

HAWAII CONVENTION CENTER

**Special-Purpose Financial Statements
and Supplementary Information**

December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)



CW Associates

A Hawaii Certified Public Accounting Corporation

HAWAII CONVENTION CENTER

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INDEPENDENT AUDITOR'S REPORT

Hawaii Convention Center:

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of Hawaii Convention Center (Center), which comprise the special-purpose statements of assets, liabilities, and net assets as of December 31, 2018 and 2017, and the related special-purpose statements of revenue, expenses, and changes in net assets, and of cash flows for the years then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the provisions of the contract agreement between the Hawaii Tourism Authority (Authority) and AEG Management HCC, LLC (AEG) described in Note 2; this includes determining that the provisions of the contract agreement between the Authority and AEG is an acceptable basis for the preparation of the special-purpose financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose 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 special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose 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 special-purpose financial statements.

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

Opinion on the Special-Purpose Financial Statements

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Center as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with the provisions of the contract agreement between the Authority and AEG as described in Note 2 to the special-purpose financial statements.

Basis of Accounting

We draw attention to Note 2 to the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared by the Center on the basis of the provisions of the contract agreement between the Authority and AEG, 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 contract agreement referenced to above. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the special-purpose financial statements as a whole. The information in the accompanying supplementary schedules of changes in net assets and schedules of revenue, expenses, and changes in net assets for the years ended December 31, 2018 and 2017, is presented for purposes of additional analysis and is not a required part of the special-purpose 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 special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audits of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose 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 special-purpose financial statements as a whole.

Restricted Use

The above report is intended solely for the information and use of the Auditor, State of Hawaii, the board of directors and management of the Authority, and AEG, and is not intended to be and should not be used by anyone other than these specified parties.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
June 14, 2019

HAWAII CONVENTION CENTER
SPECIAL-PURPOSE STATEMENTS OF ASSETS,
LIABILITIES, AND NET ASSETS

As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,849,301	\$ 4,334,779
Accounts receivable, net of allowance for doubtful accounts	534,517	1,295,747
Due from Hawaii Tourism Authority	9,098,739	4,542,939
Prepaid expenses	170,917	195,355
Deposits and other assets	<u>89,081</u>	<u>35,042</u>
Total current assets	12,742,555	10,403,862
Restricted cash	<u>10,347,343</u>	<u>9,103,887</u>
Total assets	<u>\$ 23,089,898</u>	<u>\$ 19,507,749</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,384,794	\$ 1,356,146
Due to Hawaii Tourism Authority	867,667	400,769
Accrued compensation	765,222	656,874
Advance deposits	625,254	590,383
Other liabilities	<u>10,066</u>	<u>6,940</u>
Total current liabilities	<u>3,653,003</u>	<u>3,011,112</u>
Net assets		
Unrestricted net assets	589,552	1,600,250
Restricted net assets	<u>18,847,343</u>	<u>14,896,387</u>
Total net assets	<u>19,436,895</u>	<u>16,496,637</u>
Total liabilities and net assets	<u>\$ 23,089,898</u>	<u>\$ 19,507,749</u>

See accompanying notes to the special-purpose financial statements.

HAWAII CONVENTION CENTER

SPECIAL-PURPOSE STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue, net		
Food and beverage	\$ 8,817,347	\$ 12,768,953
Rental income	2,689,423	2,300,956
Events	2,323,652	2,387,696
Other	100,867	105,470
Total operating revenue, net	<u>13,931,289</u>	<u>17,563,075</u>
Operating expenses		
Cost of goods sold		
Food and beverage	1,356,014	1,683,886
Other direct food and beverage costs	2,655,563	2,791,798
Total cost of goods sold	<u>4,011,577</u>	<u>4,475,684</u>
Other operating expenses		
Salaries and wages	5,958,155	5,629,418
Utilities	2,490,016	2,341,691
Marketing Flexibility Fund	2,015,277	1,167,907
Contract labor	1,614,940	1,827,062
Payroll taxes and benefits	1,461,349	1,398,795
Meetings and conventions	1,068,255	809,693
Repairs and maintenance	748,283	850,828
Building operations	737,623	890,030
Promotion	541,848	776,169
Management fee	453,600	445,200
Advertising	368,133	606,129
Insurance	173,826	205,310
Furniture, fixtures, and equipment	112,426	6,213
Community relations	65,992	45,519
Travel and entertainment	52,748	35,480
Computer	52,142	44,813
Dues and subscriptions	48,248	35,041
Employee training	42,663	88,779
Printing and stationery	37,198	14,251
Professional fees	35,523	34,475
Office supplies	25,748	30,863
Sales and use tax	17,316	23,655
Miscellaneous	151,568	89,581
Total other operating expenses	<u>18,272,877</u>	<u>17,396,902</u>
Total operating expenses	<u>22,284,454</u>	<u>21,872,586</u>
Operating loss	<u>(8,353,165)</u>	<u>(4,309,511)</u>

