
Electrical Services	0	-	-	67,442	0	-	-	141,698
Audio Visual	0	-	-	66,442	0	-	-	147,529
Internet Services	(1,370)	-	(1,370)	20,519	(6,796)	-	(6,796)	50,170
Equipment Rental	234	-	234	18,237	234	-	234	55,751
Total Ancillary Income	(1,136)	0	(1,136)	360,580	(6,562)	0	(6,562)	857,429
Other Event Income								
Ticket Rebates(Per Event)	-	-	-	42,887	-	-	-	111,190
Total Other Event Income	0	0	0	42,887	0	0	0	111,190
Total Event Income	1,750	0	1,750	676,321	(1,476)	0	(1,476)	1,713,472
Other Operating Income								
Luxury Box Agreements	775	0	775	942	3,100	0	3,100	3,767
Advertising	0	0	-	1,333	0	0	-	1,333
Other Income	5,693	4,000	1,693	4,041	26,678	16,000	10,678	15,940
Total Other Operating Income	6,468	4,000	2,468	6,316	29,778	16,000	13,778	21,040
Adjusted Gross Income	8,218	4,000	4,218	682,637	28,302	16,000	12,302	1,734,513
Operating Expenses								
Salaries and Wages	145,584	132,530	13,054	460,557	697,148	530,120	167,028	1,546,658
Payroll Taxes and Benefits	66,250	33,786	32,464	100,230	275,835	135,144	140,691	277,667
Labor Allocations to Events	(76,242)	(38,596)	(37,646)	(317,093)	(384,023)	(154,384)	(229,639)	(913,407)
Net Salaries and Benefits	135,592	127,720	7,872	243,694	588,960	510,880	78,080	910,919
Contracted Services	4,467	0	4,467	46,687	10,911	0	10,911	166,179
General and Administrative	14,678	21,375	(6,697)	58,651	59,274	85,500	(26,226)	228,551
Operations	3,877	11,946	(8,069)	44,703	15,024	47,784	(32,760)	91,754
Repair and Maintenance	32,335	47,100	(14,765)	54,058	119,584	188,400	(68,816)	239,365
Operational Supplies	5,137	17,244	(12,107)	29,696	23,190	64,272	(41,082)	82,308
Insurance	18,464	18,969	(505)	24,338	56,380	75,876	(19,496)	68,582
Utilities	60,594	91,190	(30,596)	119,075	296,890	339,890	(43,000)	480,055
SMG Management Fees	15,028	15,237	(209)	15,644	60,113	60,948	(835)	59,754
Total Operating Expenses	290,173	350,781	(60,608)	636,545	1,230,326	1,373,550	(143,224)	2,327,467
Net Income(Loss) From Operatic	(281,955)	(346,781)	64,826	46,092	(1,202,024)	(1,357,550)	155,526	(592,954)
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	(281,955)	(346,781)	64,826	46,092	(1,202,024)	(1,357,550)	155,526	(592,954)

SMG DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Year to Date Event Summary Report
For the Three Months Ended September 30, 2020

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Convention/Trade Shows	-	-	-	-	(6,796)	-
Consumer/Gated Shows	-	-	-	-	-	-
DeVos Performance Hall	-	-	-	-	-	-
Banquets	-	-	-	-	-	-
Meetings	2	-	65	-	2,389	-
Other	3	-	161	-	2,930	-
GRAND TOTALS	5	-	226	-	(1,476)	-

As Percentage of Overall

Convention/Trade Shows	0.00% #DIV/0!	0.00% #DIV/0!	460.43% #DIV/0!
Consumer/Gated Shows	0.00% #DIV/0!	0.00% #DIV/0!	0.00% #DIV/0!
Devos Performance Hall	0.00% #DIV/0!	0.00% #DIV/0!	0.00% #DIV/0!
Ballroom Exclusive	0.00% #DIV/0!	0.00% #DIV/0!	0.00% #DIV/0!
Meetings	40.00% #DIV/0!	28.76% #DIV/0!	-161.86% #DIV/0!
Other	60.00% #DIV/0!	71.24% #DIV/0!	-198.51% #DIV/0!

