

Agenda

Joint Meeting of Board of Directors & Committees

Friday | December 3, 2021

8:00 a.m. | Breakfast

8:30 a.m. | Business Meeting

Banquet Rooms | Van Andel Arena®

130 West Fulton | Grand Rapids | MI

- | | | |
|-------|--|----------------|
| 1. | Call to Order and Chairman's Comments | Rick Winn |
| 2. | Minutes of November 5, 2021 | Action |
| 3. | Charlie Secchia Farewell Tribute | |
| 4. | Bob White Retirement Recognition | |
| 5. | Committee Reports | |
| A. | Operations Committee | |
| i. | Experience Grand Rapids Report | Information |
| B. | Finance Committee | |
| i. | ASM Special Purpose Financial Statements as of and for the Years Ended June 30, 2021 and 2020 – Rehmann Robson | Action |
| ii. | Communication from Independent Auditors Concerning ASM Special Purpose Financial Statements | Information |
| iii. | Financial Statements and Supplementary Information for the Years Ended June 30, 2021 and 2020 – Rehmann Robson | Action |
| iv. | Single Audit Act Compliance for Year Ended June 30, 2021 | Action |
| v. | Audit Wrap-up Letter for the Year Ended June 30, 2021 | Information |
| vi. | Consolidated Financial Report, for the Year Ended June 30, 2021
Recap - Budget to Actual | Information |
| vii. | Acceptance of October 2021 Consolidated Financial Statements | Action |
| viii. | ASM Global Financial Statements for Period Ending 10/31/21 - DeVos Place® and Van Andel Arena® | Information |
| C. | Liaison Committee Update | Diane Jones |
| D. | CIG Update | Joe Jones |
| 6. | ASM Global Report and Facilities Calendars | Rich MacKeigan |
| 7. | Public Comment | |
| 8. | Adjournment | |

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY
BOARD OF DIRECTORS
300 MONROE AVENUE, NW | GRAND RAPIDS, MI
FRIDAY, NOVEMBER 5, 2021**

Attendance:

Members Present: Richard Winn, Chairperson
Mandy Bolter
Birgit Klohs
Floyd Wilson, Jr.

Members Absent: Rosalynn Bliss
Lew Chamberlin
Charlie Secchia

Staff/Others:	Thomas Coomes	CitiBank
	Eric DeLong	City of Grand Rapids
	Scott Gorsline	DP Fox
	Tim Gortsema	Grand Rapids Griffins
	Jen Henkel	ASM Global
	Diane Jones	Kent County
	Chris Machuta	ASM Global
	Rich MacKeigan	ASM Global
	Mary Manier	Experience Grand Rapids
	Cheri McConomy	McConomy Properties, LLC
	Doug Small	Experience Grand Rapids
	Eddie Tadlock	ASM Global
	Brad Thomas	Progressive AE
	John Van Houten	Progressive AE
	Al Vanderberg	Kent County
	Susan Waddell	CAA
	Mark Washington	City of Grand Rapids
	Robert White	CAA
	Tiffany Williams	ASM Global
	Jessica Wood	Dickinson Wright

1. Call to Order

Chairperson, Richard Winn, called the meeting to order at 8:35 a.m. Staff recorded the meeting minutes.

2. Minutes of Prior Meetings

Motion by Ms. Klohs, support by Mr. Wilson, to approve the October 1, 2021, Board Minutes. Motion carried.

3. Committee Reports

A. Operations Committee

Mary Manier reported that October was extremely busy for Experience Grand Rapids sale staff. Meeting planners are forging ahead for 2022 and beyond. The sales team attended meeting planner and client events in Lansing, Detroit, Indianapolis, IN, and Washington, DC. Nine meeting planner groups toured Grand Rapids for site visits. The services team hosted three groups to have pre-planning meetings.

B. Finance Committee

i. Consolidated Financial Statement for Period Ending September 30, 2021

Motion by Ms. Klohs, support by Mr. Wilson, to accept the consolidated financial statement for the period ending September 30, 2021. Motion carried.

ii. ASM Global Financial Statements for Period Ending September 30, 2021– DeVos Place® and Van Andel Arena®

The financial statements were included as information items.

4. Independent Contractor Agreement with McConomy Properties, LLC

Motion by Ms. Klohs, support by Mr. Wilson, to approve the Independent Contractor Agreement with McConomy Properties, LLC. Motion carried.

5. Auto Parking System Periodic Reporting

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

6. ASM Global Report and Facilities Calendars

Mr. MacKeigan reported that staff travel is starting back up. Surveys were sent to all Board and Committee members regarding opportunities to meet, as well as roles on the respective committees. A Finance Committee Chair is needed, and Attorney Wendt has affirmed that the committee chair does not need to be a CAA Board member. Mr. MacKeigan will be looking at full-time labor wage issues, as there have been freezes, no incentive pay, no bonuses, and no salary increases in the past couple of years. There were some industries that were not negatively impacted by Covid, and were positively impacted, and so the labor market is very competitive.

7. Public Comment

Diane Jones, Kent County Commissioner and CAA Liaison Committee Chair, reported that the Liaison Committee met in September. The goal is to increase communication between the CAA and the County Board and City Commission. The Liaison Committee will meet again after the joint meeting in December. There are three members from the City and three members from the County, and the chair position will alternate between the County and the City.

8. Board Member Comments

Mr. Wilson expressed his appreciation to Mary Manier and the Experience Grand Rapids staff in bringing groups back to Grand Rapids.

9. Adjournment

The meeting adjourned at 8:55 a.m.

Susan M. Waddell, Recording Secretary

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

Years Ended
June 30, 2021 and
2020

Special-Purpose
Financial
Statements

Rehmann

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

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INDEPENDENT AUDITORS' REPORT

September 28, 2021

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, 2021 and 2020, 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.

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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, 2021 and 2020, 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 Lobson 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,	
	2021	2020
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ 815,286	\$ 668,589
Ticket sales escrow	1,196,755	912,188
Accounts receivable, net of allowance of \$43,146 and \$76,253 in 2021 and 2020, respectively	219,683	300,440
Prepaid expenses	218,451	163,344
Total assets (all current)	<u>\$ 2,450,175</u>	<u>\$ 2,044,561</u>
Liabilities (all current)		
Accounts payable	\$ 412,144	\$ 68,054
Accrued expenses	212,973	192,314
Unearned revenue:		
Advance ticket sales	1,196,755	912,188
Advance deposits	587,790	601,734
Other unearned revenue	117,738	115,872
Total liabilities (all current)	2,527,400	1,890,162
Amount due Operator (deficit)	<u>(77,225)</u>	<u>154,399</u>
Total liabilities and amount due Operator	<u>\$ 2,450,175</u>	<u>\$ 2,044,561</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,	
	2021	2020
Operating revenues		
Events	\$ 165,237	\$ 2,468,476
Ancillary revenues, net:		
Food and beverage	17,946	767,824
Decorating	10,746	254,587
Electrical	1,360	307,206
Equipment rental	17,047	397,763
Other net of related expense of \$22,663 and \$376,637, in 2021 and 2020, respectively	(21,988)	136,703
	<u>25,111</u>	<u>1,864,083</u>
Other operating revenues (includes interest income of \$8,433 and \$17,084 in 2021 and 2020, respectively)	<u>98,212</u>	<u>634,163</u>
Total operating revenues	<u>288,560</u>	<u>4,966,722</u>
Operating expenses		
Personnel	1,847,767	2,842,694
Utilities	1,028,979	1,279,043
Supplies and expenses	55,122	228,412
Repairs and maintenance	467,730	652,684
General and administrative	809,301	1,517,010
Total operating expenses	<u>4,208,899</u>	<u>6,519,843</u>
Operating revenues under operating expenses before incentive management fee	(3,920,339)	(1,553,121)
Incentive management fee	<u>-</u>	<u>-</u>
Operating revenues under operating expenses and incentive management fee	<u>\$ (3,920,339)</u>	<u>\$ (1,553,121)</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,	
	2021	2020
Amount due Operator, beginning of year	\$ 154,399	\$ 814,554
Excess of operating revenues under operating expenses and incentive management fee	(3,920,339)	(1,553,121)
Contributions received from Operator	3,688,715	1,396,548
Amounts paid to Operator	-	(503,582)
Amount due Operator (deficit), end of year	\$ (77,225)	\$ 154,399

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,	
	2021	2020
Cash flows from operating activities		
Operating revenues under operating expenses and incentive management fees	\$ (3,920,339)	\$ (1,553,121)
Changes in assets and liabilities:		
Accounts receivable	80,757	1,010,040
Prepaid expenses	(55,107)	3,594
Accounts payable	344,090	(560,785)
Accrued expenses	20,659	(397,920)
Advance deposits	(13,944)	173,928
Other unearned revenue	1,866	34,783
Net cash used in operating activities	<u>(3,542,018)</u>	<u>(1,289,481)</u>
Cash flows from financing activities		
Contributions received from Operator	3,688,715	1,396,548
Amounts paid to Operator	-	(503,582)
Net cash provided by financing activities	<u>3,688,715</u>	<u>892,966</u>
Net change in operating cash	146,697	(396,515)
Operating cash, beginning of year	<u>668,589</u>	<u>1,065,104</u>
Operating cash, end of year	<u>\$ 815,286</u>	<u>\$ 668,589</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.

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.

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

Notes to Special-Purpose Financial Statements

Prepaid Expenses

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

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 \$592,123 and \$3,164,254 for the years ended June 30, 2021 and 2020, respectively.

Ancillary Revenues

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

Other Operating Revenues

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

Noncontractual Repairs

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

Use of Estimates

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

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

Notes to Special-Purpose Financial Statements

2. MANAGEMENT AGREEMENT AND FEES

SMG and the Operator signed a 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. 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,	
	2021	2020
Excess of operating revenues over (under) operating expenses, as defined, SMG-Van Andel Arena	\$ (1,766,546)	\$ 1,705,698
Excess of operating revenues under operating expenses, as defined, SMG-DeVos Place	(3,920,339)	(1,553,121)
Total	<u>\$ (5,686,885)</u>	<u>\$ 152,577</u>
Incentive benchmark	\$ 1,050,000	\$ 1,050,000
Benchmark met?	No	No

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 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 fee for the years ended June 30, 2021 and 2020, respectively, is as follows:

	Year Ended June 30, 2021	Year Ended June 30, 2020
SMG-DeVos Place base management fee, included in general and administrative expense	\$ 180,339	\$ 179,263
Incentive fee	-	-
Total management fees - SMG-DeVos Place	<u>\$ 180,339</u>	<u>\$ 179,263</u>

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 \$0 and \$30,857 in matching contributions for the years ended June 30, 2021 and 2020, 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 \$25,129 and \$150,820 due from SMG-Van Andel Arena as of June 30, 2021 and 2020, respectively. Accounts payable includes \$213,070 and \$876 due to SMG-Van Andel Arena as of June 30, 2021 and 2020, respectively.

During the years ended June 30, 2021 and 2020, SMG-DeVos Place made payments of \$0 and \$48,341, respectively, to SMG-Food and Beverage LLC, a related party to SMG, for catering services.

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

Notes to Special-Purpose Financial Statements

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, 2021 and 2020, 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.

7. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for SMG-DeVos Place as it determines the appropriate methods to provide services to its patrons. At this time, management does not believe that any ongoing negative financial impact related to the pandemic will be materially detrimental to SMG-DeVos Place.

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

Years Ended
June 30, 2021 and
2020

Special-Purpose
Financial
Statements

Rehmann

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

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INDEPENDENT AUDITORS' REPORT

September 28, 2021

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, 2021 and 2020, 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.