(Continued)

HAWAII CONVENTION CENTER
SPECIAL-PURPOSE STATEMENTS OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS (Continued)

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating loss	\$ (8,353,165)	\$ (4,309,511)
Nonoperating revenue, net		
Interest and dividend income	<u>59,009</u>	<u>17,062</u>
Total nonoperating revenue, net	<u>59,009</u>	<u>17,062</u>
Loss before capital improvement funded expenses, contributions and remittance	(8,294,156)	(4,292,449)
Major repairs and maintenance expenses	(76,411)	(575,840)
Contributions from Hawaii Tourism Authority	20,191,354	19,081,558
Remittance to Hawaii Tourism Authority for completed events revenue	<u>(8,880,529)</u>	<u>(10,518,445)</u>
Change in net assets	2,940,258	3,694,824
Net assets at beginning of year	<u>16,496,637</u>	<u>12,801,813</u>
Net assets at end of year	<u>\$ 19,436,895</u>	<u>\$ 16,496,637</u>

See accompanying notes to the special-purpose financial statements.

HAWAII CONVENTION CENTER
SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from customers	\$ 14,727,390	\$ 16,839,965
Cash payments to suppliers of goods and services	(14,709,186)	(14,359,146)
Cash payments to employees	<u>(7,464,747)</u>	<u>(7,329,908)</u>
Net cash used in operating activities	<u>(7,446,543)</u>	<u>(4,849,089)</u>
Cash flows from noncapital financing activities		
Major repairs and maintenance expenses	(76,411)	(575,840)
Contributions received from Hawaii Tourism Authority	14,392,098	16,881,629
Funds remitted to Hawaii Tourism Authority	<u>(8,413,631)</u>	<u>(10,789,104)</u>
Net cash provided by noncapital financing activities	<u>5,902,056</u>	<u>5,516,685</u>
Cash flows from investing activities		
Interest and dividend income	<u>59,009</u>	<u>17,062</u>
Net cash provided by investing activities	<u>59,009</u>	<u>17,062</u>
Net increase (decrease) in cash and cash equivalents	(1,485,478)	684,658
Cash and cash equivalents at beginning of year	<u>4,334,779</u>	<u>3,650,121</u>
Cash and cash equivalents at end of year	<u>\$ 2,849,301</u>	<u>\$ 4,334,779</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	<u>\$ (8,353,165)</u>	<u>\$ (4,309,511)</u>
Adjustments to reconcile operating loss to net cash used in operating activities		
Decrease (increase) in operating assets		
Accounts receivable, net of allowance for doubtful accounts	761,230	(767,831)
Prepaid expenses	24,438	(51,225)
Deposits and other assets	(54,039)	164,970
Increase (decrease) in operating liabilities		
Accounts payable	28,648	(54,839)
Accrued compensation	108,348	126,572
Advance deposits	34,871	44,721
Other liabilities	<u>3,126</u>	<u>(1,946)</u>
Total adjustments	<u>906,622</u>	<u>(539,578)</u>
Net cash used in operating activities	<u>\$ (7,446,543)</u>	<u>\$ (4,849,089)</u>

See accompanying notes to the special-purpose financial statements.

HAWAII CONVENTION CENTER

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

(1) Organization

The Hawaii Convention Center (Center), which opened to the general public in June 1998, is used for a variety of events, including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space, including 51 meeting rooms.