DeVos Place
Balance Sheet
As of October 31, 2020

ASSETS

Current Assets

Cash	1,042,539
Account Receivable	13,866
Prepaid Expenses	330,324

Total Current Assets		\$1,386,728
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Total Assets		\$1,386,728
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	74,764
Accrued Expenses	170,938
Deferred Income	105,956
Advanced Ticket Sales & Deposits	1,345,065

Total Current Liabilities		\$1,696,723
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Other Liabilities

Equity

Funds Remitted to CAA	-
Funds Received by CAA	469,330
Expenses Paid Direct by CAA	268,300
Beginning Balance Equity	154,402
Current Year Equity	(1,202,026)

Total Equity		(\$309,994)
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Total Liabilities and Equity		\$1,386,728
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SMG - DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2020

Current - Under 30 Days	
Food & Beverage	-
Ticketing	-
Merchandise	12,529
Decorating	-
Audio/Visual	-
Van Andel Arena	(68,352)
Operating	
 Over 30 Days	
 Over 60 Days	69,689
 Over 90 Days	
 Total Accounts Receivable	13,866

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2021**

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2020 Audited
Net Revenue above Expenses	(2,129,263)	(3,735,302)	(5,864,565)	152,577
Benchmark++			1,050,000	1,050,000
Excess	(2,129,263)	(3,735,302)	(6,914,565)	(897,423)

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Estimate
Base Fee	180,338	180,338	360,676	358,526
Incentive Fee				
Revenue	923,632	739,477	1,663,109	10,799,359
Benchmark Revenue	5,263,794	4,650,537	9,914,331	9,855,200
Revenue Excess	(4,340,162)	(3,911,060)	(8,251,222)	990,033
Incentive Fee **	-	-	-	-
Total SMG Management Fee	180,338	180,338	360,676	358,526

** 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 YEAR ENDED OCTOBER 31, 2020

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



**VAN ANDEL ARENA
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2021**

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	-		0	0	-
ATTENDANCE	-		0	0	-
DIRECT EVENT INCOME	21,765	75,768	97,533	166,258	(68,725)
ANCILLARY INCOME	0	169,072	169,072	228,632	(59,560)
OTHER EVENT INCOME	(196)	28,139	27,943	112,125	(84,182)
TOTAL EVENT INCOME	21,569	272,979	294,548	507,015	(212,467)
TOTAL OTHER INCOME	458,227	170,857	629,084	348,233	280,851
TOTAL INCOME	479,796	443,836	923,632	855,248	68,384
INDIRECT EXPENSES					
EXECUTIVE	52,064	137,303	189,367	199,008	9,641
FINANCE	42,820	126,166	168,986	177,924	8,938
MARKETING	35,367	127,620	162,987	169,640	6,653
OPERATIONS	248,330	1,134,184	1,382,514	1,441,751	59,237
BOX OFFICE	37,056	81,422	118,478	165,862	47,384
LUXURY SEATING	-	-	-	-	-
SKYWALK ADMIN	10,827	21,038	31,865	54,096	22,231
OVERHEAD	299,821	698,777	998,598	1,135,583	136,985
TOTAL INDIRECT EXP.	726,286	2,326,510	3,052,795	3,343,864	291,069
NET REVENUE ABOVE EXPENSES	(246,490)	(1,882,674)	(2,129,163)	(2,488,616)	359,453
LESS INCENTIVE FEE			-	-	-
NET REVENUE ABOVE EXPENSES AFTER INCENTIVE	(246,490)	(1,882,674)	(2,129,163)	(2,488,616)	359,453

Comments:

The Arena continues to be mostly dark with the exception of Grand Rapids Symphony streaming events.

DocuSigned by:



7ECB848AF09F405...
General Manager



Assistant General Manager

**VAN ANDEL ARENA
FINANCIAL STATEMENT HIGHLIGHTS
FOR FISCAL YEAR ENDING JUNE 30, 2021**

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 2020
Number of Events			
Attendance			
Direct Event Income	\$2,689	\$0	\$69,640
Ancillary Income	0	0	300,132
Other Event Income	(14)	0	159,912
Other Operating Income	4,894	6,000	279,663
Indirect Expenses	(168,665)	(241,213)	(350,965)
Net Income	(\$161,096)	(\$235,213)	\$458,381

YTD	YTD 2021 Actual	YTD 2021 Budget	YTD 2020 Prior Year
Number of Events			
Attendance			
Direct Event Income	\$21,765	\$0	\$251,456
Ancillary Income	0	0	575,908
Other Event Income	(196)	0	370,848
Other Operating Income	458,227	24,000	832,233
Indirect Expenses	(723,286)	(946,195)	(1,439,884)
Net Income	(\$243,490)	(\$922,195)	\$590,563

EVENT INCOME

The Arena hosted Grand Rapids Symphony streaming event.

