

Agenda

Joint Meeting of Board of Directors & Committees

Friday | December 2, 2022

8:00 a.m.

Breakfast and Business Meeting

Van Andel Arena® | Banquet Rooms

130 West Fulton | Grand Rapids | MI

- | | | |
|----|---|----------------|
| 1. | Call to Order | Rick Winn |
| 2. | Minutes of November 4, 2022 | Action |
| 3. | 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, 2022 and 2021 – 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, 2022 and 2021 – Rehmann Robson | Action |
| | iv. Single Audit Act Compliance for Year Ended June 30, 2022 | Action |
| | v. Audit Wrap-up Letter for the Year Ended June 30, 2022 | Information |
| | vi. Consolidated Financial Report, for the Year Ended June 30, 2022 Recap - Budget to Actual | Information |
| | vii. Acceptance of October 2022 Consolidated Financial Statements | Action |
| | viii. ASM Global Financial Statements for Period Ending 10/31/22 - DeVos Place® and Van Andel Arena® | Information |
| 4. | Kent County Grant Agreement Regarding Covid-Related Expenses | Action |
| 5. | ASM Global Report and Facilities Calendars | Rich MacKeigan |
| 6. | Public Comment | |
| 7. | Member Comments | |
| 8. | Adjournment | |

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY
BOARD OF DIRECTORS
300 MONROE AVENUE, NW | GRAND RAPIDS, MI
FRIDAY, NOVEMBER 4, 2022**

Attendance:

Members Present: Richard Winn, Chairperson
M. Scott Bowen
Lew Chamberlin
Birgit Klohs
Mike Verhulst

Members Absent: Rosalynn Bliss
Mandy Bolter

Staff/Others:	Andrea Anderson	City of Grand Rapids
	Kathy Bart	ASM Global
	Tyler Blackport	Interested Citizen
	Tom Burke	IATSE 26
	Scott Gorsline	DP Fox
	Tim Gortsema	Grand Rapids Griffins
	Jen Henkel	ASM Global
	Mark Hodges	Grand Rapids Comic-Con
	Steve Jbara	Grand Rapids Gold
	Hayden Johnson	ASM Global
	Chris Machuta	ASM Global
	Rich MacKeigan	ASM Global
	Mary Manier	Experience Grand Rapids
	Cheri McConomy	McConomy Properties, LLC
	Jackie Morse	ASM Global
	Tim Nelson	Experience Grand Rapids
	Jay Preston	Ernst & Young
	John Roskamp	IATSE 26
	Doug Small	Experience Grand Rapids
	Emilee Syrewicze	Opera 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
	Richard Wendt	Dickinson Wright
	Jessica Wood	Dickinson Wright

1. Call to Order

Chairperson, Richard Winn, called the meeting to order at 8:41 a.m. Staff recorded the meeting minutes.

2. Comic-Con Presentation

Mark Hodges, Co-Owner/Event Director of Grand Rapids Comic-Con, stated that the convention was founded in 2012 with four staff members and located in Hopkins. Today the organization has an additional 24 staff members and is centered around West Michigan. Staff members hail from all different ethnicities, religions, and 65% of staff is female. Comic-Con has moved from its humble beginnings at the HSB Building in Wyoming to the Delta Plex to DeVos Place®. Last year, a second Comic-Con was held at the Delta Plex. This year's show at DeVos Place® occurs November 11-13 and uses the entire convention center. The multi-day event will feature voice actors, classic Hollywood guests, cast reunions, author's conference, YouTube guests, vending hall, film festival, costume contest, classical music performances, gaming rooms, educational conferences, and much more. Future plans include launching a Comic-Con in Kalamazoo, Nerds Night Out, resurrection of Juice Ball, a spring Comic-Con, and a horror convention. Comic-Con has an estimated \$3-6 million economic impact on the city, filling several hotels in downtown and surrounding areas. It is in the top five weekends for several downtown restaurants and uses numerous local vendors. Mr. Hodges presented opportunities for future growth and what it would like from the CAA. Ideally, Comic-Con is looking for consistent dates and a five-year lease with access to Van Andel Arena® and the Performance Hall, as well as the entire DeVos Place® facility.

3. Minutes of Prior Meetings

Motion by Mr. Chamberlin, support by Mr. Bowen, to approve the October 7, 2022, Board Minutes. Motion carried.

4. Committee Reports

A. Operations Committee

Mary Manier provided an overview of the CVB's sales activities and marketing efforts. October was extremely busy for Experience Grand Rapids sale staff. Sales team was on the road and attended client events and meetings in various locations.

B. Finance Committee

i. Consolidated Financial Statement for Period Ending September 30, 2022

Motion by Ms. Klohs, support by Mr. Bowen, to accept the consolidated financial statement for the period ending September 30, 2022. Motion carried.

ii. ASM Global Financial Statements for Period Ending September 30, 2022– DeVos Place® and Van Andel Arena®

The financial statements were included as information items.

iii. Auto Parking System Periodic Reporting

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

5. Resolution Approving and Authorizing the Execution of Addendum I to Operating Agreement Between the County of Kent and the City of Grand Rapids

Mr. Bowen, supported by Ms. Klohs, moved the adoption of the following resolution:

WHEREAS, the County of Kent (the “County”) and the City of Grand Rapids (the “City”) previously established the Grand Rapids-Kent County Convention/Arena Authority (the “CAA”) and entered into an Operating Agreement (the “Agreement”) dated as of March 29, 2000, related to the development, construction, ownership and operation of a Convention Center, the ownership of the Van Andel Arena and other matters; and

WHEREAS, the CAA approved and executed the Agreement with respect to matters related to it; and

WHEREAS, the County and the City have determined to amend the Agreement in certain respects pursuant to Addendum I to Operating Agreement (“Addendum I”); and

WHEREAS, certain provisions of Addendum I are applicable to the CAA which require the CAA’s approval.

RESOLVED:

1. That Addendum I 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 Executive Director and as to form by CAA legal counsel and the Chairperson of the Board is authorized and directed to execute the approved Addendum I.

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

RESOLUTION DECLARED ADOPTED.

6. ASM Global Report

Mr. MacKeigan reported provided a calendar update through the end of the calendar year.

7. Public Comment

None.

8. Board Member Comments

None.

9. Adjournment

The meeting adjourned at 9:18 a.m.

Susan M. Waddell, Recording Secretary

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

Years Ended
June 30, 2022 and
2021

Special-Purpose
Financial
Statements

Rehmann

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

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INDEPENDENT AUDITORS' REPORT

September 23, 2022

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

Report on the Audit of the Special-Purpose Financial Statements

Opinion

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, 2022 and 2021, 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").

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, 2022 and 2021, 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 for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Special-Purpose Financial Statements section of our report. We are required to be independent of the SMG-DeVos Place and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

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. As a result, the special-purpose financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

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 for the Special-Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special-purpose financial statements.

In performing an audit in accordance with GAAS we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SMG-DeVos Place's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 Johnson 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,	
	2022	2021
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ 502,520	\$ 815,286
Ticket sales escrow	1,239,068	1,196,755
Accounts receivable, net of allowance of \$53,996 and \$43,146 in 2022 and 2021, respectively	1,280,961	219,683
Prepaid expenses	297,209	218,451
Total assets (all current)	<u>\$ 3,319,758</u>	<u>\$ 2,450,175</u>
Liabilities (all current)		
Accounts payable	\$ 444,666	\$ 412,144
Accrued expenses	423,656	212,973
Unearned revenue:		
Advance ticket sales	1,239,068	1,196,755
Advance deposits	570,843	587,790
Other unearned revenue	144,648	117,738
Total liabilities (all current)	2,822,881	2,527,400
Amount due Operator (deficit)	<u>496,877</u>	<u>(77,225)</u>
Total liabilities and amount due Operator	<u>\$ 3,319,758</u>	<u>\$ 2,450,175</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,	
	2022	2021
Operating revenues		
Events	\$ 3,171,904	\$ 165,237
Ancillary revenues, net:		
Food and beverage	939,877	17,946
Decorating	275,377	10,746
Electrical	258,693	1,360
Equipment rental	437,617	17,047
Other net of related expense of \$387,522 and \$22,663, in 2022 and 2021, respectively	131,505	(21,988)
	<u>2,043,069</u>	<u>25,111</u>
Other operating revenues (includes interest income of \$14,309 and \$8,433 in 2022 and 2021, respectively)	<u>987,135</u>	<u>98,212</u>
Total operating revenues	<u>6,202,108</u>	<u>288,560</u>
Operating expenses		
Personnel	2,867,985	1,847,767
Utilities	1,434,483	1,028,979
Supplies and expenses	276,580	55,122
Repairs and maintenance	649,462	467,730
General and administrative	<u>1,601,625</u>	<u>809,301</u>
Total operating expenses	<u>6,830,135</u>	<u>4,208,899</u>
Operating revenues under operating expenses before incentive management fee	(628,027)	(3,920,339)
Incentive management fee	<u>131,025</u>	<u>-</u>
Operating revenues under operating expenses and incentive management fee	<u>\$ (759,052)</u>	<u>\$ (3,920,339)</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,	
	2022	2021
Amount due Operator (deficit), beginning of year	\$ (77,225)	\$ 154,399
Excess of operating revenues under operating expenses and incentive management fee	(759,052)	(3,920,339)
Contributions received from Operator	1,333,154	3,688,715
Amounts paid to Operator	-	-
Amount due Operator (deficit), end of year	\$ 496,877	\$ (77,225)

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,	
	2022	2021
Cash flows from operating activities		
Operating revenues under operating expenses and incentive management fees	\$ (759,052)	\$ (3,920,339)
Changes in assets and liabilities:		
Accounts receivable	(1,061,278)	80,757
Prepaid expenses	(78,758)	(55,107)
Accounts payable	32,522	344,090
Accrued expenses	210,683	20,659
Advance deposits	(16,947)	(13,944)
Other unearned revenue	26,910	1,866
Net cash used in operating activities	(1,645,920)	(3,542,018)
Cash flows from financing activities		
Contributions received from Operator	1,333,154	3,688,715
Net change in operating cash	(312,766)	146,697
Operating cash, beginning of year	815,286	668,589
Operating cash, end of year	<u>\$ 502,520</u>	<u>\$ 815,286</u>

See notes to special-purpose financial statements.

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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 \$3,632,205 and \$592,123 for the years ended June 30, 2022 and 2021, 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. 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,	
	2022	2021
Excess of operating revenues over (under) operating expenses, as defined, SMG-Van Andel Arena	\$ 3,641,014	\$ (1,766,546)
Excess of operating revenues under operating expenses, as defined, SMG-DeVos Place	(628,027)	(3,920,339)
Total	<u>\$ 3,012,987</u>	<u>\$ (5,686,885)</u>
Incentive benchmark	\$ 1,050,000	\$ 1,050,000
Benchmark met?	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:

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, 2022 and 2021, respectively, is as follows:

	Year Ended June 30, 2022	Year Ended June 30, 2021
SMG-DeVos Place base management fee, included in general and administrative expense (A)	\$ 185,749	\$ 180,339
Total operating revenues - SMG-Van Andel Arena	\$ 7,934,764	\$ -
Total operating revenues - SMG-DeVos Place	6,202,108	-
	<u>14,136,872</u>	<u>-</u>
Revenue benchmark - SMG-Van Andel Arena	5,548,039	-
Revenue benchmark - SMG-DeVos Place	4,901,666	-
	<u>10,449,705</u>	<u>-</u>
Revenues in excess of benchmark	<u>\$ 3,687,167</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 amount in excess of \$500,000, collectively, up to base fee of \$371,497	246,497	-
	<u>371,497</u>	<u>-</u>
Percent payable	100%	0%
Total incentive fee payable	<u>\$ 371,497</u>	<u>\$ -</u>
Incentive fee allocated to SMG-Van Andel Arena	\$ 240,472	\$ -
Incentive fee allocated to SMG-DeVos Place (B)	131,025	-
	<u>371,497</u>	<u>-</u>
Incentive fee		
	<u>371,497</u>	<u>-</u>
Total management fees - SMG-DeVos Place (A+B)	<u>\$ 316,774</u>	<u>\$ 180,339</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.

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

Notes to Special-Purpose Financial Statements

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 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 \$35,423 and \$0 in matching contributions for the years ended June 30, 2022 and 2021, 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 \$226,064 and \$25,129 due from SMG-Van Andel Arena as of June 30, 2022 and 2021, respectively. Accounts payable includes \$0 and \$213,070 due to SMG-Van Andel Arena as of June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021, SMG-DeVos Place made payments of \$59,437 and \$0, respectively, to SMG-Food and Beverage LLC, a related party to SMG, for catering services.

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, 2022 and 2021, 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.



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

Years Ended
June 30, 2022 and
2021

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 23, 2022

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

Report on the Audit of the Special-Purpose Financial Statements

Opinion

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, 2022 and 2021, 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").

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, 2022 and 2021, 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 for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Special-Purpose Financial Statements section of our report. We are required to be independent of the SMG-Van Andel Arena and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

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. As a result, the special-purpose financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

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 for the Special-Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special-purpose financial statements.

