



# Agenda

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## Board of Directors

**Friday, November 6, 2015**  
**Following CAA Finance Committee Meeting**  
**Kent County Commission Chambers**  
**300 Monroe Avenue, NW, Grand Rapids, MI**

1. Call to Order Steve Heacock
2. Salute to Grand Rapids Police Department Steve Heacock
3. Minutes of September 4, 2015 Action
4. Committee Reports
  - A. Operations Committee
  - B. Finance Committee
    - i. Acceptance of Sept. 2015 Consolidated Financial Statements Action
    - ii. SMG – Sept. 2015 Van Andel Arena® and DeVos Place® Financial Statements Information
    - iii. SMG Special Purpose Financial Statements as of and for the Years Ended June 30, 2015 and 2014 – Deloitte & Touche, LLP Action
5. FY 2016 Budget Amendment Action
6. Ice Floor Compressor Action
7. SMG Report and Facilities Calendars Rich MacKeigan
8. Public Comment
9. Adjournment

**Next Meeting Date: Friday, December 4, 2015**  
**At Van Andel Arena®**

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY  
CONVENTION/ARENA AUTHORITY  
BOARD OF DIRECTORS MEETING  
Friday, September 4, 2015**

**1. Call to Order**

Steve Heacock, Chairperson, called the meeting to order at 8:55 a.m. Secretary/Treasurer Richard Winn recorded the meeting minutes.

Members Present: Steve Heacock, Chairperson  
Lew Chamberlin  
George Heartwell  
Birgit Klohs  
Charlie Secchia  
Floyd Wilson, Jr.  
Richard Winn

Members Absent: None

Staff/Others:	Tom Bennett	Experience Grand Rapids
	<i>Jim Harger</i>	<i>MLive/The Grand Rapids Press</i>
	Diane Jones	Kent County Commissioner
	Mike Lloyd	Broadway Grand Rapids
	Chris Machuta	SMG
	Rich MacKeigan	SMG
	Doug Small	Experience Grand Rapids
	Eddie Tadlock	SMG
	Susan Waddell	CAA
	Jana Wallace	City of Grand Rapids
	Jim Watt	SMG

**2. Broadway Grand Rapids – Phantom Update**

Mike Lloyd, Executive Director for Broadway Grand Rapids, expressed his appreciation for CAA support of the stage house infrastructure improvements. The changes were made backstage and, while fans will not see them directly, will allow for larger Broadway shows to visit DeVos Performance Hall. Phantom of the Opera has been booked for a several-week engagement in spring 2016. Broadway staff has been in talks with the promoters of Wicked for possible show dates. The project was estimated to cost \$350,000, and Broadway Grand Rapids held a fundraising campaign to help defray the expense. Mr. Lloyd presented the CAA with a check in the amount of \$110,000.

**3. Minutes of Prior Meetings**

*Motion by Ms. Klohs, support by Mr. Heartwell, to approve the June 5, 2015, Minutes. Motion carried.*

#### **4. Committee Reports**

##### **A. Operations Committee**

Mr. Chamberlin stated that the Operations Committee took a summer hiatus and there was nothing new to report.

Mr. Bennett provided an overview of the CVB's recent sales activities, marketing efforts, and major bid presentations. July posted record-breaking numbers for hotel occupancy-81.2%. The state's average occupancy rate as 75%, last year's occupancy rate was 73%. The average daily rate was \$112 compared to \$99 last year and compared to the state's average of \$107. The sales staff booked seven groups and hosted 15 site visits.

##### **B. Finance Committee**

- i. Acceptance of July 2015 Consolidated Financial Statements

*Motion: Mr. Winn, supported by Mr. Chamberlin, moved to accept the July 2015 Consolidated Financial Statements. Motion carried.*

- ii. SMG Van Andel Arena® and DeVos Place® July 2015 Financial Statements

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

#### **5. Application to Liquor Control Commission for Special License**

Staff requested approval to submit an application to the Michigan Liquor Control Commission for special liquor licenses in conjunction with the International Wine, Beer & Food Festival that will be held November 19-21, 2015.

*Motion by Ms. Klohs, support by Mr. Chamberlin, to approve an application to the Michigan Liquor Control Commission for special liquor licenses in conjunction with the International Wine, Beer & Food Festival. Motion carried.*

#### **6. Directors and Officers Insurance Renewal**

*Motion by Mr. Winn, support by Mr. Heartwell, to approve renewal of the directors' and officers' liability insurance. The motion carried unanimously.*

#### **7. Resolution Approving and Authorizing Execution of a Neutral Host Cellular DAS License Agreement with Concourse Communication Group, LLC**

*Boardmember Klohs, supported by Boardmember Wilson, moves the adoption of the following resolution:*

**WHEREAS**, the Board at its meeting on October 5, 2014, authorized SMG along with the assistance of legal counsel to negotiate an agreement with Boingo a.k.a. Concourse Communication Group, LLC ("CCG") to provide a neutral host cellular distributed antenna system ("DAS") in conjunction with a full WiFi system at the Van Andel Arena; and

**WHEREAS**, a DAS agreement without a full WiFi system has been negotiated with CCG which SMG has recommended be approved; and

**WHEREAS**, this Board has agreed to approve a DAS agreement with CCG to provide DAS service at the Van Andel Arena.

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Neutral Host Cellular DAS License Agreement (the “Agreement”) between the Grand Rapids – Kent County Convention/Arena Authority (the “CAA”) and CCG in the form presented at this meeting is approved with such modifications not materially adverse to the CAA approved as to content by the CAA Chairperson and as to form by CAA legal counsel.

2. That the CAA Chairperson is authorized and directed to execute the approved Agreement for and on behalf of the CAA.

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

**RESOLUTION DECLARED ADOPTED.**

**8. SMG Report and Facilities Calendar**

Mr. Machuta presented the event calendars for the Van Andel Arena® and DeVos Place®. Mr. Tadlock reported that 130 artists will be exhibiting at DeVos Place® during ArtPrize. Once again, we will hold a public reception on opening night, which is September 23.

Chair Heacock thanked Mr. Delabbio and the County for use of the County Commission Chambers. Mr. Heacock stated the June budget meeting will be a joint meeting of the CAA Board, CAA Finance Committee, and CAA Operations Committee, instead of each body meeting one after the other. Mr. Heacock referenced the stage house renovations that benefit primarily Broadway Grand Rapids. Mr. MacKeigan negotiated a very fair deal for Broadway to bear some of the cost. Mr. Winn stated that Wolfgang Puck’s *The Kitchen* is now open.

**8. Adjournment**

The meeting adjourned at 9:35 a.m.

**Next Meeting Date: Friday, October 2, 2015**

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Richard A. Winn, Recording Secretary

**Grand Rapids-Kent County  
Convention/Arena Authority  
Consolidated Financial Report  
September 30, 2015**

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**Financial Dashboard  
Year-To-Date (3 Months)  
FY2016  
September 30, 2015**

<b>Van Andel Arena®</b>						
	<b>All Events</b>			<b>Concert</b>		
	<u>Prior Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Prior Year</u>	<u>Budget</u>	<u>Actual</u>
<b>Events</b>	13	13	14	5	7	7
<b>Attendance</b>	70,398	81,500	69,831	49,480	59,500	53,986
<b>Event Income</b>	\$ 628,422	\$ 624,154	\$ 690,373	\$ 606,698	\$ 576,758	\$ 668,513
<b>DeVos Place®</b>						
	<b>All Events</b>			<b>Convention/Trade</b>		
	<u>Prior Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Prior Year</u>	<u>Budget</u>	<u>Actual</u>
<b>Events</b>	96	80	85	45	34	35
<b>Attendance</b>	64,984	68,480	74,083	36,050	34,000	39,960
<b>Event Income</b>	\$ 835,978	\$ 1,096,103	\$ 991,545	\$ 523,610	\$ 706,996	\$ 589,537
				<u>Prior Year</u>	<u>Budget</u>	<u>Actual</u>
	<b>Operating Income (Loss)</b>			\$ (406,513)	\$ (263,297)	\$ 6,278
	<b>Capital/Repair/Replacement</b>			(166,578)	(969,174)	(969,174)
	<b>Net - To/(From) on Fund Balance</b>			\$ (573,091)	\$ (1,232,471)	\$ (962,896)

\*NOTES: (1):

Unrestricted Fund Balance @ June 30, 2015\*

\$ 21,433,667

**Grand Rapids-Kent County Convention/Arena Authority**  
**Budget Summary by Facility/Other**  
**Financial Trends for Year Ending June 30, 2016**