ANCILLARY INCOME

No Ancillary income due to no public in the facility.

INDIRECT EXPENSES

Indirect expenses came in ahead of budget overall.

Van Andel Arena
Income Statement
For the Four Months Ended October 31, 2020

	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	\$ 1,800	\$ -	\$ 1,800	\$ 198,675	\$ 19,250	\$ -	\$ 19,250	\$ 397,298
Service Revenue	7,265	-	7,265	414,576	38,445	-	38,445	1,031,131
Service Expenses	(6,376)	-	(6,376)	(543,611)	(35,930)	-	(35,930)	(1,176,973)
Total Direct Event Income	2,689	0	2,689	69,640	21,765	0	21,765	251,456
Ancillary Income								
F&B Concession	-	-	-	241,228	-	-	-	448,666
F&B Catering	-	-	-	25,220	-	-	-	50,099
Novelty Sales	-	-	-	33,390	-	-	-	76,849
Booth Cleaning	-	-	-	199	-	-	-	199
Audio Visual	-	-	-	95	-	-	-	95
Other Ancillary	-	-	-	-	-	-	-	-
Total Ancillary Income	0	0	0	300,132	0	0	0	575,908
Other Event Income								
Ticket Rebates(Per Event)	(14)	0	(14)	159,912	(196)	0	(196)	370,848
Total Other Event Income	(14)	0	(14)	159,912	(196)	0	(196)	370,848
Total Event Income	2,675	0	2,675	529,684	21,569	0	21,569	1,198,212
Other Operating Income								
Luxury Box Agreements	0	0	0	217,130	293,980	0	293,980	593,857
Advertising	0	0	0	56,680	144,466	0	144,466	210,408
Other Income	4,894	6,000	(1,106)	5,853	19,781	24,000	(4,219)	27,968
Total Other Operating Income	4,894	6,000	(1,106)	279,663	458,227	24,000	434,227	832,233
Adjusted Gross Income	7,570	6,000	1,570	809,346	479,796	24,000	455,796	2,030,446
Operating Expenses								
Salaries and Wages	54,248	72,550	(18,302)	238,971	224,226	290,200	(65,974)	887,366
Payroll Taxes and Benefits	24,955	16,613	8,342	51,429	105,362	66,452	38,910	122,388
Labor Allocations to Events	(5,958)	-	(5,958)	(170,431)	(30,792)	0	(30,792)	(401,794)
Net Salaries and Benefits	73,245	89,163	(15,918)	119,969	298,796	356,652	(57,856)	607,960
Contracted Services	2,526	-	2,526	23,915	8,522	0	8,522	95,932
General and Administrative	19,400	22,768	(3,368)	41,869	72,311	91,072	(18,761)	187,203
Operations	1,452	7,232	(5,780)	13,460	4,713	28,928	(24,215)	21,524
Repair and Maintenance	12,554	27,375	(14,821)	17,709	60,852	109,500	(48,648)	66,834
Operational Supplies	4,029	17,114	(13,085)	27,661	29,023	63,788	(34,765)	95,598
Insurance	6,777	11,036	(4,259)	24,148	23,184	44,144	(20,960)	56,961
Utilities	33,654	51,288	(17,634)	66,590	168,772	191,163	(22,391)	248,118
SMG Management Fees	15,028	15,237	(209)	15,644	60,113	60,948	(835)	59,754
Total Operating Expenses	168,665	241,213	(72,548)	350,965	726,286	946,195	(219,909)	1,439,884
Net Income(Loss) From Operations	(161,095)	(235,213)	74,118	458,381	(246,490)	(922,195)	675,705	590,563
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	(161,095)	(235,213)	74,118	458,381	(246,490)	(922,195)	675,705	590,563

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Event Summary
For the Four Months Ended October 31, 2020

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Family Show	-	-	-	-	-	-
Sporting Event	-	-	-	-	-	-
Concert	-	-	-	-	(196)	-
Team Home Games	-	-	-	-	-	-
Other	2	-	-	-	21,765	-
GRAND TOTALS	2	-	-	-	21,569	-

As Percentage of Overall

Family Show	0.00%	#DIV/0!	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
Sporting Event	0.00%	#DIV/0!	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
Concert	0.00%	#DIV/0!	#DIV/0!	#DIV/0!	-0.91%	#DIV/0!
Team Home Games	0.00%	#DIV/0!	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
Other	100.00%	#DIV/0!	#DIV/0!	#DIV/0!	100.91%	#DIV/0!