In performing an audit in accordance with GAAS we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SMG-Van Andel Arena's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

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

Rehmann Lohman LLC

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,	
	2022	2021
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ 8,013,982	\$ 82,627
Ticket sales escrow	7,978,829	9,939,351
Accounts receivable	1,466,285	783,043
Prepaid expenses	133,290	167,540
	<u> </u>	<u> </u>
Total assets (all current)	<u>\$ 17,592,386</u>	<u>\$ 10,972,561</u>
Liabilities (all current)		
Accounts payable	\$ 3,640,238	\$ 246,094
Accrued expenses	408,522	140,562
Unearned revenue:		
Advance ticket sales	7,978,829	9,939,351
Advance deposits	25,925	36,925
Other unearned revenue	1,743,968	971,305
	<u> </u>	<u> </u>
Total liabilities (all current)	13,797,482	11,334,237
Amount due Operator (deficit)	<u>3,794,904</u>	<u>(361,676)</u>
Total liabilities and amount due Operator	<u>\$ 17,592,386</u>	<u>\$ 10,972,561</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,	
	2022	2021
Operating revenues		
Events	\$ 1,304,940	\$ 92,336
Ancillary revenues, net:		
Food and beverage	2,548,492	12,754
Novelties	239,378	-
Other (net of related expenses of \$114,097 and \$174,985, in 2022 and 2021, respectively)	3,947	41,832
	<u>2,791,817</u>	<u>54,586</u>
Other operating revenues:		
Premium seating	1,353,796	293,980
Advertising income	492,809	181,925
Other (includes interest income of \$80,781 and \$49,568 in 2022 and 2021, respectively)	1,991,402	106,817
	<u>3,838,007</u>	<u>582,722</u>
Total operating revenues	<u>7,934,764</u>	<u>729,644</u>
Operating expenses		
Personnel	1,614,577	1,031,446
Utilities	795,182	537,412
Supplies and expenses	216,600	48,619
Repairs and maintenance	370,030	167,792
General and administrative	1,297,361	710,921
Total operating expenses	<u>4,293,750</u>	<u>2,496,190</u>
Operating revenues over (under) operating expenses before incentive management fee	3,641,014	(1,766,546)
Incentive management fee	<u>240,472</u>	<u>-</u>
Operating revenues over (under) operating expenses and incentive management fee	<u>\$ 3,400,542</u>	<u>\$ (1,766,546)</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,	
	2022	2021
Amount due Operator (deficit), beginning of year	\$ (361,676)	\$ (905,170)
Excess of operating revenues over (under) operating expenses and incentive management fee	3,400,542	(1,766,546)
Contributions received from Operator	756,038	2,374,078
Amounts paid to Operator	-	(64,038)
Amount due Operator (deficit), end of year	\$ 3,794,904	\$ (361,676)

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,	
	2022	2021
Cash flows from operating activities		
Operating revenues over (under) operating expenses	\$ 3,400,542	\$ (1,766,546)
Changes in assets and liabilities:		
Accounts receivable	(683,242)	519,842
Prepaid expenses	34,250	(71,511)
Accounts payable	3,394,144	(485,264)
Accrued expenses	267,960	3,729
Advance deposits	(11,000)	(15,000)
Other unearned revenue	772,663	(412,663)
Net cash provided by (used in) operating activities	<u>7,175,317</u>	<u>(2,227,413)</u>
Cash flows from financing activities		
Contributions received from Operator	756,038	2,374,078
Amounts paid to Operator	-	(64,038)
Net cash provided by financing activities	<u>756,038</u>	<u>2,310,040</u>
Net change in operating cash	7,931,355	82,627
Operating cash, beginning of year	<u>82,627</u>	<u>-</u>
Operating cash, end of year	<u>\$ 8,013,982</u>	<u>\$ 82,627</u>

See notes to special-purpose financial statements.

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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, 2022 and 2021, 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 \$5,170,244 and \$545,396 for the years ended June 30, 2022 and 2021, 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,	
	2022	2021
Excess of operating revenues over (under) operating expenses, as defined, SMG-Van Andel Arena	\$ 3,641,014	\$ (1,766,546)
Excess of operating revenues under operating expenses, as defined, SMG-DeVos Place	<u>(628,027)</u>	<u>(3,920,339)</u>
Total	<u><u>\$ 3,012,987</u></u>	<u><u>\$ (5,686,885)</u></u>
Incentive benchmark	\$ 1,050,000	\$ 1,050,000
Benchmark met?	Yes	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, 2022 and 2021, respectively, is as follows:

	Year Ended June 30, 2022	Year Ended June 30, 2021
SMG-Van Andel base management fee, included in general and administrative expense (A)	\$ 185,749	\$ 180,339
Total operating revenues - SMG-Van Andel Arena	\$ 7,934,764	\$ -
Total operating revenues - SMG-DeVos Place	6,202,108	-
	<u>14,136,872</u>	<u>-</u>
Revenue benchmark - SMG-Van Andel Arena	5,548,039	-
Revenue benchmark - SMG-DeVos Place	4,901,666	-
	<u>10,449,705</u>	<u>-</u>
Revenues in excess of benchmark	<u>\$ 3,687,167</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 amount in excess of \$500,000, collectively, up to base fee of \$371,497	246,497	-
	<u>371,497</u>	<u>-</u>
Percent payable	100%	0%
Total incentive fee payable	<u>\$ 371,497</u>	<u>\$ -</u>

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

Notes to Special-Purpose Financial Statements

	Year Ended June 30, 2022	Year Ended June 30, 2021
Incentive fee allocated to SMG-Van Andel Arena (B)	\$ 240,472	\$ -
Incentive fee allocated to SMG-DeVos Place	131,025	-
Incentive fee	371,497	-
Total management fees - SMG-Van Andel Arena (A+B)	\$ 426,221	\$ 180,339

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

3. RETIREMENT PLAN

Employees at SMG-Van Andel Arena may elect to participate in the SMG Retirement and Savings Plan, a 401(k) defined contribution plan covering SMG employees who have completed one year of employment and 1,000 hours of service. SMG-Van Andel Arena makes matching contributions equal to 67% of each participants contribution up to a maximum of 5% of the employee's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-Van Andel Arena made \$19,924 and \$0 in matching contributions for the years ended June 30, 2022 and 2021, respectively.

4. RELATED PARTY TRANSACTIONS

In addition to the operations of SMG-Van Andel Arena, SMG personnel also manage the operations of SMG-DeVos Place. The two facilities share certain expenses, such as payroll, employee fringe benefits, and insurance, resulting in frequent billings and payments between the two facilities. The two facilities also share a box office, resulting in frequent billings and payments between the two facilities for ticket sales. Accounts receivable includes \$0 and \$213,070 due from SMG-DeVos Place as of June 30, 2022 and 2021, respectively. Accounts payable includes \$226,064 and \$25,129 payable to SMG-DeVos Place as of June 30, 2022 and 2021, 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 \$271,346 and \$10 from SMG-Food and Beverage LLC, as of June 30, 2022 and 2021, respectively. Accounts payable includes \$19,078 and \$0 as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, SMG-Van Andel received payments of \$3,855,589 and \$0, respectively, from SMG-Food and Beverage LLC which represents commission on sales. During the years ended June 30, 2022 and 2021, SMG-Van Andel made payments of \$290,804 and \$6,319, respectively, to SMG-Food and Beverage LLC.

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

Notes to Special-Purpose Financial Statements

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, 2022 and 2021, 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.

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 23, 2022

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 year ended June 30, 2022, and have issued our reports thereon dated September 23, 2022. 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 8, 2022, 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.

Our findings regarding internal control over financial reporting, compliance, and other matters noted during our audit are included in Attachment A to this letter.

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 8, 2022.

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.

Significant Risks Identified

We have identified the risks of management override of internal control and revenue recognition as significant risks, and have obtained an understanding of the SMG-DeVos Place and SMG-Van Andel Arena's related controls, including control activities, relevant to such risks.

Qualitative Aspects of SMG-DeVos Place and SMG-Van Andel Arena'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 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 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 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 B to this letter.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with 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 SMG-DeVos Place and SMG-Van Andel Arena's 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,

Rehmann Johnson LLC

SMG-DEVOS PLACE & SMG-VAN ANDEL ARENA

Attachment A - Consideration of Internal Control Over Financial Reporting

For the June 30, 2022 Audit

We have audited, in accordance with the auditing standards generally accepted in the United States of America the special-purpose financial statements ("financial statements") of **SMG-DeVos Place & SMG-Van Andel Arena**, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SMG-DeVos Place & SMG-Van Andel Arena's basic financial statements, and have issued our report thereon dated September 23, 2022.

In planning and performing our audit of the financial statements, we considered SMG-DeVos Place & SMG-Van Andel Arena'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 SMG-DeVos Place & SMG-Van Andel Arena's internal control. Accordingly, we do not express an opinion on the effectiveness of the SMG-DeVos Place & SMG-Van Andel Arena'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.

Other Matter

Escheat Checks

In testing the outstanding check list, we noted various checks had been outstanding for more than two years. The State of Michigan directs that "holders of unclaimed or uncalled for property (example outstanding checks) can divest themselves of responsibility and accountability for such property by transferring such property to Escheats Division, Department of Treasury." We recommend that any checks that remain outstanding after two years be remitted to the State's Escheats Division. Procedural directions of how to do this are located on the State's website.

■ ■ ■ ■ ■

SMG-DEVOS PLACE & SMG-VAN ANDEL ARENA

Attachment B - Management Representations

For the June 30, 2022 Audit

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

September 23, 2022

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

Convention
Arena
Authority

Steven Heacock,
Chairman

Hon. Rosalynn Bliss

Lew Chamberlin

Birgit M. Klohs

Charlie Secchia

Floyd Wilson, Jr.

Richard A. Winn

This representation letter is provided in connection with your audits of the special-purpose financial statements of **Devos Place** ("SMG-Devos Place") and **Van Andel Arena** ("SMG-Van Andel Arena"), as managed by SMG, a Division of ASM Global, as of and for the years ended June 30, 2022 and 2021, 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 23, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 8, 2022, for the preparation and fair presentation of the special-purpose financial statements in accordance with the Management Agreement with the Authority.
2. We have reviewed, approved, and taken responsibility for the special-purpose financial statements and related notes.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the special-purpose financial statements.
4. 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



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

DEVOS PLACE

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

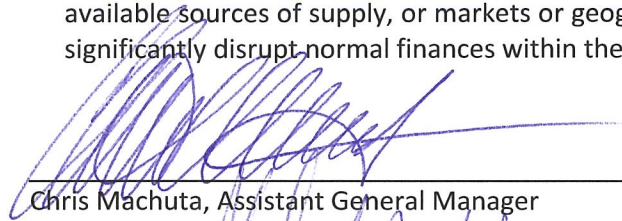
- e. Established and maintained internal controls, including monitoring ongoing activities.
- 5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.
- 6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 8. 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.
- 9. All events subsequent to the date of the special-purpose financial statements have been adjusted or disclosed.
- 10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed.
- 11. 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

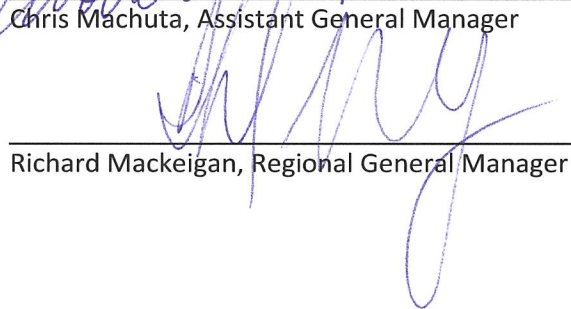
- 12. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the special-purpose financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - 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.
- 13. All transactions have been recorded in the accounting records and are reflected in the special-purpose financial statements.
- 14. 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.
- 15. 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.
- 16. 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 special-purpose 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.

17. 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 special-purpose financial statement amounts or other financial data significant to the audit objectives.
18. 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 special-purpose financial statements or other financial data significant to the audit objectives.
19. We have a process to track the status of audit findings and recommendations.
20. 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.
21. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
22. 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.
23. 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.
24. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
25. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
26. 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.
27. 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.
28. 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.
29. 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.
30. 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.

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



Chris Machuta, Assistant General Manager



Richard Mackeigan, Regional General Manager

Grand Rapids - Kent County
Convention/Arena Authority

Years Ended June 30,
2022 and 2021

Financial
Statements

Rehmann

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

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INDEPENDENT AUDITORS' REPORT

November 28, 2022

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 28, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rehmann Loborn LLC

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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, 2022 and 2021. 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	\$ 27,593,825
· Change in total net position	12,661,579
· Capital assets, net	871,413
· Change in net capital assets	(263,913)

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 \$27,593,825 and \$14,932,246 for the years ended June 30, 2022 and 2021, 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,		
	2022	2021	2020
Assets			
Current and other assets	\$ 49,235,537	\$ 33,600,742	\$ 40,624,146
Capital assets, net	871,413	1,135,326	949,807
	<u>50,106,950</u>	<u>34,736,068</u>	<u>41,573,953</u>
Liabilities			
Other liabilities	<u>22,513,125</u>	<u>19,803,822</u>	<u>18,995,466</u>
Net position			
Investment in capital assets	871,413	1,135,326	949,807
Unrestricted	<u>26,722,412</u>	<u>13,796,920</u>	<u>21,628,680</u>
Total net position	<u>\$ 27,593,825</u>	<u>\$ 14,932,246</u>	<u>\$ 22,578,487</u>

A portion of the Authority's net position (3.2% and 7.6% in 2022 and 2021, 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,		
	2022	2021	2020
Operating revenues	\$ 15,394,271	\$ 1,583,320	\$ 11,985,625
Operating expenses	13,191,325	12,115,764	15,866,109
Operating income (loss)	2,202,946	(10,532,444)	(3,880,484)
Nonoperating revenues	11,058,633	3,759,694	1,307,374
Income (loss) before transfers out	13,261,579	(6,772,750)	(2,573,110)
Transfer of constructed assets/ funding to joint construction project	(600,000)	(873,491)	(440,149)
Change in net position	12,661,579	(7,646,241)	(3,013,259)
Net position, beginning of year	14,932,246	22,578,487	25,591,746
Net position, end of year	<u>\$ 27,593,825</u>	<u>\$ 14,932,246</u>	<u>\$ 22,578,487</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 increase in 2022 and decrease in 2021 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. 2022 operating revenues reflect much pent-up demand for live events at both facilities nearing those seen in fiscal year 2019, which saw attendance records broken and per capita spending and per event settlements at the best in the Authority's history.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

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 operations of the Authority. Generally, administrative costs relate to insurance, personnel services, and professional services. In 2022, operating expenses returned to levels associated with typical operations, directly related to the increase in activity at both facilities and their related revenues. 2021 operating expenses decreased from the prior year as staff worked diligently 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.

Nonoperating Revenues

When not experiencing the effects of a global pandemic, 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 2022, investment income remained relatively consistent with the prior year reflecting decreases in the investable base in the early part of the year (as investments matured and were used to cover operating losses) offset by increases in the investable base when a significant federal grant of \$10M (Shuttered Venue Operators Grant) was received to help mitigate the impacts of the global pandemic. Later in the fiscal year an additional \$448k was accrued related to the pandemic, funds that will pass through the County.

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. This option continues to be extended with the latest option expiring December 31, 2022. Since the option is refundable, the remaining balance of grant funds was considered unearned revenue at June 30, 2022 and 2021.

Transfer of Constructed Assets

During fiscal year 2022, the Authority pledged to participate in a park improvement project that will benefit future patrons of the DeVos Place and DeVos Performance Hall facilities since the park is adjacent to them. Funds committed to the community organization leading the project are limited to a \$600k deposit and future minor repairs and maintenance needed in the normal course required for Authority-run events there.