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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, 2021 and 2020, 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,	
	2021	2020
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ 82,627	\$ -
Ticket sales escrow	9,939,351	8,789,366
Accounts receivable	783,043	1,302,885
Prepaid expenses	167,540	96,029
	<u> </u>	<u> </u>
Total assets (all current)	<u>\$ 10,972,561</u>	<u>\$ 10,188,280</u>
Liabilities (all current)		
Accounts payable	\$ 246,094	\$ 731,358
Accrued expenses	140,562	136,833
Unearned revenue:		
Advance ticket sales	9,939,351	8,789,366
Advance deposits	36,925	51,925
Other unearned revenue	971,305	1,383,968
	<u> </u>	<u> </u>
Total liabilities (all current)	11,334,237	11,093,450
Amount due Operator (deficit)	<u>(361,676)</u>	<u>(905,170)</u>
Total liabilities and amount due Operator	<u>\$ 10,972,561</u>	<u>\$ 10,188,280</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 Revenues, Operating

Expenses, and Incentive Management Fee Arising from Activities Managed by SMG

	Year Ended June 30,	
	2021	2020
Operating revenues		
Events	\$ 92,336	\$ 871,463
Ancillary revenues, net:		
Food and beverage	12,754	1,505,190
Novelties	-	158,109
Other (net of related expenses of \$174,985 and \$113,448, in 2021 and 2020, respectively)	41,832	396
	<u>54,586</u>	<u>1,663,695</u>
Other operating revenues:		
Premium seating	293,980	1,607,287
Advertising income	181,925	641,966
Other (includes interest income of \$49,568 and \$78,197 in 2021 and 2020, respectively)	106,817	1,048,226
	<u>582,722</u>	<u>3,297,479</u>
Total operating revenues	<u>729,644</u>	<u>5,832,637</u>
Operating expenses		
Personnel	1,031,446	1,823,717
Utilities	537,412	742,780
Supplies and expenses	48,619	211,652
Repairs and maintenance	167,792	207,290
General and administrative	710,921	1,141,500
	<u>2,496,190</u>	<u>4,126,939</u>
Total operating expenses	<u>2,496,190</u>	<u>4,126,939</u>
Operating revenues over (under) operating expenses before incentive management fee	(1,766,546)	1,705,698
Incentive management fee	<u>-</u>	<u>-</u>
Operating revenues over (under) operating expenses and incentive management fee	<u>\$ (1,766,546)</u>	<u>\$ 1,705,698</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,	
	2021	2020
Amount due Operator (deficit), beginning of year	\$ (905,170)	\$ 66,109
Excess of operating revenues over (under) operating expenses and incentive management fee	(1,766,546)	1,705,698
Contributions received from Operator	2,374,078	1,505,559
Amounts paid to Operator	<u>(64,038)</u>	<u>(4,182,536)</u>
Amount due Operator (deficit), end of year	<u>\$ (361,676)</u>	<u>\$ (905,170)</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,	
	2021	2020
Cash flows from operating activities		
Operating revenues over (under) operating expenses	\$ (1,766,546)	\$ 1,705,698
Changes in assets and liabilities:		
Accounts receivable	519,842	(501,591)
Prepaid expenses	(71,511)	47,398
Accounts payable	(485,264)	(134,489)
Accrued expenses	3,729	(425,253)
Advance deposits	(15,000)	14,500
Unearned revenue	(412,663)	113,883
Net cash provided by (used in) operating activities	<u>(2,227,413)</u>	<u>820,146</u>
Cash flows from financing activities		
Contributions received from Operator	2,374,078	1,505,559
Amounts paid to Operator	<u>(64,038)</u>	<u>(4,182,536)</u>
Net cash provided by (used in) financing activities	<u>2,310,040</u>	<u>(2,676,977)</u>
Net change in operating cash	82,627	(1,856,831)
Operating cash, beginning of year	<u>-</u>	<u>1,856,831</u>
Operating cash, end of year	<u>\$ 82,627</u>	<u>\$ -</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.

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, 2021 and 2020, respectively.

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

Notes to Special-Purpose Financial Statements

Prepaid Expenses

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

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 \$545,396 and \$3,080,034 for the years ended June 30, 2021 and 2020, 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 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,	
	2021	2020
Excess of operating revenues over (under) operating expenses, as defined, SMG-Van Andel Arena	\$ (1,766,546)	\$ 1,705,698
Excess of operating revenues under operating expenses, as defined, SMG-DeVos Place	<u>(3,920,339)</u>	<u>(1,553,121)</u>
Total	<u><u>\$ (5,686,885)</u></u>	<u><u>\$ 152,577</u></u>
Incentive benchmark	\$ 1,050,000	\$ 1,050,000
Benchmark met?	No	No

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

Notes to Special-Purpose Financial Statements

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%

The 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 fee for the years ended June 30, 2021 and 2020, respectively, is as follows:

	Year Ended June 30, 2021	Year Ended June 30, 2020
SMG-Van Andel base management fee, included in general and administrative expense	\$ 180,339	\$ 179,263
Incentive fee	-	-
Total management fees - SMG-Van Andel Arena	\$ 180,339	\$ 179,263

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 \$0 and \$19,753 in matching contributions for the years ended June 30, 2021 and 2020, respectively.

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

Notes to Special-Purpose Financial Statements

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 \$213,070 and \$876 due from SMG-DeVos Place as of June 30, 2021 and 2020, respectively. Accounts payable includes \$25,129 and \$150,820 payable to SMG-DeVos Place as of June 30, 2021 and 2020, 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, 2021 and 2020, respectively. Accounts payable includes \$0 as of June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, SMG-Van Andel received payments of \$0 and \$2,530,570, respectively, from SMG-Food and Beverage LLC which represents commission on sales. During the years ended June 30, 2021 and 2020, SMG-Van Andel made payments of \$6,319 and \$162,516, 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, 2021 and 2020, 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.

7. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for SMG-Van Andel Arena as it determines the appropriate methods to provide services to its patrons. At this time, management does not believe that any ongoing negative financial impact related to the pandemic will be materially detrimental to SMG-Van Andel Arena.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 28, 2021

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, 2021 and 2020, and have issued our reports thereon dated September 28, 2021. 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 August 21, 2021, 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 August 16, 2021.

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 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 material audit adjustments were noted 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 cursive script that reads "Lehmann Johnson LLC".

SMG-DEVOS PLACE & SMG-VAN ANDEL ARENA

Attachment A – Management Representations

For the June 30, 2021 Audit

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



STEVEN HEACOCK
CHAIRMAN

HON. ROSALYNN BLISS

LEW CHAMBERLIN

BIRGIT M. KLOHS

CHARLES SECCHIA

FLOYD WILSON, JR.

RICHARD WINN

September 28, 2021

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, 2021 and 2020, and the related notes to the special-purpose financial statements, for the purpose of expressing opinions on whether the special-purpose financial statements present fairly, in all material respects, the assets, liabilities, and amounts due/from Operator, and the respective operating revenues, operating expenses, and changes in amounts due/from Operator, and operating cash flows, in conformity with the Management Agreement with the Grand Rapids-Kent County Convention/Arena Authority (the "Authority").

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

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 28, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 12, 2021, 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 special-purpose 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.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed.
9. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for SMG-Devos Place and SMG-Van Andel Arena as it determines the appropriate methods to provide services to its patrons. At this time, management does not believe that any ongoing negative financial impact related to the pandemic will be materially detrimental to SMG-Devos Place and SMG-Van Andel Arena.

Information Provided

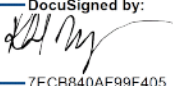
10. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the special-purpose financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - 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 special-purpose 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 have a process to track the status of audit findings and recommendations.
18. 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.
19. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
20. 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.
21. 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.
22. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
23. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
24. We have disclosed to you all guarantees, whether written or oral, under which the SMG-Devos Place and SMG-Van Andel Arena is contingently liable.
25. 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.
26. 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.
27. 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.
28. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the special-purpose financial statements in the event of noncompliance.
29. 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.

Rehmann Robson
Page 4 of 4



Chris Machuta, Assistant General Manager

DocuSigned by:

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Richard Mackeigan, Regional General Manager

Grand Rapids - Kent County
Convention/Arena Authority

Years Ended June 30,
2021 and 2020

Financial
Statements

Rehmann

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

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INDEPENDENT AUDITORS' REPORT

November 26, 2021

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

Report on the Financial Statements

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Grand Rapids-Kent County Convention/Arena Authority as of June 30, 2021 and 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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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, 2021 and 2020. 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	\$ 14,932,246
· Change in total net position	(7,646,241)
· Capital assets, net	1,135,326
· Change in net capital assets	185,519

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 *schedule of revenues, expenses and changes 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 \$14,932,246 and \$22,578,487 for the years ended June 30, 2021 and 2020, 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,		
	2021	2020	2019
Assets			
Current and other assets	\$ 33,600,742	\$ 40,624,146	\$ 44,022,854
Capital assets, net	1,135,326	949,807	1,322,762
	<u>34,736,068</u>	<u>41,573,953</u>	<u>45,345,616</u>
Liabilities			
Other liabilities	<u>19,803,822</u>	<u>18,995,466</u>	<u>19,753,870</u>
Net position			
Investment in capital assets	1,135,326	949,807	1,322,762
Unrestricted	<u>13,796,920</u>	<u>21,628,680</u>	<u>24,268,984</u>
Total net position	<u>\$ 14,932,246</u>	<u>\$ 22,578,487</u>	<u>\$ 25,591,746</u>

A portion of the Authority's net position (7.6% and 4.2% in 2021 and 2020, 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,		
	2021	2020	2019
Operating revenues	\$ 1,583,320	\$ 11,985,625	\$ 17,883,544
Operating expenses	12,115,764	15,866,109	17,961,728
Operating loss	(10,532,444)	(3,880,484)	(78,184)
Nonoperating revenues	3,759,694	1,307,374	1,027,656
Income (loss) before transfers out	(6,772,750)	(2,573,110)	949,472
Transfer of constructed assets	(873,491)	(440,149)	(846,258)
Change in net position	(7,646,241)	(3,013,259)	103,214
Net position, beginning of year	22,578,487	25,591,746	25,488,532
Net position, end of year	<u>\$ 14,932,246</u>	<u>\$ 22,578,487</u>	<u>\$ 25,591,746</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 2021 and 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 2020 fiscal year and most of the 2021 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 2021, operating expenses decreased even more than prior year to minimize as much as possible operating revenue losses due to the pandemic. Many strategies were implemented to maintain the integrity and security of the facilities while decreasing costs to ensure the facilities were ready to quickly return to normal operations when needed.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

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.

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 2021, investment income decreased significantly as investments matured and were used to cover operating losses and a refundable deposit to the City of Grand Rapids for use in a potential amphitheater project funded initially by a grant from the State of Michigan received late in the 2019 fiscal year.

While the amphitheater project was considered to be in the Proof of Concept (POC) stage in fiscal year 2019 and no funds were spent, certain expenses for feasibility, site selection and related consulting services were incurred during fiscal years 2020 (\$350,207) and 2021 (\$368,400). Remaining grant funds and associated interest earned thereon were spent on a refundable option to purchase real estate from the City of Grand Rapids for the amphitheater site. Since the option is refundable, the remaining balance of grant funds is considered unearned revenue at June 30, 2021.

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.

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 2021 and 2020, construction expenses of approximately \$873,500 and \$440,000, 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, 2021 and 2020, the Authority had invested \$1,135,326 and \$949,807, 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,		
	2021	2020	2019
Equipment	<u>\$ 1,135,326</u>	<u>\$ 949,807</u>	<u>\$ 1,322,762</u>

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

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Debt Administration. The Authority had no long-term debt as of June 30, 2021, 2020 or 2019.

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 strengthened by the commitment of federal, state and local grants to mitigate the effects of it. 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 twentieth and twenty-first 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 Experience Grand Rapids, continues to draw commitments for convention center activity, which is now booking through calendar year 2030.

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. As an additional signal to the belief that the business will come back after the pandemic, the Authority has taken initial steps to increase their facility capacity through a potential public outdoor amphitheater.

