

**Capital Region Development Authority
Connecticut Convention Center**

**Financial Statements
and Independent Auditor's Report**

June 30, 2023 and 2022

**Capital Region Development Authority
Connecticut Convention Center**

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Independent Auditor's Report

To the Board of Directors
Capital Region Development Authority

Opinion

We have audited the financial statements of the Connecticut Convention Center affiliated with the Capital Region Development Authority (the "Convention Center"), which is owned by the Capital Region Development Authority (the "Authority") and operated by Waterford Venue Services Hartford, LLC ("Waterford"), which comprise the statements of assets, liabilities and owner's equity - contractual basis as of June 30, 2023 and 2022, and the related statements of revenues, expenses and changes in owner's equity - contractual basis and cash flows - contractual basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and owner's equity of the Convention Center as of June 30, 2023 and 2022 and the revenues, expenses, changes in owner's equity, and cash flows for the years then ended in accordance with the financial reporting provisions of the management agreement dated July 1, 2017, between the Authority and Waterford.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Convention Center 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Authority on the basis of the financial reporting provisions specified in the management agreement dated July 1, 2017, between the Authority and Waterford, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the management agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the management agreement dated July 1, 2017, between the Authority and Waterford. Management is also responsible 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.

Auditor's 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 auditor's 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 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 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 Convention Center'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 Convention Center'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 Board of Directors and management of the Capital Region Development Authority and Waterford Venue Services Hartford, LLC, and is not intended to be and should not be used by anyone other than these specified parties.



Hartford, Connecticut
September 25, 2023

**Capital Region Development Authority
Connecticut Convention Center**

**Statements of Assets, Liabilities and
Owner's Equity - Contractual Basis
June 30, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash	\$ 5,321,456	\$ 3,779,612
Restricted cash	973,902	720,177
Accounts receivable	103,807	239,166
Inventory	90,610	78,212
Prepaid expenses	188,978	95,672
	<u>6,678,753</u>	<u>4,912,839</u>
Total assets	<u>\$ 6,678,753</u>	<u>\$ 4,912,839</u>
	<u>Liabilities and Owner's Equity</u>	
Current liabilities		
Accounts payable	\$ 1,349,025	\$ 851,567
Accrued expenses	1,251,417	790,199
Advanced collections	1,302,629	1,052,588
	<u>3,903,071</u>	<u>2,694,354</u>
Total liabilities	3,903,071	2,694,354
Owner's equity	<u>2,775,682</u>	<u>2,218,485</u>
Total liabilities and owner's equity	<u>\$ 6,678,753</u>	<u>\$ 4,912,839</u>

See Notes to Financial Statements.

**Capital Region Development Authority
Connecticut Convention Center**

**Statements of Revenues, Expenses and Changes
in Owner's Equity - Contractual Basis
Years Ended June 30, 2023 and 2022**

	2023	2022
Revenues		
Rent	\$ 3,324,460	\$ 1,529,404
Event services income	3,206,115	1,814,474
Food and beverage income	5,149,382	2,151,101
Coronavirus relief funds	-	321,155
American Rescue Plan Act funds	1,277,066	2,614,000
Other income	80,466	203,259
	13,037,489	8,633,393
Operating expenses		
Salaries	4,438,540	3,537,542
Event services	2,951,466	1,469,585
Payroll taxes and benefits	1,391,806	1,142,258
Utilities	1,882,862	1,432,690
Food and beverage	1,359,125	605,933
Maintenance	868,332	706,688
Operational supplies	663,268	245,682
Sales and marketing	261,321	203,074
Management fees	371,228	353,550
Incentive management fees	338,458	66,252
Finance	118,999	78,847
Insurance	142,848	114,881
Other administrative	138,394	132,085
Security	29,817	40,395
Other expenses	23,175	34,178
Coronavirus relief fund expenses	-	321,155
	14,979,639	10,484,795
Net loss	(1,942,150)	(1,851,402)
Owner's equity (deficit), beginning	2,218,485	(879,968)
Capital activity, net		
Capital improvements	(429,533)	(445,645)
Debt service	(654,420)	(677,422)
Operating contributions	3,583,300	6,072,922
Owner's equity, end	\$ 2,775,682	\$ 2,218,485

See Notes to Financial Statements.