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 year 2021, construction expenses of approximately \$873,500 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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. At June 30, 2022 and 2021, the Authority had invested \$871,413 and \$1,135,326, 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,		
	2022	2021	2020
Equipment	\$ 871,413	\$ 1,135,326	\$ 949,807

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

Debt Administration. The Authority had no long-term debt as of June 30, 2022, 2021 or 2020.

Economic Condition and Outlook

Management believes that the Grand Rapids-Kent County Convention/Arena Authority is in good condition both administratively and financially. While the impacts of the global pandemic are still working their way through our community, we are encouraged by the strong return of the concert business and the careful return of convention business strengthened by the commitment of federal, state and local grants to mitigate the effects of it. The Authority further believes that while this business has come back in a robust way, how the business operates has changed, and will continue to do so in the future. This report covers the twenty-first and twenty-second 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 additional steps to increase their facility capacity through a potential public outdoor amphitheater, and has entertained initial discussions related to a potential public outdoor soccer stadium.

The fiscal year 2023 (beginning July 1, 2022) budget forecasts operating revenues of \$14.9 million with operating expenses (before depreciation) of \$13.8 million, reflecting a return to pre-pandemic operating levels for the first time in almost three years. The Authority's fiscal year 2023 budget, while conservative, still provides for healthy operating reserves for the future, strengthened by the support of the community, the State of Michigan and the federal government. 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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Net Position

	June 30,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,825,295	\$ 13,151,889
Restricted Investments	10,030,543	-
Refundable deposit - City of Grand Rapids	4,281,393	4,281,393
Investments	13,255,305	14,995,689
Accounts receivable, net	3,353,791	785,782
Prepaid expenses	489,210	385,989
Total current assets	<u>49,235,537</u>	<u>33,600,742</u>
Noncurrent assets:		
Capital assets being depreciated, net	<u>871,413</u>	<u>1,135,326</u>
Total assets	<u>50,106,950</u>	<u>34,736,068</u>
Liabilities (all current)		
Accounts payable and accrued liabilities	4,043,633	454,694
Accrued expenses	1,680,983	1,234,918
Advance ticket sales	9,217,895	11,136,104
Advance deposits	596,768	624,715
Unearned revenue	<u>6,973,846</u>	<u>6,353,391</u>
Total liabilities (all current)	<u>22,513,125</u>	<u>19,803,822</u>
Net position		
Investment in capital assets	871,413	1,135,326
Unrestricted	<u>26,722,412</u>	<u>13,796,920</u>
Total net position	<u>\$ 27,593,825</u>	<u>\$ 14,932,246</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,	
	2022	2021
Operating revenues		
Charges for services - facilities	\$ 15,394,271	\$ 1,583,320
Operating expenses		
Personnel services	4,629,598	3,031,060
Utilities	2,275,444	1,571,663
Supplies and other expenses	729,028	3,598,885
Contractual services	4,105,599	2,662,039
Depreciation	343,458	469,989
Repairs and maintenance	940,817	668,222
Professional services	167,381	113,906
Total operating expenses	13,191,325	12,115,764
Operating income (loss)	2,202,946	(10,532,444)
Nonoperating revenues		
Interest revenue	197,269	218,265
Federal grant revenues	10,042,022	1,909,785
State and local grant revenues	447,957	1,368,400
Other revenue	371,385	263,244
Total nonoperating revenues	11,058,633	3,759,694
Income (loss) before transfers out	13,261,579	(6,772,750)
Transfer of constructed assets/funding to joint construction project	(600,000)	(873,491)
Change in net position	12,661,579	(7,646,241)
Net position, beginning of year	14,932,246	22,578,487
Net position, end of year	\$ 27,593,825	\$ 14,932,246

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,	
	2022	2021
Cash flows from operating activities		
Cash received from facility operations	\$ 14,907,979	\$ 3,412,862
Cash payments to employees	(4,563,575)	(3,023,859)
Cash payments for goods and services	(7,269,948)	(8,723,227)
Net cash provided by (used in) operating activities	<u>3,074,456</u>	<u>(8,334,224)</u>
Cash flows from capital and related financing activities		
State and federal grants	10,000,000	2,909,785
Deposits made to the City of Grand Rapids	-	(4,281,393)
Acquisition/construction of capital assets	(79,545)	(655,508)
Acquisition/construction of transferred assets	(600,000)	(873,491)
Other receipts	371,385	263,244
Net cash provided by (used in) capital and related financing activities	<u>9,691,840</u>	<u>(2,637,363)</u>
Cash flows from investing activities		
Interest and dividends received	197,269	218,265
Proceeds from sale of investments	1,800,000	14,327,398
Purchases of investments	(10,090,159)	(1,116,046)
Net cash provided by (used in) investing activities	<u>(8,092,890)</u>	<u>13,429,617</u>
Net change in cash and cash equivalents	<u>4,673,406</u>	<u>2,458,030</u>
Cash and cash equivalents, beginning of year	<u>13,151,889</u>	<u>10,693,859</u>
Cash and cash equivalents, end of year	<u>\$ 17,825,295</u>	<u>\$ 13,151,889</u>

continued...

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
Reconciliation of operating income (loss)		
to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 2,202,946	\$ (10,532,444)
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities:		
Depreciation expense	343,458	469,989
Change in operating assets and liabilities:		
Accounts receivables, net	(2,120,052)	678,094
Prepaid expenses	(103,221)	(126,618)
Accounts payable and accrued liabilities	3,588,939	(193,022)
Accrued expenses	446,065	292,012
Advance ticket sales	(1,918,209)	1,434,552
Advance deposits	(27,947)	(28,944)
Unearned revenue	662,477	(327,843)
Net cash provided by (used in) operating activities	\$ 3,074,456	\$ (8,334,224)

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

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 for the Shuttered Venue Operators Grant (SVOG) related to the COVID-19 global pandemic to offset expenses incurred by the Authority from March 19, 2020 through December 31, 2022 for which costs have not yet been reimbursed to the Authority 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, 2022 of \$800,000 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 \$84,985 and \$175,782 at June 30, 2022 and 2021, 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 \$8,802,449 and \$1,137,519 for the years ended June 30, 2022 and 2021, 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,	
	2022	2021
Statement of net position		
Cash and cash equivalents	\$ 17,825,295	\$ 13,151,889
Restricted Investments	10,030,543	-
Investments	13,255,305	14,995,689
Total	<u>\$ 41,111,143</u>	<u>\$ 28,147,578</u>
Deposits and investments		
Bank deposits - checking / savings accounts	\$ 17,825,295	\$ 13,151,889
Investments in the Kent County Investment Pool	23,285,848	14,995,689
Total	<u>\$ 41,111,143</u>	<u>\$ 28,147,578</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, 2022, \$16,995,003 of the Authority's bank balance of \$17,594,886 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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.

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, 2022 and 2021, 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, 2022 and 2021 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,	
	2022	2021
Facility customers/events	\$ 1,679,890	\$ 789,673
Ancillary revenues	1,279,940	39,255
Grant related	447,957	-
Allowance for uncollectible accounts	(53,996)	(43,146)
	<u>\$ 3,353,791</u>	<u>\$ 785,782</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Buildings and structures	\$ 322,431	\$ -	\$ -	\$ -	\$ 322,431
Equipment	4,954,849	79,545	-	-	5,034,394
	<u>5,277,280</u>	<u>79,545</u>	<u>-</u>	<u>-</u>	<u>5,356,825</u>
Less accumulated depreciation for:					
Buildings and structures	(322,431)	-	-	-	(322,431)
Equipment	(3,819,523)	(343,458)	-	-	(4,162,981)
	<u>(4,141,954)</u>	<u>(343,458)</u>	<u>-</u>	<u>-</u>	<u>(4,485,412)</u>
Capital assets, net	<u>\$ 1,135,326</u>	<u>\$ (263,913)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871,413</u>

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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>

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, 2022 and 2021, total management and incentive fees earned by SMG were approximately \$743,000 and \$361,000, respectively, and are recorded in contractual services expense.

The Authority is in negotiations on a memorandum of understanding agreement with a number of parties related to a community park improvement project that will provide additional benefits and options to patrons of the Authority's facilities since the park is adjacent to them. The Authority's promised \$600,000 funding commitment to the project is included in accrued expenses at June 30, 2022. Responsibility for future minor repair and maintenance of the improvements will be shared among the parties while major repairs will be the responsibilities of other parties to the agreement.

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.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

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 2022 or 2021.

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 resulted in operational challenges for the Authority as it determined the appropriate methods to provide services to its patrons. The Federal government also provided significant resources to help mitigate the impacts of COVID-19. The Authority received or accrued over \$10.5 million during fiscal year 2022 (a portion of which passed through the County) to be used to respond to the impacts of the COVID-19 pandemic. 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, 2022

	Budget	Actual	Actual Over (Under) Budget
Operating revenues			
Charges for services - facilities	\$ 9,997,909	\$ 15,394,271	\$ 5,396,362
Operating expenses			
Personnel services	4,554,480	4,629,598	75,118
Utilities	2,057,050	2,275,444	218,394
Supplies and other expenses	482,800	729,028	246,228
Contractual services	3,452,307	4,105,599	653,292
Depreciation	-	343,458	343,458
Repairs and maintenance	935,699	940,817	5,118
Professional services	189,500	167,381	(22,119)
Total operating expenses	11,671,836	13,191,325	1,519,489
Operating income (loss)	(1,673,927)	2,202,946	3,876,873
Nonoperating revenues			
Interest revenue	165,000	197,269	32,269
Federal grant revenues	-	10,042,022	10,042,022
State grant revenues	-	447,957	447,957
Other revenue	278,989	371,385	92,396
Total nonoperating revenues	443,989	11,058,633	10,614,644
Income (loss) before transfers out	(1,229,938)	13,261,579	14,491,517
Transfer of constructed assets/ funding to joint construction project	(1,356,567)	(600,000)	756,567
Change in net position	(2,586,505)	12,661,579	15,248,084
Net position, beginning of year	14,932,246	14,932,246	-
Net position, end of year	\$ 12,345,741	\$ 27,593,825	\$ 15,248,084

Grand Rapids - Kent County
Convention/Arena Authority

Year Ended
June 30, 2022

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 28, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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	\$ 42,022
U.S. Small Business Administration				
COVID-19 Shuttered Venue Operator Grant	59.075	Direct	SBAHQ21SV011309.2	<u>10,000,000</u>
Total Expenditures of Federal Awards				<u>\$ 10,042,022</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, 2022. 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 28, 2022

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, 2022 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 28, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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.

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

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

November 28, 2022

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

Report on Compliance for the Major Federal Program

Opinion on 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 identified as subject to audit 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, 2022. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Lohman LLC

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

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 program and type of auditors' report issued on compliance for the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
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59.075	Shuttered Venue Operators Grant	Unmodified
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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, 2022

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, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

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GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

None reported

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 28, 2022

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, 2022 and 2021, and have issued our report thereon dated November 28, 2022. 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 August 4, 2022, 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 28, 2022. In addition, we noted a certain other matter which is included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on October 31, 2022.

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.

Significant Risks Identified

We have identified the risks of management override of internal control and revenue recognition as significant risks, and have obtained an understanding of the Authority's related controls, including control activities, relevant to such risks.

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 Lohman 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, 2022 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 this matter. Our consideration of the Authority's internal control over financial reporting is described in our report, dated November 28, 2022, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated November 28, 2022, on the financial statements of the Grand Rapids-Kent County Convention/Arena Authority.

Written Policies and Procedures

The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to various areas, including: 1) Payments (draws of federal funds and how to minimize the time elapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302 (6)); 2) Procurement (including bidding and a conflict of interest policy) (§200.318); 3) Allowability of costs charged to federal programs (§200.302 (7)); 4) Compensation (personnel and benefits policy) (§200.430 and §200.431); and 5) Travel costs (including mileage and per diem) (§200.474). Although the Authority has processes in place to cover these areas, formal written policies have not yet officially been approved and adopted by the Authority.

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. As a result, the Authority did not fully comply with the Uniform Guidance.

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, 2022 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 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 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 99 ■ Omnibus 2022

Effective 06/15/2023 (your FY 2023)

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 100 ■ Accounting Changes and Error Corrections

Effective 06/15/2024 (your FY 2024)

This standard clarifies the presentation and disclosure requirements for prior period adjustments to beginning net position. 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, 2022 Audit

GASB 101 ■ Compensated Absences

Effective 12/15/2024 (your FY 2025)

This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.

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GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment C - Management Representations

For the June 30, 2022 Audit

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

RICHARD A. WINN
CHAIRMAN
HON. ROSALYNN BLISS
MANDY BOLTER
M. SCOTT BOWEN
LEW CHAMBERLIN
BIRGIT M. KLOHS
MICHAEL B. VERHULST

November 28, 2022

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** ("the Authority"), as of and for the years ended June 30, 2022, 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 28, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 4, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. 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.
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 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.
7. 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.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. 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.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. 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.
13. All components of net position classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. 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.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.
20. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic resulted in operational challenges for the Authority as it determined the appropriate methods to provide services to its patrons. The Federal government also provided significant resources to help mitigate the impacts of COVID-19. The Authority received or accrued over \$10.5 million during fiscal year 2022 (a portion of which passed through the County) to be used to respond to the impacts of the COVID-19 pandemic. 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

21. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. 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.
24. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
25. 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.
26. 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.
27. 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.
28. We have a process to track the status of audit findings and recommendations.
29. 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.
30. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
31. 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.
32. 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.
33. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
34. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

35. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
36. 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.
37. 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.
38. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
39. 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.
40. 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

41. 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

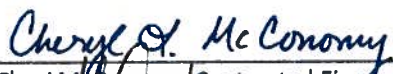
42. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We 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)

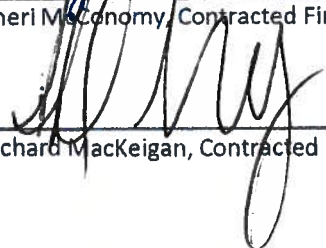
43. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal 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

- 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.

 11/30/22

Cheryl McConomy, Contracted Finance Director

 11/30/22

Richard MacKeigan, Contracted Executive Director

Memorandum

To: CAA Board
CAA Finance Committee

From: Cheryl L. McConomy

Subject: Consolidated Financial Report
FY 2022 Recap – Budget to Actual

Date: November 30, 2022

The attached material summarizes the CAA administrative operating budget and consolidated income statement for fiscal years ended June 30, 2021-2022 and provides a comparison to the current fiscal year (FY 2023) budget.

