

Internal Auditor's Report on the Financial Condition of the Civic Center

December 4, 1996

In accordance with City Council resolution #385, dated July 23, 1996, the Internal Auditor is reporting on the financial condition of the Civic Center as can be determined as of this date.

Enclosed is the preliminary June 30, 1996 audited financial statements for the Civic Center. These figures may be slightly altered in their final form but are materially correct and accurately reflect the Civic Center's financial position as of 6/30/96.

The Civic Center Authority has decided to explore privatization of the Civic Center operations. A RFP is being drafted, an advertisement is being placed in appropriate newspapers/journals, a bidders conference has been scheduled for December 18, with bids set to be received January 15. The RFP calls for the bids to be creative, provide incentives to reduce the operating deficit and the City's subsidy to the Civic Center, and to explore all alternatives including leasing or purchasing the Civic Center.

I agree with the Authority and the Executive Director that this plan is the best alternative in finding a means for returning the Civic Center to financial health.

PROVIDENCE CIVIC CENTER AUTHORITY
(A Component Unit of the City of Providence, Rhode Island)

Balance Sheets

June 30, 1996 and 1995

<u>Assets</u>	<u>1996</u>	<u>1995</u>
Current assets:		
Cash and cash equivalents (note 5)	\$ 492,786	287,788
Restricted cash	0	1,267
Accounts receivable, less allowance of \$31,600 in 1996 and \$31,600 in 1995	127,646	175,094
Prepaid expenses	43,275	80,513
Total current assets	<u>663,707</u>	<u>544,662</u>
Property, plant and equipment (note 7):		
Building and improvements	16,688,628	16,568,770
Furnishings and equipment	4,344,376	2,333,073
	<u>19,033,004</u>	<u>19,001,843</u>
Less: accumulated depreciation and amortization	13,888,618	13,162,750
Net property, plant and equipment	<u>5,144,386</u>	<u>5,839,093</u>
Total assets	\$ <u>5,808,093</u>	<u>6,383,755</u>
<u>Liabilities and Fund Equity</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 862,791	875,848
Advance sales receipts and promoter deposits	604,852	158,068
Loan payable to the City of Providence (note 8)	443,401	400,000
Ticket surcharge receipts due to the City of Providence (note 4)	471,145	471,145
Deferred revenue	882,158	473,307
Current installment under capitalized lease obligation (note 7)	337,898	319,810
Current portion of bonds payable	-	250,000
Total current liabilities	<u>3,602,245</u>	<u>2,948,178</u>
Capitalized lease obligations (note 7)	<u>469,971</u>	<u>812,200</u>
Total liabilities	<u>4,072,216</u>	<u>3,760,378</u>
Fund equity:		
Contributed capital from the City of Providence	4,447,835	4,207,905
Retained earnings (deficit)	2,711,958	(1,584,528)
Total fund equity	<u>1,735,877</u>	<u>2,623,377</u>
Total liabilities and fund equity	\$ <u>5,808,093</u>	<u>6,383,755</u>

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY
(A Component Unit of the City of Providence, Rhode Island)

Statements of Revenues and Expenses

For the years ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Operating revenues:		
Arena rent	\$ 1,658,333	1,512,511
Expenses reimbursed by promoters	270,698	696,265
Concessions	694,986	809,025
Advertising and other	507,932	459,040
Co-promotions	2,319	12,311
Surcharge revenue	<u>424,909</u>	<u>458,290</u>
Total operating revenues	<u>3,559,177</u>	<u>3,947,442</u>
Operating expenses:		
Salaries and wages - admissions control	395,308	428,712
Salaries and wages - operations	1,486,643	1,570,336
Salaries and wages - administrative	386,313	383,313
Employee benefits	328,260	285,431
Payroll taxes	277,078	246,898
Event expenses	398,566	425,710
Utilities	378,862	399,020
Insurance	205,063	254,759
Depreciation and amortization expense	724,009	752,272
Other	<u>406,156</u>	<u>458,602</u>
Total operating expenses	<u>5,036,258</u>	<u>5,205,053</u>
Operating loss	(1,477,087)	(1,257,611)
Nonoperating revenue:		
Revenue from Rhode Island Convention Center (note 8)	-	200,000
Net interest expense excluding expansion financing	(30,730)	5,193
Net interest expense from expansion financing	<u>(50,327)</u>	<u>(63,782)</u>
Net loss before depreciation add-back	(1,558,144)	(1,116,200)
Transfer to other fund	-	(115,614)
Add: depreciation on contributed fixed assets	<u>430,708</u>	<u>430,708</u>
Decrease in retained earnings	(1,127,430)	(801,106)
Retained earnings beginning of year	<u>(1,584,528)</u>	<u>(783,422)</u>
Retained deficit - end of year	\$ <u>(2,711,958)</u>	<u>(1,584,528)</u>

