

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency
of the City of Salem, Oregon)
FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION
Year Ended June 30, 2016



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

Salem Convention Center (a part of the Urban Renewal Agency of the City of Salem, Oregon)
200 Commercial Street SE
Salem, Oregon 97301

We have audited the accompanying financial statements of the Salem Convention Center (A part of the Urban Renewal Agency of the City of Salem, Oregon), which comprise the statement of net position as of June 30, 2016, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Salem Convention Center as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating revenues and expenses on page 9 is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


James Mueller & David R.

CERTIFIED PUBLIC ACCOUNTANTS

September 1, 2016

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$	270,706
Accounts receivable		332,757
Due from Urban Renewal Agency		211,542
Inventory		34,769
Prepaid expenses		16,871

Total Assets \$ 866,645

LIABILITIES AND NET POSITION

Liabilities

Accounts payable	\$	130,739
Marketing reimbursement payable		11,506
Accrued liabilities		97,241
Deposits		117,523

Total Liabilities 357,009

Net Position

Contributed capital		205,269
Unrestricted net assets		304,367

Net Position - Unrestricted 509,636

Total Liabilities and Net Position \$ 866,645

The accompanying notes are an integral part of the financial statements

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2016

REVENUES

Gross revenue	\$ 3,729,106
Cost of goods sold	860,560

<i>Gross Profit</i>	2,868,546
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OPERATING EXPENSES

2,564,179

<i>Net Operations</i>	304,367
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OTHER INCOME (EXPENSE)

Marketing reimbursement	285,494
Marketing costs	(285,494)

<i>Net Other Income (Expense)</i>	-
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CHANGE IN NET POSITION

304,367

NET POSITION, Beginning of year

507,777

DISTRIBUTION TO THE URBAN RENEWAL AGENCY

(302,508)

NET POSITION, End of year

\$ 509,636

The accompanying notes are an integral part of the financial statements

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net position	\$ 304,367
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>	
Change in:	
Accounts receivable	(76,090)
Due from Urban Renewal Agency	(211,542)
Inventory	(4,497)
Prepaid expenses	844
Accounts payable	(14,795)
Marketing reimbursement payable	11,506
Accrued liabilities	(17,390)
Deposits	(16,048)
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<i>Net Cash Used in Operating Activities</i>	(23,645)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Distributions to Urban Renewal Agency	(302,508)
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NET CHANGE IN CASH AND CASH EQUIVALENTS (326,153)

CASH AND CASH EQUIVALENTS, Beginning of year 596,859

CASH AND CASH EQUIVALENTS, End of year \$ 270,706

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Salem Convention Center (the Center) is owned by the Urban Renewal Agency of the City of Salem, Oregon (URA). The Center provides conference room accommodations and food services to the general public and groups. The operations of the Center are managed under contract by The Salem Group, LLC.

The financial statements presented are for the operating activity of the Center only and do not include the capital costs related to the facility.

Under the terms of the management agreement, marketing expenses from July 1, 2015 to June 30, 2016 are reimbursable by the Urban Renewal Agency of the City of Salem up to \$297,000. Marketing costs for the current year were \$285,494.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost, which approximates fair value. For purposes of the statement of cash flows, cash and cash equivalents include amounts on hand and deposits in checking accounts. Cash accounts are collateralized in accordance with Oregon Revised Statutes.

Accounts Receivable

The Center uses the allowance method for recognition of bad debt expenses for financial statement purposes. Accounts receivable are periodically reviewed for collectability and adjustments are made to the allowance for doubtful accounts. No allowance for doubtful accounts is considered necessary as of June 30, 2016.

Inventories

Inventories consist of food and beverages and are stated at the lower of cost (first-in, first-out method) or market.

Deposits

Deposits received in advance of an event are recorded as revenue when the event takes place. In the event of cancellations, the forfeited deposits are prorated based on a sliding scale given the amount of advance notification.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of June 30, 2016 and for the year then ended. Actual results may differ from such estimates.

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CASH

Cash in banks - book balances	\$ 270,706
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Cash in banks are demand deposits. At June 30, 2016, demand deposits had bank balances of \$292,231. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Center's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Center's deposits with financial institutions up to \$250,000 for all demand and time deposits at each institution. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2016, \$42,231 of the Center's bank balances were exposed to custodial credit risk as part of the Public Funds Collateralization Program.

CAPITAL ASSETS

Amounts expended by the Salem Convention Center for capital assets are reimbursable by the Urban Renewal Agency of the City of Salem, Oregon.

PENSION PLAN

Employees participate with other companies affiliated through management contracts with VIP'S Industries Inc. in a defined contribution pension plan. The plan covers substantially all full time employees age 21 or over. Pension expense for the year ended June 30, 2016 totaled \$32,147.

MANAGEMENT FEES

The Salem Group, LLC, receives a management fee consisting of a monthly fixed fee and an annual performance-based incentive fee. The fixed fee is a monthly payment of \$1,000 and compensates The Salem Group, LLC for providing management services required to operate the Convention Center. Per the terms of the management agreement, the total management fee is capped at \$100,000. The incentive fee for the year ended June 30, 2016 was recorded at \$77,117 and will be paid during the 2016-17 fiscal year.

In addition to the management fees paid to The Salem Group, LLC, the Convention Center also pays a fixed monthly management fee to the Urban Renewal Agency of the City of Salem of \$1,000.

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

MARKETING REIMBURSEMENT PAYABLE

Marketing reimbursements payable represent amounts due to the Urban Renewal Agency of the City of Salem, a related party, for overpayments of marketing reimbursements. The amount due as of June 30, 2016 is \$11,506.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 1, 2016, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL INFORMATION

SALEM CONVENTION CENTER

(A Part of the Urban Renewal Agency of the City of Salem, Oregon)

ADDITIONAL INFORMATION – SCHEDULE OF OPERATING REVENUES AND EXPENSES

YEAR ENDED JUNE 30, 2016

REVENUES

Gross revenue	
Meeting room rental	\$ 729,558
Meeting set-up	850
Audio-visual equipment rental	570,175
Other revenues	7,480
Banquet food	2,211,464
Beverage sales	209,579
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Total gross revenue	3,729,106
Cost of goods sold	860,560
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<i>Gross Profit</i>	2,868,546

OPERATING EXPENSES

Wages and salaries - staff	531,537
Wages and salaries - catering and casual labor	538,482
Benefits and payroll taxes	285,961
Allocation of tip revenue	460,611
Utilities	198,806
Maintenance and janitorial	72,298
Equipment	48,331
Management fees	101,117
Other expenses	327,036
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Total operating expenses	2,564,179
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<i>Net Operations</i>	\$ 304,367
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