Table D provides a summary of the consolidated budget by facility for the fiscal year ending June 30, 2023, along with actual results for FY 2021 and FY 2022. ***The FY 2022 budget, as adopted, forecasted an (\$2,586,505) 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 added \$12,661,579 to unrestricted fund balance.*** Specific variances are summarized in the following manner:

Van Andel Arena®

The original budgeted Operating Revenues, of \$4.7 million, was believed to be a reasonably achievable goal. Fortunately, concert business returned to almost pre-pandemic levels reflecting pent-up demand for live events resulting in year-end operating revenues reported at \$7.9 million.

The increase in operating expenses reflects a return to levels associated with typical operations directly related to event activity and includes an incentive fee, virtually on target with the original budget.

DeVos Place® Convention Center

FY2022 budgeted operating revenues, of \$4.1 million, assumed opening of the facility for the full year, however a gradual return of patrons and events. Fortunately, business returned to approximately 80% of pre-pandemic levels reflecting a similar pent-up demand for live events resulting in year-end operating revenues reported at \$6.2 million.

The increase in operating expenses reflects a return to levels associated with typical operations directly related to event activity and includes an incentive fee, providing for facility net proceeds \$1.0 million ahead of budget

The DeVos Place parking facility, a part of the convention facility account, and Area 2 parking lot, part of the arena account, experienced a combined \$0.4 million increase from the original budget forecast reflecting increased activity at both facilities.

Administrative (Other)

Other non-operating revenues includes \$10.5 million of unbudgeted COVID funds to cover lost revenues and costs incurred to provide facilities for the related vaccination clinic.

Other non-operating expenses were virtually on target with the original budget.

Capital Expenditures

The FY2022 budget included a spending allowance of almost \$1.4 million. Four “in progress” balances, totaling \$0.6 million, were carried over to the FY2023 capital budget. All other projects were completed or closed at a slight lapse from budget; depreciation expense totaled just above \$0.3 million.

All these revenue/expenditure variances resulted in a reversal of fate – instead of an expected draw on fund balance of \$2.6 million, an increase of more than \$12.6 million has resulted in the highest fund balance ever posted by the CAA at just under \$27.6 million as of June 30, 2022.

The Fiscal Year 2023 budget forecasts a draw of \$4.9 million from Unrestricted Fund Balance. This draw is required as a result of an anticipated operating income of \$1.2 million and a capital budget (excluding restricted accounts) of \$6.1 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, 2021 - 2023

	FY 2021	FY 2022	FY 2022	FY 2022	FY 2023
	Actual	Budget	Estimate	Actual	Budget
Van Andel Arena					
Operating - Revenues	\$ 729,644	\$ 4,746,644	\$ 7,235,083	\$ 7,934,764	\$ 6,642,366
- Expenses - Facilities	(2,315,851)	(4,330,348)	(4,215,264)	(4,108,004)	(4,858,170)
- Management Fees	(180,339)	(183,945)	(185,749)	(185,746)	(191,321)
- Incentive Fees	-	-	(250,737)	(240,472)	-
Net Operating Income	<u>(1,766,546)</u>	<u>232,351</u>	<u>2,583,333</u>	<u>3,400,542</u>	<u>1,592,875</u>
DeVos Place					
Operating - Revenues	288,560	4,143,265	5,714,179	6,202,108	6,229,122
- Expenses - Facilities	(4,028,560)	(5,725,206)	(6,015,695)	(6,644,386)	(7,086,270)
- Management Fees	(180,339)	(183,945)	(185,749)	(185,749)	(191,321)
- Incentive Fees	-	-	(120,760)	(131,025)	-
Net Operating Income/(Loss)	<u>(3,920,339)</u>	<u>(1,765,886)</u>	<u>(608,025)</u>	<u>(759,052)</u>	<u>(1,048,469)</u>
Net Available to CAA:					
Van Andel Arena	(1,766,546)	232,351	2,583,333	3,400,542	1,592,875
DeVos Place	(3,920,339)	(1,765,886)	(608,025)	(759,052)	(1,048,469)
	<u>\$ (5,686,885)</u>	<u>\$ (1,533,535)</u>	<u>\$ 1,975,308</u>	<u>\$ 2,641,490</u>	<u>\$ 544,406</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 2021-2023

	<u>FY2021</u>	<u>FY 2022</u>	<u>FY 2022</u>	<u>FY 2022</u>	<u>FY 2023</u>
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Actual</u>	<u>Budget</u>
Revenues:					
Facility Operations	\$ (5,686,885)	\$ (1,533,535)	\$ 1,975,308	\$ 2,641,490	\$ 544,406
Utility Reimbursement	<u>1,477,663</u>	<u>1,924,000</u>	<u>2,090,264</u>	<u>2,155,192</u>	<u>2,194,500</u>
Transfers from SMG	(4,209,222)	390,465	4,065,572	4,796,682	2,738,906
Federal Grant	-	-	10,000,000	10,042,022	-
State Grant	1,368,400	-	4,281,393	-	-
County Grant	1,909,785	-	42,910	397,957	-
DeVos Place Parking ⁽¹⁾	443,267	1,000,000	1,225,869	1,319,898	1,543,000
VanAndel Parking ⁽¹⁾	263,244	278,989	361,701	371,385	387,830
Interest ⁽²⁾	210,264	165,000	165,000	144,201	100,000
Miscellaneous	<u>129,851</u>	<u>108,000</u>	<u>108,000</u>	<u>40,570</u>	<u>68,000</u>
Total Revenues	<u>115,589</u>	<u>1,942,454</u>	<u>20,250,445</u>	<u>17,112,715</u>	<u>4,837,736</u>
Expenditures:					
Utilities ⁽⁴⁾	1,477,663	1,924,000	2,090,264	2,155,192	2,194,500
Other Operating ⁽⁵⁾	331,766	404,989	390,674	399,124	461,889
Administration/Other ⁽⁶⁾	665,859	843,403	843,403	845,148	1,021,330
Amphitheater	368,400	-	4,281,393	-	-
Facility Maintenance	4,230,170	-	-	-	-
Capital	<u>687,972</u>	<u>1,356,567</u>	<u>1,387,342</u>	<u>1,051,672</u>	<u>6,079,000</u> ⁽³⁾
Total Expenditures	<u>7,761,830</u>	<u>4,528,959</u>	<u>8,993,076</u>	<u>4,451,136</u>	<u>9,756,719</u>
Net Excess (Deficit)	<u><u>\$ (7,646,241)</u></u>	<u><u>\$ (2,586,505)</u></u>	<u><u>\$ 11,257,369</u></u>	<u><u>\$ 12,661,579</u></u>	<u><u>\$ (4,918,983)</u></u>

Notes: See Following Pages

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2023 Budget

Notes:

⁽¹⁾ DeVos Place Parking Rates:	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
30 Minutes	\$ 1.50	\$ 2.00			
Daily Maximum	15.00	25.00			
Vehicles with Trailers: Courtesy Validations (2 Hr. Limit) ASM Designated Only	NC*	NC*			
Event	10.00	10.00			
Weekly (ASM Designated Only)**	14.00	14.00			
Monthly -Public	154.00	159.00			
-Reserved Premium	58.00	60.00			
-County/SMG/ASM (O+M)	49.82	58.45			
Van Andel Arena Parking Rates:					
Event	\$12.00	\$ 14.00			
Non-Event Coin Unit	12.00	14.00			
Monthly -Public	112.00	115.00			
* No Charge					
** Fourteen (14) Day Notice Requirement					
⁽²⁾ \$23.6 million (3/31/22 Kent County pool balance) in invested funds at .5%.					
⁽³⁾ FY 2023 Proposed Projects:					
DeVos Place®					
Projection Theater Upgrades		250,000			
Performance Hall LED Lighting		50,000			
Roof Replacement - North of Skylight		1,472,000 *			
Roof Replacement - South of Skylight			250,000	1,125,000	1,125,000
Performance Hall Seating		350,000			
Theater Box Seats		50,000			
Ballroom Lighting & Controls		2,100,000	2,100,000	1,300,000	
Trash Compactor		50,000			
Skywalk Carpeting			115,000		
Total DVP		<u>4,322,000</u>	<u>2,465,000</u>	<u>2,425,000</u>	<u>1,125,000</u>
Van Andel Arena					
Suite Refresher		350,000			
Ice Plant Refrigeration Change		90,000			
Scoreboard			1,200,000		
Trash Compactor		50,000			
New Condensor Coil		185,000			
Custom Air Handler Damper Replacement		110,000			
Total VAA		<u>785,000</u>	<u>1,200,000</u>	-	-
Both Facilities					
Radio System Upgrade		100,000			
Small Motor Equipment		60,000			
Computers and Accessories		150,000			
X-Ray Inspection Systems		33,100			
Total Both Facilities		<u>343,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carryover (FY21& FY22) Projects:					
VAA Suite Refurbishment		370,112			
DVP New Sound System		183,788			
VAA Cooling Tower/Condenser Coil		30,000			
VAA Wireless Communication Devices		45,000			
		<u>628,900</u>			
Total FY 2023 Capital Budget		<u>\$ 6,079,000</u>	<u>\$ 3,665,000</u>	<u>\$ 2,425,000</u>	<u>\$ 1,125,000</u>

* Budget amendment to pull-forward project work increased the FY23 capital budget \$1,097,000 and decreased FY24 and FY25 capital budgets by \$2,278,000

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Detail of Expenditure Estimates
FY 2021-2023

	FY 2021	FY 2022	FY 2022	FY 2022	FY 2023
	Actual	Budget	Estimate	Actual	Budget
Utilities⁽⁴⁾:					
Electricity	\$ 875,880	\$ 1,257,000	\$ 1,277,362	\$ 1,262,323	\$ 1,320,000
Steam/Gas	483,471	550,000	617,149	700,696	627,500
Water/Sewer	118,312	117,000	195,753	192,173	247,000
	<u>\$ 1,477,663</u>	<u>\$ 1,924,000</u>	<u>\$ 2,090,264</u>	<u>\$ 2,155,192</u>	<u>2,194,500</u>
Other Operating⁽⁵⁾:					
Parking Management	\$ 235,495	\$ 236,989	\$ 222,674	\$ 248,083	\$ 288,079
Pedestrian Safety	71,120	101,000	101,000	125,132	101,000
Repairs - F&B		40,000	40,000		45,000
Landscaping	25,151	27,000	27,000	25,909	27,810
	<u>\$ 331,766</u>	<u>\$ 404,989</u>	<u>\$ 390,674</u>	<u>\$ 399,124</u>	<u>461,889</u>
Administration/Other⁽⁶⁾:					
Arena 25-Year Recognition/New Venue Awareness		100,000	100,000	39,626	100,000
Wages	125,305	110,000	110,000	109,404	92,200
Benefits	26,543	29,000	29,000	37,631	19,600
Accounting/Audit	60,363	52,000	52,000	93,050	99,520
Legal Services	53,543	35,000	35,000	74,331	36,050
DID Assessment ^(A)	32,110	64,903	64,903	63,806	65,720
Consulting Services	127,098	91,500	91,500	132,561 *	143,165 **
Insurance	20,610	26,000	26,000	19,392	25,075
Marketing - CVB/WMSC	200,000	200,000	200,000	200,000	200,000
Diversity Initiative	3,000	100,000	100,000	9,817	200,000
Procurement of Art (ArtPrize)		25,000	25,000	25,958	30,000
Other	17,287	10,000	10,000	39,572	10,000
Contingent		-	-		-
	<u>\$ 665,859</u>	<u>\$ 843,403</u>	<u>\$ 843,403</u>	<u>\$ 845,148</u>	<u>\$ 1,021,330</u>

Notes:

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

*SMG-\$56,033, Potomac Strategic Development-\$36,000, and Progressive AE-\$40,528.

**SMG-\$57,165; Potomac Strategic Development-\$36,000, and Progressive AE-\$50,000.

Table C
Grand Rapids-Kent County Convention/Arena Authority
Consolidated Income Statement
Fiscal Years Ending June 30, 2021-2023

		FY 2021	FY 2022	FY 2022	FY 2022	FY 2023
		Actual	Budget	Estimate	Actual	Budget
Operating Revenue:						
Event	- VanAndel Arena	\$ 92,336	\$ 913,770	\$ 1,628,782	\$ 1,304,940	\$ 1,401,940
	- DeVos Place	165,237	2,352,417	3,174,600	3,171,904	3,970,350
Ancillary	- VanAndel Arena	54,586	1,334,871	2,842,426	2,791,817	1,716,326
	- DeVos Place	25,111	1,401,350	1,654,265	2,043,069	2,208,772
Other	- VanAndel Arena	582,722	2,498,003	2,763,875	3,838,007	3,524,100
	- DeVos Place	98,212	389,498	885,314	987,135	50,000
	-Administration	179,851	108,000	10,150,910	10,480,549	68,000
Parking	- VanAndel Arena	263,244	278,989	361,701	371,385	387,830
	- DeVos Place	443,267	1,000,000	1,225,869	1,319,898	1,543,000
		<u>1,904,566</u>	<u>10,276,898</u>	<u>24,687,742</u>	<u>26,308,704</u>	<u>14,870,318</u>
Operating Expense / Appropriations:						
Facility Operations						
	- VanAndel Arena	2,315,851	4,330,348	4,215,264	4,108,004	4,858,170
	- DeVos Place	4,028,560	5,725,206	6,015,695	6,644,386	7,086,270
	- Management	360,678	367,890	371,498	371,495	382,642
	- Incentive		-	371,497	371,497	-
	- Parking/Maintenance	331,766	404,989	390,674	399,124	461,889
Administration/Other		665,859	843,403	843,403	845,148	1,021,330
Other Operating (Capital Repair)		<u>3,459,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>11,162,233</u>	<u>11,671,836</u>	<u>12,208,031</u>	<u>12,739,654</u>	<u>13,810,301</u>
Operating Income		(9,257,667)	(1,394,938)	12,479,711	13,569,050	1,060,017
Non-Operating Revenue:						
Interest/Capital Contribution		3,438,449	165,000	165,000	144,201	100,000
Transfer (to) from Capital Acct.		<u>(1,827,023)</u>	<u>(1,356,567)</u>	<u>(1,387,342)</u>	<u>(1,051,672)</u>	<u>(6,079,000)</u>
		<u>1,611,426</u>	<u>(1,191,567)</u>	<u>(1,222,342)</u>	<u>(907,471)</u>	<u>(5,979,000)</u>
Net Income (Loss)		(7,646,241)	(2,586,505)	11,257,369	12,661,579	(4,918,983)
Fund Balance, beg. of yr.		22,578,487	14,932,246	14,932,246	14,932,246	27,593,825
Fund Balance, end of yr.		\$ 14,932,246	\$ 12,345,741	\$ 26,189,615	\$ 27,593,825	\$ 22,674,842