	Annual			Year-To-Date		
	FY 2015	FY 2016	Percentage	FY 2015	FY 2016	Percentage
	Final	Budget	Change	7/1 - 9/30	7/1 - 9/30	Change
<b>Van Andel Arena</b>						
Operating - Revenues	\$ 5,685,429	\$ 5,073,448	(10.8)	\$ 1,246,597	\$ 1,292,113	3.7
- Expenses - Facilities	(4,073,499)	(4,122,352)	(1.2)	(948,733)	(951,320)	(0.3)
- Base Management Fees	(171,770)	(176,065)	(2.5)	(42,943)	(42,943)	-
- Incentive Fee	(98,628)	(5,552)	94.4	-	-	-
Net Operating Income (Loss)	1,341,532	769,479	(42.6)	254,921	297,850	16.8
Parking	164,661	160,084	(2.8)	26,524	33,222	25.3
Pedestrian Safety	(92,151)	(108,000)	(17.2)	(4,903)	(5,718)	(16.6)
<b>Net Proceeds (Cost) of VAA</b>	<b>1,414,042</b>	<b>821,563</b>	<b>(41.9)</b>	<b>276,542</b>	<b>325,354</b>	<b>17.7</b>
<b>DeVos Place Convention Center</b>						
Operating - Revenues	6,102,055	5,913,710	(3.1)	844,289	1,000,835	18.5
- Expenses - Facilities	(5,914,050)	(5,742,406)	2.9	(1,383,209)	(1,298,333)	6.1
- Base Management Fees	(171,770)	(176,065)	(2.5)	(42,943)	(42,943)	-
- Incentive Fee	(244,912)	(346,578)	(41.5)	-	-	-
Net Operating Loss	(228,677)	(351,339)	(53.6)	(581,863)	(340,441)	41.5
Parking	920,421	915,239	(0.6)	48,977	84,511	72.6
Pedestrian Safety	(51,417)	(66,000)	(28.4)	(621)	(3,189)	(413.5)
<b>Net Proceeds (Cost) of DVP</b>	<b>640,327</b>	<b>497,900</b>	<b>(22.2)</b>	<b>(533,507)</b>	<b>(259,119)</b>	<b>51.4</b>
<b>Other</b>						
Revenues	263,935	185,000	(29.9)	15,879	12,112	(23.7)
Expenses	(764,680)	(837,450)	(9.5)	(165,427)	(72,069)	56.4
Net Other	(500,745)	(652,450)	(30.3)	(149,548)	(59,957)	59.9
<b>Total Net Proceeds/Operating</b>	<b>1,553,624</b>	<b>667,013</b>		<b>(406,513)</b>	<b>6,278</b>	
Capital/Repair Expenditures	(1,280,045)	(2,714,000)		(166,578)	(969,174)	
<b>Results Net of Capital Expenditures</b>	<b>\$ 273,579</b>	<b>\$ (2,046,987)</b>		<b>\$ (573,091)</b>	<b>\$ (962,896)</b>	

## Significant Notes

### Van Andel Arena®

- Page 1 - Seven concerts generated \$668,513 in event revenue, an increase of 10.2% over prior year (5 concerts) of \$606,698.
- Page 3 - Net proceeds, of \$325,354, increased by 17.7% over prior year of \$276,542.

### DeVos Place®

- Page 1 - Convention/trade show business generated \$589,537 in event revenue, an increase of 12.6% over prior year (attendance up from 36,050 to 39,960) of \$523,610.
- Page 3 - Net "cost," of (\$259,119), improved by 51.4% over prior year of (\$533,507).



VAN ANDEL ARENA  
ROLLING FORECAST  
FISCAL YEAR ENDING JUNE 30, 2016

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	14	84	98	98	-
ATTENDANCE	69,831	493,169	548,000	563,000	(15,000)
DIRECT EVENT INCOME	341,254	828,571	1,207,613	1,169,825	37,788
ANCILLARY INCOME	207,402	1,130,841	1,298,955	1,338,243	(39,288)
TICKETING REBATES	141,717	380,873	498,291	522,590	(24,299)
<b>TOTAL EVENT INCOME</b>	<b>690,373</b>	<b>2,340,285</b>	<b>3,004,859</b>	<b>3,030,658</b>	<b>(25,799)</b>
TOTAL OTHER INCOME	601,740	1,441,050	2,055,717	2,042,790	12,927
<b>TOTAL INCOME</b>	<b>1,292,113</b>	<b>3,781,335</b>	<b>5,060,576</b>	<b>5,073,448</b>	<b>(12,872)</b>
INDIRECT EXPENSES					
EXECUTIVE	42,655	165,106	207,761	207,761	-
FINANCE	47,690	190,088	237,778	237,778	-
MARKETING	64,672	267,317	331,989	331,989	-
OPERATIONS	464,895	1,305,461	1,770,356	1,770,356	-
BOX OFFICE	22,910	128,333	151,243	151,243	-
LUXURY SEATING	11,143	87,656	98,799	98,799	-
SKYWALK ADMIN	10,024	41,636	51,660	51,660	-
OVERHEAD	330,271	1,118,560	1,448,831	1,448,831	-
<b>TOTAL INDIRECT EXP.</b>	<b>994,263</b>	<b>3,304,157</b>	<b>4,298,417</b>	<b>4,298,417</b>	<b>-</b>
<b>NET REVENUE ABOVE EXPENSES</b>	<b>297,850</b>	<b>477,178</b>	<b>762,159</b>	<b>775,031</b>	<b>(12,872)</b>
LESS INCENTIVE FEE		2,402	2,402	5,552	3,150
<b>NET REVENUE ABOVE EXPENSES AFTER INCENTIVE</b>	<b>297,850</b>	<b>474,776</b>	<b>759,757</b>	<b>769,479</b>	<b>(9,722)</b>

Comments:

The first quarter of the fiscal year saw the Arena perform ahead of budget overall and consistent with prior year. It is expected that the second quarter will be a little slower bring the facility back to budgeted levels and still too early to make any major adjustments to the second half of the fiscal year.

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General Manager

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Director of Finance

**VAN ANDEL ARENA  
FINANCIAL STATEMENT HIGHLIGHTS  
FOR FISCAL YEAR ENDING JUNE 30, 2016**

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

<b>MONTH</b>	September Actual	September Budget	September FY 2015
Number of Events	9	8	10
Attendance	32,102	39,000	40,239
Direct Event Income	\$97,400	\$79,134	\$43,997
Ancillary Income	64,397	88,830	116,768
Other Event Income	41,788	44,220	71,027
Other Operating Income	190,178	170,496	223,025
Indirect Expenses	(289,623)	(358,200)	(341,278)
Net Income	<u>\$104,140</u>	<u>\$24,480</u>	<u>\$113,539</u>

<b>YTD</b>	YTD 2016 Actual	YTD 2016 Budget	YTD 2015 Prior Year
Number of Events	14	13	13
Attendance	69,831	81,500	70,398
Direct Event Income	\$341,254	\$248,134	\$209,464
Ancillary Income	207,402	221,250	239,286
Other Event Income	141,717	154,770	179,672
Other Operating Income	601,740	523,548	618,175
Indirect Expenses	(994,263)	(1,074,600)	(991,676)
Net Income	<u>\$297,850</u>	<u>\$73,102</u>	<u>\$254,921</u>

**EVENT INCOME**

Event income came in ahead of budget on the strength of the strong selling Janet Jackson and Ariana Grande concerts.

**ANCILLARY INCOME**

Ancillary income fell below expectations as sales for Ringling fell below expectations and the two concerts, by nature of the events, were below average concessions events.

**INDIRECT EXPENSES**

Indirect expenses came in below budget for the month, however, back in line with overall expectations.

DE VOS PLACE  
ROLLING FORECAST  
FISCAL YEAR ENDING JUNE 30, 2016

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	85	397	482	467	15
ATTENDANCE	74,083	438,417	512,500	482,600	29,900
<b>DIRECT EVENT REVENUE</b>	518,160	2,511,300	3,029,460	2,939,400	90,060
<b>ANCILLARY REVENUE</b>	411,074	2,158,826	2,569,900	2,639,860	(69,960)
<b>TICKETING REBATES</b>	62,311	260,139	322,450	302,450	20,000
<b>TOTAL EVENT REVENUE</b>	991,545	4,930,265	5,921,810	5,881,710	40,100
<b>TOTAL OTHER REVENUE</b>	9,290	22,710	32,000	32,000	-
<b>TOTAL OPERATING REVENUE</b>	1,000,835	4,952,975	5,953,810	5,913,710	40,100
<b>INDIRECT EXPENSES</b>					
EXECUTIVE	45,730	157,731	203,461	203,461	-
FINANCE	56,573	203,081	259,654	259,654	-
MARKETING	25,050	101,546	126,596	126,596	-
OPERATIONS	347,141	1,193,888	1,541,029	1,541,029	-
EVENT SERVICES	221,154	875,513	1,096,667	1,096,667	-
BOX OFFICE	26,776	65,156	91,932	91,932	-
SALES	86,457	315,591	402,048	402,048	-
OVERHEAD	532,396	1,664,688	2,197,084	2,197,084	-
<b>TOTAL OPERATING EXP.</b>	1,341,276	4,577,194	5,918,471	5,918,471	-
<b>NET REVENUE ABOVE EXPENSES</b>	<b>(340,441)</b>	<b>375,781</b>	<b>35,339</b>	<b>(4,761)</b>	<b>40,100</b>
<b>INCENTIVE FEE</b>		341,482	341,482	346,578	5,096
<b>NET OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(340,441)</b>	<b>34,299</b>	<b>(306,143)</b>	<b>(351,339)</b>	<b>45,196</b>

Comments:

DeVos Place finishes the first quarter of the fiscal year consistent with budget overall and exceeding prior year performance. Ancillary income is down, however, has been offset by savings in expenses.

