

PROVIDENCE CIVIC CENTER AUTHORITY

Financial Statements - June 30, 1973

(With Accountants' Report Thereon)



EXECUTIVE DEPARTMENT • CITY OF PROVIDENCE • RHODE ISLAND

MAYOR JOSEPH A. DOORLEY, JR.

October 16, 1973.

The Honorable City Council
City Hall
Providence, Rhode Island

Gentlemen:

Transmitted herewith for your information and consideration is a copy of the Providence Civic Center Authority Financial Statement as prepared by Peat, Marwick, Mitchell & Co.

Respectfully submitted,

JOSEPH A. DOORLEY, JR.
MAYOR OF PROVIDENCE

JAD/gn

IN CITY COUNCIL
OCT 18 1973

READ:

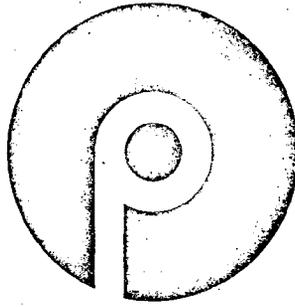
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

Vincent Vespa CLERK

FILED

OCT 16 9 54 AM '73

DEPT. OF CITY CLERK
PROVIDENCE, R.I.



**PROVIDENCE
CIVIC
CENTER**

One LaSalle Square
Providence, Rhode Island 02903
Telephone (401) 331-0700
Harold C. Copeland, Executive Director

October 15, 1973

The Honorable Joseph A. Doorley, Jr.
Mayor of the City of Providence
City Hall
Providence, Rhode Island

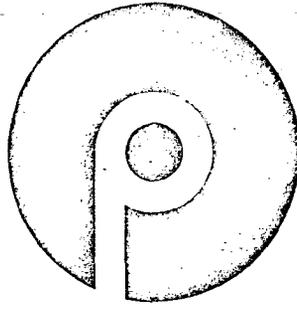
Dear Mayor Doorley:

Enclosed herewith is the long-awaited financial report of the Providence Civic Center Authority for its fiscal year ended June 30, 1973. We regret the delay which causes this report to be submitted some two weeks beyond the statutory requirement, the reasons for which are outlined in the report itself.

During the period of actual operation--November through June--the Center generated an operating profit of \$149,041, assuming that the shortage in the box office is recovered from the bonding company. Eliminating the amount of the shortage, operating profit is reduced to \$105,549. The ability of the Center to generate profits of this magnitude in its first year--and with only eight months of operation--is unique and indicative of the potential that can be realized in years to come.

Counsel for the Authority has been instructed to file a claim with the bonding company for \$46,684. Agents for the bonding company were made aware of a potential problem shortly after you were so advised by me early in September. In order to strengthen the position of the Authority with the bonding company, the police were advised of the apparent shortage as soon as auditors stated that they could not effect a reconciliation.

The auditors advised the Chairman in early September that accounting records at the Center were not current. Regular financial reports were submitted to the Authority during the course of the fiscal year by the Controller and the Authority was advised by the Executive Director that the information was both sound and satisfactory from his observation and knowledge of the business. Obviously, the Authority was stunned to learn in September that such financial data had apparently not been provided from currently posted books of account.



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The auditors were immediately requested to take complete charge of the bookkeeping and controls. At the request of the auditors, the Controller was retained on the staff to help in reconstruction of the records but he had no further responsibility for normal duties of the Controller.

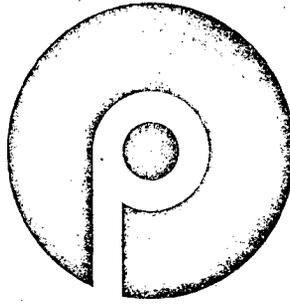
A replacement has been hired, as Controller of the Providence Civic Center and he commenced yesterday. In addition a replacement for the bookkeeper, who left voluntarily, has been on the job for several weeks.

The auditors continue to exercise supervision until the new Controller and new bookkeeper are thoroughly familiar with their responsibilities and have demonstrated satisfactory performance.

The Authority used outside consultants to recommend, review and evaluate candidates for the position of Executive Director and Controller and both individuals received unqualified recommendations both from the consultants and other prominent people in the business. I cannot suggest anything different that the Authority might have done to satisfy the requirements of these positions.

I wish to state as strongly as possible that the progress and profit of the Civic Center continue on a highly satisfactory scale. Of significance also is the broad coverage Providence and its Civic Center will receive from the National Figure Skating Championships to be held early next year and the NCAA Regional Basketball Championship Tournament to be held in Providence several years hence.

As indicated on the balance sheet the Providence Civic Center, including the building, plaza, equipment and furnishings, has a total cost of almost \$14,000,000. Funds provided by the City of Providence were \$12,921,229 and by the Providence Redevelopment Agency \$250,000. By borrowing in anticipation of revenue and utilizing cash flow, the Authority has been meeting its obligations, although it will be necessary for continued successful operations to reduce the liabilities on the balance sheet.



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Despite all the well-publicized problems with which the Authority has been forced to cope, the Providence Civic Center is alive and well and looks to the future with confidence. From all indications the demand for dates continues strong and residents of the City of Providence can look with pride on the finest facility of its type in this part of the country.

