

Office of the Auditor
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Jan K. Yamane
Acting State Auditor
State of Hawai'i

Constitutional Mandate

The Office of the Auditor, pursuant to Article VII, Section 10 of the Hawai'i State Constitution, is required to conduct post-audits of the transactions, accounts, program and performance of departments, offices and agencies of the State and its political subdivisions, and to certify to the accuracy of all financial statements issued by the respective accounting officers.

Financial Audit of the Hawai'i Convention Center

Financial Statements, Fiscal Year Ended June 30, 2012

The primary purpose of the audit was to form an opinion on the fairness of the presentation of the special-purpose financial statements for the Hawai'i Convention Center as of and for the fiscal year ended June 30, 2012. The special-purpose financial statements have been prepared pursuant to the provisions of the management agreement between the Hawai'i Tourism Authority and SMG, a private company contracted to operate the center. The audit was conducted by KPMG, LLP.

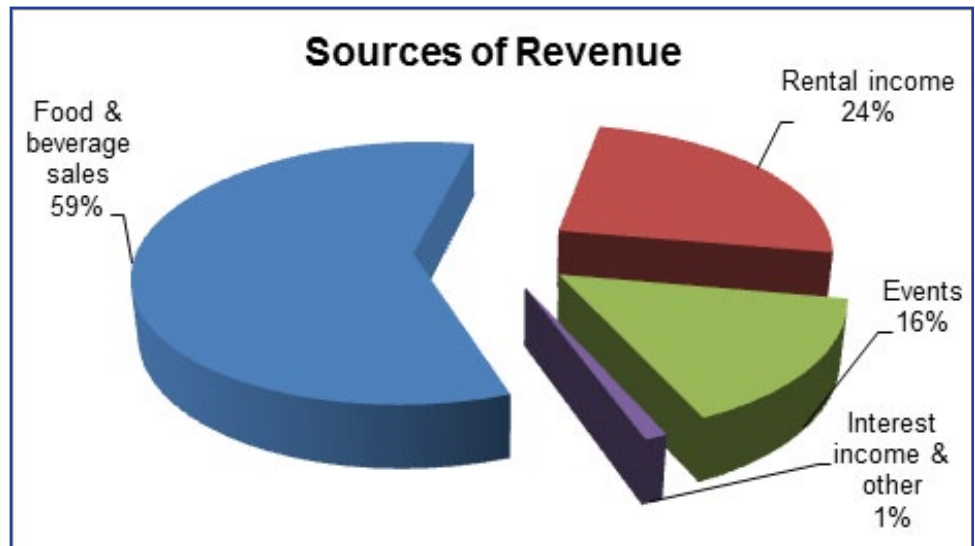
About the Center

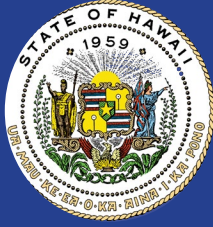
The Hawai'i Convention Center, which opened to the general public in June 1998, is used to host a variety of events, including conventions and trade shows, public shows, and spectator events. The center offers approximately 350,000 square feet of rentable space, including 51 meeting rooms. The Hawai'i Tourism Authority is responsible for the operation, management, and maintenance of the center. The Hawai'i Convention Center is reported as a special revenue fund of the Hawai'i Tourism Authority.

Financial Highlights

For fiscal year ended June 30, 2012, the center reported total revenues of approximately \$9 million and total expenses of \$17.2 million, resulting in a loss before contributions and remittance of \$8.2 million. The Hawai'i Tourism Authority contributed \$17 million to the center, less \$9.5 million the center remitted to the Hawai'i Tourism Authority for completed events.

Revenues consisted of \$5.3 million from food and beverage sales, \$2.2 million in rental income, \$1.4 million from events, and \$0.1 million in interest income and other. Revenues are net of sales discounts of \$1.4 million.





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Auditors' Opinion

Financial Statements: **Unmodified opinion** +

Issues of Concern

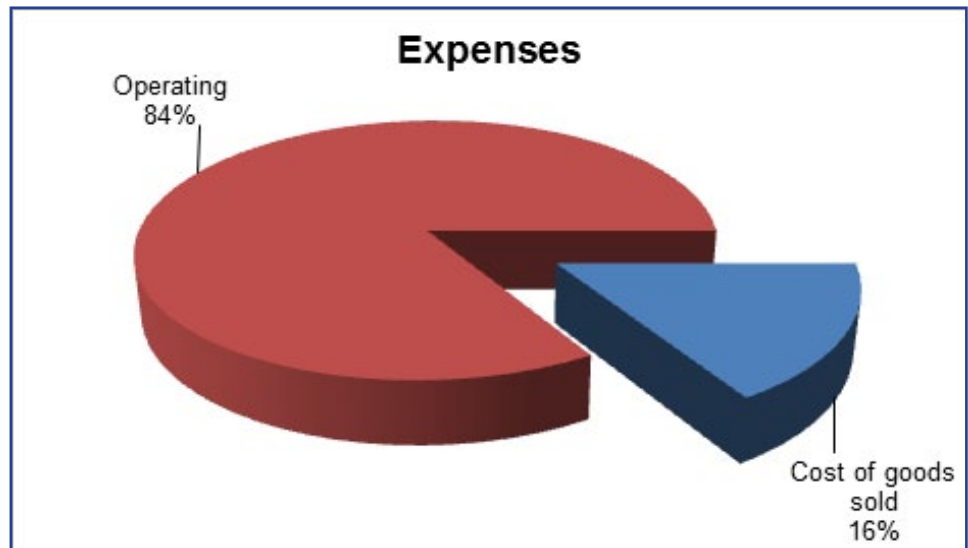
Material Weaknesses

0

Significant Deficiencies

0

Expenses consisted of \$2.8 million for cost of goods sold and \$14.4 million for other operating costs, such as salaries, wages, utilities, and advertising. SMG is on a cost-reimbursement contract whereby they are reimbursed for costs of operating the Center. SMG's management fee for the year ended June 30, 2012, amounted to \$325,000.



Total assets of the center exceeded total liabilities by approximately \$13.7 million. Of this amount, \$2.9 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets of \$16 million were comprised of cash (\$13.6 million), receivables, inventories and prepaid expenses (\$0.7 million), and deposits and other assets (\$1.7 million). Liabilities totaled approximately \$2.3 million, including \$0.9 million due to the Hawai'i Tourism Authority.

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 in the center's special-purpose financial statements. Those assets, liabilities, and related expenses are reflected on the financial statements of the Hawai'i Tourism Authority.

Auditors' Opinion

The center received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Findings

There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses. There were no findings that were considered material weaknesses in internal control over compliance.

For the complete report and financial statements, visit our website at:
http://files.hawaii.gov/auditor/Reports/2012_Audit/ConventionCenter2012.pdf