

Hawaii Convention Center

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

December 31, 2019 and 2018

Hawaii Convention Center
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December 31, 2019 and 2018

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Report of Independent Auditors

The Auditor
State of Hawaii

The Board of Directors
Hawaii Tourism Authority

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of Hawaii Convention Center (the "Center"), which comprise the special-purpose statements of assets, liabilities, and net assets as of December 31, 2019, and the related special-purpose statements of revenue, expenses, and changes in net assets, and cash flows for the year 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 (the "Authority") and AEG Management HCC, LLC ("AEG") dated August 8, 2013. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from 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 auditors' 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 auditors consider 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with the financial reporting provisions of the contract agreement between the Authority and AEG.

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.

Prior Period Financial Statements

The special-purpose financial statements of the Center as of December 31, 2018 were audited by other auditors whose report dated June 14, 2019 expressed an unmodified opinion on those statements.

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 schedule of changes in net assets and schedule of revenue, expenses, and changes in net assets for the year ended December 31, 2019 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 audit 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. The 2018 supplementary schedule of changes in net assets and schedule of revenue, expenses, and changes in net assets was subjected to the auditing procedures applied in the 2018 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2018 special-purpose financial statements as a whole.

Restricted Use

Our 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.

Accuity LLP

Honolulu, Hawaii
September 1, 2020

Hawaii Convention Center
Special-Purpose Statements of Assets, Liabilities, and Net Assets
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 4,265,238	\$ 2,849,301
Accounts receivable, net of allowance for doubtful accounts of \$36,221 in 2019 and \$57,258 in 2018	1,226,749	534,517
Due from the Authority	8,652,946	9,098,739
Prepaid expenses	365,855	170,917
Deposits and other assets	<u>221,917</u>	<u>89,081</u>
Total current assets	14,732,705	12,742,555
Restricted cash	<u>15,280,135</u>	<u>10,347,343</u>
Total assets	<u>\$ 30,012,840</u>	<u>\$ 23,089,898</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,920,356	\$ 1,384,794
Due to the Authority	1,120,804	867,667
Accrued compensation	748,926	765,222
Advance deposits	729,210	625,254
Other liabilities	<u>6,861</u>	<u>10,066</u>
Total current liabilities	<u>4,526,157</u>	<u>3,653,003</u>
Net assets		
Without restrictions	1,648,529	589,552
With restrictions	<u>23,838,154</u>	<u>18,847,343</u>
Total net assets	<u>25,486,683</u>	<u>19,436,895</u>
Total liabilities and net assets	<u>\$ 30,012,840</u>	<u>\$ 23,089,898</u>

The accompanying notes are an integral part of these special-purpose financial statements.

Hawaii Convention Center
Special-Purpose Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenue without restrictions		
Food and beverage	\$ 11,058,969	\$ 8,817,347
Events	2,880,143	2,323,652
Rental income	2,692,054	2,689,423
Other	95,081	100,867
	<u>16,726,247</u>	<u>13,931,289</u>
Total operating revenue		
Operating expenses		
Salaries and wages	6,357,473	5,958,155
Other direct food and beverage costs	3,156,846	2,655,563
Utilities	2,587,057	2,490,016
Contract labor	1,930,970	1,614,940
Food and beverage	1,748,345	1,356,014
Payroll taxes and benefits	1,647,454	1,461,349
Marketing Flexibility Fund	1,166,934	2,015,277
Promotion	881,294	541,848
Repairs and maintenance	769,345	748,283
Building operations	756,432	737,623
Meetings and conventions	590,521	1,068,255
Advertising	418,447	368,133
Management fee	397,200	453,600
Insurance	84,796	173,826
Community relations	63,581	65,992
Professional fees	52,260	35,523
Employee training	42,473	42,663
Computer	32,439	52,142
Sales and use tax	30,777	17,316
Dues and subscriptions	23,824	48,248
Travel and entertainment	22,227	52,748
Printing and stationery	21,985	37,198
Office supplies	19,725	25,748
Furniture, fixtures and equipment	18,120	112,426
Miscellaneous	143,974	151,568
	<u>22,964,499</u>	<u>22,284,454</u>
Total operating expenses		
Operating loss	<u>(6,238,252)</u>	<u>(8,353,165)</u>

The accompanying notes are an integral part of these special-purpose financial statements.