The fiscal year 2022 (beginning July 1, 2021) budget forecasts operating revenues of \$10.3 million with operating expenses (before depreciation) of \$11.6 million, reflecting full-time staffing returning in phases in the first four months of the fiscal year to support events at the arena (expected to return to full capacity on or after October, 2021) and performance hall and convention center (limited capacity in the first quarter, increasing gradually in the second quarter and at full capacity on or after January of 2022). The Authority's fiscal year 2022 budget, while conservative, still provides for healthy operating reserves for the future, all the more strengthened by receipt in August of 2021 of the initial installment of a \$10 million Shuttered Venue Operators Grant award. 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,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,151,889	\$ 10,693,859
Restricted Investments	-	5,109,546
Refundable deposit - City of Grand Rapids	4,281,393	-
Investments	14,995,689	23,097,494
Accounts receivable, net	785,782	1,463,876
Prepaid expenses	385,989	259,371
Total current assets	<u>33,600,742</u>	<u>40,624,146</u>
Noncurrent assets:		
Capital assets being depreciated, net	<u>1,135,326</u>	<u>949,807</u>
Total assets	<u>34,736,068</u>	<u>41,573,953</u>
Liabilities (all current)		
Accounts payable and accrued liabilities	454,694	647,716
Accrued expenses	1,234,918	942,906
Advance ticket sales	11,136,104	9,701,552
Advance deposits	624,715	653,659
Unearned revenue	<u>6,353,391</u>	<u>7,049,633</u>
Total liabilities (all current)	<u>19,803,822</u>	<u>18,995,466</u>
Net position		
Investment in capital assets	1,135,326	949,807
Unrestricted	<u>13,796,920</u>	<u>21,628,680</u>
Total net position	<u>\$ 14,932,246</u>	<u>\$ 22,578,487</u>

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

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Revenues, Expenses and Changes in Fund Net Position

	Year Ended June 30,	
	2021	2020
Operating revenues		
Charges for services - facilities	\$ 1,583,320	\$ 11,985,625
Operating expenses		
Personnel services	3,031,060	4,816,904
Utilities	1,571,663	2,028,267
Supplies and other expenses	3,598,885	3,330,456
Contractual services	2,662,039	4,228,674
Depreciation	469,989	526,988
Repairs and maintenance	668,222	861,574
Professional services	113,906	73,246
Total operating expenses	12,115,764	15,866,109
Operating loss	(10,532,444)	(3,880,484)
Nonoperating revenues		
Interest revenue	218,265	642,749
Federal grant revenues	1,909,785	-
State grant revenues	1,368,400	350,207
Other revenue	263,244	314,418
Total nonoperating revenues	3,759,694	1,307,374
Loss before transfers out	(6,772,750)	(2,573,110)
Transfer of constructed assets	(873,491)	(440,149)
Change in net position	(7,646,241)	(3,013,259)
Net position, beginning of year	22,578,487	25,591,746
Net position, end of year	\$ 14,932,246	\$ 22,578,487

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,	
	2021	2020
Cash flows from operating activities		
Cash received from facility operations	\$ 3,412,862	\$ 13,861,668
Cash payments to employees	(3,023,859)	(5,213,480)
Cash payments for goods and services	(8,723,227)	(11,307,944)
Net cash used in operating activities	<u>(8,334,224)</u>	<u>(2,659,756)</u>
Cash flows from capital and related financing activities		
State and Federal grants	2,909,785	-
Deposits made to the City of Grand Rapids	(4,281,393)	-
Acquisition/construction of capital assets	(655,508)	(154,033)
Acquisition/construction of transferred assets	(873,491)	(440,149)
Other receipts	263,244	314,418
Net cash used in capital and related financing activities	<u>(2,637,363)</u>	<u>(279,764)</u>
Cash flows from investing activities		
Interest and dividends received	218,265	642,749
Proceeds from sale of investments	14,327,398	6,655,390
Purchases of investments	(1,116,046)	(5,232,045)
Net cash provided by investing activities	<u>13,429,617</u>	<u>2,066,094</u>
Net change in cash and cash equivalents	<u>2,458,030</u>	<u>(873,426)</u>
Cash and cash equivalents, beginning of year	<u>10,693,859</u>	<u>11,567,285</u>
Cash and cash equivalents, end of year	<u><u>\$ 13,151,889</u></u>	<u><u>\$ 10,693,859</u></u>

continued...

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (10,532,444)	\$ (3,880,484)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	469,989	526,988
Change in operating assets and liabilities:		
Accounts receivables, net	678,094	587,708
Prepaid expenses	(126,618)	514,229
Accounts payable and accrued liabilities	(193,022)	(1,557,529)
Accrued expenses	292,012	(390,920)
Advance ticket sales	1,434,552	1,392,885
Advance deposits	(28,944)	188,428
Unearned revenue	(327,843)	(41,061)
Net cash used in operating activities	<u><u>\$ (8,334,224)</u></u>	<u><u>\$ (2,659,756)</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.

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. During the year ended June 30, 2020, \$350,207 was spent. During the year ended June 30, 2021, \$368,400 was spent; the remaining balance not spent was deposited with the City of Grand Rapids for the refundable option to purchase real estate for a potential outdoor public amphitheater and is considered unearned revenue. Additionally, as part of the 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, 2021 of \$850,000 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 accumulated from January to June and not yet used totaled \$175,782 and \$177,144 at June 30, 2021 and 2020, respectively.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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 \$1,137,519 and \$6,244,288 for the years ended June 30, 2021 and 2020, respectively.

Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

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

	June 30,	
	2021	2020
Statement of net position		
Cash and cash equivalents	\$ 13,151,889	\$ 10,693,859
Restricted Investments	-	5,109,546
Investments	14,995,689	23,097,494
Total	<u>\$ 28,147,578</u>	<u>\$ 38,900,899</u>
Deposits and investments		
Bank deposits - checking / savings accounts	\$ 13,151,889	\$ 10,693,859
Investments in the Kent County Investment Pool	14,995,689	28,207,040
Total	<u>\$ 28,147,578</u>	<u>\$ 38,900,899</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, 2021, \$12,235,549 of the Authority's bank balance of \$13,006,001 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. As of June 30, 2021 and 2020, 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 Annual Comprehensive 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 Annual Comprehensive 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, 2021 and 2020 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 Annual Comprehensive 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 Annual Comprehensive 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,	
	2021	2020
Facility customers/events	\$ 789,673	\$ 914,806
Ancillary revenues	39,255	625,322
Allowance for uncollectible accounts	(43,146)	(76,252)
	<u>\$ 785,782</u>	<u>\$ 1,463,876</u>

4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Buildings and structures	\$ 322,431	\$ -	\$ -	\$ -	\$ 322,431
Equipment	4,299,341	655,508	-	-	4,954,849
	<u>4,621,772</u>	<u>655,508</u>	<u>-</u>	<u>-</u>	<u>5,277,280</u>
Less accumulated depreciation for:					
Buildings and structures	(322,431)	-	-	-	(322,431)
Equipment	(3,349,534)	(469,989)	-	-	(3,819,523)
	<u>(3,671,965)</u>	<u>(469,989)</u>	<u>-</u>	<u>-</u>	<u>(4,141,954)</u>
Capital assets, net	<u>\$ 949,807</u>	<u>\$ 185,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,326</u>

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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>

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, 2021 and 2020, total management and incentive fees earned by SMG were approximately \$361,000 and \$359,000, 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 2021 or 2020.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

In July of 2021, the performance requirements established by the Plan agreement were met and plan assets were transferred from the trust to the Authority to pay the participant. Additional funding of approximately \$12,500 by the Authority was necessary to complete the obligations under the Plan.

8. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the Authority as it determines the appropriate methods to provide services to its patrons. The Federal government has also provided significant resources to help mitigate the impacts of COVID-19. The Authority received over \$1.9 million during fiscal year 2021 passed through the County to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act. Additionally subsequent to year end, the Authority has been awarded \$10 million through the Shuttered Venue Operators Grant. At this time, management does not believe that any ongoing negative financial impact related to the pandemic would be material to the Authority.

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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, 2021

	Budget	Actual	Actual Over (Under) Budget
Operating revenues			
Charges for services - facilities	\$ 2,359,029	\$ 1,583,320	\$ (775,709)
Operating expenses			
Personnel services	3,044,250	3,031,060	(13,190)
Utilities	1,841,846	1,571,663	(270,183)
Supplies and other expenses	852,365	3,598,885	2,746,520
Contractual services	2,437,269	2,662,039	224,770
Depreciation	-	469,989	469,989
Repairs and maintenance	1,005,414	668,222	(337,192)
Professional services	208,700	113,906	(94,794)
Total operating expenses	<u>9,389,844</u>	<u>12,115,764</u>	<u>2,725,920</u>
Operating loss	<u>(7,030,815)</u>	<u>(10,532,444)</u>	<u>(3,501,629)</u>
Nonoperating revenues			
Interest revenue	140,000	218,265	78,265
Federal grant revenues	1,985,817	1,909,785	(76,032)
State grant revenues	4,893,061	1,368,400	(3,524,661)
Other revenue	234,000	263,244	29,244
Total nonoperating revenues	<u>7,252,878</u>	<u>3,759,694</u>	<u>(3,493,184)</u>
Income (loss) before transfers out	222,063	(6,772,750)	(6,994,813)
Transfer of constructed assets	<u>(11,145,729)</u>	<u>(873,491)</u>	<u>10,272,238</u>
Change in net position	<u>(10,923,666)</u>	<u>(7,646,241)</u>	<u>3,277,425</u>
Net position, beginning of year	<u>22,578,487</u>	<u>22,578,487</u>	<u>-</u>
Net position, end of year	<u>\$ 11,654,821</u>	<u>\$ 14,932,246</u>	<u>\$ 3,277,425</u>

Grand Rapids - Kent County
Convention/Arena Authority

Year Ended
June 30, 2021

Single Audit Act
Compliance

Rehmann

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

November 26, 2021

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 year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 26, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

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GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Treasury COVID-19 Coronavirus Relief Fund (CRF)	21.019	Kent County	SLT0177	<u>\$ 1,909,785</u>

See notes to schedule of expenditures of federal awards.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Grand Rapids-Kent County Convention/Arena Authority (the "Authority") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 26, 2021

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Grand Rapids-Kent County Convention/Arena Authority** (the "Authority"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 26, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Loborn LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 26, 2021

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

Report on Compliance for the Major Federal Program

We have audited the compliance of the **Grand Rapids-Kent County Convention/Arena Authority** (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2021. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Rehmann Lobarr LLC

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
20.019	COVID-19 - Coronavirus Relief Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 26, 2021

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, 2021 and 2020, and have issued our report thereon dated November 26, 2021. 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 28, 2021, 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.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated November 26, 2021. In addition, we noted a certain other matter which is included in Attachment A to this letter.

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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 November 5, 2021.

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. 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 C 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 B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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

Very truly yours,

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

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment A – Comments and Recommendations

For the June 30, 2021 Audit

During our audit, we became aware of a certain other matter that is an opportunity for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding the matter. Our consideration of the Authority's internal control over financial reporting is described in our report, dated November 26, 2021, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report Grand Rapids - Kent County Convention/Arena Authority.

Uniform Grant Guidance Policies and Procedures

The Uniform Grant Guidance, applicable for federal grants issued on or after December 26, 2014, introduced requirements and terminology related to federal awards. With the Authority receiving federal funding in excess of \$750,000 the Authority was subject to single audit requirements during the year and a separate compliance audit was conducted. While the federal funding received in this year was specifically excluded from Uniform Grant requirements and therefore the Authority was in compliance with requirements for the funding received, we encourage the Authority to have written policies and procedures over grants administration and these policies and procedures to conform with the Uniform Grant Guidance requirements in the event of receiving federal funding in future years that would be applicable to Uniform Grant Guidance.

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GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 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 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.

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.

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

■ Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

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.

■ ■ ■ ■ ■

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment C – Management Representations

For the June 30, 2021 Audit

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

RICHARD A. WINN
CHAIRMAN

HON. ROSALYNN BLISS

MANDY BOLTER

LEW CHAMBERLIN

BIRGIT M. KLOHS

CHARLIE SECCHIA

FLOYD WILSON, JR.