\_\_\_\_\_  
General Manager

Forecast calls for a slight increase to revenues from budget and currently showing no change in anticipated expenses as no material trends have been seen to date.

\_\_\_\_\_  
Finance Director

**DE VOS PLACE  
FINANCIAL STATEMENT HIGHLIGHTS  
FISCAL YEAR ENDING JUNE 30, 2016**

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

<b>MONTH</b>	September Actual	September Budget	September FY 2015
Number of Events	33	31	45
Attendance	31,491	28,133	22,781
Direct Event Income	\$176,320	\$152,821	\$163,785
Ancillary Income	173,058	129,704	170,067
Other Event Income	49,816	29,852	4,657
Other Operating Income	4,317	2,666	3,642
Indirect Expenses	(449,002)	(493,206)	(531,365)
Net Income	(\$45,491)	(\$178,163)	(\$189,214)

<b>YTD</b>	YTD 2016 Actual	YTD 2016 Budget	YTD 2015 Prior Year
Number of Events	85	80	96
Attendance	74,083	68,480	64,984
Direct Event Income	\$518,160	\$495,960	\$422,242
Ancillary Income	411,074	556,291	393,651
Other Event Income	62,311	43,852	20,085
Other Operating Income	9,290	7,998	8,311
Indirect Expenses	(1,341,276)	(1,479,618)	(1,426,152)
Net Income	(\$340,441)	(\$375,517)	(\$581,863)

**EVENT INCOME**

Event income came in ahead of budget overall as convention events performed well and the Theater had a very strong selling Jerry Seinfeld and Broadway's run of Newsies.

**ANCILLARY INCOME**

Ancillary income performed well compared to budget as spending in most areas was strong.

**INDIRECT EXPENSES**

Indirect expenses came in ahead of budget overall but more due to timing and the first quarter savings will most likely true up some by the mid point of the fiscal year.

**Grand Rapids-Kent County Convention/Arena Authority**

**Administrative Accounts**

**Net Other Detail**

**September 30, 2015**

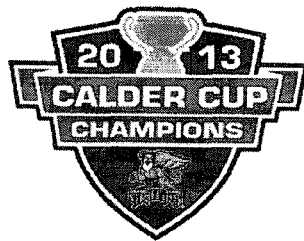
	Annual			Year-to-Date		
	FY 2015 Final	FY 2016 Budget	Percentage Change	FY 2015 7/1-9/30	FY 2016 7/1-9/30	Percentage Change
Other						
Revenues						
Interest/Capital Contr.	\$ 142,510	\$ 150,000	5.3	\$ 15,879	\$ 9,032	(43.1)
Miscellaneous	121,425	35,000	(71.2)	-	3,080	100.0+
Rolling Forecast (YTD Actual)	<u>263,935</u>	<u>185,000</u>	<u>(29.9)</u>	<u>15,879</u>	<u>12,112</u>	<u>(23.7)</u>
Expenses						
Marketing (CVB/Sports)	125,000	125,000	-	50,000	-	(100.0)
Diversity Initiative	123,689	125,000	1.1	8,526	14,636	71.7
Wages/Benefits	107,073	122,605	14.5	21,325	16,680	(21.8)
Marketing Campaign	62,711	100,000	59.5	-	-	-
Professional Services	66,889	68,000	1.7	6,093	8,841	45.1
DID Assessment	39,720	40,500	2.0	24,786	-	(100.0)
Food & Beverage Repairs	-	40,000	100.0+	-	-	-
Consulting Services	138,973	72,345	(47.9)	34,226	-	(100.0)
Landscaping	38,920	30,000	(22.9)	-	-	-
Procurement of Art	23,012	30,000	30.4	350	8,166	2,233.1
Insurance	22,879	24,000	4.9	18,500	21,861	18.2
Supplies/Other	15,814	60,000	279.4	1,621	1,885	16.3
	<u>764,680</u>	<u>837,450</u>	<u>9.5</u>	<u>165,427</u>	<u>72,069</u>	<u>(56.4)</u>
Net Proceeds - Operating	<u>\$ (500,745)</u>	<u>\$ (652,450)</u>	<u>(30.2)</u>	<u>\$ (149,548)</u>	<u>\$ (59,957)</u>	<u>59.9</u>



# VAN ANDEL ARENA

FINANCIAL STATEMENT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2015

PROUD HOME OF THE GRAND RAPIDS GRIFFINS – 2013 CALDER CUP CHAMPIONS



Distribution:

Grand Rapids – KentCounty Convention / Arena Authority  
Robert White  
Joe Romano  
Gary McAneney  
John Szudzik  
Richard MacKeigan  
Chris Machuta



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*An SMG Managed Facility*


VAN ANDEL ARENA  
 ROLLING FORECAST  
 FISCAL YEAR ENDING JUNE 30, 2016

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
<b>NO. EVENTS</b>	14	84	98	98	-
<b>ATTENDANCE</b>	69,831	493,169	548,000	563,000	(15,000)
<b>DIRECT EVENT INCOME</b>	341,254	828,571	1,207,613	1,169,825	37,788
<b>ANCILLARY INCOME</b>	207,402	1,130,841	1,298,955	1,338,243	(39,288)
<b>TICKETING REBATES</b>	141,717	380,873	498,291	522,590	(24,299)
<b>TOTAL EVENT INCOME</b>	690,373	2,340,285	3,004,859	3,030,658	(25,799)
<b>TOTAL OTHER INCOME</b>	601,740	1,441,050	2,055,717	2,042,790	12,927
<b>TOTAL INCOME</b>	1,292,113	3,781,335	5,060,576	5,073,448	(12,872)
<b>INDIRECT EXPENSES</b>					
<b>EXECUTIVE</b>	42,655	165,106	207,761	207,761	-
<b>FINANCE</b>	47,690	190,088	237,778	237,778	-
<b>MARKETING</b>	64,672	267,317	331,989	331,989	-
<b>OPERATIONS</b>	464,895	1,305,461	1,770,356	1,770,356	-
<b>BOX OFFICE</b>	22,910	128,333	151,243	151,243	-
<b>LUXURY SEATING</b>	11,143	87,656	98,799	98,799	-
<b>SKYWALK ADMIN</b>	10,024	41,636	51,660	51,660	-
<b>OVERHEAD</b>	330,271	1,118,560	1,448,831	1,448,831	-
<b>TOTAL INDIRECT EXP.</b>	994,263	3,304,157	4,298,417	4,298,417	-
<b>NET REVENUE ABOVE EXPENSES</b>	297,850	477,178	762,159	775,031	(12,872)
<b>LESS INCENTIVE FEE</b>		2,402	2,402	5,552	3,150
<b>NET REVENUE ABOVE EXPENSES AFTER INCENTIVE</b>	297,850	474,776	759,757	769,479	(9,722)

Comments:

The first quarter of the fiscal year saw the Arena perform ahead of budget overall and consistent with prior year. It is expected that the second quarter will be a little slower bring the facility back to budgeted levels and still too early to make any major adjustments to the second half of the fiscal year.

  
 General Manager

  
 Director of Finance

**VAN ANDEL ARENA  
FINANCIAL STATEMENT HIGHLIGHTS  
FOR FISCAL YEAR ENDING JUNE 30, 2016**

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

<b>MONTH</b>	September Actual	September Budget	September FY 2015
Number of Events	9	8	10
Attendance	32,102	39,000	40,239
Direct Event Income	\$97,400	\$79,134	\$43,997
Ancillary Income	64,397	88,830	116,768
Other Event Income	41,788	44,220	71,027
Other Operating Income	190,178	170,496	223,025
Indirect Expenses	(289,623)	(358,200)	(341,278)
Net Income	\$104,140	\$24,480	\$113,539

<b>YTD</b>	YTD 2016 Actual	YTD 2016 Budget	YTD 2015 Prior Year
Number of Events	14	13	13
Attendance	69,831	81,500	70,398
Direct Event Income	\$341,254	\$248,134	\$209,464
Ancillary Income	207,402	221,250	239,286
Other Event Income	141,717	154,770	179,672
Other Operating Income	601,740	523,548	618,175
Indirect Expenses	(994,263)	(1,074,600)	(991,676)
Net Income	\$297,850	\$73,102	\$254,921

**EVENT INCOME**

Event income came in ahead of budget on the strength of the strong selling Janet Jackson and Ariana Grande concerts.

**ANCILLARY INCOME**

Ancillary income fell below expectations as sales for Ringling fell below expectations and the two concerts, by nature of the events, were below average concessions events.

**INDIRECT EXPENSES**

Indirect expenses came in below budget for the month, however, back in line with overall expectations.