Effective July 1, 2000, the Hawaii Tourism Authority, State of Hawaii (Authority) became responsible for the operation, management, and maintenance of the Center. The Authority is a discretely presented component unit of the State of Hawaii. The Center is reported as a special revenue fund of the Authority.

(2) Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist readers in interpreting the special-purpose financial statements. These policies are considered essential and should be read in conjunction with the special-purpose financial statements.

(a) Financial Statement Presentation and Basis of Accounting

The special-purpose financial statements have been prepared pursuant to the provisions of the contract agreement between the Authority and AEG Management HCC, LLC (AEG) (Note 3) and are intended to present the assets, liabilities, and net assets; changes in net assets; and cash flows of only that portion of the Authority that is attributable to the transactions of the Center based upon the accounting records maintained by AEG. The Center's operations are reported on an accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

These special-purpose financial statements differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America, in that the property, building, furniture, and equipment used in the Center's operations, and related depreciation expense, as well as debt used to finance such capital assets and the related interest expense, are not reflected on the accompanying special-purpose financial statements. Those assets, liabilities, and related expenses are reflected on the financial statements of the Authority.

(b) Operating Revenue and Expenses

The Center distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the principal ongoing operations, management, and maintenance of the Center. Operating revenue includes charges for services provided by or at the Center. Operating expenses include costs of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

HAWAII CONVENTION CENTER

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

(c) *Classification of Current and Noncurrent Assets and Liabilities*

The Center considers assets that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the date of the special-purpose statement of assets, liabilities, and net assets to be current. Liabilities that reasonably can be expected, as part of normal Center business operations, to be paid within 12 months of the special-purpose statement of assets, liabilities, and net assets date are current. All other assets and liabilities are considered to be noncurrent.

(d) *Cash and Cash Equivalents*

For purposes of the special-purpose statements of cash flows, the Center considers currency on hand, savings, demand deposits, and certificates of deposits purchased with an original maturity of three months or less to be cash and cash equivalents.

(e) *Due from/to the Hawaii Tourism Authority*

Due from the Authority represents expenses to be reimbursed by the Authority. Due to the Authority represents revenues on completed events and contributions that are required to be remitted to the Authority.

(f) *Revenue Recognition*

Operating revenue includes charges for services, which are recognized when provided. The Center's accounts receivable are due from companies in various industries. Credit is extended based on an evaluation of the customer's financial condition and collateral is not required. Accounts receivable are due within 30 days and are stated at amounts due from customers. The allowance for doubtful accounts (approximately \$57,000 and \$63,000 at December 31, 2018 and 2017, respectively) is the Center's estimate of the amount that may not be collectible. Management determines the allowance based on a review of each specific customer accounts receivable balance. Accounts outstanding longer than 90 days are considered past due and delinquency letters are sent. The Center writes off accounts receivable when it determines they are uncollectible.

(g) *Discounts*

Operating revenue is net of sales discounts amounting to \$2,833,922 and \$3,501,083 for the years ended December 31, 2018 and 2017, respectively.

(h) *Advertising Expenses*

The Center expenses costs of advertising as incurred.

HAWAII CONVENTION CENTER

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

(i) Use of Estimates

The preparation of the special-purpose financial statements, in accordance with the terms of the contract agreement, requires management of the Center to make estimates and assumptions that affect the amounts reported in the special-purpose financial statements and accompanying notes. Actual results could differ from those estimates and it is reasonably possible that such differences will occur within the near term. Significant items subject to such estimates and assumptions include the valuation of accounts receivable.

(3) Contract Agreement

The Center is managed and operated by AEG, a private contractor, under a contract agreement dated August 8, 2013, as amended. AEG also assumes responsibility for the Center's sales and marketing efforts. The term of the agreement is from January 1, 2014 to December 31, 2019. For the year ended December 31, 2018, the management fee earned by AEG amounted to \$259,200 plus an estimated additional bonus of \$194,400 for exceeding certain performance measures. For the year ended December 31, 2017, the management fee amounted to \$254,400 plus an additional bonus of \$190,800 for exceeding certain performance measures. AEG is on a cost-reimbursement contract whereby they are reimbursed by the Authority for costs incurred in operating the Center.