Respectfully submitted,

John J. Cummings, Jr.
Chairman

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PROVIDENCE, R.I.

PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

40 WESTMINSTER STREET

PROVIDENCE, RHODE ISLAND 02903

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PROVIDENCE, R.I.

Providence Civic Center Authority
Providence, Rhode Island:

We have examined the balance sheet of the Providence Civic Center Authority as of June 30, 1973 and the related statements of operations and accumulated deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During the year the Providence Civic Center Authority experienced a breakdown in the internal control with respect to the accountability of box office ticket sales and certain other accounting functions as explained in Note 2 to the financial statements. Thus we were unable to satisfy ourselves with respect to total box office ticket sales, cash receipts and cash refunds. The shortage resulting from this breakdown is shown as a separate item in the accompanying statement of operations and accumulated deficit.

In our opinion, except for the possible changes in classification of the items in the statement of operations as explained in the preceding paragraph, the aforementioned financial statements present fairly the financial position of the Providence Civic Center Authority at June 30, 1973 and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat, Marwick, Mitchell & Co.

October 9, 1973

PROVIDENCE CIVIC CENTER AUTHORITY

Balance Sheet

June 30, 1973

Assets

Current assets:

Cash		\$	110,657
Accounts receivable			20,052
Prepaid insurance			10,145
Equipment deposit			<u>19,650</u>

Total current assets

160,504

Fixed assets (notes 1, 4, and 5):

Building and building components	\$	13,413,021
Plaza		250,000
Arena equipment		308,091
Office furniture and fixtures		<u>25,295</u>

13,996,407

Less accumulated depreciation

243,477

Net fixed assets

13,752,930\$ 13,913,434Liabilities and Accumulated Deficit

Current liabilities:

Payables:

Current installments of long-term debt (note 4)	\$	23,806
Construction payable to contractor		145,202
Construction payable to architect		202,195
Trade		66,808
Payroll taxes and withholdings		49,448
Accrued expenses		16,879
Advance ticket sale receipts and promoters' deposits		82,143
Deferred income deposits - dedication book		<u>16,432</u>

Total current liabilities

602,913

Long-term debt, excluding current installments (note 4):

Equipment lease-purchase agreement		95,224
Revenue anticipation notes		<u>300,000</u>
		<u>395,224</u>

Contributions from the City of Providence

12,921,229

Total liabilities

13,919,366

Accumulated deficit

(5,932)

Other information (note 6).

\$ 13,913,434

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY
Statement of Operations and Accumulated Deficit
Year ended June 30, 1973

Operating revenue (note 2):		
Arena rent	\$ 540,825	
Exhibit Hall rent	6,500	
Concession income	167,494	
Advertising and other	<u>50,864</u>	
Total rental income		\$ 765,683
Operating expenses excluding depreciation:		
Salaries and wages - admissions control	180,320	
Salaries and wages - operating	247,486	
Salaries and wages - administrative	66,567	
Security expense	62,448	
Payroll taxes	26,055	
Utilities	79,085	
Telephone	15,056	
Employee benefits	11,895	
Event expenses	35,455	
Advertising expenses	13,239	
Professional services	23,530	
Insurance expenses	21,850	
Auto and truck leasing	3,710	
Outside services	8,141	
Uniform expense	3,261	
Travel and entertainment	4,510	
Office supplies expense	5,012	
Data processing and credit card service fees	2,900	
Maintenance expenses	39,609	
Miscellaneous expenses	<u>19,691</u>	
Gross operating expenses excluding depreciation	869,820	
Less expenses reimbursed by promoters	<u>253,178</u>	
Total operating expenses excluding depreciation		<u>616,642</u>
Operating income before depreciation		149,041
Depreciation expense		<u>243,477</u>
Operating loss after depreciation		<u>(94,436)</u>
Other income and (deductions):		
Interest income net of interest expense \$1,300		3,192
Box office cash shortage (note 2)		<u>(46,684)</u>
		<u>(43,492)</u>
Loss before extraordinary item		<u>(137,928)</u>
Extraordinary item - Grant-in-Aid from the Providence Redevelopment Agency for plaza construction		<u>250,000</u>
Net income		112,072
Accumulated deficit, beginning of year		<u>(118,004)</u>
Accumulated deficit, end of year		(\$ <u>5,932</u>)