**Capital Region Development Authority
Connecticut Convention Center**

**Statements of Cash Flows - Contractual Basis
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Receipts from customers	\$ 13,422,889	\$ 9,239,566
Grant funding	1,277,066	2,935,155
Payments to		
Employees	(5,908,985)	(4,768,444)
Contractors	(595,986)	(444,920)
Suppliers	(8,898,762)	(8,138,710)
Net cash used in operating activities	(703,778)	(1,177,353)
Cash flows from noncapital financing activities		
Operating contributions	3,583,300	6,072,922
Net cash provided by noncapital financing activities	3,583,300	6,072,922
Cash flows from capital and related financing activities		
Decrease in due to Authority	-	(750,000)
Purchase of capital improvements	(429,533)	(445,645)
Debt service	(654,420)	(677,422)
Net cash used in capital and related financing activities	(1,083,953)	(1,873,067)
Net increase in cash and restricted cash	1,795,569	3,022,502
Cash and restricted cash, beginning	4,499,789	1,477,287
Cash and restricted cash, end	\$ 6,295,358	\$ 4,499,789
Cash, end		
Unrestricted cash	\$ 5,321,456	\$ 3,779,612
Restricted cash	973,902	720,177
	\$ 6,295,358	\$ 4,499,789
Reconciliation of net loss to net cash used in operating activities		
Net loss	\$ (1,942,150)	\$ (1,851,402)
Adjustments to reconcile net loss to net cash used in operating activities		
(Increase) decrease in operating assets		
Accounts receivable	135,359	(17,638)
Inventory	(12,398)	(28,798)
Prepaid expenses	(93,306)	(6,643)
Increase (decrease) in operating liabilities		
Accounts payable	497,458	(173,606)
Accrued expenses	461,218	361,918
Unearned revenue	-	(154,214)
Advanced collections	250,041	693,030
Net cash used in operating activities	\$ (703,778)	\$ (1,177,353)

See Notes to Financial Statements.

**Capital Region Development Authority
Connecticut Convention Center**

**Notes to Financial Statements
June 30, 2023 and 2022**

Note 1 - Summary of significant accounting policies

Financial reporting entity

The Capital Region Development Authority (the "Authority") was established in 1998 as the Capital City Economic Development Authority under Title 32, Chapter 600 of the General Statutes of the State of Connecticut (the "Act"), as amended, and was created as a body politic and instrumentality of the State of Connecticut (the "State"). In 2012, the General Assembly renamed the Authority and expanded its powers to serve as a regional planning authority. The powers of the Authority are vested in its 14-member Board of Directors appointed pursuant to C.G.S. § 32-601.

The Connecticut Convention Center (the "Convention Center") is a public use facility which houses business functions, sporting events, and other entertainment programs for the general public. The accompanying financial statements are intended to only present those activities managed by Waterford Venue Services Hartford, LLC ("Waterford") relating to Convention Center events including event services income and related rent and food and beverage income, but excluding parking revenue and certain other revenue. The Convention Center is owned by the Authority. Accounts and activities of other operations of the Authority are not reflected in the accompanying financial statements. Financial statements containing all activities of the Authority may be obtained from the Authority.

Nature of operations

The purpose of the Convention Center, which commenced operations in June 2005, is to attract and service large conventions, tradeshow, exhibitions, conferences and local consumer shows in order to stimulate new investment in Connecticut. Additional goals of the Convention Center are to broaden the base of the tourism effort and stimulate surrounding economic development in order to generate increased tax revenue for the State.