(4) License and Food and Beverage Agreements

At December 31, 2018 and 2017, various clients have contracts with the Center to reserve space for future conventions and events to be held at the Center. These clients signed license agreements with the Center, which require rental payments in advance. At December 31, 2018 and 2017, the Center estimates \$1,538,600 and \$1,723,500, respectively, in future revenues, of which \$625,254 and \$590,383, respectively, was collected in advance and recorded as advance deposits on the special-purpose statements of assets, liabilities, and net assets.

(5) Sales and Marketing

In accordance with Act 253 of the 2002 Session Laws of Hawaii, the Center assumed responsibility for the advertisement and promotion of the Center effective January 1, 2003. In an effort to increase its sales and marketing efforts, the Center entered into an agreement with the Authority whereby the Authority agreed to provide additional funding to the Center. The term of the current agreement is from January 1, 2014 through December 31, 2019. During the years ended December 31, 2018 and 2017, the Center received \$20,191,354 and \$19,081,558, respectively, from the Authority, of which \$5,929,976 and \$4,506,200, respectively, was required to be spent on sales and marketing. During the years ended December 31, 2018 and 2017, the Center's sales and marketing expenses were \$6,218,474 and \$5,610,444, respectively, and includes expenses from the Marketing Flexibility Fund, which is used to attract clients to use the Center for their events. These sales and marketing costs are included as operating expenses in the Center's special-purpose statements of revenue, expenses, and changes in net assets for the years ended December 31, 2018 and 2017. In accordance with the agreement between the Authority and the Center, the Center is not required to remit the unspent funds back to the Authority provided that the unspent funds be used for sales and marketing in subsequent years and approved by the Authority's board of directors.

HAWAII CONVENTION CENTER

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

(6) Capital Improvements

Disbursements for property, building, and equipment are recorded as a reduction of contributions from the Authority since such capital assets are not recorded on the Center's special-purpose statements of assets, liabilities, and net assets (Note 2). Disbursements for property, building, and equipment were \$361,809 and \$688,140 for the years ended December 31, 2018 and 2017, respectively.

During the years ended December 31, 2018 and 2017, the Center received \$4,300,000 and \$5,100,000, respectively, from the Authority to be used for emergency capital improvements, repair or maintenance purchases, and various capital improvement projects. The Center is not required to remit unspent funds back to the Authority provided that the unspent funds be used for capital improvements. The Center had \$18,847,343 and \$14,896,387 in unspent funds at December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, the Center used \$8,500,000 in restricted cash to cover operational expenses, which is in the process of being reimbursed by the Authority, resulting in \$10,347,343 in restricted cash at December 31, 2018. During the year ended December 31, 2017, the Center used \$5,792,500 in restricted cash to cover operational expenses, which was reimbursed by the Authority during the year ended December 31, 2018 resulting in \$9,103,887 in restricted cash at December 31, 2017. As of December 31, 2018 and 2017, the Center had remaining commitments relating to the acquisition of capital assets of \$1,176,275 and \$3,563,751, respectively.

(7) Pension Plan

The Center has a defined-contribution pension plan for all employees meeting service, age, and employment status requirements. The Center matches 100% of an employee's contribution up to the first 3% of the employee's contribution. Contributions to the plan amounted to \$88,829 and \$81,764 for the years ended December 31, 2018 and 2017, respectively.

(8) Contingencies

The Center may be subject to legal proceedings, claims, and litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the special-purpose financial statements. However, it is reasonably possible that such estimates may change within the near term.

(9) Financial Statement Presentation

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

HAWAII CONVENTION CENTER

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

(10) Subsequent Events

In accordance with Act 26 of the 2019 Session Laws of Hawaii, effective January 1, 2020, contracts entered into by the Authority for the marketing of all uses of the Center may be issued separately from the management, use, operation, or maintenance of the Center.

Management has evaluated subsequent events through June 14, 2019, which is the date the special-purpose financial statements were available to be issued and determined that, the Center did not have any subsequent events requiring adjustment to the special-purpose financial statements or disclosure in the notes to the special-purpose financial statements, except as described above.