Hawaii Convention Center
Special-Purpose Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019	2018
Subtotal carried forward	<u>(6,238,252)</u>	<u>(8,353,165)</u>
Nonoperating revenue without restrictions		
Contributions from the Authority	16,536,883	16,299,232
Interest and dividend income	<u>1,303</u>	<u>211</u>
Total nonoperating revenue without restrictions	16,538,186	16,299,443
Nonoperating expenses		
Remittance to the Authority for completed events revenue	(9,238,191)	(8,880,529)
Capital improvement funded expenses	<u>(567,009)</u>	<u>(484,289)</u>
Total nonoperating expenses	(9,805,200)	(9,364,818)
Net assets released from restrictions	<u>567,009</u>	<u>484,289</u>
Increase (decrease) in net assets without restrictions	1,061,743	(934,251)
Nonoperating revenue with restrictions		
Contributions from the Authority	5,414,443	4,300,000
Interest and dividend income	<u>140,611</u>	<u>58,798</u>
Total nonoperating revenue with restrictions	5,555,054	4,358,798
Net assets released from restrictions	<u>(567,009)</u>	<u>(484,289)</u>
Increase in net assets with restrictions	<u>4,988,045</u>	<u>3,874,509</u>
Increase in net assets	6,049,788	2,940,258
Net assets		
Beginning of year	<u>19,436,895</u>	<u>16,496,637</u>
End of year	<u>\$ 25,486,683</u>	<u>\$ 19,436,895</u>

The accompanying notes are an integral part of these special-purpose financial statements.

**Hawaii Convention Center
Special-Purpose Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities		
Cash received from customers	\$ 16,137,971	\$ 14,727,390
Cash payments to suppliers of goods and services	(14,754,989)	(14,862,779)
Cash payments to employees	<u>(8,021,223)</u>	<u>(7,311,154)</u>
Net cash used in operating activities	<u>(6,638,241)</u>	<u>(7,446,543)</u>
Cash flows from investing activities		
Payments for capital improvements	(567,009)	(484,289)
Interest and dividend income	<u>141,914</u>	<u>59,009</u>
Net cash used in investing activities	<u>(425,095)</u>	<u>(425,280)</u>
Cash flows from financing activities		
Contributions received from the Authority	22,397,119	16,043,432
Funds remitted to the Authority	<u>(8,985,054)</u>	<u>(8,413,631)</u>
Net cash provided by financing activities	<u>13,412,065</u>	<u>7,629,801</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	6,348,729	(242,022)
Cash, cash equivalents, and restricted cash		
Beginning of year	<u>13,196,644</u>	<u>13,438,666</u>
End of year	<u>\$ 19,545,373</u>	<u>\$ 13,196,644</u>
Cash and cash equivalents	\$ 4,265,238	\$ 2,849,301
Restricted cash	<u>15,280,135</u>	<u>10,347,343</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 19,545,373</u>	<u>\$ 13,196,644</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (6,238,252)	\$ (8,353,165)
Adjustments to reconcile operating loss to net cash used in operating activities		
Decrease (increase) in assets		
Accounts receivable	(692,232)	761,230
Prepaid expenses	(194,938)	24,438
Deposits and other assets	(132,836)	(54,039)
Increase (decrease) in liabilities		
Accounts payable	535,562	28,648
Accrued compensation	(16,296)	108,348
Advance deposits	103,956	34,871
Other liabilities	<u>(3,205)</u>	<u>3,126</u>
Total adjustments	<u>(399,989)</u>	<u>906,622</u>
Net cash used in operating activities	<u>\$ (6,638,241)</u>	<u>\$ (7,446,543)</u>

The accompanying notes are an integral part of these special-purpose financial statements.

Hawaii Convention Center

Notes to Special-Purpose Financial Statements

December 31, 2019 and 2018

1. Organization

The Hawaii Convention Center (the "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 (the "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

Basis of Presentation

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"), a private contractor, 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 as 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 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.

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.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with banks with original maturities of three months or less and balances held in a money market fund.

Hawaii Convention Center

Notes to Special-Purpose Financial Statements

December 31, 2019 and 2018

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.

Revenue Recognition

Operating revenue includes charges for services, which are recognized when earned.

Allowance for Doubtful Accounts

The Center's accounts receivable is 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. Management determines the allowance based on a review of each specific customer's 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.

Discounts

Operating revenue is net of sales discounts amounting to approximately \$3,524,000 and \$2,834,000 for the years ended December 31, 2019 and 2018, respectively.

Advertising Expenses

Advertising costs are charged to expense as incurred. The total amounts charged to advertising expense totaled approximately \$307,000 for each of the years ended December 31, 2019 and 2018.

Use of Estimates

The preparation of the special-purpose financial statements in conformity with the terms of the contract agreement requires management to make estimates and assumptions that affect the amounts reported in the special-purpose financial statements and accompanying notes. Actual results could differ materially from those estimates.