Table D
Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
FY 2021-2022 Actual
FY 2023 Budget

	FY 2021	FY 2022	FY 2022	FY 2022	FY 2023
	Actual	Budget	Estimate	Actual	Budget
Van Andel Arena					
Operating - Revenues	\$ 729,644	\$ 4,746,644	\$ 7,235,083	\$ 7,934,764	\$ 6,642,366
- Expenses - Facilities	(2,315,851)	(4,330,348)	(4,215,264)	(4,108,004)	(4,858,170)
- Management Fees	(180,339)	(183,945)	(185,749)	(185,746)	(191,321)
- Incentive Fee		-	(250,737)	(240,472)	-
Net Operating Income (Loss)	(1,766,546)	232,351	2,583,333	3,400,542	1,592,875
Parking	263,244	278,989	361,701	371,385	387,830
Pedestrian Safety	-	(65,000)	(65,000)	(95,620)	(65,000)
Net Proceeds (Cost) of VAA	(1,503,302)	446,340	2,880,034	3,676,307	1,915,705
DeVos Place Convention Center					
Operating - Revenues	288,560	4,143,265	5,714,179	6,202,108	6,229,122
- Expenses - Facilities	(4,028,560)	(5,725,206)	(6,015,695)	(6,644,386)	(7,086,270)
- Management Fees	(180,339)	(183,945)	(185,749)	(185,749)	(191,321)
- Incentive Fee	-	-	(120,760)	(131,025)	-
Net Operating Loss	(3,920,339)	(1,765,886)	(608,025)	(759,052)	(1,048,469)
Parking	207,772	763,011	1,003,195	1,071,815	1,254,921
Pedestrian Safety	(71,120)	(36,000)	(36,000)	(29,512)	(36,000)
Net Proceeds (Cost) of DVP	(3,783,687)	(1,038,875)	359,170	283,251	170,452
Other					
Revenues					
Interest	160,264	165,000	165,000	144,201	100,000
Miscellaneous	3,458,036	108,000	10,150,910	10,480,549	68,000
	3,618,300	273,000	10,315,910	10,624,750	168,000
Expenses					
Administration	(665,859)	(843,403)	(883,403)	(845,148)	(1,021,330)
Other Operating	(25,151)	(67,000)	(27,000)	(25,909)	(72,810)
	(691,010)	(910,403)	(910,403)	(871,057)	(1,094,140)
Net Other	2,927,290	(637,403)	9,405,507	9,753,693	(926,140)
Total Net Proceeds/Operating	(2,359,699)	(1,229,938)	12,644,711	13,713,251	1,160,017
Capital Expenditures	(5,286,542)	(1,356,567)	(1,387,342)	(1,051,672)	(6,079,000)
Results Net of Capital Expenditures	<u>\$ (7,646,241)</u>	<u>\$ (2,586,505)</u>	<u>\$ 11,257,369</u>	<u>\$ 12,661,579</u>	<u>\$ (4,918,983)</u>

Table E
Grand Rapids-Kent County Convention/Arena Authority
Summary of Consolidated Income Statement - By Facility
Fiscal Years 2014 through FY2023
30-Nov-22
(In Thousands)

	<u>Actual</u>								<u>Actual</u>	<u>Budget</u>	<u>Roll</u>
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY2022	FY2023	FY 2023
VAA - Net Proceeds	\$ 532	\$ 1,610	\$ 1,980	\$ 2,865	\$ 2,338	\$ 4,367	\$ 1,938	\$ (1,503)	\$ 3,917	\$ 1,916	\$ 2,436
DVP - Net Proceeds	445	908	1,625	1,465	1,441	1,243	(688)	(3,784)	414	170	372
SMG Incentive Fees	-	(344)	(344)	(347)	(353)	(353)	-	-	(371)	-	(383)
Other-Net Proceeds	<u>(456)</u>	<u>(308)</u>	<u>(565)</u>	<u>(442)</u>	<u>(516)</u>	<u>(447)</u>	<u>(591)</u>	<u>2,927</u>	<u>9,754</u>	<u>(926)</u>	<u>(926)</u>
Total Net Operating	521	1,866	2,696	3,541	2,910	4,810	659	(2,360)	13,713	1,160	1,500
Capital	<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>(5,287)</u>	<u>(1,052)</u>	<u>(6,079)</u>	<u>(6,079)</u>
Transfer To/(From) Fund Balance	<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>(7,646)</u>	<u>12,662</u>	<u>(4,919)</u>	<u>(4,579)</u>
Fund Balance, End of Year	<u>\$21,160</u>	<u>\$21,896</u>	<u>\$22,230</u>	<u>\$23,411</u>	<u>\$ 23,703</u>	<u>\$24,268</u>	<u>\$22,578</u>	<u>\$ 14,932</u>	<u>\$27,593</u>	<u>\$22,674</u>	<u>\$23,014</u>



Consolidated Financial Report
October 31, 2022

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GRAND RAPIDS-KENT COUNTY

CONVENTION / ARENA AUTHORITY

Financial Dashboard
Year-To-Date (4 Months)
October 31, 2022

Van Andel Arena®						
	All Events			Concert		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	16	15	16	4	12	8
Attendance	72,420	112,500	111,901	22,931	96,000	71,997
Event Income	\$ 1,154,130	\$ 2,066,563	\$ 2,122,154	\$ 440,131	\$ 1,219,920	\$ 1,015,749
DeVos Place®						
	All Events			Convention/Trade		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	105	112	126	26	75	59
Attendance	34,025	131,360	105,000	7,180	75,710	51,940
Event Income	\$ 1,021,370	\$ 1,776,028	\$ 1,994,261	\$ 340,460	\$ 1,195,918	\$ 953,382
				Prior Year	Budget	Actual
Operating Income (Loss)				\$ 7,699,394	\$ (93,259)	\$ 422,837
Capital/Repair/Replacement				(31,960)	(624,605)	(624,605)
Net - To/(From) on Fund Balance				\$ 7,667,434	\$ (717,864)	\$ (201,768)

***NOTES:**

(1) Unrestricted Fund Balance - 6/30/22 \$27,593,825

Grand Rapids-Kent County Convention/Arena Authority

Summary by Facility/Other

Fiscal Year Ending June 30, 2023

	FY 2023			
	7/1 - 10/31			
	Year-to-Date	Roll	Estimate⁽¹⁾	Budget
Van Andel Arena				
Operating - Revenues	\$ 2,122,154	\$ 5,040,853	\$ 7,163,007	\$ 6,642,366
- Expenses - Facilities	(1,644,957)	(3,213,213)	(4,858,170)	(4,858,170)
- Base Management Fees	(61,029)	(130,292)	(191,321)	(191,321)
- Incentive Fee	-	(193,912)	(193,912)	-
Net Operating Income (Loss)	416,168	1,503,436	1,919,604	1,592,875
Parking	147,762	240,068	387,830	387,830
Pedestrian Safety	-	(65,000)	(65,000)	(65,000)
Net Proceeds (Cost) of VAA	563,930	1,678,504	2,242,434	1,915,705
DeVos Place Convention Center				
Operating - Revenues	1,994,261	4,436,880	6,431,141	6,229,122
- Expenses - Facilities	(2,156,487)	(4,929,783)	(7,086,270)	(7,086,270)
- Base Management Fees	(63,269)	(128,052)	(191,321)	(191,321)
- Incentive Fee	-	(188,730)	(188,730)	-
Net Operating Income (Loss)	(225,495)	(809,685)	(1,035,180)	(1,048,469)
Parking	341,994	912,927	1,254,921	1,254,921
Pedestrian Safety	-	(36,000)	(36,000)	(36,000)
Net Proceeds (Cost) of DVP	116,499	67,242	183,741	170,452
Other				
Revenues	78,333	89,667	168,000	168,000
Expenses	(335,925)	(758,215)	(1,094,140)	(1,094,140)
Net Other	(257,592)	(668,548)	(926,140)	(926,140)
Total Net Proceeds/Operating	422,837	1,077,198	1,500,035	1,160,017
Capital/Repair Expenditures	(624,605)	(5,454,395)	(6,079,000)	(6,079,000) ⁽²⁾
Results Net of Capital/Repair Expenditures	\$ (201,768)	\$ (4,377,197)	\$ (4,578,965) ⁽³⁾	\$ (4,918,983)

Notes:

(1) Estimates compiled quarterly through third quarter (March 31) and monthly thereafter.

(2) Includes approved budget amendments to provide for four capital project balances (\$628,900) carried over from FY22 and one capital project pulled forward from FY24 & FY25 (\$1,097,000).

(3) Estimated Unrestricted Fund Balance will total approximately \$23,014,860 at fiscal year end.

Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2023 Budget

FY 2023 Eligible Projects:		Budget	Actual 7/1-10/31	Roll	Appropriation Lapse
Van Andel Arena®					
	Suite Refresher	350,000		350,000	
	Ice Plant Refrigeration Change	90,000	\$ 64,775	25,225	
	Trash Compactor	50,000		50,000	
	New Condensor Coil	185,000		185,000	
	Custom Air Handler Damper Replacement	110,000		110,000	
	Total VAA	785,000	64,775	720,225	-
DeVos Place®					
	Projection Theater Upgrades	250,000		250,000	
	Performance Hall LED Lighting	50,000		50,000	
	Roof Replacement - North of Skylight	1,472,000 (2)		1,472,000	
	Performance Hall Seating	350,000		350,000	
	Theater Box Seats	50,000		50,000	
	Ballroom Lighting & Controls	2,100,000	337,081	1,762,919	
	Trash Compactor	50,000		50,000	
	Total DVP	4,322,000	337,081	3,984,919	-
Both Venues					
	Radio System Upgrade	100,000		100,000	
	Small Motor Equipment	60,000	40,662	19,338	
	Computers and Accessories	150,000	112,874	37,126	
	X-Ray Inspection Systems	33,100		33,100	
	Total Both Venues	343,100	153,536	189,564	-
Carryover (FY20& FY22) Projects					
DVP	New Sound System	183,788	69,213	114,576	
VAA	Cooling Tower/Condenser Coil	30,000		30,000	
VAA	Wireless Communication Devices	45,000		45,000	
VAA	Suite Refresher	370,112		370,112	
	Total Carryover	628,900 (1)	69,213	559,688	-
Total FY 2023 Capital Budget		\$ 6,079,000	\$ 624,605	\$ 5,454,395	\$ -

Note: The FY2023 budget, as adopted, included \$4,353,100 for capital repair/replacement projects

(1) The July monthly financial report included a request to re-appropriate a total of \$628,900 for previous year projects that could not be completed for supply issues

(2) The August monthly financial report included a request to pull-forward \$1,097,000 for project work previously planned for FY24 and FY25 - see memo dated 9/30/22.

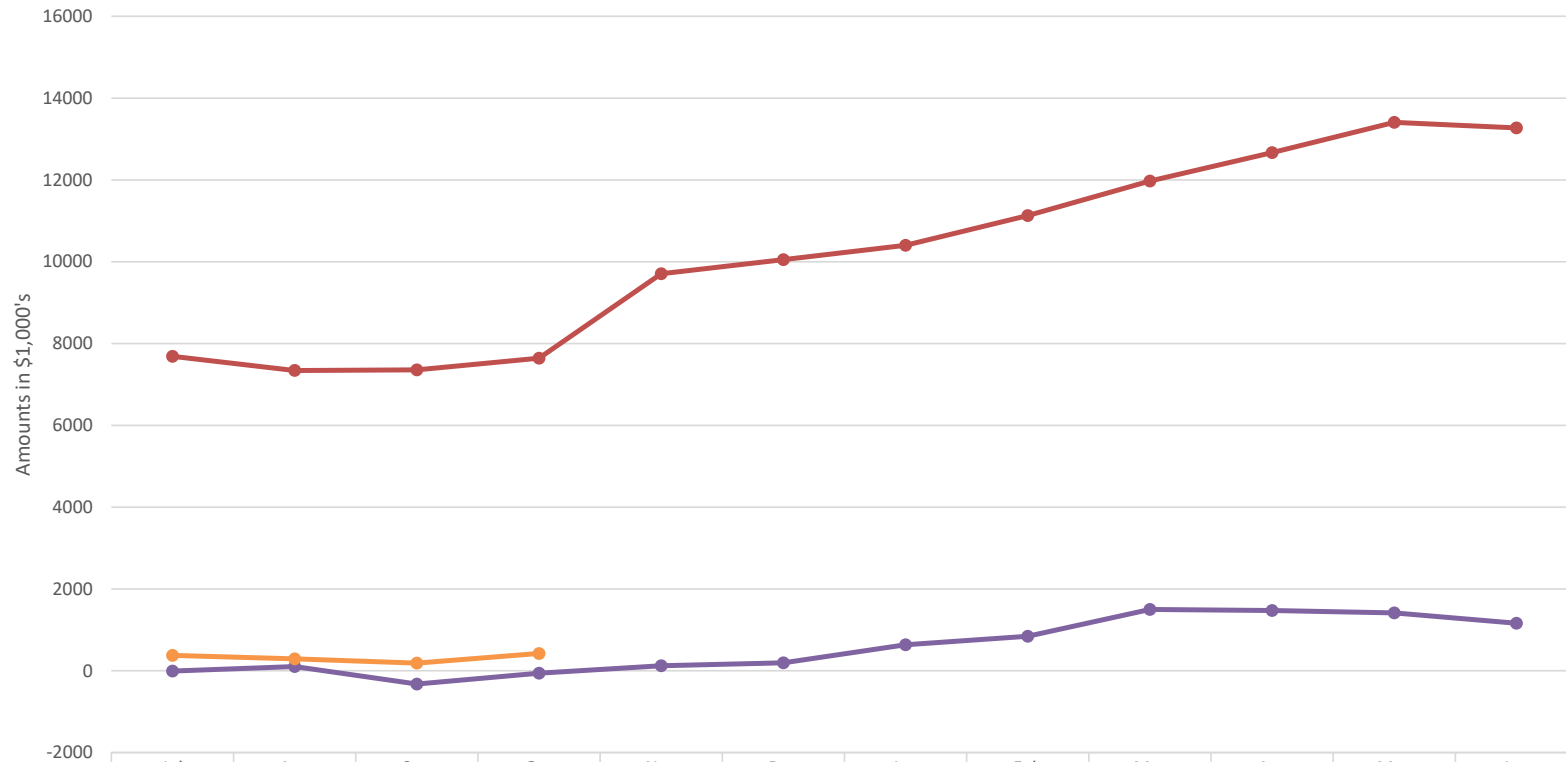
Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
Financial Trends for Year Ending June 30, 2023