**Van Andel Arena**  
**Income Statement**  
**For the Three Months Ending September 30, 2015**

	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
<b>Event Income</b>								
<b>Direct Event Income</b>								
Rental Income	\$142,544	\$120,474	22,070	\$105,869	\$392,454	\$266,659	125,795	\$224,980
Service Revenue	169,407	135,902	33,505	164,399	413,425	425,032	(11,607)	541,994
Service Expenses	(214,551)	(177,242)	(37,309)	(226,271)	(464,625)	(443,557)	(21,068)	(557,510)
<b>Total Direct Event Income</b>	<b>97,400</b>	<b>79,134</b>	<b>18,266</b>	<b>43,997</b>	<b>341,254</b>	<b>248,134</b>	<b>93,120</b>	<b>209,464</b>
<b>Ancillary Income</b>								
F&B Concession	51,482	76,797	(25,315)	99,144	163,337	183,327	(19,990)	189,383
F&B Catering	5,148	4,797	351	6,047	16,734	12,597	4,137	16,612
Novelty Sales	7,767	7,236	531	11,577	27,331	25,326	2,005	33,291
<b>Total Ancillary Income</b>	<b>64,397</b>	<b>88,830</b>	<b>(24,433)</b>	<b>116,768</b>	<b>207,402</b>	<b>221,250</b>	<b>(13,848)</b>	<b>239,286</b>
<b>Other Event Income</b>								
Ticket Rebates(Per Event)	41,788	44,220	(2,432)	71,027	141,717	154,770	(13,053)	179,672
<b>Total Other Event Income</b>	<b>41,788</b>	<b>44,220</b>	<b>(2,432)</b>	<b>71,027</b>	<b>141,717</b>	<b>154,770</b>	<b>(13,053)</b>	<b>179,672</b>
<b>Total Event Income</b>	<b>203,585</b>	<b>212,184</b>	<b>(8,599)</b>	<b>231,792</b>	<b>690,373</b>	<b>624,154</b>	<b>66,219</b>	<b>628,422</b>
<b>Other Operating Income</b>								
Luxury Box Agreements	112,650	114,412	(1,762)	171,445	426,855	355,296	71,559	452,830
Advertising	71,811	52,084	19,727	42,734	157,280	156,252	1,028	147,007
Other Income	5,717	4,000	1,717	8,846	17,605	12,000	5,605	18,338
<b>Total Other Operating Income</b>	<b>190,178</b>	<b>170,496</b>	<b>19,682</b>	<b>223,025</b>	<b>601,740</b>	<b>523,548</b>	<b>78,192</b>	<b>618,175</b>
<b>Adjusted Gross Income</b>	<b>393,763</b>	<b>382,680</b>	<b>11,083</b>	<b>454,817</b>	<b>1,292,113</b>	<b>1,147,702</b>	<b>144,411</b>	<b>1,246,597</b>
<b>Operating Expenses</b>								
Salaries and Wages	157,508	174,009	(16,501)	183,886	505,771	522,027	(16,256)	585,986
Payroll Taxes and Benefits	45,989	50,789	(4,800)	54,631	136,696	152,367	(15,671)	167,102
Labor Allocations to Events	(101,701)	(69,965)	(31,736)	(108,080)	(242,326)	(209,895)	(32,431)	(354,957)
<b>Net Salaries and Benefits</b>	<b>101,796</b>	<b>154,833</b>	<b>(53,037)</b>	<b>130,437</b>	<b>400,141</b>	<b>464,499</b>	<b>(64,358)</b>	<b>398,131</b>
Contracted Services	19,197	20,928	(1,731)	18,842	61,063	62,784	(1,721)	56,729
General and Administrative Operations	24,668	30,368	(5,700)	30,379	71,488	91,104	(19,616)	97,904
Repair and Maintenance	5,607	7,365	(1,758)	2,654	18,970	22,095	(3,125)	19,339
Operational Supplies	23,386	21,924	1,462	44,957	85,959	65,772	20,187	84,630
Insurance	17,422	15,417	2,005	13,425	61,742	46,251	15,491	54,841
Utilities	10,778	10,830	(52)	12,276	25,915	32,490	(6,575)	25,255
Utilities	72,455	81,863	(9,408)	73,405	226,042	245,589	(19,547)	211,904
SMG Management Fees	14,314	14,672	(358)	14,903	42,943	44,016	(1,073)	42,943
<b>Total Operating Expenses</b>	<b>289,623</b>	<b>358,200</b>	<b>(68,577)</b>	<b>341,278</b>	<b>994,263</b>	<b>1,074,600</b>	<b>(80,337)</b>	<b>991,676</b>
<b>Net Income(Loss) From Operations</b>	<b>104,140</b>	<b>24,480</b>	<b>79,660</b>	<b>113,539</b>	<b>297,850</b>	<b>73,102</b>	<b>224,748</b>	<b>254,921</b>
<b>Other Non-Operating Expenses</b>								
<b>Adjusted Net Income(Loss)</b>	<b>104,140</b>	<b>24,480</b>	<b>79,660</b>	<b>113,539</b>	<b>297,850</b>	<b>73,102</b>	<b>224,748</b>	<b>254,921</b>

**SMG - Van Andel Arena**  
**Grand Rapids - Kent County Convention/Arena Authority**  
**Event Summary**  
**For the Three Months Ended September 30, 2015**

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Family Show	7	6	15,845	22,000	21,860	47,396
Sporting Event						
Concert	7	7	53,986	59,500	668,513	576,758
Team Home Games						
Other						
<b>GRAND TOTALS</b>	<b>14</b>	<b>13</b>	<b>69,831</b>	<b>81,500</b>	<b>690,373</b>	<b>624,154</b>
As Percentage of Overall						
Family Show	50.00%	46.15%	22.69%	26.99%	3.17%	7.59%
Sporting Event	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Concert	50.00%	53.85%	77.31%	73.01%	96.83%	92.41%
Team Home Games	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Van Andel Arena**  
**Balance Sheet**  
**As of September 30, 2015**

**ASSETS**

**Current Assets**

Cash	3,747,302
Account Receivable	1,021,051
Prepaid Expenses	58,667

**Total Current Assets**

-----  
\$4,827,019

**Total Assets**

-----  
\$4,827,019  
=====

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts Payable	1,217,009
Accrued Expenses	649,741
Deferred Income	2,632,276
Advanced Ticket Sales & Deposits	2,098,119

**Total Current Liabilities**

-----  
\$6,597,146

**Other Liabilities**

**Equity**

Funds Remitted to CAA	(534,949)
Expenses Paid Direct by CAA	205,285
Beginning Balance Equity	(1,738,315)
Current Year Equity	297,852

**Total Equity**

-----  
(\$1,770,127)

**Total Liabilities and Equity**

-----  
\$4,827,019  
=====

5

**SMG - Van Andel Arena**  
**Grand Rapids - Kent County Convention/Arena Authority**  
**Summary of Accounts Receivable**  
**As of September 30, 2015**

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Current - Under 30 Days	
Food & Beverage	75,640
Ticketing	213,079
Merchandise	14,443
Permanent Advertising	628,758
DeVos Place	(2,708)
Operating	4,435
Over 30 Days	32,787
Over 60 Days	54,617
Over 90 Days	
Total Accounts Receivable	1,021,051

**SMG - Van Andel Arena & DeVos Place  
Grand Rapids - Kent County Convention/Arena Authority  
Management Fee Summary  
Fiscal Year Ending June 30, 2016**

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**MANAGEMENT FEE SUMMARY**

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2015 Actual
Net Revenue above Expenses	762,159	35,339	797,498	1,566,575
Benchmark ++			750,000	750,000
Excess	762,159	35,339	47,498	816,575

Incentive Fee Calculation (Only if above greater than zero)

	Arena Actual	DeVos Place Actual	Total Actual	Total Estimate
Base Fee	171,942	171,942	343,884	343,540
Incentive Fee				
Revenue	5,060,576	5,953,810	11,014,386	11,876,188
Benchmark Revenue	5,050,000	4,450,000	9,500,000	9,400,000
Revenue Excess	10,576	1,503,810	1,514,386	2,476,188
Incentive Fee **	2,402	341,482	343,884	343,540
Total SMG Management Fee	174,344	513,424	687,768	687,080

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

++ If net revenues above expenses exceeds \$700,000, SMG is eligible for 75% of the incentive fee.

# DEVOS PLACE

## DE VOS PLACE

FINANCIAL STATEMENT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2015

Distribution:

Grand Rapids – KentCounty Convention / Arena Authority  
Robert White  
Joe Romano  
Gary McAneney  
John Szudzik  
Richard MacKeigan  
Chris Machuta