November 26, 2021

Rehmann Robson
2330 East Paris Avenue SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the **Grand Rapids-Kent County Convention/Arena Authority** ("Authority"), as of and for the years ended June 30, 2021 and 2020, 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).

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 26, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 28, 2021, for the preparation and fair presentation of the financial statements of the opinion unit 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.



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 of permanent endowments, or contributions to permanent 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 March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the Authority as it determines the appropriate methods to provide services to its patrons. The Federal government has also provided significant resources to help mitigate the impacts of COVID-19. The Authority received over \$1.9 million during fiscal year 2021 passed through Kent County to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act. Additionally subsequent to year end, the Authority has been awarded \$10 million through the Shuttered Venue Operators Grant. At this time, management does not believe that any ongoing negative financial impact related to the pandemic would be material to the Authority.

Information Provided

22. We have provided you with:
- Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - 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:
- Management;
 - Employees who have significant roles in internal control; or
 - 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.

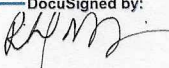
Uniform Guidance (2 CFR 200)

44. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
 - h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.

- i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- j. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- l. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- m. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- p. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- q. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- v. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- w. The reporting package does not contain protected personally identifiable information.
- x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- y. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- z. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.


Robert White, Contracted Finance Director

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Richard MacKeigan, Contracted Executive Director

Memorandum

To: CAA Board
CAA Finance Committee

From: Robert J. White

Subject: Consolidated Financial Report
FY 2021 Recap – Budget to Actual

Date: November 5, 2021

The attached material summarizes the CAA administrative operating budget and consolidated income statement for fiscal years ended June 30, 2020-2021 and provides a comparison to the current fiscal year (FY 2022) budget.

Table D provides a summary of the consolidated budget by facility for the fiscal year ending June 30, 2022, along with actual results for FY 2020 and FY 2021. ***The FY 2021 budget, as adopted, forecasted an (\$11,077,248) 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 (\$7,831,760) from unrestricted fund balance.*** Specific variances are summarized in the following manner:

Van Andel Arena®

The original budgeted Operating Revenues, of \$0.9 million, was believed to be a reasonably achievable goal. Unfortunately, with continuing closure of the facility, year-end operating revenues were reported at \$0.7 million.

The decline in operating revenues, from original budget, was more than offset by decreased operating expenses resulting in a lapse of \$0.8 million from original budget.

DeVos Place® Convention Center

FY2021 budgeted operating revenues, of \$1.0 million, assumed reopening of the facility in the third fiscal quarter. Continuing closure of the facility resulted in a significant decline from originally budgeted revenues reflecting a balance \$0.7 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 \$0.2 million from the original budget forecast.

Administrative (Other)

Other non-operating revenues included \$0.1 million of COVID funds to cover costs incurred to provide facilities for the clinic.

Several line items, Including Consulting Services and the Diversity Initiative, came in significantly under budget resulting in a savings of \$0.4 million.

Capital Expenditures

The FY2021 budget included a spending allowance of almost \$4.4 million. Five “in progress” balances, totaling \$0.9 million, were carried over to the FY2022 capital budget. All other projects were completed or closed at a slight lapse (\$493,722) 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 \$11.1 million to an actual draw of \$7.8 million.

The Fiscal Year 2022 budget forecasts a draw of \$2.2 million from Unrestricted Fund Balance. This draw is required as a result of an anticipated operating deficit of \$1.2 million and a capital budget (excluding restricted accounts) of \$1.0 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 – Summary of Consolidated Income Statement – 10 Years

Table A
Grand Rapids-Kent County Convention/Arena Authority
SMG Facilities Budget
Fiscal Years Ending June 30, 2020 - 2022

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2021</u>	<u>FY 2021</u>	<u>FY 2022</u>
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Actual</u>	<u>Budget</u>
Van Andel Arena					
Operating - Revenues	\$ 5,832,637	\$ 855,248	\$ 604,887	\$ 729,644	\$ 4,746,644
- Expenses - Facilities	(3,947,676)	(3,161,016)	(2,351,226)	(2,315,851)	(4,330,348)
- Management Fees	(179,263)	(182,848)	(180,338)	(180,339)	(183,945)
- Incentive Fees	-	-	-	-	-
Net Operating Income	<u>1,705,698</u>	<u>(2,488,616)</u>	<u>(1,926,677)</u>	<u>(1,766,546)</u>	<u>232,351</u>
DeVos Place					
Operating - Revenues	4,966,722	975,759	158,928	288,560	4,143,265
- Expenses - Facilities	(6,340,580)	(4,606,032)	(4,047,220)	(4,028,560)	(5,725,206)
- Management Fees	(179,263)	(182,848)	(180,338)	(180,339)	(183,945)
- Incentive Fees	-	-	-	-	-
Net Operating Income/(Loss)	<u>(1,553,121)</u>	<u>(3,813,121)</u>	<u>(4,068,630)</u>	<u>(3,920,339)</u>	<u>(1,765,886)</u>
Net Available to CAA:					
Van Andel Arena	1,705,698	(2,488,616)	(1,926,677)	(1,766,546)	232,351
DeVos Place	(1,553,121)	(3,813,121)	(4,068,630)	(3,920,339)	(1,765,886)
	<u>\$ 152,577</u>	<u>\$ (6,301,737)</u>	<u>\$ (5,995,307)</u>	<u>\$ (5,686,885)</u>	<u>\$ (1,533,535)</u>

NOTE: In the last full fiscal year of Operations (FY2019) ASM Operating Expenses totaled \$12.2M. For FY2021, Actual Operating Expenses totaled \$6.3M, a reduction of (47.8%).

Table B
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2020-2022

	<u>FY2020</u>	<u>FY 2021</u>	<u>FY 2021</u>	<u>FY 2021</u>	<u>FY 2022</u>
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Actual</u>	<u>Budget</u>
Revenues:					
Facility Operations	\$ 152,577	\$ (6,301,737)	\$ (5,995,307)	\$ (5,686,885)	(1,533,535)
Utility Reimbursement	<u>1,783,652</u>	<u>1,644,906</u>	<u>1,356,355</u>	<u>1,477,663</u>	<u>1,924,000</u>
Transfers from SMG	1,936,229	(4,656,831)	(4,638,952)	(4,209,222)	390,465
State Grant	350,207	4,969,411	5,649,793	1,368,400	
County Grant	-	1,985,817	1,955,645	1,909,785	
DeVos Place Parking ⁽¹⁾	1,163,477	470,000	442,536	443,267	1,000,000
VanAndel Parking ⁽¹⁾	314,418	234,000	202,357	263,244	278,989
Interest ⁽²⁾	547,468	140,000	165,000	160,264	165,000
Miscellaneous	<u>118,069</u>	<u>58,022</u>	<u>66,654</u>	<u>179,851</u>	<u>108,000</u>
Total Revenues	<u>4,429,868</u>	<u>3,200,419</u>	<u>3,843,033</u>	<u>115,589</u>	<u>1,942,454</u>
Expenditures:					
Utilities ⁽⁴⁾	1,783,652	1,644,906	1,356,355	1,477,663	1,924,000
Other Operating ⁽⁵⁾	408,690	162,000	283,652	331,766	404,989
Administration/Other ⁽⁶⁾	1,228,843	1,095,106	646,841	665,859	811,500
Amphitheater	350,207	4,969,411	4,764,936	483,543	-
Facility Maintenance	2,704,598	-	-	3,459,519	-
Capital	<u>594,182</u>	<u>6,406,244</u>	<u>5,493,656</u>	<u>1,528,999</u>	<u>1,056,567</u> ⁽³⁾
Total Expenditures	<u>7,070,172</u>	<u>14,277,667</u>	<u>12,545,440</u>	<u>7,947,349</u>	<u>4,197,056</u>
Net Excess (Deficit)	<u>\$ (2,640,304)</u>	<u>\$ (11,077,248)</u>	<u>\$ (8,702,407)</u>	<u>\$ (7,831,760)</u>	<u>\$ (2,254,602)</u>

Notes: See Following Pages

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2022 Budget

Notes:

⁽¹⁾ DeVos Place Parking Rates:	FY 2021	FY 2022	
30 Minutes	\$ 1.50	\$ 1.50	
Daily Maximum	15.00	15.00	
Vehicles with Trailers: Courtesy Validations (2 Hr. Limit) ASM Designated Only	-	NC*	
Event	10.00	10.00	
Weekly (ASM Designated Only)**	-	14.00	
Monthly -Public	154.00	154.00	
-Reserved Premium	58.00	58.00	
-County/SMG/ASM (O+M)	62.78	49.82	
Van Andel Arena Parking Rates:			
Event	\$ 12.00	\$ 12.00	
Non-Event Coin Unit	12.00	12.00	
Monthly -Public	112.00	112.00	
* No Charge			
** Fourteen (14) Day Notice Requirement			
⁽²⁾ \$16.6 million (2/29/21 pool balance) in invested funds at 1.0%.			
⁽³⁾ FY 2022 Eligible Projects:			
DeVos Place®			
Lyon Square Project	200,000		
Total DVP	<u>200,000</u>		
Carryover (FY21) Projects:			
DVP - Building Maintenance Software (HVAC)	43,740		
DVP - Additional Furniture	30,580		
VAA - Security Upgrades	12,135		
VAA - Suite Refurbishment	370,112		
DVP - Lyon Street Contribution	400,000		
Total Carryover	<u>856,567</u>		
Total FY 2022 Capital Budget	<u><u>\$ 1,056,567</u></u>		

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Detail of Expenditure Estimates
FY 2020-2022

	FY 2020	FY 2021	FY 2021	FY 2021	FY 2022
	Actual	Budget	Estimate	Actual	Budget
Utilities⁽⁴⁾:					
Electricity	\$ 1,183,672	\$ 1,052,280	\$ 801,185	\$ 875,880	\$ 1,257,000
Steam/Gas	465,818	506,595	450,681	483,471	550,000
Water/Sewer	134,162	86,031	104,489	118,312	117,000
	<u>\$ 1,783,652</u>	<u>\$ 1,644,906</u>	<u>\$ 1,356,355</u>	<u>\$ 1,477,663</u>	<u>1,924,000</u>
Other Operating⁽⁵⁾:					
Parking Management	\$ 256,321	\$ 75,000	\$ 210,951	\$ 235,495	\$ 236,989
Pedestrian Safety	124,542	22,000	45,701	71,120	101,000
Repairs - F&B	-	40,000	-	-	40,000
Landscaping	27,827	25,000	27,000	25,151	27,000
	<u>\$ 408,690</u>	<u>\$ 162,000</u>	<u>\$ 283,652</u>	<u>\$ 331,766</u>	<u>404,989</u>
Administration/Other⁽⁶⁾:					
COVID-19 Preparedness Plan	\$ -	\$ 300,000	\$ -		\$ -
Arena 25-Year Recognition	-	-	-		100,000
Wages	118,116	112,300	115,238	125,305	110,000
Benefits	32,377	28,806	28,806	26,543	29,000
Accounting/Audit	54,480	55,000	51,000	60,363	52,000
Legal Services	15,576	30,000	35,000	53,543	35,000
DID Assessment ^(A)	65,284	33,000	32,110	32,110	33,000
Consulting Services	552,628	200,000	149,851	127,098 *	91,500 **
Insurance	17,429	26,000	24,836	20,610	26,000
Marketing - CVB/WMSC	200,000	200,000	200,000	200,000	200,000
Diversity Initiative	140,468	100,000	-	3,000	100,000
Procurement of Art (ArtPrize)	2,105	-	-	-	25,000
Other	30,380	10,000	10,000	17,287	10,000
Contingent	-	-	-	-	-
	<u>\$ 1,228,843</u>	<u>\$ 1,095,106</u>	<u>\$ 646,841</u>	<u>\$ 665,859</u>	<u>\$ 811,500</u>

Notes:

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

*SMG-\$54,401, Potomac Strategic Development-\$33,000, DD&M-\$7,275 and Progressive AE-\$32,422.