Reclassifications

Certain amounts in the 2018 special-purpose financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications had no impact on the 2018 operating loss as previously reported.

3. Contract Agreement

The Center is managed and operated by AEG 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, 2020 and provides AEG to receive management fees. For the year ended December 31, 2019, the management fee earned by AEG amounted to \$264,000 plus an estimated additional bonus of approximately \$133,000 for exceeding certain performance measures. For the year ended December 31, 2018, the management fee amounted to approximately \$259,000 plus an additional bonus of approximately \$194,000 for exceeding certain performance measures. Effective January 1, 2020, AEG is responsible for the Center's sales and marketing efforts within the state of Hawaii and a third party is responsible for sales and marketing efforts outside of Hawaii.

Hawaii Convention Center

Notes to Special-Purpose Financial Statements

December 31, 2019 and 2018

4. License and Food and Beverage Agreements

At December 31, 2019 and 2018, 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, 2019 and 2018, the Center estimates approximately \$891,000 and \$1,539,000, respectively, in future revenues, of which approximately \$729,000 and \$625,000, respectively, was collected in advance and are included in advance deposits in the accompanying 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. The Center entered into an agreement with the Authority whereby the Authority agreed to provide funding for the sales and marketing of the Center. The term of the current agreement is from January 1, 2014 through December 31, 2020. During the years ended December 31, 2019 and 2018, the Center received approximately \$21,951,000 and \$20,599,000, respectively, from the Authority, of which approximately \$5,235,000 and \$5,930,000, respectively, was required to be spent on sales and marketing. During the years ended December 31, 2019 and 2018, the Center's sales and marketing expenses were \$5,315,000 and \$6,218,000, 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 accompanying special-purpose statements of revenue, expenses, and changes in net assets for the years ended December 31, 2019 and 2018. 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.

6. Capital Improvements

Disbursements for property, building and equipment are recorded as a reduction of contributions from the Authority. Disbursements for property, building and equipment were approximately \$567,000 and \$484,000 for the years ended December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019 and 2018, the Center received approximately \$5,414,000 and \$4,300,000, 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 approximately \$23,838,000 and \$18,847,000 in unspent funds at December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Center used approximately \$8,558,000 in restricted cash to cover operational expenses, which is in the process of being reimbursed by the Authority, resulting in approximately \$15,280,000 in restricted cash at December 31, 2019. 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 approximately \$10,347,000 in restricted cash at December 31, 2018.

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Notes to Special-Purpose Financial Statements

December 31, 2019 and 2018

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 approximately \$98,000 and \$89,000 for the years ended December 31, 2019 and 2018, 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. 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.

The Company has reviewed all events that have occurred from January 1, 2020 through September 1, 2020, the date that the consolidated financial statements were available for issuance, for proper accounting and disclosure in the consolidated financial statements.

In March 2020, the World Health Organization declared an outbreak of the novel coronavirus ("COVID-19") to be a global pandemic. The financial impact of COVID-19 on the travel and tourism industry is anticipated to be significant. As of July 31, 2020, management has estimated approximately \$2,417,000 in cancelled events due to COVID-19.

Supplementary Information

**Hawaii Convention Center
Schedules of Changes in Net Assets
Years Ended December 31, 2019 and 2018**

Schedule 1

	Contributions from the Authority	Accumulated Deficit	Total
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)
Capital improvement funded expenses	-	(484,289)	(484,289)
Contributions from the Authority	20,599,232	-	20,599,232
Remittance to the Authority for completed events revenue	<u>(8,880,529)</u>	<u>-</u>	<u>(8,880,529)</u>
Balance at December 31, 2018	153,997,717	(134,560,822)	19,436,895
Loss before capital improvement funded expenses, contributions and funds remitted	-	(6,096,338)	(6,096,338)
Capital improvement funded expenses	-	(567,009)	(567,009)
Contributions from the Authority	21,951,326	-	21,951,326
Remittance to the Authority for completed events revenue	<u>(9,238,191)</u>	<u>-</u>	<u>(9,238,191)</u>
Balance at December 31, 2019	<u>\$ 166,710,852</u>	<u>\$ (141,224,169)</u>	<u>\$ 25,486,683</u>

Hawaii Convention Center
Schedule of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2019