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY
(A Component Unit of the City of Providence, Rhode Island)

Statements of Contributed Capital

For the years ended June 30, 1996 and 1995

Balance at June 30, 1993	\$ 4,048,705
Depreciation on property, plant and equipment acquired through contributed capital	(430,708)
Contribution from the City of Providence	<u>600,000</u>
Balance at June 30, 1994	4,217,997
Depreciation on property, plant and equipment acquired through contributed capital	(430,708)
Contribution from the City of Providence	<u>420,616</u>
Balance at June 30, 1995	4,207,905
Depreciation on property, plant and equipment acquired through contributed capital	(430,708)
Contribution from the City of Providence	<u>670,638</u>
Balance at June 30, 1996	\$ <u><u>4,447,835</u></u>

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY
(A Component Unit of the City of Providence, Rhode Island)

Statements of Cash Flows

For the years ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Operating activities:		
Operating loss	\$ (1,477,081)	(1,257,611)
Adjustments to reconcile operating loss to net cash provided (used in) operating activities:		
Depreciation and amortization	724,009	752,272
Deferred income	408,851	151,953
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	47,448	42,394
Due to City of Providence	243,401	-
Prepaid expenses	37,038	4,514
Accrued expenses	(13,057)	389,935
Advance sales receipt and promoter deposits	446,784	86,080
Net cash provided by operating activities	<u>417,593</u>	<u>169,537</u>
Noncapital financing activities:		
Payment received from Convention Center	-	200,000
Payments to other fund	-	(115,614)
Payment of note payable	(250,000)	-
Contribution from the City of Providence	670,638	420,616
Payment to the City of Providence	(400,000)	-
Advance from City of Providence	200,000	-
Net cash provided by non-capital financing activities	<u>220,638</u>	<u>505,002</u>
Capital and related financing activities:		
Capital expenditures	(29,301)	(397,444)
Payment of capital lease obligations	(324,141)	(256,705)
Use of restricted investments	1,267	-
Interest paid on capital lease obligations	(87,275)	(71,503)
Net cash used for capital and related financing activities	<u>(439,450)</u>	<u>(725,652)</u>
Investing activities:		
Interest on investments	6,217	12,914
Net cash provided from investing activities	<u>6,217</u>	<u>12,914</u>
Net increase (decrease) in cash and cash equivalents	204,998	(38,199)
Cash and cash equivalents at beginning of year	<u>287,788</u>	<u>325,987</u>
Cash and cash equivalents at end of year	\$ <u>492,786</u>	<u>287,788</u>

See accompanying notes to financial statements.

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Supplemental Schedule of Other Operating Expenses

For the years ending June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Postage	\$ 2,649	4,841
Dues and subscriptions	5,323	4,540
Data processing	7,331	6,732
Travel and entertainment	3,880	5,362
Office supplies	6,280	9,704
Administrative miscellaneous	12,814	16,602
Telephone	18,969	18,814
Professional fees	44,440	51,681
Service contracts	16,323	20,600
Pension expense	32,268	27,832
Promotions and advertising	11,787	17,137
Credit card fees	65,446	64,608
Administrative supplies and maintenance	148,397	166,449
Box office expenses	<u>33,249</u>	<u>43,700</u>
	\$ <u>406,156</u>	<u>458,602</u>