**SMG-\$55,500; Potomac Strategic Development-\$36,000.

Table C
Grand Rapids-Kent County Convention/Arena Authority
Consolidated Income Statement
Fiscal Years Ending June 30, 2020-2022

		FY 2020	FY 2021	FY 2021	FY 2021	FY 2022
		Actual	Budget	Estimate	Actual	Budget
Operating Revenue:						
Event	- VanAndel Arena	\$ 871,463	\$ 166,258	\$ 91,852	\$ 92,336	\$ 913,770
	- DeVos Place	2,468,476	520,660	71,375	165,237	2,352,417
Ancillary	- VanAndel Arena	1,663,695	228,632	18,120	54,586	1,334,871
	- DeVos Place	1,864,083	369,479	(10,637)	25,111	1,401,350
Other	- VanAndel Arena	3,297,479	460,358	494,915	582,722	2,498,003
	- DeVos Place	634,163	85,620	98,190	98,212	389,498
	-Administration	118,069	58,022	1,066,654	179,851	108,000
Parking	- VanAndel Arena	314,418	234,000	202,357	263,244	278,989
	- DeVos Place	1,163,477	470,000	442,536	443,267	1,000,000
		<u>12,395,323</u>	<u>2,593,029</u>	<u>2,475,362</u>	<u>1,904,566</u>	<u>10,276,898</u>
Operating Expense / Appropriations:						
Facility Operations						
	- VanAndel Arena	3,947,676	3,161,016	2,351,226	2,315,851	4,330,348
	- DeVos Place	6,340,580	4,606,032	4,047,220	4,028,560	5,725,206
	- Management	358,526	365,696	360,676	360,678	367,890
	- Incentive	-	-	-	-	-
	- Parking/Maintenance	408,690	162,000	283,652	331,766	404,989
Administration/Other		<u>1,579,050</u>	<u>1,095,106</u>	<u>646,841</u>	<u>665,859</u>	<u>811,500</u>
Other Operating (Capital Repair)		2,704,598	-	-	3,459,519	-
		<u>15,339,120</u>	<u>9,389,850</u>	<u>7,689,615</u>	<u>11,162,233</u>	<u>11,639,933</u>
Operating Income		(2,943,797)	(6,796,821)	(5,214,253)	(9,257,667)	(1,363,035)
Non-Operating Revenue:						
Interest/Capital Contribution		897,675	7,095,228	6,770,438	3,438,449	165,000
Transfer (to) from Capital Acct.		<u>(594,182)</u>	<u>(11,375,655)</u>	<u>(10,258,592)</u>	<u>(2,012,542)</u>	<u>(1,056,567)</u>
		<u>303,493</u>	<u>(4,280,427)</u>	<u>(3,488,154)</u>	<u>1,425,907</u>	<u>(891,567)</u>
Net Income (Loss)		(2,640,304)	(11,077,248)	(8,702,407)	(7,831,760)	(2,254,602)
Fund Balance, beg. of yr.		24,268,984	21,628,680	21,628,680	21,628,680	12,819,334
Fund Balance, end of yr.		\$ 21,628,680	\$ 10,551,432	\$ 12,926,273	\$ 13,796,920	\$ 10,564,732

Table D
Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
FY 2020-2021 Actual
FY 2022 Budget

	<u>FY 2020</u> <u>Actual</u>	<u>FY 2021</u> <u>Budget</u>	<u>FY 2021</u> <u>Estimate</u>	<u>FY 2021</u> <u>Actual</u>	<u>FY 2022</u> <u>Budget</u>
Van Andel Arena					
Operating - Revenues	\$ 5,832,637	\$ 855,248	\$ 604,887	\$ 729,644	\$ 4,746,644
- Expenses - Facilities	(3,947,676)	(3,161,016)	(2,351,226)	(2,315,851)	(4,330,348)
- Management Fees	(179,263)	(182,848)	(180,338)	(180,339)	(183,945)
- Incentive Fee	-	-	-	-	-
Net Operating Income (Loss)	1,705,698	(2,488,616)	(1,926,677)	(1,766,546)	232,351
Parking	314,418	234,000	202,357	263,244	278,989
Pedestrian Safety	(82,159)	(13,700)	-	-	(65,000)
Net Proceeds (Cost) of VAA	1,937,957	(2,268,316)	(1,724,320)	(1,503,302)	446,340
DeVos Place Convention Center					
Operating - Revenues	4,966,722	975,759	158,928	288,560	4,143,265
- Expenses - Facilities	(6,340,580)	(4,606,032)	(4,047,220)	(4,028,560)	(5,725,206)
- Management Fees	(179,263)	(182,848)	(180,338)	(180,339)	(183,945)
- Incentive Fee	-	-	-	-	-
Net Operating Loss	(1,553,121)	(3,813,121)	(4,068,630)	(3,920,339)	(1,765,886)
Parking	907,156	395,000	231,585	207,772	763,011
Pedestrian Safety	(42,382)	(8,300)	(45,701)	(71,120)	(36,000)
Net Proceeds (Cost) of DVP	(688,347)	(3,426,421)	(3,882,746)	(3,783,687)	(1,038,875)
Other					
Revenues					
Interest	547,468	140,000	165,000	160,264	165,000
Miscellaneous	468,276	58,022	1,066,654	179,851	108,000
	1,015,744	198,022	1,231,654	340,115	273,000
Expenses					
Administration	(1,579,050)	(1,095,106)	(646,841)	(665,859)	(811,500)
Other Operating	(27,827)	(65,000)	(27,000)	(25,151)	(67,000)
	(1,606,877)	(1,160,106)	(673,841)	(691,010)	(878,500)
Net Other	(591,133)	(962,084)	557,813	(350,895)	(605,500)
Total Net Proceeds/Operating	658,477	(6,656,821)	(5,049,253)	(5,637,884)	(1,198,035)
Capital Expenditures	(3,298,781)	(4,420,427)	(3,653,154)	(2,193,876)	(1,056,567)
Results Net of Capital Expenditures	\$ (2,640,304)	\$ (11,077,248)	\$ (8,702,407)	\$ (7,831,760)	\$ (2,254,602)

Table E
Grand Rapids-Kent County Convention/Arena Authority
Summary of Consolidated Income Statement - By Facility
Fiscal Years 2013 through FY2022
5-Nov-21
(In Thousands)

	<u>Actual</u>								<u>Actual</u>	<u>Budget</u>	<u>Roll</u>
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY2022	FY 2022
VAA - Net Proceeds	\$ 1,793	\$ 532	\$ 1,610	\$ 1,980	\$ 2,865	\$ 2,338	\$ 4,367	\$ 1,938	\$ (1,503)	\$ 446	\$ 892
DVP - Net Proceeds	784	445	908	1,625	1,465	1,441	1,243	(688)	(3,784)	(1,039)	(783)
SMG Incentive Fees	(331)	-	(344)	(344)	(347)	(353)	(353)	-	-	-	-
Other-Net Proceeds	<u>(313)</u>	<u>(456)</u>	<u>(308)</u>	<u>(565)</u>	<u>(442)</u>	<u>(516)</u>	<u>(447)</u>	<u>(591)</u>	<u>351</u>	<u>(605)</u>	<u>9,395</u>
Total Net Operating	1,933	521	1,866	2,696	3,541	2,910	4,810	659	(4,936)	(1,198)	9,504
Capital	<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>(3,299)</u>	<u>(3,194)</u> ⁽¹⁾	<u>(1,057)</u>	<u>(1,057)</u>
Transfer To/(From) Fund Balance	<u>971</u>	<u>(2,044)</u>	<u>736</u>	<u>335</u>	<u>1,181</u>	<u>292</u>	<u>565</u>	<u>(2,640)</u>	<u>(8,130)</u>	<u>(2,255)</u>	<u>8,447</u>
Fund Balance, End of Year	<u><u>\$23,204</u></u>	<u><u>\$21,160</u></u>	<u><u>\$21,896</u></u>	<u><u>\$22,230</u></u>	<u><u>\$23,411</u></u>	<u><u>\$ 23,703</u></u>	<u><u>\$24,268</u></u>	<u><u>\$21,628</u></u>	<u><u>\$13,498</u></u>	<u><u>\$11,541</u></u>	<u><u>\$21,945</u></u>

Notes:

(1) Excludes \$1,368,400 of projects financed by restricted state grants and \$1,909,785 of projects financed by a County grant.



Consolidated Financial Report
October 31, 2021

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GRAND RAPIDS-KENT COUNTY

CONVENTION / ARENA AUTHORITY

Financial Dashboard Year-To-Date (4 Months) October 31, 2021

Van Andel Arena®						
	All Events			Concert		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	2	8	16		2	4
Attendance		57,100	72,420		16,000	22,931
Event Income	\$ 21,569	\$ 277,007	\$ 947,379	\$ (196)	\$ 171,900	\$ 440,131
DeVos Place®						
	All Events			Convention/Trade		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	5	91	105		65	26
Attendance	226	96,860	34,025		60,710	7,180
Event Income	\$ (1,476)	\$ 872,224	\$ 995,865	\$ (6,796)	\$ 594,481	\$ 340,460
				Prior Year	Budget	Actual
Operating Income (Loss)				\$ (1,405,845)	\$ (1,437,663)	\$ 7,640,772
Capital/Repair/Replacement				(768,255)	(39,174)	(30,580)
Net - To/(From) on Fund Balance				\$ (2,174,100)	\$ (1,476,837)	\$ 7,610,192

(1), (2)

*NOTES:

(1) Unrestricted Fund Balance at June 30, 2021 - \$13,796,920.

(2) Excluding the \$8.2 million SBA grant, the 10/31 year-to-date performance - (\$592,073).

Grand Rapids-KentA1:H39 County Convention/Arena Authority
Summary by Facility/Other
Fiscal Year Ending June 30, 2022

	FY 2022			
	7/1 - 10/31			
	Year-to-Date	Roll	Estimate⁽¹⁾	Budget
Van Andel Arena				
Operating - Revenues	\$ 1,154,130	\$ 4,038,243	\$ 5,192,373	\$ 4,746,644
- Expenses - Facilities	(1,084,156)	(3,244,389)	(4,328,545)	(4,330,348)
- Base Management Fees	(60,113)	(125,635)	(185,748)	(183,945)
- Incentive Fee	-	-	-	-
Net Operating Income (Loss)	9,861	668,219	678,080	232,351
Parking	114,572	164,417	278,989	278,989
Pedestrian Safety	(4,351)	(60,649)	(65,000)	(65,000)
Net Proceeds (Cost) of VAA	120,082	771,987	892,069	446,340
DeVos Place Convention Center				
Operating - Revenues	1,021,370	3,378,040	4,399,410	4,143,265
- Expenses - Facilities	(1,732,636)	3,990,767	(5,723,403)	(5,725,206)
- Base Management Fees	(60,113)	(125,635)	(185,748)	(183,945)
- Incentive Fee	-	-	-	-
Net Operating Income (Loss)	(771,379)	(738,362)	(1,509,741)	(1,765,886)
Parking	291,806	471,205	763,011	763,011
Pedestrian Safety	(2,805)	(33,195)	(36,000)	(36,000)
Net Proceeds (Cost) of DVP	(482,378)	(300,352)	(782,730)	(1,038,875)
Other				
Revenues	8,212,812	2,060,188	10,273,000	273,000
Expenses	(209,744)	(668,756)	(878,500)	(910,403) ⁽⁴⁾
Net Other	8,003,068	1,391,432	9,394,500	(637,403)
Total Net Proceeds/Operating	7,640,772	1,863,067	9,503,839⁽³⁾	(1,229,938)
Capital/Repair Expenditures	(30,580)	(1,025,987)	(1,056,567)	(1,056,567) ⁽²⁾
Results Net of Capital/Repair Expenditures	\$ 7,610,192	\$ 837,080	\$ 8,447,272⁽³⁾	\$ (2,286,505)

Notes:

(1)A second quarter Roll will be compiled as a part of the December financial report and presented at the February Board meeting.