SUPPLEMENTARY INFORMATION

HAWAII CONVENTION CENTER

SCHEDULES OF CHANGES IN NET ASSETS

For the Years Ended December 31, 2018 and 2017

	Contributions from Hawaii Tourism Authority	Accumulated deficit	Total
Balance at December 31, 2016	\$ 133,715,901	\$ (120,914,088)	\$ 12,801,813
Loss before capital improvement funded expenses, contributions and funds remitted	-	(4,292,449)	(4,292,449)
Major repairs and maintenance expenses	-	(575,840)	(575,840)
Contributions from Hawaii Tourism Authority	19,081,558	-	19,081,558
Remittance to Hawaii Tourism Authority for completed events revenue	<u>(10,518,445)</u>	<u>-</u>	<u>(10,518,445)</u>
Balance at December 31, 2017	142,279,014	(125,782,377)	16,496,637
Loss before capital improvement funded expenses, contributions and funds remitted	-	(8,294,156)	(8,294,156)
Major repairs and maintenance expenses	-	(76,411)	(76,411)
Contributions from Hawaii Tourism Authority	20,191,354	-	20,191,354
Remittance to Hawaii Tourism Authority for completed events revenue	<u>(8,880,529)</u>	<u>-</u>	<u>(8,880,529)</u>
Balance at December 31, 2018	<u>\$ 153,589,839</u>	<u>\$ (134,152,944)</u>	<u>\$ 19,436,895</u>

HAWAII CONVENTION CENTER

SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2018

	Convention Center <u>Operations</u>	Sales and <u>Marketing</u>	<u>Total</u>
Operating revenue, net			
Food and beverage	\$ 8,817,347	\$ -	\$ 8,817,347
Rental income	2,689,423	-	2,689,423
Events	2,323,652	-	2,323,652
Other	100,867	-	100,867
Total operating revenue, net	<u>13,931,289</u>	<u>-</u>	<u>13,931,289</u>
Operating expenses			
Cost of goods sold			
Food and beverage	1,356,014	-	1,356,014
Other direct food and beverage costs	<u>2,655,563</u>	<u>-</u>	<u>2,655,563</u>
Total cost of goods sold	<u>4,011,577</u>	<u>-</u>	<u>4,011,577</u>
Other operating expenses			
Salaries and wages	4,526,057	1,432,098	5,958,155
Utilities	2,483,671	6,345	2,490,016
Marketing Flexibility Fund	-	2,015,277	2,015,277
Contract labor	1,515,586	99,354	1,614,940
Payroll taxes and benefits	1,190,587	270,762	1,461,349
Meetings and conventions	6,816	1,061,439	1,068,255
Repairs and maintenance	651,788	96,495	748,283
Building operations	736,183	1,440	737,623
Promotion	38,831	503,017	541,848
Management fee	252,720	200,880	453,600
Advertising	-	368,133	368,133
Insurance	173,826	-	173,826
Furniture, fixtures, and equipment	107,190	5,236	112,426
Community relations	28,296	37,696	65,992
Travel and entertainment	40,034	12,714	52,748
Computer	47,577	4,565	52,142
Dues and subscriptions	8,561	39,687	48,248
Employee training	37,060	5,603	42,663
Printing and stationery	604	36,594	37,198
Professional fees	33,112	2,411	35,523
Office supplies	21,962	3,786	25,748
Sales and use tax	6,585	10,731	17,316
Miscellaneous	<u>147,357</u>	<u>4,211</u>	<u>151,568</u>
Total other operating expenses	<u>12,054,403</u>	<u>6,218,474</u>	<u>18,272,877</u>
Total operating expenses	<u>16,065,980</u>	<u>6,218,474</u>	<u>22,284,454</u>
Operating loss	<u>(2,134,691)</u>	<u>(6,218,474)</u>	<u>(8,353,165)</u>

(Continued)

HAWAII CONVENTION CENTER

SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS (Continued)