	Annual			Year-To-Date		
	FY 2022 Final (Audited)	FY 2023 Budget	Change Positive (Negative)	FY 2022 7/1-10/31	FY 2023 7/1 - 10/31	Change Positive (Negative)
Van Andel Arena						
Operating - Revenues	\$ 7,934,764	\$ 6,642,366	-16.3%	\$ 1,154,130	\$ 2,122,154	83.9%
- Expenses - Facilities	(4,108,004)	(4,858,170)	-18.3%	(1,084,156)	(1,644,957)	51.7%
- Base Management Fees	(185,746)	(191,321)	-3.0%	(60,113)	(61,029)	1.5%
- Incentive Fee	(240,472)	-	-	-	-	-
Net Operating Income (Loss)	3,400,542	1,592,875	53.2%	9,861	416,168	-4120.3%
Parking	371,385	387,830	4.4%	114,572	147,762	29.0%
Pedestrian Safety	(95,620)	(65,000)	-100.0%	(4,351)	-	-100.0%
Net Proceeds (Cost) of VAA	3,676,307	1,915,705	-91.9%	120,082	563,930	-369.6%
DeVos Place Convention Center						
Operating - Revenues	6,202,108	6,229,122	0.4%	1,021,370	1,994,261	95.3%
- Expenses - Facilities	(6,644,386)	(7,086,270)	-6.7%	(1,732,636)	(2,156,487)	24.5%
- Base Management Fees	(185,749)	(191,321)	-3.0%	(60,113)	(63,269)	5.3%
- Incentive Fee	(131,025)	-	-	-	-	0.0%
Net Operating Income (Loss)	(759,052)	(1,048,469)	-38.1%	(771,379)	(225,495)	70.8%
Parking	1,071,815	1,254,921	17.1%	278,079	341,994	23.0%
Pedestrian Safety	(29,512)	(36,000)	22.0%	(2,805)	-	-100.0%
Net Proceeds (Cost) of DVP	283,251	170,452	-66.2%	(496,105)	116,499	123.5%
Other						
Revenues	10,155,878	168,000	-98.3%	8,284,646	78,333	-99.1%
Expenses	(742,282)	(1,094,140)	-47.4%	(209,229)	(335,925)	60.6%
Net Other	9,413,596	(926,140)	-81.0%	8,075,417	(257,592)	-103.2%
Total Net Proceeds/Operating	13,373,154	1,160,017	78.0%	7,699,394	422,837	94.5%
Capital/Repair Expenditures	(711,575)	(6,079,000)	52.0%	(31,960)	(624,605)	0.0%
Results Net of Capital Expenditures	\$ 12,661,579	\$ (4,918,983)	71.0%	\$ 7,667,434	\$ (201,768)	-102.6%

NOTES: Combined net proceeds of VAA & DVP is just over \$950,000 improvement over same point prior fiscal year.

CAA Trends

Monthly Net Operating Proceeds through October 31, 2022



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY22 Actual	7689	7339	7355	7641	9706	10051	10401	11130	11970	12667	13406	13272
FY23 Budget	-7	101	-325	-60	124	192	632	845	1498	1475	1413	1160
FY23 Actual	372	293	186	423								

Accumulative Net Proceeds by Month

Grand Rapids-Kent County Convention/Arena Authority
Administrative Accounts
Net Other Detail
October 31, 2022

	Annual			Actual		
	FY 2022	FY 2023	Change	FY 2022	FY 2023	Change
	Final (Audited)	Budget	Positive	7/1-10/31	7/1-10/31	Positive
			(Negative)			(Negative)
Other						
Revenues						
Interest/Capital Contr.	\$ 144,201	\$ 100,000	-30.7%	\$ 82,381	\$ 76,533	-7.1%
Miscellaneous	10,480,549	68,000	-99.4%	8,202,265	1,800	-100.0%
	10,624,750	168,000	-98.4%	8,284,646	78,333	-99.1%
Expenses						
Arena 25-Year Recognition/New						
Venue Awareness	39,626	100,000	-100.0%	20,350	-	100.0%
Marketing (CVB/Sports)	200,000	200,000	0.0%	-	66,667	100.0%
Diversity Initiative	9,817	200,000	-1937.3%	2,500	57,253	0.0%
Wages/Benefits	147,035	111,800	24.0%	41,187	11,179	72.9%
Professional Services	167,381	135,570	19.0%	39,476	60,119	-52.3%
DID Assessment	63,806	65,720	-3.0%	31,903	66,646	0.0%
Food & Beverage Repairs	-	45,000	-100.0%	-	-	0%
Consulting Services	132,561	143,165 ⁽¹⁾	-8.0%	32,580	26,429	18.9%
Landscaping	25,909	27,810	-7.3%	3,526	3,526	0.0%
Procurement of Art	25,958	30,000	-100.0%	9,366	16,489	-100.0%
Insurance	19,392	25,075	-29.3%	25,075	25,542	-1.9%
Supplies/Other	39,572	10,000	74.7%	3,265	2,075	36.4%
	871,057	1,094,140	-25.6%	209,229	335,925	-60.6%
Net Proceeds - Operating	<u>\$ 9,753,693</u>	<u>\$ (926,140)</u>	<u>109.5%</u>	<u>\$ 8,075,417</u>	<u>\$ (257,592)</u>	<u>-103.2%</u>

Notes:

⁽¹⁾ SMG - \$57,165; Potomac Strategic Development - \$36,000; Progressive AE - \$50,000

DEVOS PLACE

DE VOS PLACE

**FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2022**

Distribution:

Grand Rapids – Kent County Convention / Arena Authority
Cheri McConomy
Tony Cima
Jeffrey Wong
David Schmid
Richard MacKeigan
Chris Machuta




DE VOS PLACE
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2023

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	126	270	396	368	28
ATTENDANCE	105,000	469,803	574,803	563,920	10,883
DIRECT EVENT INCOME	793,970	2,603,737	3,397,707	3,431,950	(34,243)
ANCILLARY INCOME	979,404	1,288,567	2,267,971	2,208,772	59,199
OTHER EVENT INCOME	191,539	492,832	684,371	538,400	145,971
TOTAL EVENT REVENUE	1,964,913	4,385,136	6,350,049	6,179,122	170,927
TOTAL OTHER REVENUE	29,348	51,744	81,092	50,000	31,092
TOTAL OPERATING REVENUE	1,994,261	4,436,880	6,431,141	6,229,122	202,019
INDIRECT EXPENSES					
EXECUTIVE	58,482	237,558	296,040	296,040	-
FINANCE	97,622	240,507	338,129	338,129	-
MARKETING	73,212	141,334	214,546	214,546	-
OPERATIONS	463,004	1,271,989	1,734,993	1,734,993	-
EVENT SERVICES	562,049	958,760	1,520,809	1,520,809	-
BOX OFFICE	72,715	248,829	321,544	321,544	-
SALES	137,731	445,148	582,879	582,879	-
OVERHEAD	754,941	1,513,710	2,268,651	2,268,651	-
TOTAL OPERATING EXP.	2,219,756	5,057,835	7,277,591	7,277,591	-
NET REVENUE ABOVE EXPENSES	(225,495)	(620,955)	(846,450)	(1,048,469)	202,019
INCENTIVE FEE		188,730	188,730	0	(188,730)
NET OPERATING REVENUE OVER OPERATING EXPENSES	(225,495)	(809,685)	(1,035,180)	(1,048,469)	13,289

Comments:

October was another strong month for DeVos Place as most events hosted during the month performed stronger than expected.


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 2022
Number of Events	44	43	41
Attendance	37,682	44,850	11,159
Direct Event Income	\$318,915	\$335,460	\$181,018
Ancillary Income	437,420	215,242	148,853
Other Event Income	29,767	56,600	28,281
Other Operating Income	6,706	4,166	6,212
Indirect Expenses	(625,128)	(606,470)	(443,820)
Net Income	<u>\$167,680</u>	<u>\$4,998</u>	<u>(\$79,456)</u>

YTD	YTD 2022 Actual	YTD 2022 Budget	YTD 2021 Prior Year
Number of Events	126	112	105
Attendance	105,000	131,360	34,025
Direct Event Income	\$793,970	\$920,283	\$501,904
Ancillary Income	979,404	702,581	428,261
Other Event Income	191,539	136,500	65,700
Other Operating Income	29,348	16,664	25,505
Indirect Expenses	(2,219,756)	(2,425,880)	(1,792,749)
Net Income	<u>(\$225,495)</u>	<u>(\$649,852)</u>	<u>(\$771,379)</u>

EVENT INCOME

Event income came in consistent with budget overall.

ANCILLARY INCOME

Ancillary income came in higher than budget as spending in most areas was very strong.

INDIRECT EXPENSES

Indirect expenses came in at expected levels for the month.

DeVos Place
Income Statement
For the Four Months Ended October 31, 2022

	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	\$367,732	\$331,810	\$ 35,922	\$204,121	\$1,029,317	\$929,793	\$ 99,524	\$528,189
Service Revenue	323,293	287,940	35,353	178,131	910,615	829,721	80,894	479,747
Service Expenses	(372,110)	(284,290)	(87,820)	(201,234)	(1,145,962)	(839,231)	(306,731)	(506,032)
Total Direct Event Income	318,915	335,460	(16,545)	181,018	793,970	920,283	(126,313)	501,904
Ancillary Income								
F&B Concession	31,826	14,912	16,914	4,323	70,457	43,340	27,117	33,317
F&B Catering	136,150	81,219	54,931	74,062	384,592	269,340	115,252	159,092
Novelty Sales	1,497	840	657	505	11,519	3,340	8,179	5,514
Booth Cleaning	45,206	27,578	17,628	4,441	119,820	88,208	31,612	56,895
Telephone/Long Distance	0	-	-	0	0	-	-	0
Electrical Services	62,790	36,343	26,447	12,906	146,748	117,697	29,051	56,449
Audio Visual	118,542	29,040	89,502	31,781	150,363	106,099	44,264	61,894
Internet Services	22,415	7,940	4,764	7,999	46,869	27,873	18,996	15,681
Equipment Rental	18,994	17,370	1,624	12,836	49,036	46,684	2,352	39,419
Total Ancillary Income	437,420	215,242	222,178	148,853	979,404	702,581	276,823	428,261
Other Event Income								
Ticket Rebates(Per Event)	29,767	56,600	(26,833)	28,281	191,539	136,500	55,039	65,700
Total Other Event Income	29,767	56,600	(26,833)	28,281	191,539	136,500	55,039	65,700
Total Event Income	786,102	607,302	178,800	358,152	1,964,913	1,759,364	205,549	995,865
Other Operating Income								
Luxury Box Agreements	804	1,333	(529)	0	3,217	5,332	(2,115)	0
Advertising	0	1,000	(1,000)	0	0	4,000	(4,000)	0
Other Income	5,902	1,833	4,069	6,212	26,131	7,332	18,799	25,505
Total Other Operating Income	6,706	4,166	2,540	6,212	29,348	16,664	12,684	25,505
Adjusted Gross Income	792,808	611,468	181,340	364,364	1,994,261	1,776,028	218,233	1,021,370
Operating Expenses								
Salaries and Wages	435,232	315,797	119,435	309,941	1,391,892	1,263,188	128,704	1,046,555
Payroll Taxes and Benefits	137,831	99,956	37,875	107,435	435,374	399,824	35,550	373,857
Labor Allocations to Events	(318,286)	(152,700)	(165,586)	(227,335)	(982,879)	(610,800)	(372,079)	(683,723)
Net Salaries and Benefits	254,777	263,053	(8,276)	190,041	844,387	1,052,212	(207,825)	736,689
Contracted Services	41,336	39,217	2,119	34,158	198,410	156,868	41,542	123,191
General and Administrative	53,549	39,603	13,946	19,352	174,671	158,412	16,259	108,300
Operations	8,972	13,852	(4,880)	4,025	95,598	55,408	40,190	20,223
Repair and Maintenance	65,037	48,667	16,370	33,656	161,673	194,668	(32,995)	176,781
Operational Supplies	22,189	25,675	(3,486)	14,832	75,358	102,700	(27,342)	71,344
Insurance	34,435	32,725	1,710	18,704	113,005	130,900	(17,895)	70,623
Utilities	128,001	127,734	267	114,024	493,385	510,936	(17,551)	425,485
SMG Management Fees	16,832	15,944	888	15,028	63,269	63,776	(507)	60,113
Total Operating Expenses	625,128	606,470	18,658	443,820	2,219,756	2,425,880	(206,124)	1,792,749
Net Income(Loss) From Operatic	167,680	4,998	162,682	(79,456)	(225,495)	(649,852)	424,357	(771,379)
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	167,680	4,998	162,682	(79,456)	(225,495)	(649,852)	424,357	(771,379)

SMG DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Year to Date Event Summary Report
For the Four Months Ended October 31, 2022

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Convention/Trade Shows	59	75	51,940	75,710	953,382	1,195,918
Consumer/Gated Shows	1	4	538	6,000	7,664	30,915
DeVos Performance Hall	32	27	35,270	37,650	469,155	379,905
Banquets	6	-	4,380	-	67,340	-
Meetings	23	6	7,697	12,000	443,682	152,626
Other	5	-	5,175	-	23,601	-
GRAND TOTALS	126	112	105,000	131,360	1,964,823	1,759,364

As Percentage of Overall

Convention/Trade Shows	46.83%	66.96%	49.47%	57.64%	48.52%	67.97%
Consumer/Gated Shows	0.79%	3.57%	0.51%	4.57%	0.39%	1.76%
Devos Performance Hall	25.40%	24.11%	33.59%	28.66%	23.88%	21.59%
Ballroom Exclusive	4.76%	0.00%	4.17%	0.00%	3.43%	0.00%
Meetings	18.25%	5.36%	7.33%	9.14%	22.58%	8.68%
Other	3.97%	0.00%	4.93%	0.00%	1.20%	0.00%

**DeVos Place
Balance Sheet
As of October 31, 2022**

ASSETS

Current Assets

Cash	2,911,941
Account Receivable	1,563,222
Prepaid Expenses	285,222

Total Current Assets		\$4,760,385
-----------------------------	--	--------------------

Total Assets

\$4,760,385

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	704,349
Accrued Expenses	227,372
Deferred Income	304,520
Advanced Ticket Sales & Deposits	2,651,259

Total Current Liabilities		\$3,887,500
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Other Liabilities

Equity

Funds Remitted to CAA	(22,000)
Funds Received by CAA	
Expenses Paid Direct by CAA	481,211
Beginning Balance Equity	639,170
Current Year Equity	(225,495)

Total Equity		\$872,886
--------------	--	-----------

Total Liabilities and Equity		\$4,760,385
-------------------------------------	--	--------------------

SMG - DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2022

Current - Under 30 Days	
Food & Beverage	168,046
Ticketing	138,550
Merchandise	1,710
Decorating	45,205
Audio/Visual	119,177
Van Andel Arena	276,397
Operating	534,276
 Over 30 Days	 204,987
 Over 60 Days	 74,874
 Over 90 Days	
 Total Accounts Receivable	 1,563,222

**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 2022 Unaudited
Net Revenue above Expenses	2,113,516	(846,450)	1,267,066	2,650,922
Benchmark++			1,050,000	1,050,000
Excess	2,113,516	(846,450)	217,066	1,600,922

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Unaudited
Base Fee	191,321	191,321	382,642	371,497
Incentive Fee				
Revenue	7,163,007	6,431,141	13,594,148	14,004,879
Benchmark Revenue	6,019,622	5,318,308	11,337,930	10,449,705
Revenue Excess	1,143,385	1,112,833	2,256,218	3,555,174
Incentive Fee **	193,912	188,730	382,642	371,497
Total SMG Management Fee	385,233	380,051	765,284	742,994

** 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.

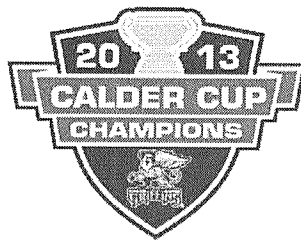
Equal to \$1,050,000 and above shall be paid at 100% of calculated fee.



