

PROVIDENCE CIVIC CENTER

One LaSalle Square
Providence, Rhode Island 02903
Telephone (401) 331-0700
Charles J. Toomey, Executive Director

September 23, 1977

Mrs. Rose Mendonca, City Clerk
City Hall
Kennedy Plaza
Providence, Rhode Island

Dear Mrs. Mendonca:

The audited June 30, 1977 financial report of the Providence Civic Center Authority is enclosed for your review.

Although our results were not spectacular, we are making some modifications to our future business plans which hopefully will increase our profitability.

Should you have any questions or comments, please feel free to call me at 401-331-0700.

Very truly yours,

PROVIDENCE CIVIC CENTER

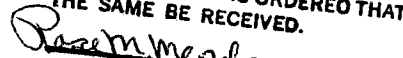

ANTONIO G. TAVARES
CONTROLLER

AGT/cas

Enclosure

IN CITY COUNCIL
OCT 6 1977

READ:
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.


CLERK

RECEIVED
OCT 10 1977

PROVIDENCE CIVIC CENTER AUTHORITY

Financial Statements

June 30, 1977 and 1976

(With Accountants' Report Thereon)



Peat, Marwick, Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
40 WESTMINSTER STREET
PROVIDENCE, RHODE ISLAND 02903

Providence Civic Center Authority
Providence, Rhode Island:

We have examined the balance sheets of the Providence Civic Center Authority as of June 30, 1977 and 1976, and the related statements of operations and deficit and changes in financial position for the years then ended. Our examinations were 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.

The Authority is currently contesting an assessment from the Rhode Island Department of Employment Security, as described in Note 7. The final determination as to whether the Authority is liable for unemployment compensation payments is not presently determinable and no provision has been made in the financial statements for the effect, if any, of such assessment. In our report dated August 10, 1976, our opinion on the June 30, 1976 financial statements was unqualified; however, in view of the above assessment, which was manifested on August 4, 1977, our present opinion on the 1976 financial statements, as herein presented, is different from that expressed in our previous report.

In our opinion, subject to the possible effects of the matter discussed in the preceding paragraph, the aforementioned financial statements present fairly the financial position of the Providence Civic Center Authority at June 30, 1977 and 1976, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

August 10, 1977

PROVIDENCE CIVIC CENTER AUTHORITY

Balance Sheets

June 30, 1977 and 1976

<u>Assets</u>	<u>1977</u>	<u>1976</u>
Current assets:		
Cash (note 5)	\$ 183,461	260,137
Certificates of deposit (note 5)	250,000	200,000
Accounts receivable, less allowance for doubtful receivables of \$9,000 in 1977 and \$4,008 in 1976	28,488	43,974
Prepaid expenses	<u>37,734</u>	<u>21,232</u>
Total current assets	<u>499,683</u>	<u>525,343</u>
Property, plant and equipment (notes 2 and 4)	14,387,227	14,373,897
Less accumulated depreciation	<u>2,216,514</u>	<u>1,715,137</u>
Net property, plant and equipment	<u>12,170,713</u>	<u>12,658,760</u>
	<u>\$ 12,670,396</u>	<u>13,184,103</u>

See accompanying notes to financial statements.

<u>Liabilities and Deficit</u>	<u>1977</u>	<u>1976</u>
Current liabilities:		
Current installments of long-term debt (note 4)	\$ 113,662	124,016
4.9% revenue anticipation notes due August 31, 1976	200,000	250,000
Accounts payable - trade	82,579	76,443
Due to City of Providence (note 5)	257,589	273,909
Accrued payroll, taxes and withholdings (note 7)	27,392	46,980
Accrued expenses	7,251	26,940
Advance ticket sales receipts and promoters' deposits	128,390	87,661
Deferred income	-	6,692
Total current liabilities	816,863	892,641
Long-term debt, excluding current installments (note 4)	280,635	395,690
Contributed capital from the City of Providence (note 3)	<u>13,218,070</u>	<u>13,074,766</u>
Total liabilities	<u>14,315,568</u>	<u>14,363,097</u>
Deficit:		
Accumulated earnings before depreciation	576,251	541,052
Accumulated depreciation charged to operations since inception	<u>(2,221,423)</u>	<u>(1,720,046)</u>
	<u>(1,645,172)</u>	<u>(1,178,994)</u>
Commitments and contingencies (note 7).		
	\$ <u>12,670,396</u>	<u>13,184,103</u>