Basis of accounting

The accompanying financial statements have been prepared to present the assets, liabilities, owner's equity, revenues, expenses, and cash flows of the Convention Center pursuant to the management agreement dated July 1, 2017, between the Authority and Waterford. The management agreement specifies that the financial statements be prepared on a basis in which all the assets and liabilities of the Convention Center are presented under a contractual basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). That basis differs from GAAP in the areas of capital assets and debt, which are not to be presented as assets or liabilities. All capital assets of the Convention Center, including the Convention Center itself, are owned by the Authority and operated by Waterford.

For purposes of the financial statements, capital assets and debt associated with the Convention Center have been excluded from the statements of assets, liabilities and owner's equity - contractual basis and operating contributions provided by the Authority have been excluded from the determination of net loss in the statements of revenues, expenses and changes in owner's equity - contractual basis. Debt repayments, capital purchases and operating contributions have instead been presented as a component of owner's equity.

Use of estimates

The preparation of financial statements in conformity with the basis of accounting referred to above requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Capital Region Development Authority
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**Notes to Financial Statements
June 30, 2023 and 2022**

Cash equivalents

All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of June 30, 2023 or 2022.

Restricted cash

Cash reserves whose use is specified or limited by third parties for future events are classified as restricted cash in the accompanying statements of assets, liabilities and owner's equity - contractual basis.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market. Inventory is comprised of various food and beverage items used in operations.

Revenue recognition

Revenue, including event services income and related rent and food and beverage income, is recognized upon completion of the event. Cash received in advance of the applicable event is presented as a liability advanced collections.

Grant revenue is recognized as funds are spent. Any unspent funds are recognized as unearned revenue. Unearned revenue as of June 30, 2023 represents grant funding received which has not yet been spent.

Note 2 - Credit risk

Cash deposits - custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All of the Convention Center's cash deposits were in qualified public institutions as defined by Connecticut General Statutes, which states that any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging financial institution or the pledging financial institution's trust department or agent but not in the depositor-Authority's name.

The cash attributed to the Convention Center represents only a portion of the Authority's total cash deposits and additional disclosures regarding custodial credit risk may be obtained from the Authority.

Accounts receivable

Credit is generally granted to customers without collateral. As of June 30, 2023, 100% of accounts receivable were due from two customers. As of June 30, 2022, approximately 91% of accounts receivable were due from three customers. Based on historical collection experience and the nature of the receivables, management has determined that an allowance for doubtful accounts is not considered necessary as of June 30, 2023 and 2022.

**Capital Region Development Authority
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**Notes to Financial Statements
June 30, 2023 and 2022**

Note 3 - Commitments

Waterford manages the operations of the Convention Center. The initial term of the management agreement was for a period of three years and has been renewed. A new five-year agreement was entered into effective July 1, 2017. On February 25, 2021, this agreement was amended for an extension of the term to June 30, 2023. On May 18, 2023, the term was extended to June 30, 2024. Base management fees paid for the years ended June 30, 2023 and 2022 totaled \$232,189 and \$221,132, respectively.

Separately, Waterford has agreed to manage the catering and concessions used by the Convention Center. A new five-year agreement was entered into effective July 1, 2017. On February 25, 2021, this agreement was amended for an extension of the term to June 30, 2023. On May 18, 2023, the term was extended to June 30, 2024. Base catering and concession fees paid for the years ended June 30, 2023 and 2022 totaled \$139,039 and \$132,418, respectively.

The management and catering and concessions agreements both contain provisions for Waterford to earn incentive fees, based upon certain targets being met, as defined in the agreements. For the years ended June 30, 2023 and 2022, incentive management fees were \$338,458 and \$66,252, respectively.

Note 4 - Related party

As part of normal operations, certain utility services are provided by facilities also under the ownership of the Authority. Amounts paid for these utility services totaled \$1,014,020 and \$830,048 for the years ended June 30, 2023 and 2022, respectively, and are included in utilities expense in the accompanying statements of revenues, expenses and changes in owner's equity - contractual basis.

Note 5 - Subsequent events

Subsequent events were evaluated through September 25, 2023, which is the date the financial statements were available to be issued.



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