(2)Includes an approved (9/9/21 agenda) budget amendment to provide for several capital project balances (\$86,455) carried over from FY 21. See the June 2021 consolidated financial report for details.

(3)Includes a \$10M - Small Business Administration/Shuttered Venues Operator Grant. Excluding the SBA Grant, total Net Proceeds/Operating is estimated at (\$496,161) and Results Net of Capital/Repair at (\$1,552,728).

(4)This report includes a request to increase appropriations, in support for Downtown Improvement District , by \$31,903 (from 50% to 100% of billing).

**Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2022 Budget**

FY 2022 Eligible Projects:		Budget	Actual 7/1-10/31	Roll	Appropriation Lapse
Van Andel Arena®					
Total VAA		-	-	\$ -	-
DeVos Place®					
	Lyon Street Landscape	200,000	-	200,000	-
Total DVP		200,000	-	200,000	-
Both Venues				-	
Carryover (FY20) Projects					
DVP	Building Maintenance Software-HVAC	43,740	-	43,740	-
DVP	Additional Furniture	30,580	30,580		-
VAA	Security Upgrades	12,135		3,541	8,594
VAA	Suite Refresher	370,112	-	370,112	-
DVP	Lyon Street Landscaping	400,000	-	400,000	-
Total Carryover		856,567	30,580	817,393	8,594
Total Unrestricted Accounts		1,056,567		1,017,393	8,594
COVID-19 County Grant (Restricted Account)		48,620	1,380	44,480	2,760
Total FY 2021 Capital Budget		\$ 1,105,187	\$ 31,960	\$ 1,061,873	\$ 11,354

Notes: The FY2022 budget, as adopted, included - \$400,000 for Lyon Street Landscape and \$370,112 for Suite Refresher.
The July monthly financial report included a request to re-appropriate a total of \$86,455 for Unrestricted Projects
and \$48,620 in the County Grant account.

Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
Financial Trends for Year Ending June 30, 2022

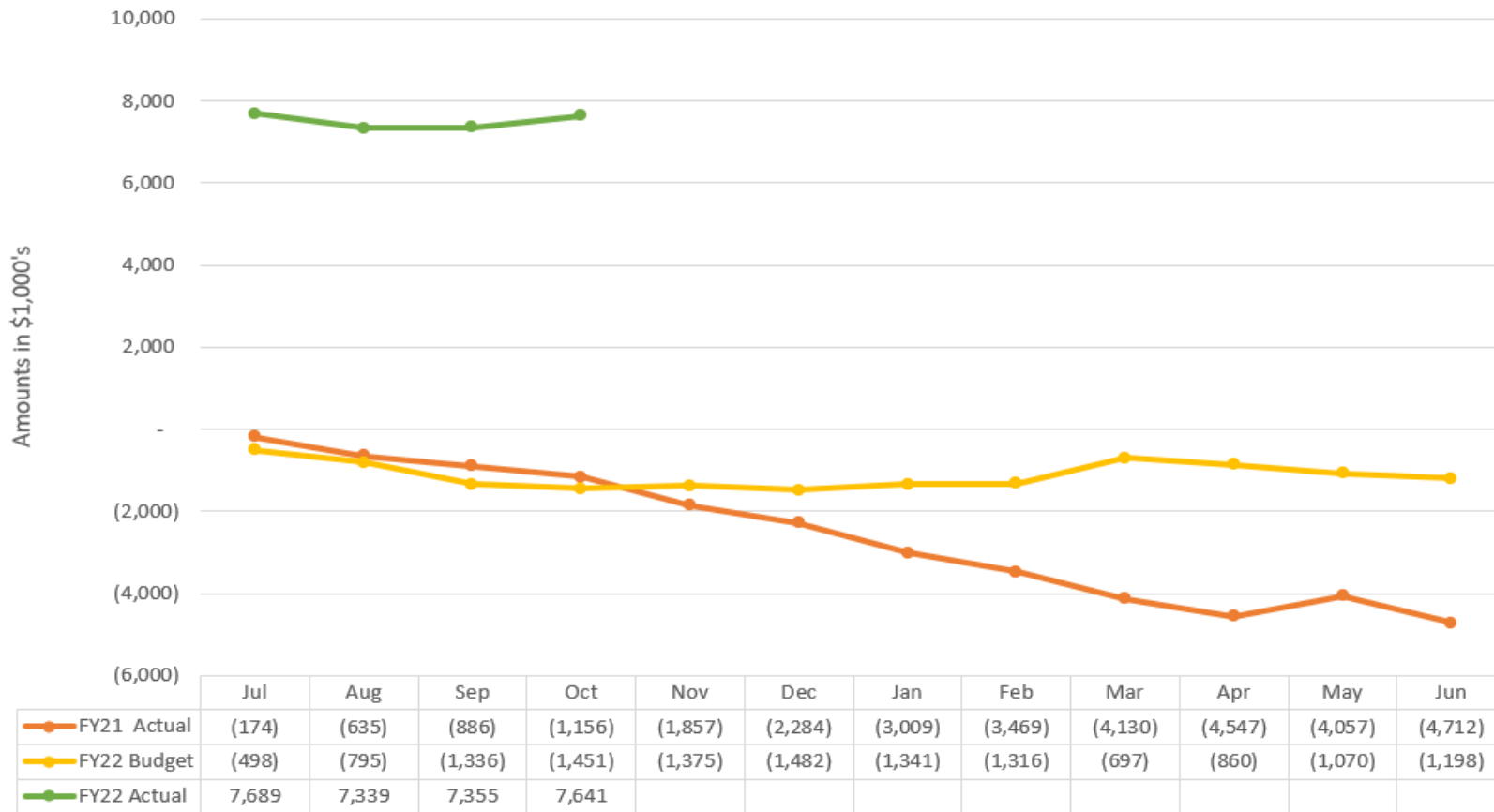
	Annual			Year-To-Date		
	FY 2021 Final	FY 2022 Budget	Change Positive (Negative)	FY 2021 7/1-10/31	FY 2022 7/1 - 10/31	Change Positive (Negative)
Van Andel Arena						
Operating - Revenues	\$ 729,644	\$ 4,746,644	550.5	\$ 479,796	\$ 1,154,130	140.5
- Expenses - Facilities	(2,315,851)	(4,330,348)	(87.0)	(666,173)	(1,084,156)	(62.7)
- Base Management Fees	(180,339)	(183,945)	(2.0)	(60,113)	(60,113)	-
- Incentive Fee	-	-	-	-	-	-
Net Operating Income (Loss)	(1,766,546)	232,351	113.2	(246,490)	9,861	104.0
Parking	263,244	278,989	6.0	51,634	114,572	121.9
Pedestrian Safety		(65,000)	(100.0)		(4,351)	(100.0)
Net Proceeds (Cost) of VAA	(1,503,302)	446,340	129.7	(194,856)	120,082	161.6
DeVos Place Convention Center						
Operating - Revenues	288,560	4,143,265	1,335.8	28,302	1,021,370	3508.8
- Expenses - Facilities	(4,028,560)	(5,725,206)	(41.6)	(1,170,213)	(1,732,636)	(48.1)
- Base Management Fees	(180,339)	(183,945)	(2.0)	(60,113)	(60,113)	-
- Incentive Fee	-	-	-	-	-	-
Net Operating Income (Loss)	(3,920,339)	(1,765,886)	55.0	(1,202,024)	(771,379)	35.8
Parking	207,772	763,011	267.2	77,619	291,806	275.9
Pedestrian Safety	(71,120)	(36,000)	49.4		(2,805)	(100.0)
Net Proceeds (Cost) of DVP	(3,783,687)	(1,038,875)	72.5	(1,124,405)	(482,378)	57.1
Other						
Revenues	340,115	273,000	(19.7)	82,371	8,212,812	100.0+
Expenses	(691,010)	(910,403)	(31.7)	(168,955)	(209,744)	(24.1)
Net Other	(350,895)	(637,403)	(81.7)	(86,584)	8,003,068	100.0+
Total Net Proceeds/Operating	(5,637,884)	(1,229,938)	78.2	(1,405,845)	7,640,772	643.5
Capital/Repair Expenditures	(2,193,876)	(1,056,567)	51.8	(768,255)	(30,580)	96.0
Results Net of Capital Expenditures	\$ (7,831,760)	\$ (2,286,505)	70.8	\$ (2,174,100)	\$ 7,610,192	450.0

NOTES:

(1) Net of \$1,368,400 Restricted State Grant and \$1,909,785 Restricted County Grant.

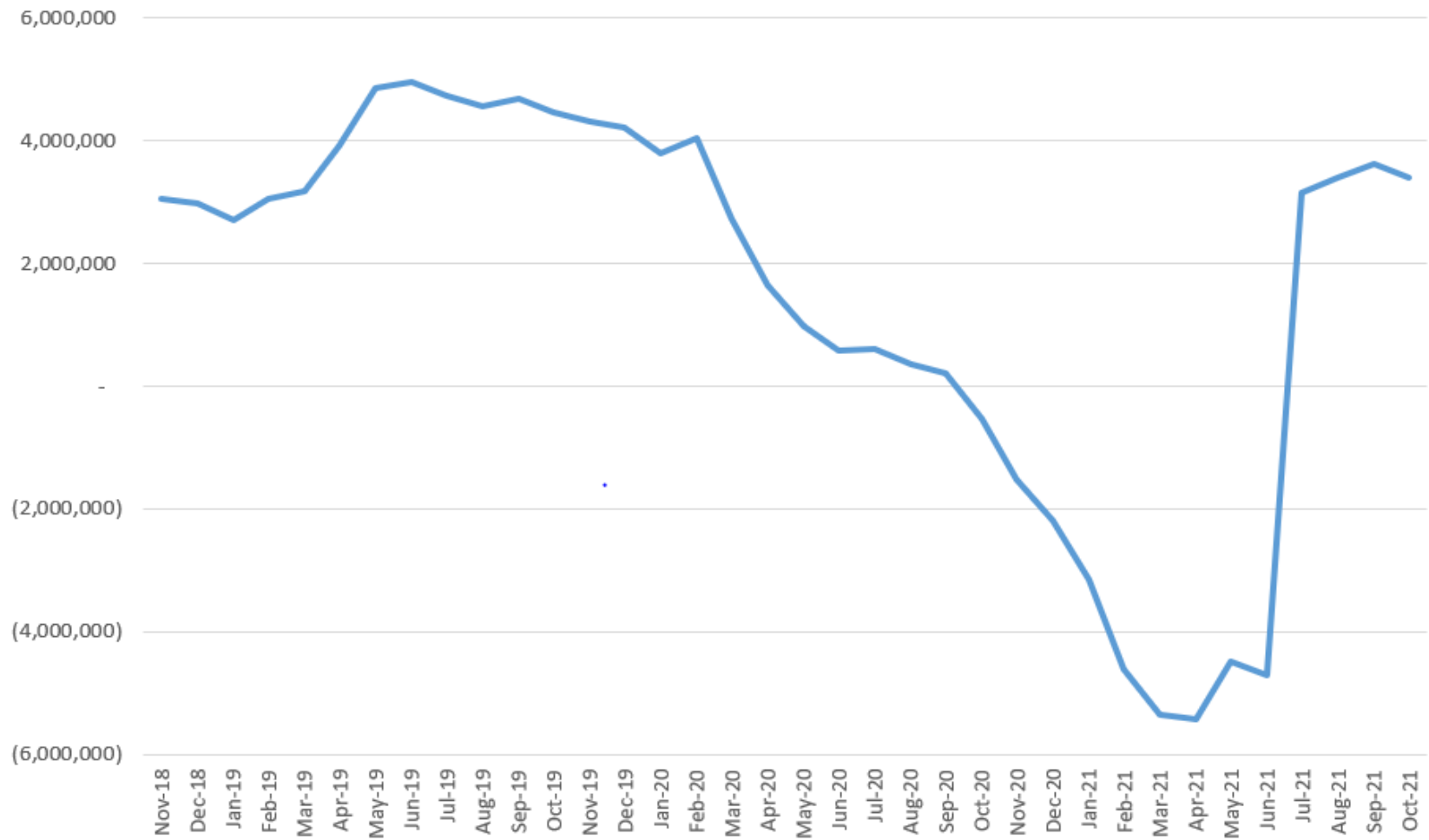
CAA Trends

Monthly Net Operating Proceeds through October 31, 2021



Accumulative Net Proceeds by Month

Lagging 12 Months Net Operating Proceeds



Significant Notes

Van Andel Arena®

- Page 1 - Four concerts generated \$440,131 in event revenue revenue, a 100% increase over no concerts in the prior year.
- Page 5 - Net Proceeds of \$120,082 increased by 161.6% from prior year of (\$194,856).