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*An SMG Managed Facility*


DE VOS PLACE  
 ROLLING FORECAST  
 FISCAL YEAR ENDING JUNE 30, 2016

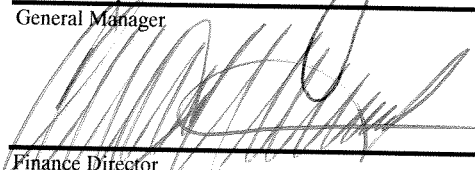
	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	85	397	482	467	15
ATTENDANCE	74,083	438,417	512,500	482,600	29,900
DIRECT EVENT REVENUE	518,160	2,511,300	3,029,460	2,939,400	90,060
ANCILLARY REVENUE	411,074	2,158,826	2,569,900	2,639,860	(69,960)
TICKETING REBATES	62,311	260,139	322,450	302,450	20,000
<b>TOTAL EVENT REVENUE</b>	<b>991,545</b>	<b>4,930,265</b>	<b>5,921,810</b>	<b>5,881,710</b>	<b>40,100</b>
TOTAL OTHER REVENUE	9,290	22,710	32,000	32,000	-
<b>TOTAL OPERATING REVENUE</b>	<b>1,000,835</b>	<b>4,952,975</b>	<b>5,953,810</b>	<b>5,913,710</b>	<b>40,100</b>
<b>INDIRECT EXPENSES</b>					
EXECUTIVE	45,730	157,731	203,461	203,461	-
FINANCE	56,573	203,081	259,654	259,654	-
MARKETING	25,050	101,546	126,596	126,596	-
OPERATIONS	347,141	1,193,888	1,541,029	1,541,029	-
EVENT SERVICES	221,154	875,513	1,096,667	1,096,667	-
BOX OFFICE	26,776	65,156	91,932	91,932	-
SALES	86,457	315,591	402,048	402,048	-
OVERHEAD	532,396	1,664,688	2,197,084	2,197,084	-
<b>TOTAL OPERATING EXP.</b>	<b>1,341,276</b>	<b>4,577,194</b>	<b>5,918,471</b>	<b>5,918,471</b>	<b>-</b>
<b>NET REVENUE ABOVE EXPENSES</b>	<b>(340,441)</b>	<b>375,781</b>	<b>35,339</b>	<b>(4,761)</b>	<b>40,100</b>
INCENTIVE FEE		341,482	341,482	346,578	5,096
<b>NET OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(340,441)</b>	<b>34,299</b>	<b>(306,143)</b>	<b>(351,339)</b>	<b>45,196</b>

Comments:

DeVos Place finishes the first quarter of the fiscal year consistent with budget overall and exceeding prior year performance. Ancillary income is down, however, has been offset by savings in expenses.

Forecast calls for a slight increase to revenues from budget and currently showing no change in anticipated expenses as no material trends have been seen to date.

  
 \_\_\_\_\_  
 General Manager

  
 \_\_\_\_\_  
 Finance Director

**DE VOS PLACE  
FINANCIAL STATEMENT HIGHLIGHTS  
FISCAL YEAR ENDING JUNE 30, 2016**

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

<b>MONTH</b>	September Actual	September Budget	September FY 2015
Number of Events	33	31	45
Attendance	31,491	28,133	22,781
Direct Event Income	\$176,320	\$152,821	\$163,785
Ancillary Income	173,058	129,704	170,067
Other Event Income	49,816	29,852	4,657
Other Operating Income	4,317	2,666	3,642
Indirect Expenses	(449,002)	(493,206)	(531,365)
Net Income	(\$45,491)	(\$178,163)	(\$189,214)

<b>YTD</b>	YTD 2016 Actual	YTD 2016 Budget	YTD 2015 Prior Year
Number of Events	85	80	96
Attendance	74,083	68,480	64,984
Direct Event Income	\$518,160	\$495,960	\$422,242
Ancillary Income	411,074	556,291	393,651
Other Event Income	62,311	43,852	20,085
Other Operating Income	9,290	7,998	8,311
Indirect Expenses	(1,341,276)	(1,479,618)	(1,426,152)
Net Income	(\$340,441)	(\$375,517)	(\$581,863)

**EVENT INCOME**

Event income came in ahead of budget overall as convention events performed well and the Theater had a very strong selling Jerry Seinfeld and Broadway's run of Newsies.

**ANCILLARY INCOME**

Ancillary income performed well compared to budget as spending in most areas was strong.

**INDIRECT EXPENSES**

Indirect expenses came in ahead of budget overall but more due to timing and the first quarter savings will most likely true up some by the mid point of the fiscal year.



**DeVos Place**  
**Income Statement**  
**For the Three Months Ending September 30, 2015**

	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
<b>Event Income</b>								
<b>Direct Event Income</b>								
Rental Income	\$177,433	\$154,400	\$23,033	\$186,502	\$573,472	\$534,700	\$38,772	\$508,901
Service Revenue	250,255	145,004	105,251	138,954	490,596	320,016	170,580	287,064
Service Expenses	(251,368)	(146,583)	(104,785)	(161,671)	(545,908)	(358,756)	(187,152)	(373,723)
<b>Total Direct Event Income</b>	<b>176,320</b>	<b>152,821</b>	<b>23,499</b>	<b>163,785</b>	<b>518,160</b>	<b>495,960</b>	<b>22,200</b>	<b>422,242</b>
<b>Ancillary Income</b>								
F&B Concession	8,565	9,420	(855)	6,532	25,045	25,105	(60)	18,769
F&B Catering	66,418	48,498	17,920	72,859	136,564	198,161	(61,597)	164,172
Novelty Sales	3,320	1,340	1,980	0	3,828	2,112	1,716	1,102
Booth Cleaning	8,631	10,669	(2,038)	19,266	44,513	62,646	(18,133)	41,009
Telephone/Long Distance	0	0	0	0	450	0	450	225
Electrical Services	25,460	20,739	4,721	26,779	58,535	110,252	(51,717)	62,430
Audio Visual	33,249	22,191	11,058	15,319	76,437	99,309	(22,872)	43,086
Internet Services	9,022	5,168	3,854	13,557	22,614	25,690	(3,076)	31,707
Equipment Rental	18,393	11,679	6,714	15,755	43,088	33,016	10,072	31,151
<b>Total Ancillary Income</b>	<b>173,058</b>	<b>129,704</b>	<b>43,354</b>	<b>170,067</b>	<b>411,074</b>	<b>556,291</b>	<b>(145,217)</b>	<b>393,651</b>
<b>Other Event Income</b>								
Ticket Rebates(Per Event)	49,816	29,852	19,964	4,657	62,311	43,852	18,459	20,085
<b>Total Other Event Income</b>	<b>49,816</b>	<b>29,852</b>	<b>19,964</b>	<b>4,657</b>	<b>62,311</b>	<b>43,852</b>	<b>18,459</b>	<b>20,085</b>
<b>Total Event Income</b>	<b>399,194</b>	<b>312,377</b>	<b>86,817</b>	<b>338,509</b>	<b>991,545</b>	<b>1,096,103</b>	<b>(104,558)</b>	<b>835,978</b>
<b>Other Operating Income</b>								
Luxury Box Agreements	2,517	1,333	1,184	1,341	5,170	3,999	1,171	4,023
Other Income	1,800	1,333	467	2,301	4,120	3,999	121	4,288
<b>Total Other Operating Income</b>	<b>4,317</b>	<b>2,666</b>	<b>1,651</b>	<b>3,642</b>	<b>9,290</b>	<b>7,998</b>	<b>1,292</b>	<b>8,311</b>
<b>Adjusted Gross Income</b>	<b>403,511</b>	<b>315,043</b>	<b>88,468</b>	<b>342,151</b>	<b>1,000,835</b>	<b>1,104,101</b>	<b>(103,266)</b>	<b>844,289</b>
<b>Operating Expenses</b>								
Salaries and Wages	255,018	269,834	(14,816)	222,389	664,779	809,502	(144,723)	563,526
Payroll Taxes and Benefits	73,418	85,238	(11,820)	71,950	200,985	255,714	(54,729)	194,338
Labor Allocations to Events	(168,252)	(154,688)	(13,564)	(108,051)	(363,922)	(464,064)	100,142	(237,228)
<b>Net Salaries and Benefits</b>	<b>160,184</b>	<b>200,384</b>	<b>(40,200)</b>	<b>186,288</b>	<b>501,842</b>	<b>601,152</b>	<b>(99,310)</b>	<b>520,636</b>
Contracted Services	30,854	20,820	10,034	25,921	83,647	62,460	21,187	76,469
General and Administrative	29,074	30,510	(1,436)	44,287	84,873	91,530	(6,657)	82,685
Operations	39,208	11,146	28,062	33,767	50,990	33,438	17,552	73,078
Repair and Maintenance	45,361	41,350	4,011	50,921	105,629	124,050	(18,421)	150,798
Operational Supplies	9,398	20,225	(10,827)	36,527	50,465	60,675	(10,210)	51,571
Insurance	15,418	17,616	(2,198)	14,268	43,834	52,848	(9,014)	41,985
Utilities	105,191	136,483	(31,292)	125,072	377,053	409,449	(32,396)	385,987
SMG Management Fees	14,314	14,672	(358)	14,314	42,943	44,016	(1,073)	42,943
<b>Total Operating Expenses</b>	<b>449,002</b>	<b>493,206</b>	<b>(44,204)</b>	<b>531,365</b>	<b>1,341,276</b>	<b>1,479,618</b>	<b>(138,342)</b>	<b>1,426,152</b>
<b>Net Income(Loss) From Operations</b>	<b>(45,491)</b>	<b>(178,163)</b>	<b>132,672</b>	<b>(189,214)</b>	<b>(340,441)</b>	<b>(375,517)</b>	<b>35,076</b>	<b>(581,863)</b>
<b>Other Non-Operating Expenses</b>								
<b>Adjusted Net Income(Loss)</b>	<b>(45,491)</b>	<b>(178,163)</b>	<b>132,672</b>	<b>(189,214)</b>	<b>(340,441)</b>	<b>(375,517)</b>	<b>35,076</b>	<b>(581,863)</b>

**SMG DeVos Place**  
**Grand Rapids - Kent County Convention/Arena Authority**  
**Year to Date Event Summary Report**  
**For the Three Months Ended September 30, 2015**