Van Andel Arena
Balance Sheet
As of October 31, 2020

ASSETS

Current Assets

Cash	5,699,810
Account Receivable	1,004,217
Prepaid Expenses	200,907

Total Current Assets	\$6,904,934	
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Total Assets	\$6,904,934	
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	99,188
Accrued Expenses	47,340
Deferred Income	825,141
Advanced Ticket Sales & Deposits	6,317,697

Total Current Liabilities	\$7,289,366	
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Other Liabilities

Equity

Funds Remitted to CAA	0
Funds Received by CAA	618,817
Expenses Paid Direct by CAA	148,408
Beginning Balance Equity	(905,167)
Current Year Equity	(246,489)

Total Equity	(\$384,431)	
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Total Liabilities and Equity	\$6,904,934	
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SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2020

Current - Under 30 Days	
Food & Beverage	-
Ticketing	322,440
Merchandise	-
Permanent Advertising	593,484
DeVos Place	68,352
Operating	
 Over 30 Days	
 Over 60 Days	19,941
 Over 90 Days	
 Total Accounts Receivable	1,004,217

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2021**

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2020 Audited
Net Revenue above Expenses	(2,129,263)	(3,735,302)	(5,864,565)	152,577
Benchmark++			1,050,000	1,050,000
Excess	(2,129,263)	(3,735,302)	(6,914,565)	(897,423)

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Estimate
Base Fee	180,338	180,338	360,676	358,526
Incentive Fee				
Revenue	923,632	739,477	1,663,109	10,799,359
Benchmark Revenue	5,263,794	4,650,537	9,914,331	9,855,200
Revenue Excess	(4,340,162)	(3,911,060)	(8,251,222)	990,033
Incentive Fee **	-	-	-	-
Total SMG Management Fee	180,338	180,338	360,676	358,526

** 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.

**GRAND RAPIDS–KENT COUNTY
CONVENTION/ARENA AUTHORITY**

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF AN
ENGINEERING SERVICES AGREEMENT WITH PROGRESSIVE AE
RELATED TO THE RELOCATION OF A PORTION OF THE MARKET
AVENUE SANITARY TRUNK SEWER**

Boardmember _____, supported by Boardmember _____, moved
the adoption of the following resolution:

WHEREAS, the Grand Rapids – Kent County Convention/Arena Authority (the "CAA") entered into an engineering services agreement with Progressive AE ("PAE") related to the relocation of a portion of the Market Avenue Sanitary Trunk Sewer (the "Trunk Sewer") in connection with its evaluation of the construction of an amphitheater; and

WHEREAS, subsequently, the CAA has entered into a Memorandum of Understanding (the "MOU") with the City of Grand Rapids (the "City"), Amway Hotel Corporation and 63 Market Avenue Holdings, LLC expanding the portion the Trunk Sewer to be relocated, agreeing to a sharing of the cost of such relocation and providing for the construction of certain Market Avenue roadway betterments in connection with such relocation, the cost of which will be the sole responsibility of the City; and

WHEREAS, it is necessary because of a change in the scope of the project that a revised engineering services agreement between the CAA and PAE be approved and executed; and

WHEREAS, both the MOU and the CAA Board resolution adopted November 13, 2020, authorize and direct that the engineering services agreement be assigned to the City.

RESOLVED:

1. That the Professional Engineering Services Agreement (the "Agreement") with PAE in the form presented at this meeting is approved with such modifications not materially adverse to the CAA approved as to content by the Executive Director of the CAA and as to form

by the CAA legal counsel and any officer of the Board is authorized and directed to execute the approved Agreement for and on behalf of the CAA.

2. That all resolutions or parts of resolutions in conflict herewith shall be, and the same are hereby, rescinded.

YEAS: Boardmembers _____

NAYS: Boardmembers _____

ABSTAIN: Boardmembers _____

ABSENT: Boardmembers _____

RESOLUTION DECLARED ADOPTED.

Dated: December 4, 2020

Susan M. Waddell
Administrative Manager/Recording Secretary

CERTIFICATION

I, the undersigned duly qualified and acting Administrative Manager/Recording Secretary of the Grand Rapids-Kent County Convention/Arena Authority (the "CAA"), do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the CAA Board of Directors of the CAA at a regular meeting held on December 4, 2020, and that public notice of said meeting was given pursuant to, and in compliance with, Act 267 of the Public Acts of Michigan of 1976, as amended.

Dated: December 4, 2020

Susan M. Waddell
Administrative Manager/Recording Secretary