DeVos Place®

- Page 1 - Convention/trade show business generated \$340,460 in event revenue, an increase of 100% over prior year.
- Page 5 - Net "proceeds" of (\$482,378) increased by 57.1% from prior year Net Proceeds of (\$1,124,405).

Grand Rapids-Kent County Convention/Arena Authority
Administrative Accounts
Net Other Detail
October 31, 2021

	Annual			Actual		
	FY 2021 Final	FY 2022 Budget	Change Positive (Negative)	FY 2021 7/1-10/31	FY 2022 7/1/-10/31	Change Positive (Negative)
Other						
Revenues						
Interest/Capital Contr.	\$ 210,264	\$ 215,000	2.3	\$ 78,326	\$ 10,547	(86.5)
Miscellaneous	129,851	58,000	(55.3)	4,045	8,202,265	100.0+
	340,115	273,000	(19.7)	82,371	8,212,812	100.0+
Expenses						
Arena 25-Year Recognition	-	100,000	(100.0)	-	20,350	100.0+
Marketing (CVB/Sports)	200,000	200,000	-			
Diversity Initiative	3,000	100,000	(3,233.3)		2,500	100.0+
Wages/Benefits	151,848	139,000	8.5	33,327	34,908	(4.7)
Professional Services	113,906	87,000	23.6	51,779	42,220	18.5
DID Assessment	32,110	64,903	(102.1)	32,110	31,903	0.6
Food & Beverage Repairs	-	40,000	(100.0)			
Consulting Services	127,098	91,500 ⁽¹⁾	28.0	13,600	32,580	(139.6)
Landscaping	25,151	27,000	(7.4)	3,526	3,526	-
Procurement of Art		25,000	(100.0)		9,366	(100.0)
Insurance	20,610	26,000	(26.2)	31,083	29,301	5.7
Supplies/Other	17,287	10,000	42.2	3,530	3,090	12.5
	691,010	910,403	(31.7)	168,955	209,744	(24.1)
Net Proceeds - Operating	<u>\$ (350,895)</u>	<u>\$ (637,403)</u>	<u>(81.7)</u>	<u>\$ (86,584)</u>	<u>\$ 8,003,068</u>	<u>100.0+</u>

Notes:

⁽¹⁾ SMG-\$55,500 and Potomac Strategic Development - \$36,000.

Grand Rapids-Kent County Convention/Arena Authority
Special Accounts
Federal CARES Allotment (County)
Grant Period: 10/8/20 to 12/30/20
Revenues/Expenses
September 30, 2021

	<u>Budget</u>	<u>Actual</u>
Revenues:		
County Grant	\$ 48,620	\$ 1,380
Expenses:	<u>(48,620)</u>	<u>(1,380)</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
- Time limit extension for "advertising" expenditures

Unexpended Balance, of \$30,172, returned to Kent County on 01/29/2021

Reserve balance, of \$48,620, held for remaining grant eligible activities

DEVOS PLACE

DE VOS PLACE

FINANCIAL STATEMENT
FOR THE MONTH ENDED OCTOBER 31, 2021

Distribution:

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




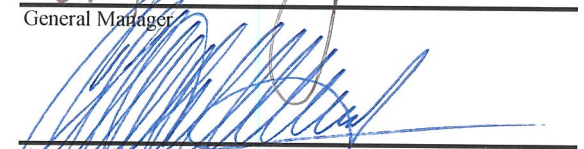
DE VOS PLACE
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2022

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	105	172	277	269	8
ATTENDANCE	34,025	365,251	399,276	410,420	(11,144)
DIRECT EVENT INCOME	501,904	2,073,637	2,575,541	2,352,417	223,124
ANCILLARY INCOME	428,261	987,733	1,415,994	1,401,350	14,644
OTHER EVENT INCOME	65,700	235,084	300,784	287,498	13,286
TOTAL EVENT REVENUE	995,865	3,296,454	4,292,319	4,041,265	251,054
TOTAL OTHER REVENUE	25,505	81,586	107,091	102,000	5,091
TOTAL OPERATING REVENUE	1,021,370	3,378,040	4,399,410	4,143,265	256,145
INDIRECT EXPENSES					
EXECUTIVE	51,044	170,715	221,759	221,759	-
FINANCE	93,204	180,626	273,830	273,830	-
MARKETING	49,837	134,074	183,911	183,911	-
OPERATIONS	386,732	1,089,953	1,476,685	1,476,685	-
EVENT SERVICES	426,363	719,898	1,146,261	1,146,261	-
BOX OFFICE	63,047	105,577	168,624	168,624	-
SALES	108,426	377,534	485,960	485,960	-
OVERHEAD	614,094	1,338,027	1,952,121	1,952,121	-
TOTAL OPERATING EXP.	1,792,749	4,116,404	5,909,151	5,909,151	-
NET REVENUE ABOVE EXPENSES	(771,379)	(738,364)	(1,509,741)	(1,765,886)	256,145
INCENTIVE FEE		-	0	0	-
NET OPERATING REVENUE OVER OPERATING EXPENSES	(771,379)	(738,364)	(1,509,741)	(1,765,886)	256,145

Comments:

DeVos Place continues to come back to business slowly but surely. Events that have been hosted have mostly performed very well, still losing the occasional event.


General Manager


Assistant General Manager

DE VOS PLACE
FINANCIAL STATEMENT HIGHLIGHTS
FISCAL YEAR ENDING JUNE 30, 2022

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 2021
Number of Events	41	35	5
Attendance	11,159	32,850	226
Direct Event Income	\$181,018	\$194,596	\$2,886
Ancillary Income	148,853	100,233	(1,136)
Other Event Income	28,281	23,153	0
Other Operating Income	6,212	8,500	6,468
Indirect Expenses	(443,820)	(434,353)	(290,172)
Net Income	(\$79,456)	(\$107,871)	(\$281,954)

YTD	YTD 2022 Actual	YTD 2022 Budget	YTD 2021 Prior Year
Number of Events	105	91	5
Attendance	34,025	96,860	226
Direct Event Income	\$501,904	\$483,477	\$5,086
Ancillary Income	428,261	326,236	(6,562)
Other Event Income	65,700	62,511	0
Other Operating Income	25,505	34,000	29,778
Indirect Expenses	(1,792,749)	(1,679,996)	(1,230,326)
Net Income	(\$771,379)	(\$773,772)	(\$1,202,024)

EVENT INCOME

Event income came in just under expected levels for the month.

ANCILLARY INCOME

Ancillary income came in well ahead of budget for the month on the strength of catering and Audio/Visual income.

INDIRECT EXPENSES

Indirect expenses came in at budgeted levels for the month.

DeVos Place
Income Statement
For the Four Months Ended October 31, 2021

	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	\$204,121	\$191,546	\$ 12,575	\$5,450	\$528,189	\$488,694	\$ 39,495	\$7,650
Service Revenue	178,131	168,948	9,183	8,062	479,747	405,008	74,739	8,062
Service Expenses	(201,234)	(165,898)	(35,336)	(10,626)	(506,032)	(410,225)	(95,807)	(10,626)
Total Direct Event Income	181,018	194,596	(13,578)	2,886	501,904	483,477	18,427	5,086
Ancillary Income								
F&B Concession	4,323	8,875	(4,552)	0	33,317	22,744	10,573	0
F&B Catering	74,062	35,476	38,586	0	159,092	120,545	38,547	0
Novelty Sales	505	723	(218)	0	5,514	2,418	3,096	0
Booth Cleaning	4,441	11,993	(7,552)	0	56,895	38,751	18,144	0
Telephone/Long Distance	0	-	-	0	0	-	-	0
Electrical Services	12,906	15,810	(2,904)	0	56,449	51,992	4,457	0
Audio Visual	31,781	12,927	18,854	0	61,894	49,973	11,921	0
Internet Services	7,999	3,825	4,764	(1,370)	15,684	13,495	2,189	(6,796)
Equipment Rental	12,836	10,604	2,232	234	39,416	26,318	13,098	234
Total Ancillary Income	148,853	100,233	48,620	(1,136)	428,261	326,236	102,025	(6,562)
Other Event Income								
Ticket Rebates(Per Event)	28,281	23,153	5,128	0	65,700	62,511	3,189	-
Total Other Event Income	28,281	23,153	5,128	0	65,700	62,511	3,189	0
Total Event Income	358,152	317,982	40,170	1,750	995,865	872,224	123,641	(1,476)
Other Operating Income								
Luxury Box Agreements	0	2,000	(2,000)	775	0	8,000	(8,000)	3,100
Advertising	0	0	-	0	0	0	-	0
Other Income	6,212	6,500	(288)	5,693	25,505	26,000	(495)	26,678
Total Other Operating Income	6,212	8,500	(2,288)	6,468	25,505	34,000	(8,495)	29,778
Adjusted Gross Income	364,364	326,482	37,882	8,218	1,021,370	906,224	115,146	28,302
Operating Expenses								
Salaries and Wages	309,941	274,742	35,199	145,584	1,046,555	1,027,193	19,362	697,148
Payroll Taxes and Benefits	107,435	79,826	27,609	66,250	373,857	298,450	75,407	275,835
Labor Allocations to Events	(227,335)	(171,095)	(56,240)	(76,242)	(683,723)	(639,683)	(44,040)	(384,023)
Net Salaries and Benefits	190,041	183,473	6,568	135,592	736,689	685,960	50,729	588,960
Contracted Services	34,158	28,046	6,112	4,467	123,191	112,184	11,007	10,911
General and Administrative	19,352	30,915	(11,563)	14,678	108,300	114,177	(5,877)	59,274
Operations	4,025	11,946	(7,921)	3,877	20,223	47,784	(27,561)	15,024
Repair and Maintenance	33,656	47,100	(13,444)	32,335	176,781	188,400	(11,619)	119,584
Operational Supplies	14,832	15,675	(843)	5,137	71,344	62,700	8,644	23,190
Insurance	18,704	18,969	(265)	18,464	70,623	75,876	(5,253)	56,380
Utilities	114,024	82,900	31,124	60,594	425,485	331,600	93,885	296,890
SMG Management Fees	15,028	15,329	(301)	15,028	60,113	61,315	(1,202)	60,113
Total Operating Expenses	443,820	434,353	9,467	290,172	1,792,749	1,679,996	112,753	1,230,326
Net Income(Loss) From Operatic	(79,456)	(107,871)	28,415	(281,954)	(771,379)	(773,772)	2,393	(1,202,024)
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	(79,456)	(107,871)	28,415	(281,954)	(771,379)	(773,772)	2,393	(1,202,024)

SMG DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Year to Date Event Summary Report
For the Three Months Ended September 30, 2021

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Convention/Trade Shows	26	65	7,180	60,710	340,460	594,481
Consumer/Gated Shows	4	-	2,400	-	56,588	19,330
DeVos Performance Hall	28	26	11,680	36,150	223,913	258,417
Banquets	6	-	2,450	-	40,545	-
Meetings	28	-	5,229	-	276,879	-
Other	13	-	5,086	-	57,477	-
GRAND TOTALS	105	91	34,025	96,860	995,865	872,224