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Convention/Trade Shows	35	34	39,960	34,000	589,537	706,996
Consumer/Gated Shows	4	4	3,141	7,500	23,883	37,836
DeVos Performance Hall	18	14	22,185	15,880	181,350	147,736
Banquets	3	3	700	1,950	16,441	30,531
Meetings	21	21	5,319	7,350	168,757	143,724
Other	4	4	2,778	1,800	11,577	29,280
<b>GRAND TOTALS</b>	<b>85</b>	<b>80</b>	<b>74,083</b>	<b>68,480</b>	<b>991,545</b>	<b>1,096,103</b>

As Percentage of Overall

Convention/Trade Shows	41.18%	42.50%	53.94%	49.65%	59.46%	64.50%
Consumer/Gated Shows	4.71%	5.00%	4.24%	10.95%	2.41%	3.45%
Devos Performance Hall	21.18%	17.50%	29.95%	23.19%	18.29%	13.48%
Ballroom Exclusive	3.53%	3.75%	0.94%	2.85%	1.66%	2.79%
Meetings	24.71%	26.25%	7.18%	10.73%	17.02%	13.11%
Other	4.71%	5.00%	3.75%	2.63%	1.17%	2.67%

4

**DeVos Place  
Balance Sheet  
As of September 30, 2015**

**ASSETS**

**Current Assets**

Cash	1,856,847
Account Receivable	679,975
Prepaid Expenses	111,885

**Total Current Assets**

-----  
\$2,648,707

**Total Assets**

-----  
\$2,648,707  
=====

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts Payable	322,731
Accrued Expenses	645,349
Deferred Income	73,323
Advanced Ticket Sales & Deposits	1,184,024

**Total Current Liabilities**

-----  
\$2,225,426

**Other Liabilities**

**Equity**

Funds Remitted to CAA	(168,536)
Expenses Paid Direct by CAA	346,483
Beginning Balance Equity	585,776
Current Year Equity	(340,442)

**Total Equity**

-----  
\$423,281

**Total Liabilities and Equity**

-----  
\$2,648,707  
=====

5

**SMG - DeVos Place**  
**Grand Rapids - Kent County Convention/Arena Authority**  
**Summary of Accounts Receivable**  
**As of September 30, 2015**

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Current - Under 30 Days	
Food & Beverage	76,436
Ticketing	225,966
Merchandise	5,135
Decorating	8,631
Audio/Visual	33,283
Van Andel Arena	2,708
Operating	177,258
Over 30 Days	50,164
Over 60 Days	100,394
Over 90 Days	
Total Accounts Receivable	679,975

**SMG - Van Andel Arena & DeVos Place  
Grand Rapids - Kent County Convention/Arena Authority  
Management Fee Summary  
Fiscal Year Ending June 30, 2016**

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**MANAGEMENT FEE SUMMARY**

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2015 Actual
Net Revenue above Expenses	762,159	35,339	797,498	1,566,575
Benchmark ++			750,000	750,000
Excess	762,159	35,339	47,498	816,575

Incentive Fee Calculation (Only if above greater than zero)

	Arena Actual	DeVos Place Actual	Total Actual	Total Estimate
Base Fee	171,942	171,942	343,884	343,540
Incentive Fee				
Revenue	5,060,576	5,953,810	11,014,386	11,876,188
Benchmark Revenue	5,050,000	4,450,000	9,500,000	9,400,000
Revenue Excess	10,576	1,503,810	1,514,386	2,476,188
Incentive Fee **	2,402	341,482	343,884	343,540
Total SMG Management Fee	174,344	513,424	687,768	687,080

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

++ If net revenues above expenses exceeds \$700,000, SMG is eligible for 75% of the incentive fee.

# DeVos Place, as Managed by SMG

Special-Purpose Financial Statements as of and  
for the Years Ended June 30, 2015 and 2014, and  
Independent Auditors' Report

# DEVOS PLACE, AS MANAGED BY SMG

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## INDEPENDENT AUDITORS' REPORT

DeVos Place, as Managed by SMG  
Grand Rapids, Michigan

We have audited the accompanying special-purpose financial statements of DeVos Place, as managed by SMG ("SMG-DeVos Place"), which comprise the special-purpose statements of assets, liabilities, and amount due operator arising from activities managed by SMG as of June 30, 2015 and 2014, and the special-purpose statements of operating revenues and operating expenses 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 2 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 the Special-Purpose Financial Statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special-Purpose Financial Statements. The procedures selected depend on the auditor's 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 SMG-DeVos Place'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 SMG-DeVos Place'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, 2015 and 2014, 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 referred to in Note 2 to the Special-Purpose Financial Statements.

## **Basis of Presentation**

We draw attention to Note 2 of the Special-Purpose Financial Statements, which describes the basis of accounting. The Special-Purpose Financial Statements are prepared to present the assets, liabilities, amount due operator, operating revenues, operating expenses, and operating cash flows of SMG-DeVos Place arising from the management activities of SMG, pursuant to the basis of presentation referred to in Note 2 to the Special-Purpose Financial Statements, 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 assets and liabilities or its 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.

*Deloitte & Touche LLP*

September 30, 2015

## DEVOS PLACE, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG AS OF JUNE 30, 2015 AND 2014

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	2015	2014
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents—		
Operating	\$ 529,742	\$ 543,186
Ticket sales escrow	656,314	312,336
Accounts receivable—net of allowances of \$76,800 and \$86,200 in 2015 and 2014, respectively.	1,079,197	1,170,717
Prepaid expenses	<u>96,344</u>	<u>119,370</u>
<b>TOTAL</b>	<u><u>\$2,361,597</u></u>	<u><u>\$2,145,609</u></u>
<b>LIABILITIES AND AMOUNT DUE OPERATOR</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 171,194	\$ 235,409
Accrued expenses	551,095	272,055
Advance ticket sales	656,314	312,336
Advance deposits	337,346	351,904
Deferred income	<u>59,872</u>	<u>69,086</u>
Total current liabilities	1,775,821	1,240,790
<b>AMOUNT DUE OPERATOR</b>	<u>585,776</u>	<u>904,819</u>
<b>TOTAL</b>	<u><u>\$2,361,597</u></u>	<u><u>\$2,145,609</u></u>

See notes to special-purpose financial statements.

## DEVOS PLACE, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF OPERATING REVENUES AND OPERATING EXPENSES ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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	2015	2014
OPERATING REVENUES:		
Events	<u>\$3,154,482</u>	<u>\$3,029,153</u>
Net ancillary revenues:		
Food and beverage	1,065,571	1,077,527
Decorating	309,107	315,102
Electrical	408,619	440,750
Equipment rental	541,767	634,222
Other	<u>142,254</u>	<u>114,834</u>
Total net ancillary revenues	<u>2,467,318</u>	<u>2,582,435</u>
Total events and net ancillary revenues	5,621,800	5,611,588
Other—including interest income of \$0 and \$7 in 2015 and 2014, respectively	<u>464,852</u>	<u>348,871</u>
Total operating revenues	<u>6,086,652</u>	<u>5,960,459</u>
OPERATING EXPENSES:		
Payroll and related	2,370,117	2,359,110
Repairs and maintenance	547,891	487,020
Supplies	209,142	215,949
Utilities	1,664,612	2,046,158
General and administrative	<u>1,268,584</u>	<u>1,191,467</u>
Total operating expenses	<u>6,060,346</u>	<u>6,299,704</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER OPERATING EXPENSES BEFORE INCENTIVE MANAGEMENT FEE	26,306	(339,245)
INCENTIVE MANAGEMENT FEE	<u>234,002</u>	<u>                    </u>
DEFICIENCY OF OPERATING REVENUES OVER OPERATING EXPENSES	<u>\$ (207,696)</u>	<u>\$ (339,245)</u>

See notes to special-purpose financial statements.

## DEVOS PLACE, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF CHANGES IN AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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	2015	2014
AMOUNT DUE OPERATOR—Beginning of year	\$ 904,819	\$ 1,560,824
DEFICIENCY OF OPERATING REVENUES OVER OPERATING EXPENSES	(207,696)	(339,245)
CONTRIBUTIONS RECEIVED FROM OPERATOR	1,525,189	2,125,313
AMOUNTS PAID TO OPERATOR	<u>(1,636,536)</u>	<u>(2,442,073)</u>
AMOUNT DUE OPERATOR—End of year	<u>\$ 585,776</u>	<u>\$ 904,819</u>

See notes to special-purpose financial statements.

## DAVOS PLACE, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF OPERATING CASH FLOWS ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of operating revenues over operating expenses	\$ (207,696)	\$ (339,245)
Changes in operating assets and liabilities:		
Accounts receivable	91,520	(243,861)
Prepaid expenses	23,026	(64,020)
Accounts payable	(64,215)	(30,972)
Accrued expenses and deferred income	269,826	(276,123)
Advance deposits	<u>(14,558)</u>	<u>53,521</u>
Net cash provided by (used in) operating activities	<u>97,903</u>	<u>(900,700)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received from operator	1,525,189	2,125,313
Amounts paid to operator	<u>(1,636,536)</u>	<u>(2,442,073)</u>
Net cash used in provided by financing activities	<u>(111,347)</u>	<u>(316,760)</u>
NET DECREASE IN OPERATING CASH	(13,444)	(1,217,460)
OPERATING CASH—Beginning of year	<u>543,186</u>	<u>1,760,646</u>
OPERATING CASH—End of year	<u>\$ 529,742</u>	<u>\$ 543,186</u>

See notes to special-purpose financial statements.