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY

Statement of Changes in Financial Position
Year ended June 30, 1973

Funds provided:	
Loss before extraordinary item	(\$ 137,928)
Add charges to operations not requiring funds - depreciation	<u>243,477</u>
Funds provided from operations before extraordinary item	105,549
Extraordinary item - Grant-in-Aid from the Providence Redevelopment Agency for plaza construction	<u>250,000</u>
Funds provided from operations and extraordinary item	355,549
Contributions received from the City of Providence	5,976,229
Proceeds from sale of revenue anticipation notes	300,000
Long-term portion of equipment lease-purchase agreement	<u>95,224</u>
	<u>\$ 6,727,002</u>
Funds used:	
Additions to fixed assets	5,726,550
Decrease in working capital deficit	<u>1,000,452</u>
	<u>\$ 6,727,002</u>
Changes in working capital deficit:	
Increase (decrease) in current assets:	
Cash	(92,810)
Accounts receivable	14,527
Prepaid insurance	9,684
Equipment deposit	<u>19,650</u>
	<u>(48,949)</u>
Increase (decrease) in current liabilities:	
Current installment of long-term debt	23,806
Accounts payable - construction	(1,268,855)
Account payable - trade	41,321
Payroll taxes	49,089
Accrued expenses	16,879
Advance ticket sales	82,143
Deferred income deposits - dedication book	<u>6,216</u>
Decrease in current liabilities	<u>(1,049,401)</u>
Decrease in working capital deficit	<u>\$ 1,000,452</u>

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements

June 30, 1973

(1) Summary of Significant Accounting Policies

Fixed Assets - It is the policy of the Authority to capitalize expenditures for renewals and betterments and to charge current operating expenses for the cost of normal maintenance and repairs. The Authority provides for depreciation of all fixed assets using the straight-line method based on their estimated useful lives. The following schedule summarizes fixed assets and accumulated depreciation at June 30, 1973:

<u>Asset</u>	<u>Estimated useful life</u>	<u>Depreciation expense</u>
Building and building components	30	\$ 223,997
Plaza	30	8,333
Arena equipment	15	10,275
Office furniture and fixtures	15	<u>872</u>
		\$ <u>243,477</u>

Rental Income and Reimbursed Expenses - The Authority leases its facilities to various promoters and groups. Rental income is calculated as a percentage of gross ticket sales or a minimum rental fee, whichever is higher. In addition to rental income, the Authority is reimbursed by lessees for expenses the Authority incurs in connection with the various events.

Advertising Income - The Authority derives income by leasing advertising space within the arena. Four customers have contracted to lease advertising space through October 1977 resulting in annual advertising income of \$34,800 to the Authority.

Pension Plan - According to union agreements entered into during March 1973, the Authority is required to make contributions to the Central Pension Fund of the Stationary Operating Engineers' Union and the National Pension Fund of the Laborers' International Union of North America. The Authority's contribution to these plans is equal to ten cents per hour for each employee in the plan. Total pension costs amounted to \$1,494 for the year ended June 30, 1973.

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements, Continued

(2) Box Office Controls and Accounting Procedures

During the year the procedures established by management and approved by the outside auditors with respect to control of box office cash were not complied with by box office personnel, the controller, and the executive director. Tickets sold and consigned to other sales agencies were not controlled in a manner to afford an accurate accounting of advance ticket sales for subsequent settlements with event promoters. Cash refunds for event cancellations were not controlled and substantiated in an effective manner. Daily cash settlements of box office cash to ticket sales were not accomplished. The shortage resulting from this breakdown amounting to \$46,684 is shown as a separate item in the accompanying statement of operations.

(3) Contributions from the City of Providence

Contributions from the City of Providence are to be repaid from the excess of the Authority's revenues over its expenses in any fiscal year, provided, however, that the Authority may carry forward a working capital reserve in such amount as may be determined by the Authority with the approval of the Mayor. Such working capital reserve has not yet been determined.

(4) Long-Term Debt and Lease-Purchase Agreements

Long-term debt consists of the following:

Equipment lease-purchase agreement with Rhode Island Hospital Trust National Bank, 3.7% interest in advance, due in equal annual installments of \$25,566 (including interest) to April 14, 1977	\$ 119,030
Less current portion	<u>23,806</u>
	\$ <u>95,224</u>

Revenue Anticipation Notes Payable - Revenue anticipation notes amounting to \$300,000 with interest at the rate of 3.35% are payable to five Rhode Island financial institutions. These notes having as an original maturity date August 31, 1973 have been renewed for an additional six-month period ending February 28, 1974. These notes have been classified as a long-term note payable in the accompanying balance sheet since it is expected that these notes will be renewed for an additional period at maturity.

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements, Continued

(5) Building and Building Components

Building and building components are stated at cost and consist of the following:

Construction bonds, mobilization, and supervision	\$ 466,100
Site work structure, excavation and backfilling	526,000
Concrete	1,963,000
Masonry	412,000
Structural steel	2,279,000
Plastics and wood doors	142,000
Moisture protection	238,000
Windows and glass	355,000
Plaster, tile work, flooring and drywall	713,000
Shower, bath, identification devices, and metal lockers	102,800
Fixed seating, platforms and other furnishings	604,000
Elevators and dock lift	70,000
Plumbing, fire protection, heating and air conditioning	2,864,950
Electrical	1,038,700
Architect fees and related expenditures	834,495
Miscellaneous	64,313
Change orders from original contract	<u>739,663</u>

\$ 13,413,021

(6) Other Information

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and contemplate continued profitable operations of the Civic Center; the excess of current liabilities over current assets at June 30, 1973 was \$442,409 which must be liquidated from future profitable operations and/or the obtaining of future financing.

PROVIDENCE CIVIC CENTER AUTHORITY

Financial Statements - June 30, 1973

(With Accountants' Report Thereon)