VAN ANDEL ARENA

FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED OCTOBER 31, 2022

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



Distribution:

Grand Rapids – Kent County Convention / Arena Authority
Cheri McConomy
Tony Cima
Jeffrey Wong
David Schmid
Richard MacKeigan
Chris Machuta

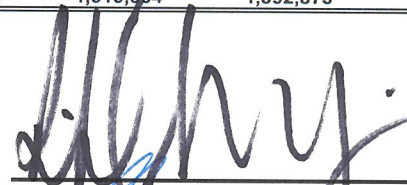


VAN ANDEL ARENA
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2023

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	16	94	110	86	24
ATTENDANCE	111,901	499,444	611,345	561,500	49,845
DIRECT EVENT INCOME	359,745	1,171,400	1,531,145	1,401,940	129,205
ANCILLARY INCOME	578,276	1,366,855	1,945,131	1,716,326	228,805
OTHER EVENT INCOME	444,917	863,382	1,308,299	1,195,500	112,799
TOTAL EVENT INCOME	1,382,938	3,401,637	4,784,575	4,313,766	470,809
TOTAL OTHER INCOME	739,216	1,639,216	2,378,432	2,328,600	49,832
TOTAL INCOME	2,122,154	5,040,853	7,163,007	6,642,366	520,641
INDIRECT EXPENSES					
EXECUTIVE	70,676	220,866	291,542	291,542	-
FINANCE	86,429	196,026	282,455	282,455	-
MARKETING	94,879	232,266	327,145	327,145	-
OPERATIONS	923,616	1,419,250	2,342,866	2,342,866	-
BOX OFFICE	66,495	217,547	284,042	284,042	-
SKYWALK ADMIN	6,783	47,317	54,100	54,100	-
OVERHEAD	457,108	1,010,233	1,467,341	1,467,341	-
TOTAL INDIRECT EXP.	1,705,986	3,343,505	5,049,491	5,049,491	-
NET REVENUE ABOVE EXPENSES	416,168	1,697,348	2,113,516	1,592,875	520,641
LESS INCENTIVE FEE		193,912	193,912	-	(193,912)
NET REVENUE ABOVE EXPENSES AFTER INCENTIVE	416,168	1,503,436	1,919,604	1,592,875	326,729

Comments:

October was slower than budget, however, the events hosted performed consistent with expectations overall.


General Manager


Assistant General Manager

**VAN ANDEL ARENA
FINANCIAL STATEMENT HIGHLIGHTS
FOR FISCAL YEAR ENDING JUNE 30, 2023**

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 2022
Number of Events	7	7	11
Attendance	42,643	48,500	52,023
Direct Event Income	\$16,541	\$146,595	\$275,871
Ancillary Income	229,348	162,800	208,459
Other Event Income	71,118	144,000	145,372
Other Operating Income	208,104	211,972	139,223
Indirect Expenses	(518,368)	(420,794)	(372,701)
Net Income	\$6,743	\$244,573	\$396,224

YTD	YTD 2023 Actual	YTD 2023 Budget	YTD 2022 Prior Year
Number of Events	16	15	16
Attendance	111,901	112,500	72,420
Direct Event Income	\$359,745	\$458,595	\$384,625
Ancillary Income	578,276	376,080	328,954
Other Event Income	444,917	432,000	233,800
Other Operating Income	739,216	799,888	206,751
Indirect Expenses	(1,705,986)	(1,683,176)	(1,144,269)
Net Income	\$416,168	\$383,387	\$9,861

EVENT INCOME

Event income fell below budget for the month as 4 concerts were expected while only 2 were hosted.

ANCILLARY INCOME

While ancillary income fell below budget, per cap spending for the events hosted continue to trend higher than expectations.

INDIRECT EXPENSES

Indirect expenses came in higher than budget overall, however, consistent with budget year to date.

Van Andel Arena
Income Statement
For the Four Months Ended October 31, 2022

	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	\$ 154,847	\$ 215,595	\$ (60,748)	\$ 378,142	\$ 529,385	\$ 575,595	\$ (46,210)	\$ 529,832
Service Revenue	338,170	246,000	92,170	131,019	1,217,942	726,000	491,942	456,806
Service Expenses	(476,476)	(315,000)	(161,476)	(233,290)	(1,387,582)	(843,000)	(544,582)	(602,013)
Total Direct Event Income	16,541	146,595	(130,054)	275,871	359,745	458,595	(98,850)	384,625
Ancillary Income								
F&B Concession	190,411	136,280	54,131	192,031	469,329	305,880	163,449	287,856
F&B Catering	23,371	14,040	9,331	11,258	51,826	32,760	19,066	19,003
Novelty Sales	14,930	12,480	2,450	5,075	56,485	37,440	19,045	22,000
Booth Cleaning	-	-	-	-	-	-	-	-
Audio Visual	636	-	636	95	636	-	636	95
Other Ancillary	-	-	-	-	-	-	-	-
Total Ancillary Income	229,348	162,800	66,548	208,459	578,276	376,080	202,196	328,954
Other Event Income								
Ticket Rebates(Per Event)	71,118	144,000	(72,882)	145,372	444,917	432,000	12,917	233,800
Total Other Event Income	71,118	144,000	(72,882)	145,372	444,917	432,000	12,917	233,800
Total Event Income	317,007	453,395	(136,388)	629,702	1,382,938	1,266,675	116,263	947,379
Other Operating Income								
Luxury Box Agreements	159,070	153,888	5,182	101,223	523,014	567,552	(44,538)	154,148
Advertising	48,000	52,084	(4,084)	38,000	212,270	208,336	3,934	38,000
Other Income	1,034	6,000	(4,966)	-	3,932	24,000	(20,068)	14,603
Total Other Operating Income	208,104	211,972	(3,868)	139,223	739,216	799,888	(60,672)	206,751
Adjusted Gross Income	525,111	665,367	(140,256)	768,925	2,122,154	2,066,563	55,591	1,154,130
Operating Expenses								
Salaries and Wages	338,983	201,334	137,649	158,341	990,975	805,336	185,639	460,182
Payroll Taxes and Benefits	114,297	60,119	54,178	54,970	301,408	240,476	60,932	157,928
Labor Allocations to Events	(172,463)	(82,886)	(89,577)	(51,424)	(527,815)	(331,544)	(196,271)	(163,388)
Net Salaries and Benefits	280,817	178,567	102,250	161,887	764,568	714,268	50,300	454,722
Contracted Services	32,224	36,600	(4,376)	23,767	137,153	146,400	(9,247)	92,468
General and Administrative	42,194	33,831	8,363	32,761	157,212	135,324	21,888	122,496
Operations	7,853	7,184	669	3,051	22,292	28,736	(6,444)	10,286
Repair and Maintenance	35,861	31,375	4,486	21,438	172,175	125,500	46,675	91,319
Operational Supplies	10,695	23,017	(12,322)	23,408	70,387	92,068	(21,681)	51,592
Insurance	27,717	23,667	4,050	26,880	80,505	94,668	(14,163)	52,801
Utilities	65,064	70,609	(5,545)	64,481	240,665	282,436	(41,771)	208,472
SMG Management Fees	15,943	15,944	(1)	15,028	61,029	63,776	(2,747)	60,113
Total Operating Expenses	518,368	420,794	97,574	372,701	1,705,986	1,683,176	22,810	1,144,269
Net Income(Loss) From Operations	6,743	244,573	(237,830)	396,224	416,168	383,387	32,781	9,861
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	6,743	244,573	(237,830)	396,224	416,168	383,387	32,781	9,861

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Event Summary
For the Four Months Ended October 31, 2022

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Family Show	1		4,284		93,816	
Sporting Event	1		845		38,571	
Concert	8	12	71,997	96,000	1,015,749	1,219,920
Team Home Games	3	3	16,371	16,500	16,989	46,755
Other	3		18,404		217,812	
GRAND TOTALS	16	15	111,901	112,500	1,382,938	1,266,675

As Percentage of Overall

Family Show	6.25%	0.00%	3.83%	0.00%	6.78%	0.00%
Sporting Event	6.25%	0.00%	0.76%	0.00%	2.79%	0.00%
Concert	50.00%	80.00%	64.34%	85.33%	73.45%	96.31%
Team Home Games	18.75%	20.00%	14.63%	14.67%	1.23%	3.69%
Other	18.75%	0.00%	16.45%	0.00%	15.75%	0.00%

Van Andel Arena
Balance Sheet
As of October 31, 2022

ASSETS

Current Assets

Cash	13,725,677
Account Receivable	2,343,037
Prepaid Expenses	130,368

Total Current Assets		\$16,199,082
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Total Assets

\$16,199,082

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	1,904,961
Accrued Expenses	570,262
Deferred Income	3,405,840
Advanced Ticket Sales & Deposits	7,123,125

Total Current Liabilities		\$13,004,188
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Other Liabilities

Equity

Funds Remitted to CAA	(1,000,000)
Funds Received by CAA	-
Expenses Paid Direct by CAA	229,630
Beginning Balance Equity	3,549,096
Current Year Equity	416,168

Total Equity		\$3,194,894
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Total Liabilities and Equity		\$16,199,082
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SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2022

Current - Under 30 Days	
Food & Beverage	452,066
Ticketing	470,922
Merchandise	24,006
Permanent Advertising	-
DeVos Place	(281,617)
Operating	1,351,674
 Over 30 Days	 325,986
 Over 60 Days	
 Over 90 Days	
 Total Accounts Receivable	 2,343,037

**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 2022 Unaudited
Net Revenue above Expenses	2,113,516	(846,450)	1,267,066	2,650,922
Benchmark++			1,050,000	1,050,000
Excess	2,113,516	(846,450)	217,066	1,600,922

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Unaudited
Base Fee	191,321	191,321	382,642	371,497
Incentive Fee				
Revenue	7,163,007	6,431,141	13,594,148	14,004,879
Benchmark Revenue	6,019,622	5,318,308	11,337,930	10,449,705
Revenue Excess	1,143,385	1,112,833	2,256,218	3,555,174
Incentive Fee **	193,912	188,730	382,642	371,497
Total SMG Management Fee	385,233	380,051	765,284	742,994

** 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.

**KENT COUNTY
GRANT AGREEMENT
REGARDING COVID-RELATED EXPENSES
Contract: CSLFRF-000001**

This Kent County Grant Agreement (“**Agreement**”), dated as of June 30, 2022 (the “**Effective Date**”) is entered into by and between Kent County, a Michigan political subdivision (“**County**”) and Grand Rapids – Kent County Convention/Arena Authority (“**CAA**”, and together with County, the “**Parties**”, and each a “**Party**”).

WHEREAS, County has received certain funding which the County Board of Commissioners has determined should be used to reimburse certain COVID – 19 related business expenses incurred by the CAA; and

WHEREAS, CAA works to strengthen the economic vitality in Kent County by managing certain convention and arena facilities in Kent County thereby increasing tourism to the area over the last 25 years, thereby enhancing the quality of life for all Kent County residents through increased visitor traffic and tax revenue; and

WHEREAS, CAA incurred certain expenses and lost revenue that has not otherwise been recovered through other funding sources,

Accordingly, the Parties hereby agree as follows:

1. Grant. Subject to the terms and conditions of this Agreement and all applicable statutes, laws, and other requirements and rules of law of governmental authorities, County agrees to pay to CAA \$511,933.86 (the “**Grant**”) promptly after this Agreement is fully executed and upon receipt of required documentation of expenses.
2. Purpose of Grant. CAA agrees to use the Grant solely as reimbursement for the costs and expenses incurred by CAA as set forth in Exhibit A of this Agreement (the “**Purpose**”). To the extent that there is any conflict between the description of Purpose in related documents and Exhibit A, Exhibit A shall control. For purposes of this agreement CAA is considered to be an end recipient of assistance and not a sub recipient of Kent County.
3. Terms and Conditions. This Agreement is subject to the current version of the KENT COUNTY GRANT TERMS AND CONDITIONS (“**Terms and Conditions**”), which attached hereto as Exhibit B. To the extent that there is any conflict between this Agreement and the Terms and Conditions, the provisions of this Agreement shall control.
4. Reporting Requirements. CAA shall within a reasonable amount of time, upon written request in advance, submit to County written reports summarizing CAA’s use of the funds.
5. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties, their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

6. CAA Representations and Warranties.

6.1 Purpose. CAA represents and warrants that the Purpose shall be performed by qualified personnel in a good and workmanlike fashion in accordance with the specifications set forth herein, and that CAA has obtained all consents, authorizations, and licenses as may be necessary for CAA to perform the Purpose hereunder.

6.2 Compliance with Laws. CAA represents and warrants that it is in compliance with, and covenants that it shall comply with, all applicable statutes, laws, ordinances, regulations, rules, codes, orders, constitutions, treaties, common law, judgments, decrees, and other requirement or rule of law of any governmental authority (including, without limitation, all applicable federal, state, and local Laws relating to fair housing, disabilities, civil rights, anti-discrimination, anti-kickback, and employment) (collectively, “**Laws**”).