PROVIDENCE CIVIC CENTER AUTHORITY

Statements of Operations and Deficit

Years ended June 30, 1977 and 1976

	<u>1977</u>	<u>1976</u>
Operating revenue:		
Arena rent	\$ 773,923	716,286
Concession income	183,814	196,514
Telespot income	4,761	3,199
Interest income	15,958	16,054
Advertising and other	<u>55,062</u>	<u>69,726</u>
Total operating revenue	<u>1,033,518</u>	<u>1,001,779</u>
Operating expenses, excluding depreciation:		
Salaries and wages - admissions control	184,735	193,460
Salaries and wages - operating	582,848	481,072
Salaries and wages - administrative	108,745	103,632
Security	4,861	4,887
Payroll taxes	37,720	31,941
Utilities	147,979	137,985
Telephone	20,843	21,061
Employee benefits	64,771	55,369
Event expenses	152,311	146,736
Advertising	1,841	2,579
Professional services	14,850	20,184
Insurance	56,547	41,062
Vehicle leasing	2,835	2,460
Uniforms	5,136	3,604
Travel and entertainment	3,950	1,345
Office supplies	7,694	9,125
Data processing and credit card service fees	6,415	3,761
Maintenance	64,644	52,842
Interest	37,568	47,224
Miscellaneous	<u>23,673</u>	<u>23,406</u>
Gross operating expenses, excluding depreciation	<u>1,529,966</u>	<u>1,383,735</u>
Less expenses reimbursed by promoters	<u>531,647</u>	<u>489,164</u>
Total operating expenses, excluding depreciation and loss on sale of equipment	<u>998,319</u>	<u>894,571</u>
Operating income before depreciation and loss on sale of equipment	35,199	107,208
Depreciation expense	501,377	497,196
Loss on sale of equipment	<u>-</u>	<u>12,352</u>
Net loss	(466,178)	(402,340)
Deficit at beginning of year	(1,178,994)	(776,654)
Deficit at end of year	(\$ <u>1,645,172</u>)	(<u>1,178,994</u>)

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY
 Statements of Changes in Financial Position
 Years ended June 30, 1977 and 1976

	<u>1977</u>	<u>1976</u>
Sources of working capital:		
Net loss	(\$ 466,178)	(402,340)
Items which do not use working capital:		
Depreciation	501,377	497,196
Loss on sale of equipment	<u>-</u>	<u>12,352</u>
Working capital provided by operations	35,199	107,208
Increase in contributed capital from City of Providence	143,304	153,537
Proceeds from sale of equipment	<u>-</u>	<u>17,874</u>
	\$ <u>178,503</u>	<u>278,619</u>
Uses of working capital:		
Additions to property and equipment	13,330	39,532
Repayment of long-term debt	125,409	124,339
Decrease in working capital deficit	<u>39,764</u>	<u>114,748</u>
	\$ <u>178,503</u>	<u>278,619</u>
Changes in components of working capital deficit:		
Increase (decrease) in current assets:		
Cash	(76,676)	145,574
Investments	-	(244,074)
Certificates of deposit	50,000	200,000
Accounts receivable	(15,486)	16,212
Prepaid expenses	<u>16,502</u>	<u>5,715</u>
	<u>(25,660)</u>	<u>123,427</u>
Increase (decrease) in current liabilities:		
Revenue anticipation notes	(50,000)	(50,000)
Construction payables	-	(40,000)
Accounts payable - trade	6,136	(8,201)
Due to City of Providence	(16,320)	29,435
Accrued payroll, taxes and withholding	(19,588)	14,170
Accrued expenses	(19,689)	(3,960)
Advance ticket sales receipts and promoters' deposits	40,729	72,876
Deferred income	<u>(6,692)</u>	<u>(5,641)</u>
	<u>(65,424)</u>	<u>8,679</u>
Decrease in working capital deficit	\$ <u>39,764</u>	<u>114,748</u>

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements

June 30, 1977 and 1976

(1) Summary of Significant Accounting Policies(a) Property and Equipment

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.

(b) 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 or, occasionally, on a fixed prearranged fee. In addition to rental income, the Authority is reimbursed by lessees for expenses the Authority incurs in connection with the various events.

(c) Advertising Income

The Authority derives income by leasing advertising space within the arena. Four customers have contracted to lease advertising space through October 1977.