# DEVOS PLACE, AS MANAGED BY SMG

## NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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### 1. OPERATIONS

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

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—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 operating 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 expenditures, and related-fund equity associated with DeVos Place or certain other activities of the Operator related to DeVos Place that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage DeVos Place under the Management Agreement. These employees are not employees of the Operator.

**Use of Estimates**—Estimates and assumptions are required to be used by management in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of operating revenues and operating expenses during the reporting period. Management believes its estimates to be reasonable; however, actual results could differ from those estimates.

**Cash and Cash Equivalents**—Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less at the date of purchase.

**Advance Ticket Sales**—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.

**Deferred Income**—Deferred income is comprised primarily of advanced billings, which are recognized as revenues on a straight-line basis over the lives of the related contract. 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.

**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**—From time to time, 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.

### **3. MANAGEMENT AGREEMENT AND FEES**

SMG and the Operator have a Management Agreement (the "Agreement") that has an effective date of July 1, 2011, originally expiring on June 30, 2014, with two two-year renewal periods extending through 2018. During the current year, the first two-year renewal period was accepted extending the contract until June 30, 2016. The Agreement provides for both an annual base and incentive management fee. The annual base management fee was set at \$162,500 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 DeVos Place and Van Andel Arena, as managed by SMG (“SMG-Van Andel Arena”), compared to a combined operating revenue benchmark with SMG-Arena of \$9,100,000, which escalates by \$100,000 annually for the remainder of the term, 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-Arena and SMG-DeVos Place must exceed combined operating expenses by an established benchmark, as follows:

	<b>2015</b>	<b>2014</b>
Excess of operating revenue over operating expenses—as defined—SMG-Van Andel Arena	\$ 1,540,269	\$ 446,930
Excess (deficiency) of operating revenue over operating expenses—as defined—SMG-DeVos Place	<u>26,306</u>	<u>(339,245)</u>
Total excess of operating revenue over operating expenses	<u>\$ 1,566,575</u>	<u>\$ 107,685</u>
Incentive benchmark	<u>\$ 750,000</u>	<u>\$ 700,000</u>
Benchmark exceeded?	Yes	No

In the event the combined operations of SMG-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:

<b>Amount by Which Operating Revenues Exceed Operating Expenses</b>	<b>Percentage of Incentive Fee Payable to SMG</b>
\$700,000 or more and less than \$750,000	75 %
\$750,000 or more	100



The below calculation is only performed when combined operating revenues of Van Andel Arena and SMG-DeVos Place exceed combined operating expenses by the established benchmark. A schedule of the base and incentive management fees for the years ended June 30, 2015 and 2014, is as follows:

	<b>2015</b>	<b>2014</b>
Base management fee, included in general and administrative expense (A)	<u>\$ 171,770</u>	<u>\$ 168,237</u>
Incentive fee:		
Total operating revenues—SMG-Van Arena	5,789,536	
Total operating revenues—SMG-DeVos Place	<u>6,086,652</u>	<u>                    </u>
Total operating revenues	<u>11,876,188</u>	<u>-</u>
Revenue benchmark—SMG-Van Arena	5,000,000	
Revenue benchmark—SMG-DeVos Place	<u>4,400,000</u>	<u>                    </u>
Total revenue benchmark	<u>9,400,000</u>	<u>-</u>
Revenues in excess of revenue benchmark	<u>\$ 2,476,188</u>	<u>\$ -</u>
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively	\$ 125,000	\$ -
30% of the excess of \$500,000, collectively up to base fee of \$343,540	<u>218,540</u>	<u>                    </u>
Total incentive fee	343,540	-
Percent payable	<u>100 %</u>	<u>                    </u> %
Total incentive fee payable	<u>\$ 343,540</u>	<u>\$ -</u>
Incentive fee allocated to SMG-Van Arena	\$ 109,538	\$ -
Incentive fee allocated to SMG-DeVos Place (B)	<u>234,002</u>	<u>                    </u>
Total incentive fee	<u>343,540</u>	<u>-</u>
Total management fees—SMG-DeVos Place (A + B)	<u>\$ 405,772</u>	<u>\$ 168,237</u>

The incentive fee shall be allocated between facilities by the percentage of each facilities 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 \$25,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

#### **4. 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 participant's 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 \$22,805 and \$21,335 in matching contributions for the years ended June 30, 2015 and 2014, respectively.

#### **5. OTHER 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 include \$22,707 and \$309,779 due from the SMG-Arena as of June 30, 2015 and 2014, respectively.

#### **6. CONTINGENCIES**

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 SMG-DeVos Place's financial position due to insurance coverage. As such, no provision for loss has been made in the accompanying special-purpose financial statements.

#### **7. SUBSEQUENT EVENTS**

Events or transactions occurring after the balance sheet date have been evaluated through September 30, 2015, the date the special-purpose financial statements were available to be issued. The special-purpose financial statements and the notes thereto do not reflect events or transactions after this date.

\* \* \* \* \*

# Van Andel Arena, as Managed by SMG

Special-Purpose Financial Statements as of and  
for the Years Ended June 30, 2015 and 2014, and  
Independent Auditors' Report

# VAN ANDEL ARENA, AS MANAGED BY SMG

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of Van Andel Arena, as managed by SMG ("SMG-Van Andel Arena"), which comprise the special-purpose statements of assets, liabilities, and amount due operator arising from activities managed by SMG as of June 30, 2015 and 2014, and the special-purpose statements of operating revenues and operating expenses arising from activities managed by SMG; 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 2 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 the Special-Purpose Financial Statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special-Purpose Financial Statements. The procedures selected depend on the auditor's 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 SMG-Van Andel Arena'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 SMG-Van Andel Arena'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, 2015 and 2014, and its operating revenues, operating expenses, changes in amount due operator, and cash flows for the years then ended in accordance with the basis of presentation referred to in Note 2 to the Special-Purpose Financial Statements.

## **Basis of Presentation**

We draw attention to Note 2 of the Special-Purpose Financial Statements, which describes the basis of accounting. The Special-Purpose Financial Statements are prepared to present the assets, liabilities, amount due operator, operating revenues, operating expenses, and operating cash flows of SMG-Van Andel Arena arising from the management activities of SMG pursuant to the basis of presentation referred to in Note 2 to the Special-Purpose Financial Statements, 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 assets and liabilities or its 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.

*Deloitte & Touche LLP*

September 30, 2015

## VAN ANDEL ARENA, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG AS OF JUNE 30, 2015 AND 2014

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	2015	2014
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents:		
Operating	\$ -	\$ 1,106,476
Ticket sales escrow	3,931,329	4,968,040
Accounts receivable—net of allowance of \$44,800 and \$66,100 in 2015 and 2014, respectively	1,068,136	796,485
Prepaid expenses	<u>68,368</u>	<u>78,051</u>
<b>TOTAL</b>	<u>\$ 5,067,833</u>	<u>\$ 6,949,052</u>
<b>LIABILITIES AND AMOUNT DUE OPERATOR</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 574,145	\$ 836,038
Accrued expenses	645,623	397,050
Advance ticket sales	3,931,329	4,968,040
Advance deposits	33,425	43,325
Deferred income	<u>1,621,627</u>	<u>1,553,175</u>
Total current liabilities	6,806,149	7,797,628
AMOUNT DUE FROM OPERATOR	<u>(1,738,316)</u>	<u>(848,576)</u>
<b>TOTAL</b>	<u>\$ 5,067,833</u>	<u>\$ 6,949,052</u>

See notes to special-purpose financial statements.

## VAN ANDEL ARENA, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF OPERATING REVENUES AND OPERATING EXPENSES ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Events	<u>\$ 1,170,991</u>	<u>\$ 1,039,981</u>
Net ancillary revenues:		
Food and beverage	1,516,032	1,127,247
Novelties	99,311	64,389
Other	<u>3,228</u>	<u>802</u>
Total net ancillary revenues	<u>1,618,571</u>	<u>1,192,438</u>
Total events and net ancillary revenues	<u>2,789,562</u>	<u>2,232,419</u>
Other revenues:		
Premium seating	1,636,396	1,393,469
Advertising income	630,379	658,547
Other—including interest income of \$360 and \$2,588 in 2015 and 2014, respectively	<u>733,199</u>	<u>438,778</u>
Total other revenues	<u>2,999,974</u>	<u>2,490,794</u>
Total operating revenues	<u>5,789,536</u>	<u>4,723,213</u>
OPERATING EXPENSES:		
Payroll and related	1,743,382	1,698,299
Repairs and maintenance	340,167	419,516
Supplies	191,031	193,597
Utilities	971,216	1,012,537
General and administrative	<u>1,003,471</u>	<u>952,333</u>
Total operating activities	<u>4,249,267</u>	<u>4,276,282</u>
EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES—Before incentive management fee	1,540,269	446,931
INCENTIVE MANAGEMENT FEE	<u>109,538</u>	<u>          </u>
EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES	<u>\$ 1,430,731</u>	<u>\$ 446,931</u>

See notes to special-purpose financial statements.