Year Ended December 31, 2018

	Convention Center <u>Operations</u>	Sales and <u>Marketing</u>	<u>Total</u>
Operating loss	\$ (2,134,691)	\$ (6,218,474)	\$ (8,353,165)
Nonoperating revenue, net			
Interest and dividend income	58,798	211	59,009
Total nonoperating revenue, net	<u>58,798</u>	<u>211</u>	<u>59,009</u>
Loss before capital improvement funded expenses, contributions and remittance	(2,075,893)	(6,218,263)	(8,294,156)
Major repairs and maintenance expenses	(76,411)	-	(76,411)
Contributions from Hawaii Tourism Authority	14,261,378	5,929,976	20,191,354
Remittance to Hawaii Tourism Authority for completed events revenue	<u>(8,880,529)</u>	<u>-</u>	<u>(8,880,529)</u>
Change in net assets	<u>\$ 3,228,545</u>	<u>\$ (288,287)</u>	<u>\$ 2,940,258</u>

HAWAII CONVENTION CENTER

SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2017

	Convention Center <u>Operations</u>	Sales and <u>Marketing</u>	<u>Total</u>
Operating revenue, net			
Food and beverage	\$ 12,768,953	\$ -	\$ 12,768,953
Events	2,387,696	-	2,387,696
Rental income	2,300,956	-	2,300,956
Other	105,470	-	105,470
Total operating revenue, net	<u>17,563,075</u>	<u>-</u>	<u>17,563,075</u>
Operating expenses			
Cost of goods sold			
Food and beverage	1,683,886	-	1,683,886
Other direct food and beverage costs	2,791,798	-	2,791,798
Total cost of goods sold	<u>4,475,684</u>	<u>-</u>	<u>4,475,684</u>
Other operating expenses			
Salaries and wages	4,159,961	1,469,457	5,629,418
Utilities	2,334,546	7,145	2,341,691
Contract labor	1,688,284	138,778	1,827,062
Payroll taxes and benefits	1,102,710	296,085	1,398,795
Marketing Flexibility Fund	-	1,167,907	1,167,907
Building operations	890,030	-	890,030
Repairs and maintenance	753,601	97,227	850,828
Meetings and conventions	7,067	802,626	809,693
Promotion	39,073	737,096	776,169
Advertising	-	606,129	606,129
Management fee	279,840	165,360	445,200
Insurance	205,310	-	205,310
Employee training	54,168	34,611	88,779
Community relations	45,519	-	45,519
Computer	43,665	1,148	44,813
Travel and entertainment	23,251	12,229	35,480
Dues and subscriptions	10,850	24,191	35,041
Professional fees	22,596	11,879	34,475
Office supplies	26,507	4,356	30,863
Sales and use tax	11,838	11,817	23,655
Printing and stationery	998	13,253	14,251
Furniture, fixtures, and equipment	5,516	697	6,213
Miscellaneous	81,128	8,453	89,581
Total other operating expenses	<u>11,786,458</u>	<u>5,610,444</u>	<u>17,396,902</u>
Total operating expenses	<u>16,262,142</u>	<u>5,610,444</u>	<u>21,872,586</u>
Operating income (loss)	<u>1,300,933</u>	<u>(5,610,444)</u>	<u>(4,309,511)</u>

(Continued)

HAWAII CONVENTION CENTER

SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS (Continued)

Year Ended December 31, 2017

	Convention Center <u>Operations</u>	Sales and <u>Marketing</u>	<u>Total</u>
Operating income (loss)	\$ 1,300,933	\$ (5,610,444)	\$ (4,309,511)
Nonoperating revenue, net			
Interest and dividend income	17,012	50	17,062
Total nonoperating revenue, net	<u>17,012</u>	<u>50</u>	<u>17,062</u>
Income (loss) before capital improvement funded expenses, contributions and remittance	1,317,945	(5,610,394)	(4,292,449)
Major repairs and maintenance expenses	(575,840)	-	(575,840)
Contributions from Hawaii Tourism Authority	14,575,358	4,506,200	19,081,558
Remittance to Hawaii Tourism Authority for completed events revenue	<u>(10,518,445)</u>	<u>-</u>	<u>(10,518,445)</u>
Change in net assets	<u>\$ 4,799,018</u>	<u>\$ (1,104,194)</u>	<u>\$ 3,694,824</u>