(2) Property, Plant and Equipment

A summary of property, plant and equipment follows:

	Cost at June 30	
	<u>1977</u>	<u>1976</u>
Building and building improvements	\$ 13,453,191	13,451,521
Plaza	250,000	250,000
Arena equipment	422,635	412,285
Office furniture and fixtures	35,607	34,597
Telespot	211,675	211,675
Decorating equipment	<u>14,119</u>	<u>13,819</u>
	<u>\$ 14,387,227</u>	<u>14,373,897</u>

(3) Contributed Capital 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. A reconciliation of capital contributed by the City of Providence is as follows:

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements, Continued

	June 30	
	<u>1977</u>	<u>1976</u>
Balance at beginning of year	\$ 13,074,766	12,921,229
Additional capital contribution received from the City of Providence	<u>143,304</u>	<u>153,537</u>
Balance at end of year	\$ <u>13,218,070</u>	<u>13,074,766</u>

(4) Long-Term Debt

A summary of long-term debt follows:

	June 30	
	<u>1977</u>	<u>1976</u>
Equipment lease-purchase agreement (Scoreboard), 3.7% interest, \$25,566 payable annually (in- cluding interest) to August 1978	\$ 23,806	47,612
Equipment lease-purchase agreement (Telespot), 4.4% interest, \$10,751 payable every four months (including interest) to November 1980	84,216	112,287
Equipment lease-purchase agreement (Hockey Dashers), 5.9% interest, \$2,051 payable nine times a year (including interest) to December 1977	5,604	22,836
Serial notes, 7.25% interest, \$56,181 payable annually from October 1975 to October 1981 with interest payable semiannually (April and Octo- ber) each year on the unpaid principal	<u>280,671</u>	<u>336,971</u>
	394,297	519,706
Less current installments	<u>113,662</u>	<u>124,016</u>
	\$ <u>280,635</u>	<u>395,690</u>

The above equipment is pledged as collateral under the lease-purchase agreements.

(5) Due to the City of Providence

The balance due to the City of Providence represents a five cents per dollar ticket surcharge enacted by the Rhode Island General Assembly and assessed on all paid admissions to the Providence Civic Center. Cash and certificates of deposit amounting to \$257,589 and \$273,909 in 1977 and 1976, respectively, are restricted for this purpose. During the past two years, the City of Providence allowed the Providence Civic Center to retain a portion of the surcharge proceeds to reduce long- and short-term indebtedness. The funds retained have been treated as additional contributed capital from the City of Providence. This policy is expected to continue in future years.

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements, Continued

(6) Employee Benefits

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. In addition, the Authority makes fringe benefit contributions to the International Brotherhood of Electrical Workers. The various contribution rates are based on contractual agreements between the respective unions and the Providence Civic Center Authority. Total contributions amounted to \$16,438 and \$14,513 for the years ended June 30, 1977 and 1976, respectively.

The Authority is also required to make contributions to the Rhode Island Legal Service Trust for those employees in the Laborers International Union. Total contributions amounted to \$2,817 and \$2,700 for the years ended June 30, 1977 and 1976, respectively.

(7) Contingent Liability

On August 4, 1977, the Authority received an invoice from the Rhode Island Department of Employment Security seeking reimbursement from the Authority of approximately \$60,000 in unemployment benefits paid by the Department of Employment Security to individuals who were alleged employees of the Authority and who had received unemployment benefits during 1975 and 1976. The Authority contends it is not liable for such amounts and has raised the following defenses to support its position:

- (a) Certain individuals who received unemployment benefits for which the Authority has been charged were not direct employees of the Authority, but rather were employees of independent contractors who performed services for the Authority.
- (b) The Authority is a municipal entity and, as such, any benefits paid to its employees prior to January 1, 1978 are chargeable to the Supplemental Unemployment Assistance Program and not the Authority.
- (c) Benefits charged to the Authority's account for certain individuals should have been charged to previous employers of such individuals.

The Authority is unaware of any additional charges which might be assessed by the Department of Employment Security for unemployment benefits paid during 1977; however, any additional assessments would be vigorously contested and subject to the same defenses mentioned above. No provision has been made in the financial statements for the effect, if any, of such assessment.

(8) Major Customer

Concession income, which accounted for 17.7% and 19.6% of total operating revenue in 1977 and 1976, respectively, is derived from one source.