## VAN ANDEL ARENA, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF CHANGES IN AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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	<b>2015</b>	<b>2014</b>
AMOUNT DUE (FROM) TO OPERATOR—Beginning of year	\$ (848,576)	\$ 832,315
EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES	1,430,731	446,931
CONTRIBUTIONS RECEIVED FROM OPERATOR	905,411	1,057,119
AMOUNTS PAID TO OPERATOR	<u>(3,225,882)</u>	<u>(3,184,941)</u>
AMOUNT DUE FROM OPERATOR—End of year	<u>\$ (1,738,316)</u>	<u>\$ (848,576)</u>

See notes to special-purpose financial statements.

## VAN ANDEL ARENA, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF OPERATING CASH FLOWS ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of operating revenues over operating expenses	\$ 1,430,731	\$ 446,931
Changes in operating assets and liabilities:		
Accounts receivable	(271,651)	645,417
Prepaid expenses	9,683	(40,507)
Accounts payable	(261,893)	206,942
Accrued expenses	248,573	(248,661)
Advanced deposits	(9,900)	9,900
Deferred income	<u>68,452</u>	<u>96,670</u>
Net cash provided by operating activities	<u>1,213,995</u>	<u>1,116,692</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received from Operator	905,411	1,057,119
Amounts paid to Operator	<u>(3,225,882)</u>	<u>(3,184,941)</u>
Net cash used in financing activities	<u>(2,320,471)</u>	<u>(2,127,822)</u>
NET DECREASE IN OPERATING CASH	(1,106,476)	(1,011,130)
OPERATING CASH—Beginning of year	<u>1,106,476</u>	<u>2,117,606</u>
OPERATING CASH—End of year	<u>\$ -</u>	<u>\$ 1,106,476</u>

See notes to special-purpose financial statements.

# VAN ANDEL ARENA, AS MANAGED BY SMG

## NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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### 1. OPERATIONS

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying special-purpose financial statements have been 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 operating 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 expenditures, and related fund equity associated with the Arena or certain other activities of the Operator related to the Arena that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage the Arena under the Management Agreement. These employees are not employees of the Operator.

**Use of Estimates**—Estimates and assumptions are required to be used by management in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of operating revenues and operating expenses during the reporting period. Management believes its estimates to be reasonable; however, actual results could differ from those estimates.

**Cash and Cash Equivalents**—Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less at the date of purchase.

**Advance Ticket Sales**—SMG-Van Andel Arena incurs a liability for cash received from ticket sales in advance of an event; a corresponding amount is held in a separate escrow account. Operating revenues are not recognized until the related event occurs.

**Deferred Income**—Deferred income 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 lives of the related contract. 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.

**Ancillary Revenues**—All concession and merchandise 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.

### **3. MANAGEMENT AGREEMENT AND FEES**

SMG and the Operator have a Management Agreement ("the Agreement"), that has an effective date of July 1, 2011, originally expiring on June 30, 2014, with two 2-year renewal periods extending through 2018. During the current year the first 2-year renewal period was accepted extending the contract until June 30, 2016. The Agreement provides for both an annual base and incentive management fee. The annual base management fee was set at \$162,500 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 the Arena and DeVos Place, as managed by SMG (“SMG-DeVos Place”), compared to a combined operating revenue benchmark with SMG-DeVos Place of \$9,100,000, which escalates by \$100,000 annually for the remainder of the term, 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 by an established benchmark, as follows:

	<b>2015</b>	<b>2014</b>
Excess of operating revenue over operating expenses—as defined—SMG-Van Andel Arena	\$ 1,540,269	\$ 446,931
Excess (deficiency) of operating revenue over operating expenses—as defined—SMG-DeVos Place	<u>26,306</u>	<u>(339,245)</u>
Total excess of operating revenue over operating expenses	<u>\$ 1,566,575</u>	<u>\$ 107,686</u>
Incentive benchmark	<u>\$ 750,000</u>	<u>\$ 700,000</u>
Benchmark exceeded?	Yes	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:

<b>Percentage of Amount by which Operating Revenues Exceed Operating Expenses</b>	<b>Incentive Fee Payable to SMG</b>
\$700,000 or more and less than \$750,000	75 %
\$750,000 or more	100

The below calculation is only performed when combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place exceed combined operating expenses by the established benchmark. A schedule of the base and incentive management fees for the years ended June 30, 2015 and 2014, is as follows:

	<b>2015</b>	<b>2014</b>
Base management fee—included in general and administrative expense (A)	<u>\$ 171,770</u>	<u>\$ 168,237</u>
Incentive fee calculation:		
Total operating revenues—SMG-Van Andel Arena	\$ 5,789,536	\$ -
Total operating revenues—SMG-DeVos Place	<u>6,086,652</u>	<u>                    </u>
Total operating revenues	<u>11,876,188</u>	<u>-</u>
Revenue benchmark—SMG-Van Andel Arena	5,000,000	
Revenue benchmark—SMG-DeVos Place	<u>4,400,000</u>	<u>                    </u>
Total revenue benchmark	<u>9,400,000</u>	<u>-</u>
Revenues in excess of revenue benchmark	<u>\$ 2,476,188</u>	<u>\$ -</u>
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively	\$ 125,000	\$ -
30% of the excess of \$500,000, collectively up to base fee of \$343,540	<u>218,540</u>	<u>                    </u>
Total incentive fee	343,540	-
Percent payable	<u>100 %</u>	<u>                    </u>
Total incentive fee payable	<u>\$ 343,540</u>	<u>\$ -</u>
Incentive fee allocated to SMG-Van Andel Arena (B)	\$ 109,538	\$ -
Incentive fee allocated to SMG-DeVos Place	<u>234,002</u>	<u>                    </u>
Total incentive fee	<u>\$ 343,540</u>	<u>\$ -</u>
Total management fees—SMG-Van Andel Arena (A + B)	<u>\$ 281,308</u>	<u>\$ 168,237</u>

The incentive fee shall be allocated between facilities by the percentage of each facilities 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 & Beverage, LLC. If that agreement were to be terminated, the base management fee would increase \$25,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

#### 4. 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 participant's contribution up to a maximum of 5% of the participant's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-Van Andel Arena made \$11,232 and \$10,167 in matching contributions for the years ended June 30, 2015 and 2014, respectively.

**5. OTHER 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 payable include \$22,707 and \$309,779 due to SMG-DeVos Place as of June 30, 2015 and 2014, respectively.

On July 1, 2006, the Operator entered into a concessions agreement for the Arena with SMG-Food & Beverage, LLC a related party to SMG. Accounts receivable include \$26,146 and \$60,311 from SMG-Food & Beverage, LLC as of June 30, 2015 and 2014, respectively.

**6. CONTINGENCIES**

The 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 SMG-Van Andel Arena's financial position due to insurance coverage. As such, no provision for loss has been made in the accompanying special-purpose financial statements.

**7. SUBSEQUENT EVENTS**

Events or transactions occurring after the balance sheet date have been evaluated through September 30, 2015, the date the special-purpose financial statements were available to be issued. The special-purpose financial statements and the notes thereto do not reflect events or transactions after this date.

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Van Andel Arena® /  
DeVos Place

# MEMORANDUM

To: CAA Finance Committee  
CAA Board of Directors

From: Richard MacKeigan – Regional General Manager

Date: October 20, 2015

Re: Utility Metering and Long-Term Utility Use Study

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I am requesting approval to amend the FY 2016 budget to include an amount not to exceed \$125,000 for a “Utility Metering and Long-Term Utility Use Study.” This is the second phase of the first phase (Energy Audit and Capital Assessment) that was approved last fiscal year and concluded by Progressive AE.

The venues have already realized savings that have more than offset the first phase work, and we expect to see the same in the second phase work. This second phase will also continue to assess opportunities for further savings by integrating Amway Grand Plaza hotel utilities as well. AGPH has committed to a second phase contract as well.

The study would be led by Progressive AE. Should you have any questions, please contact me at your convenience. Thank you for your consideration.

**ACTION REQUESTED:** Amend the FY 2016 budget to include a \$125,000 line item for a “Utility Metering and Long-Term Utility Use Study.”





Van Andel Arena® /  
DeVos Place

# MEMORANDUM

To: CAA Finance Committee  
CAA Board of Directors

From: Richard MacKeigan – Regional General Manager

Date: October 20, 2015

Re: Ice Floor Compressor

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I am requesting approval to amend the FY 2016 budget to include a \$60,000 line item to purchase a compressor for the ice plant. During the course of our annual maintenance on the three ice plant compressors, we discovered that one of them needs to be replaced or rebuilt. There are three compressors for the ice plant. At any given time, two are in actual use. The third is effectively a backup unit. We do, however, rotate use among all three to balance run hours and keep all three up and operational.

Our recommendation is to replace this unit with a new one. The cost is \$55,791 and the warranty on a new compressor is 2 years.

Should you have any questions, please contact me at your convenience. Thank you for your consideration.

**ACTION REQUESTED:** Amend the FY 2016 budget to include a \$60,000 line item for an Ice Floor Compressor.