As Percentage of Overall

Convention/Trade Shows	24.76%	71.43%	21.10%	62.68%	34.19%	68.16%
Consumer/Gated Shows	3.81%	0.00%	7.05%	0.00%	5.68%	2.22%
Devos Performance Hall	26.67%	28.57%	34.33%	37.32%	22.48%	29.63%
Ballroom Exclusive	5.71%	0.00%	7.20%	0.00%	4.07%	0.00%
Meetings	26.67%	0.00%	15.37%	0.00%	27.80%	0.00%
Other	12.38%	0.00%	14.95%	0.00%	5.77%	0.00%

**DeVos Place
Balance Sheet
As of October 31, 2021**

ASSETS

Current Assets

Cash	4,179,111
Account Receivable	744,136
Prepaid Expenses	242,879

Total Current Assets		\$5,166,126
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Total Assets

\$5,166,126

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	447,303
Accrued Expenses	257,747
Deferred Income	362,385
Advanced Ticket Sales & Deposits	4,684,533

Total Current Liabilities		\$5,751,969
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Other Liabilities

Equity

Funds Remitted to CAA	(22,000)
Funds Received by CAA	
Expenses Paid Direct by CAA	411,931
Beginning Balance Equity	(204,395)
Current Year Equity	(771,379)

Total Equity		(\$585,843)
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Total Liabilities and Equity

\$5,166,126

SMG - DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2021

Current - Under 30 Days	
Food & Beverage	78,403
Ticketing	81,600
Merchandise	-
Decorating	4,441
Audio/Visual	31,780
Van Andel Arena	87,803
Operating	425,769
 Over 30 Days	 -
 Over 60 Days	 34,340
 Over 90 Days	
 Total Accounts Receivable	 744,136

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2022**

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2021 Actual
Net Revenue above Expenses	678,080	(1,509,741)	(831,661)	(5,686,855)
Benchmark++			1,050,000	1,050,000
Excess	678,080	(1,509,741)	(1,881,661)	(6,736,855)

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Actual
Base Fee	185,749	185,749	371,497	360,676
Incentive Fee				
Revenue	5,192,373	4,399,410	9,591,783	1,018,204
Benchmark Revenue	5,548,039	4,901,666	10,449,705	9,914,331
Revenue Excess	(355,666)	(502,256)	(857,922)	(9,104,314)
Incentive Fee **	-	-	-	-
Total SMG Management Fee	185,749	185,749	371,497	360,676

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

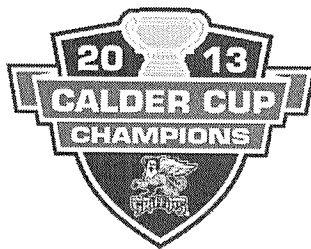
++ SMG will be eligible for an Incentive fee if Net Revenues exceed Expenses by the following amounts:
 Equal to \$850,000 and less than \$950,000 shall be paid at 50% of calculated fee.
 Equal to \$950,000 and less than \$1,050,000 shall be paid at 75% of calculated fee.
 Equal to \$1,050,000 and above shall be paid at 100% of calculated fee.



VAN ANDEL ARENA

FINANCIAL STATEMENT FOR THE MONTH ENDED OCTOBER 31, 2021

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, 2022

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	16	67	83	78	5
ATTENDANCE	72,420	471,577	543,997	523,600	20,397
DIRECT EVENT INCOME	384,625	637,899	1,022,524	913,770	108,754
ANCILLARY INCOME	328,954	1,132,653	1,461,607	1,334,871	126,736
OTHER EVENT INCOME	233,800	448,227	682,027	593,600	88,427
TOTAL EVENT INCOME	947,379	2,218,779	3,166,158	2,842,241	323,917
TOTAL OTHER INCOME	206,751	1,819,464	2,026,215	1,904,403	121,812
TOTAL INCOME	1,154,130	4,038,243	5,192,373	4,746,644	445,729
INDIRECT EXPENSES					
EXECUTIVE	63,952	190,390	254,342	254,342	-
FINANCE	74,465	161,801	236,266	236,266	-
MARKETING	56,227	230,234	286,461	286,461	-
OPERATIONS	497,563	1,573,615	2,071,178	2,071,178	-
BOX OFFICE	61,854	237,158	299,012	299,012	-
LUXURY SEATING	-	-	-	-	-
SKYWALK ADMIN	9,313	41,924	51,237	51,237	-
OVERHEAD	380,896	934,901	1,315,797	1,315,797	-
TOTAL INDIRECT EXP.	1,144,269	3,370,023	4,514,293	4,514,293	-
NET REVENUE ABOVE EXPENSES	9,861	668,220	678,080	232,351	445,729
LESS INCENTIVE FEE			-	-	-
NET REVENUE ABOVE EXPENSES AFTER INCENTIVE	9,861	668,220	678,080	232,351	445,729

Comments:

October marked the busiest month yet for the Arena as events are resuming. A wide range of events were hosted during the month with a sold out concert, strong selling Monster Truck show, a strong selling comedy show, and the start of the 25th Grand Rapids Griffins season with yet another sold out crowd.


General Manager


Assistant General Manager

**VAN ANDEL ARENA
FINANCIAL STATEMENT HIGHLIGHTS
FOR FISCAL YEAR ENDING JUNE 30, 2022**

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 2021
Number of Events	11	8	-
Attendance	52,023	57,100	-
Direct Event Income	\$275,871	\$99,095	\$2,689
Ancillary Income	208,459	121,912	0
Other Event Income	145,372	56,000	(14)
Other Operating Income	139,223	210,717	4,894
Indirect Expenses	(372,701)	(401,107)	(168,665)
Net Income	<u>\$396,224</u>	<u>\$86,617</u>	<u>(\$161,096)</u>

YTD	YTD 2022 Actual	YTD 2022 Budget	YTD 2021 Prior Year
Number of Events	16	-	2
Attendance	72,420	-	-
Direct Event Income	\$384,625	\$99,095	\$21,765
Ancillary Income	328,954	121,912	0
Other Event Income	233,800	56,000	(196)
Other Operating Income	206,751	210,717	458,227
Indirect Expenses	(1,144,269)	(1,305,436)	(726,286)
Net Income	<u>\$9,861</u>	<u>(\$817,712)</u>	<u>(\$246,490)</u>

EVENT INCOME

Strong month as Dan + Shay concert was sold out, Monster Jam sold extremely well as compared to past visits, and the Mike Epps show sold very well.

ANCILLARY INCOME

Per cap spending on F&B continues to exceed past visits by same shows.

INDIRECT EXPENSES

Indirect expenses came in ahead of budget overall.

Van Andel Arena
Income Statement
For the Four Months Ended October 31, 2021

	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	\$ 378,142	\$ 153,095	\$ 225,047	\$ 1,800	\$ 529,832	\$ 153,095	\$ 376,737	\$ 19,250
Service Revenue	131,019	178,000	(46,981)	7,265	456,806	178,000	278,806	38,445
Service Expenses	(233,290)	(232,000)	(1,290)	(6,376)	(602,013)	(232,000)	(370,013)	(35,930)
Total Direct Event Income	275,871	99,095	176,776	2,689	384,625	99,095	285,530	21,765
Ancillary Income								
F&B Concession	192,031	106,157	85,874	-	287,856	106,157	181,699	-
F&B Catering	11,258	9,515	1,743	-	19,003	9,515	9,488	-
Novelty Sales	5,075	6,240	(1,165)	-	22,000	6,240	15,760	-
Booth Cleaning	-	-	-	-	-	-	-	-
Audio Visual	95	-	95	-	95	-	95	-
Other Ancillary	-	-	-	-	-	-	-	-
Total Ancillary Income	208,459	121,912	86,547	0	328,954	121,912	207,042	0
Other Event Income								
Ticket Rebates(Per Event)	145,372	56,000	89,372	(14)	233,800	56,000	177,800	(196)
Total Other Event Income	145,372	56,000	89,372	(14)	233,800	56,000	177,800	(196)
Total Event Income	629,702	277,007	352,695	2,675	947,379	277,007	670,372	21,569
Other Operating Income								
Luxury Box Agreements	101,223	147,717	(46,494)	-	154,148	147,717	6,431	293,980
Advertising	38,000	54,000	(16,000)	-	38,000	54,000	(16,000)	144,466
Other Income	-	9,000	(9,000)	4,894	14,603	9,000	5,603	19,781
Total Other Operating Income	139,223	210,717	(71,494)	4,894	206,751	210,717	(3,966)	458,227
Adjusted Gross Income	768,925	487,724	281,201	7,569	1,154,130	487,724	666,406	479,796
Operating Expenses								
Salaries and Wages	158,341	204,278	(45,937)	54,248	460,182	467,824	(7,642)	224,226
Payroll Taxes and Benefits	54,970	59,938	(4,968)	24,955	157,928	169,937	(12,009)	105,362
Labor Allocations to Events	(51,424)	(87,885)	36,461	(5,958)	(163,388)	(87,885)	(75,503)	(30,792)
Net Salaries and Benefits	161,887	176,331	(14,444)	73,245	454,722	549,876	(95,154)	298,796
Contracted Services	23,767	28,046	(4,279)	2,526	92,468	110,384	(17,916)	8,522
General and Administrative	32,761	34,289	(1,528)	19,400	122,496	102,769	19,727	72,311
Operations	3,051	7,899	(4,848)	1,452	10,286	29,595	(19,309)	4,713
Repair and Maintenance	21,438	30,875	(9,437)	12,554	91,319	123,500	(32,181)	60,852
Operational Supplies	23,408	21,558	1,850	4,029	51,592	68,233	(16,641)	29,023
Insurance	26,880	17,072	9,808	6,777	52,801	50,181	2,620	23,184
Utilities	64,481	69,708	(5,227)	33,654	208,472	209,583	(1,111)	168,772
SMG Management Fees	15,028	15,329	(301)	15,028	60,113	61,315	(1,202)	60,113
Total Operating Expenses	372,701	401,107	(28,406)	168,665	1,144,269	1,305,436	(161,167)	726,286
Net Income(Loss) From Operations	396,224	86,617	309,607	(161,096)	9,861	(817,712)	827,573	(246,490)
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	396,224	86,617	309,607	(161,096)	9,861	(817,712)	827,573	(246,490)

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Event Summary
For the Four Months Ended October 31, 2021

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Family Show	-	-	-	-	-	-
Sporting Event	7	-	28,777	-	388,330	-
Concert	4	2	22,931	16,000	440,131	171,900
Team Home Games	4	3	16,087	18,600	36,648	43,821
Other	1	3	4,625	22,500	82,270	61,286
GRAND TOTALS	16	8	72,420	57,100	947,379	277,007
As Percentage of Overall						
Family Show	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sporting Event	43.75%	0.00%	39.74%	0.00%	40.99%	0.00%
Concert	25.00%	25.00%	31.66%	28.02%	46.46%	62.06%
Team Home Games	25.00%	37.50%	22.21%	32.57%	3.87%	15.82%
Other	6.25%	37.50%	6.39%	39.40%	8.68%	22.12%

ASSETS

\$14,958,763

\$14,958,763

\$15,175,471

(\$216,708)

\$14,958,763

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 2021

Current - Under 30 Days	
Food & Beverage	283,081
Ticketing	373,180
Merchandise	148
Permanent Advertising	-
DeVos Place	(189,801)
Operating	715,113
 Over 30 Days	
 Over 60 Days	
 Over 90 Days	
 Total Accounts Receivable	 1,181,721

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2022**

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2021 Actual
Net Revenue above Expenses	678,080	(1,509,741)	(831,661)	(5,686,855)
Benchmark++			1,050,000	1,050,000
Excess	678,080	(1,509,741)	(1,881,661)	(6,736,855)

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Actual
Base Fee	185,749	185,749	371,497	360,676
Incentive Fee				
Revenue	5,192,373	4,399,410	9,591,783	1,018,204
Benchmark Revenue	5,548,039	4,901,666	10,449,705	9,914,331
Revenue Excess	(355,666)	(502,256)	(857,922)	(9,104,314)
Incentive Fee **	-	-	-	-
Total SMG Management Fee	185,749	185,749	371,497	360,676

** 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.