7. Governing Law. This Agreement and all matters arising out of or relating to this Agreement, including tort and statutory claims are governed by, and construed in accordance with, the laws of Michigan, without giving effect to any conflict of laws provisions thereof that would result in the application of the laws of a different jurisdiction.

8. Notices. Notices under this Agreement shall be made in writing as follows:

If to County:

Attn: Jeff Dood, Fiscal Services Director
Kent County
300 Monroe Ave., NW
Grand Rapids, MI 49503-2206
E-mail: Jeff.Dood@kentcountymi.gov

If to CAA:

Attn: Sue Waddell
Grand Rapids – Kent County
Convention/Arena Authority
303 Monroe Ave NW
Grand Rapids, MI 49503
E-mail: swaddell@asmgrandrapids.com

9. General.

9.1 This Agreement, including the Terms and Conditions and all exhibits and schedules attached hereto, which are incorporated into and a part of this Agreement, contains the entire understanding of the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous written or oral understandings, agreements, representations, and warranties with respect to such subject matter.

9.2 The Parties may not amend this Agreement except by written instrument signed by the Parties.

9.3 No waiver of any right, remedy, power, or privilege under this Agreement (“**Right(s)**”) is effective unless contained in a writing signed by the Party charged with such waiver. No failure to exercise, or delay in exercising, any Right operates as a waiver thereof. No single or partial exercise of any Right precludes any other or further exercise thereof or the exercise of any other Right.

9.4 The ights under this Agreement are cumulative and are in addition to any other rights and remedies available at law or in equity or otherwise.

9.5 This Agreement is binding upon and inures to the benefit of the Parties and their respective successors and permitted assigns.

9.6 Any provision that, in order to give proper effect to its intent, should survive the expiration or termination of this Agreement, will survive such expiration or termination.

9.7 This Agreement may be executed in counterparts. The Parties expressly agree that the transactions contemplated hereunder may be conducted by electronic means, and an electronic signature of a Party shall be considered to have the same binding legal effect as an original manual signature.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date by their respective officers thereunto duly authorized.

COUNTY:

KENT COUNTY

By: _____

Alan G. Vanderberg, Kent County Administrator/Controller

CAA:

Grand Rapids – Kent County Convention/Arena Authority

By: _____

Richard A. Winn, Chair

20410726

EXHIBIT A

Settlement of CAA Grant - Vaccine Clinic Impact Costs				
Expense Group	Expense Type	Notes	Expense Amount	Expense Total
ExGR				
	Crop Marks Signage		384.45	
	Crop Marks Signage		1,478.65	
	Gail Andrus Travel		2,846.25	
	Affordable Limousine		27,733.75	
	Destination Consultants		500.00	
	Malamiah Juice		1,219.00	
	20 Monroe Live		24,000	
	Less: Original Contribution for IIMC **		(20,560)	
Total ExGR	**The total amount paid for ExGr is reduced by the amount originally contributed towards IIMC Settlement at DVP.			37,602.10
WMSC				
	Holiday Coach		1400.00	
	DeltaPlex		9,680.00	
			Total WMCS	11,080.00
Amway Hotel Corporation				
	MJVBA Lost Room Revenue	Ineligible	0.00	
	Lakeshore Volleyfest Lost Room Rental	Ineligible	0.00	
	IIMC - A/V Revenue		12,850.16	
	IIMC - Transportation to VAA		2,284.55	
	IIMC - Transportation to 20ML		160.00	
	IIMC - Lost Beverage Revenue @ VAA	Ineligible	0.00	
			Total Amway Hotel Corporation	15,294.71
ASM				
	MJVBA Lost Rent		40,960.00	
	Lakeshore Volleyfest Lost Rent		40,960.00	
	USA Gymnastics Lost Rent		17,125.00	
	ID Dance Lost Rent		2,350.00	
	IIMC - Event Settlement above Payment	Rent limited to \$40k from IIMC + ExGR planned contribution of \$20,560. Reduction of \$14,440	282,122.05	
	MJVBA Rebooking	Paid at time of settlement over 1 year	25,000.00	
	Lakeshore Volleyfest Rebooking	Paid at time of settlement over 1 year	25,000.00	
			Total ASM	447,957.05
			Grant Total	511,933.86

EXHIBIT B

KENT COUNTY GRANT TERMS AND CONDITIONS

These Terms and Conditions (“Terms”) apply to any agreement (a “Grant Agreement”) between Kent County, a Michigan political subdivision (the “County”) and a grant recipient (“Grantee”) to which the County is providing funds (the “Grant”) from the federal funding the County received from the American Rescue Plan Act (“Fund”). These Terms together with the Grant Agreement form the “Agreement” between the parties, and Grantee’s acceptance of the Grant Agreement constitutes Grantee’s acceptance of these Terms.

1. Grant

Grantee agrees that the Grant will be used solely for the purposes described in the Grant Agreement, subject to the limitations set forth in this Agreement (the “Purpose”).

2. Grantee Obligations

Grantee agrees to use its best efforts to fulfill the Purpose and otherwise satisfy all the requirements stated in this Agreement, including only using the Grant in compliance with the ARPA Laws. Grantee will immediately notify County about any changes in Grantee that could negatively affect Grantee’s eligibility for the Grant or ability to fulfill the Purpose. Grantee must expend all Grant funds on or before June 30, 2023. Any Grant funds not spent by June 30, 2023 must be immediately returned to County.

3. Grantee Representations and Warranties

Grantee represents, warrants, covenants and certifies to County that:

(a) Grantee has full power and authority to execute and deliver the Agreement and to perform its obligations under the Agreement, and that this Agreement constitutes the legal, valid and binding agreement of Grantee;

(b) all statements made in the Grant Agreement, the Grant application, and any other statements, certification, documentation, or other information provided by Grantee to County or its Grant administrator relative to the Grant or this Agreement are true, accurate, and not misleading;

(c) Grantee has not been approved for or received other assistance as a result of COVID-19 to be used for the same purpose as the Purpose including, but not limited to, business-interruption insurance proceeds, ARPA funding from a source other than the County, or private grant funding; and

(d) Grantee will only use the Grant for the Purpose and will comply with all applicable laws, statutes, regulations, and rules of law of any kind of any governmental authority (collectively, “Laws”) applicable to its performance under this Agreement and expenditure of the Grant. Without limiting the foregoing, Grantee shall not use the Grant funds to pay any person for influencing or attempting to influence an officer or employee of any federal agency, a member of congress, an officer or employee of congress, or an employee of a member of congress in connection with the award of the Grant, the extension, continuation, renewal, amendment, or modification of the Grant, any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan, or cooperative agreement.

4. Registration Requirements

To receive Grant funds, Grantee must register (or be registered) with the U.S. government's System of Award Management, available at sam.gov/SAM/ and provide the Unique Entity ID (UEI) of their SAM.GOV registration to Kent County.

5. Federal Excluded Parties List

Grantee acknowledges that the County will be receiving funds from or through the Federal Government and that such funds may not be used to pay any contractor on the Federal Excluded Parties List ("EPL"). Grantee represents and warrants to the County that it is not on the EPL. If the Grantee is in non-compliance at any time during execution or term of the Grant Agreement (including any extensions thereof), Grantee shall be in breach and the County shall be entitled to all remedies available to it at law or equity, specifically including but not limited to recovery of all moneys paid to the Grantee, all consequential damages (including the loss of grant funding or the requirement that grant funding be returned), and attorney fees (including the costs of in-house counsel) sustained as a result of the Grantee's non-compliance with this warranty and representation.

6. Limitations; Return of Grant

Grantee acknowledges and agrees that the Grant is made only for the Purpose, and funds from the Grant may not be expended for any other purpose without the County's prior written approval. Grantee shall return any portion of the Grant to the County that: (a) is not used for the Purpose; (b) County has determined not to be an eligible expenditure related to the Fund, or that is not an acceptable use of the Grant, including, without limitation: (i) expenses for the State share of Medicaid; (ii) damages covered by insurance; (iii) payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public-health emergency; (iv) expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the State of Michigan of COVID-19 related expenses from ARPA funds received by the State; (v) expenditures prohibited under Section 5001(b) of the ARPA Act; (vi) reimbursement to donors for donated items or services; (vii) workforce bonuses other than hazard pay or overtime; (viii) severance pay; (ix) legal settlements; (x) costs that are not consistent with the Grant Agreement's purposes and as to which the County has not given its written approval; or (xi) the Treasury Department has otherwise deemed an ineligible expenditure, including through guidance made available on its website, home.treasury.gov (the "Guidance") which Guidance, as it may be amended from time to time, is incorporated as if restated herein its entirety. Further, County reserves the right to terminate the Agreement or amend the Grant, in whole or in part, at any time, with or without notice, if County reasonably believes that Grantee is no longer willing or able to carry out the Purpose or has otherwise breached this Agreement. Grantee shall return all or the applicable portion of the Grant within thirty (30) days of County's request.

7. Indemnification

Grantee shall, to the fullest extent permitted by law, defend, indemnify, and hold harmless County and its Affiliates (defined below) from and against any and all claims, liabilities, losses, and expenses (including reasonable attorneys' fees) directly, indirectly, wholly or partially arising from or in connection with the Grant, this Agreement, or any act or omission of Grantee, its employees, or its agents related to the Grant or this Agreement, including Grantee's breach of this Agreement or failure to fulfill the Purpose. The foregoing shall apply regardless of the form of action, whether in contract, tort (including County's negligence), warranty, or strict liability.

8. Limitations of Liability

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER COUNTY 20310850-7/21/2020 NOR ITS AFFILIATES, AGENTS, ELECTED OFFICIALS, OFFICERS, OR EMPLOYEES (COLLECTIVELY, "AFFILIATES") SHALL BE LIABLE FOR ANY LOSS, DAMAGE OR EXPENSE ARISING DIRECTLY OR INDIRECTLY IN CONNECTION WITH THIS AGREEMENT, THE GRANT OR GRANTS PROVIDED HEREUNDER, OR ANY ACT OR OMISSION OF GRANTEE OR ANY OTHER PARTY IN ANY WAY RELATED TO THIS AGREEMENT. IN NO EVENT SHALL COUNTY OR ITS AFFILIATES BE LIABLE FOR ANY CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES EVEN IF COUNTY HAS BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGE. CONSEQUENTIAL DAMAGES SHALL INCLUDE LOST PROFITS, COST OF CAPITAL, LOSS OF BUSINESS REPUTATION AND OPPORTUNITY.

9. Publicity

County may disclose or use Grantee's name in connection with any announcements or statements made with respect to the Grant or Fund without Grantee's prior consent. Grantee shall participate in public programming, including public speaking and engagements with the press, as determined by County from time to time.

10. Reporting Requirements

Grantee shall, upon request, submit to County written reports summarizing the Grant activity and use of Grant funds, including a detailed accounting of the uses or expenditure of the Grant. Grantee further agrees to provide any other information reasonably requested by County.

11. Records and Access to Information

Grantee shall maintain records of all activities, including but not limited to, financial records, receipts, and expenditures, relating to the Grant, for at least 6 years after date of the final payment made by County under this Agreement. Upon prior reasonable notice, Grantee shall make its books and records available for inspection by County or any of County's agents or representatives during normal business hours at Grantee's principal place of business for the purpose of making such financial audits, verifications, or program evaluations as County deems necessary or appropriate concerning the Grant. If County is audited by the federal government, Grantee agrees to use best efforts to cooperate with County and provide any requested documentation related to the Grant requested by County.

12. Taxes

Grantee shall be responsible for all applicable federal, state, and local taxes resulting from or relating to the Grant. Grantee shall furnish County with all such documentation as County requests with respect to any required reporting of such taxes.

13. Freedom of Information Act

Nothing in this Agreement will be construed to limit in any way the ability of County or the Grantee to comply with any applicable laws or legal process concerning disclosures by public bodies. The parties acknowledge that any responses, materials, correspondence or documents provided to County or the Grantee are subject to the State of Michigan Freedom of Information Act and may be released to third parties in compliance with such act or any other Law, and such release will not constitute a breach or threatened breach of this Agreement.

14. Relationship of the Parties

County and Grantee are independent contractors with respect to each other, and: (a) neither County nor Grantee is an agent of another hereunder, and the parties have no right or authority to enter into any

contract or undertaking in the name of, or for the account of, the other party, or to create or assume any obligation of any kind, express or implied, on behalf of the other, except as specifically set forth herein; and (b) nothing in this Agreement shall be construed to create an employer/employee relationship, partnership or joint venture among the parties, or between a party and any employee of another party.

15. Notices

All notices, requests, consents and other communications under this Agreement shall be in writing, shall be addressed to County at Attn: Jeff Dood, Fiscal Services Director, Kent County, 300 Monroe Ave., NW, Grand Rapids, MI 49503-2206 with a copy to Kent County Corporate Counsel, 300 Monroe Ave., NW, Grand Rapids, MI 49503-2206 and to Grantee at the address set forth in the Grant Reimbursement Agreement or to such other address as a party may designate by notice under this Agreement, and shall be either (a) delivered by hand, (b) sent by electronic transmission, and mailed promptly by first class mail, (c) sent by overnight courier, or (d) sent by registered mail, return receipt requested, postage prepaid.

16. Changes to Terms

County reserves the right to change these Terms or any other terms with respect to the Grant at any time in its sole discretion. County shall provide Grantee reasonable notice in advance of any changes in sufficient time for Grantee to achieve compliance. Continued use of the Grant funds after Grantee's actual receipt of notice and a reasonable amount of time to comply with such changes shall constitute Grantee's agreement to them.

17. No Waiver of Governmental Immunity

No party waives its governmental immunity by entering into this Agreement, and, except as expressly set forth herein, fully retains all immunities and defenses provided by law with respect to any action based upon or arising out of this Agreement.

18. Severability

If any provision of this Agreement is held to be unenforceable for any reason, the unenforceability thereof shall not affect any other provisions of this Agreement, which provisions shall remain in full force and effect.

19. General

This Agreement and all rights and duties under this Agreement shall be governed by, and construed in accordance with, the laws of the State of Michigan (without regard to its conflict of laws principles). Except as otherwise indicated in the Agreement, this Agreement may be amended, modified, or superseded only by written agreement of the parties. Grantee may not assign this Agreement or delegate any rights or duties without the prior written consent of County. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement. All covenants and agreements of the Grantee contained herein shall survive indefinitely or for the period explicitly specified herein. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

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