Schedule 2

	Convention Center Operations	Sales and Marketing	Total
Operating revenue without restrictions			
Food and beverage	\$ 11,058,969	\$ -	\$ 11,058,969
Events	2,880,143	-	2,880,143
Rental income	2,692,054	-	2,692,054
Other	95,081	-	95,081
Total operating revenue	<u>16,726,247</u>	<u>-</u>	<u>16,726,247</u>
Operating expenses			
Salaries and wages	4,881,790	1,475,683	6,357,473
Other direct food and beverage costs	3,156,846	-	3,156,846
Utilities	2,580,009	7,048	2,587,057
Contract labor	1,706,111	224,859	1,930,970
Food and beverage	1,748,345	-	1,748,345
Payroll taxes and benefits	1,318,136	329,318	1,647,454
Marketing Flexibility Fund	-	1,166,934	1,166,934
Promotion	74,542	806,752	881,294
Repairs and maintenance	695,786	73,559	769,345
Building operations	756,432	-	756,432
Meetings and conventions	20,378	570,143	590,521
Advertising	-	418,447	418,447
Management fee	290,400	106,800	397,200
Insurance	84,796	-	84,796
Community relations	13,005	50,576	63,581
Professional fees	51,130	1,130	52,260
Employee training	36,701	5,772	42,473
Computer	29,537	2,902	32,439
Sales and use tax	14,522	16,255	30,777
Dues and subscriptions	9,875	13,949	23,824
Travel and entertainment	15,115	7,112	22,227
Printing and stationery	1,334	20,651	21,985
Office supplies	17,610	2,115	19,725
Furniture, fixtures and equipment	18,120	-	18,120
Miscellaneous	128,712	15,262	143,974
Total operating expenses	<u>17,649,232</u>	<u>5,315,267</u>	<u>22,964,499</u>
Operating loss	<u>(922,985)</u>	<u>(5,315,267)</u>	<u>(6,238,252)</u>

Hawaii Convention Center
Schedule of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2019

Schedule 2

	Convention Center Operations	Sales and Marketing	Total
Subtotal carried forward	<u>(922,985)</u>	<u>(5,315,267)</u>	<u>(6,238,252)</u>
Nonoperating revenue without restrictions			
Contributions from the Authority	11,302,151	5,234,732	16,536,883
Interest and dividend income	-	1,303	1,303
Total nonoperating revenue without restrictions	<u>11,302,151</u>	<u>5,236,035</u>	<u>16,538,186</u>
Nonoperating expenses			
Remittance to the Authority for completed events revenue	(9,238,191)	-	(9,238,191)
Capital improvement funded expenses	<u>(567,009)</u>	-	<u>(567,009)</u>
Total nonoperating expenses	<u>(9,805,200)</u>	-	<u>(9,805,200)</u>
Net assets released from restrictions	<u>567,009</u>	-	<u>567,009</u>
Increase (decrease) in net assets without restrictions	1,140,975	(79,232)	1,061,743
Nonoperating revenue with restrictions			
Contributions from the Authority	5,414,443	-	5,414,443
Interest and dividend income	<u>140,611</u>	-	<u>140,611</u>
Total nonoperating revenue with restrictions	<u>5,555,054</u>	-	<u>5,555,054</u>
Net assets released from restrictions	<u>(567,009)</u>	-	<u>(567,009)</u>
Increase in net assets with restrictions	<u>4,988,045</u>	-	<u>4,988,045</u>
Change in net assets	<u>\$ 6,129,020</u>	<u>\$ (79,232)</u>	<u>\$ 6,049,788</u>

Hawaii Convention Center
Schedule of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2018

Schedule 2

	Convention Center Operations	Sales and Marketing	Total
Operating revenue without restrictions			
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	13,931,289	-	13,931,289
Operating expenses			
Salaries and wages	4,526,057	1,432,098	5,958,155
Other direct food and beverage costs	2,655,563	-	2,655,563
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
Food and beverage	1,356,014	-	1,356,014
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	147,357	4,211	151,568
Total operating expenses	16,065,980	6,218,474	22,284,454
Operating loss	(2,134,691)	(6,218,474)	(8,353,165)

Hawaii Convention Center
Schedule of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2018

Schedule 2

	Convention Center Operations	Sales and Marketing	Total
Subtotal carried forward	<u>(2,134,691)</u>	<u>(6,218,474)</u>	<u>(8,353,165)</u>
Nonoperating revenue without restrictions			
Contributions from the Authority	10,369,256	5,929,976	16,299,232
Interest and dividend income	-	211	211
Total nonoperating revenue without restrictions	<u>10,369,256</u>	<u>5,930,187</u>	<u>16,299,443</u>
Nonoperating expenses			
Remittance to the Authority for completed events revenue	(8,880,529)	-	(8,880,529)
Capital improvement funded expenses	<u>(484,289)</u>	<u>-</u>	<u>(484,289)</u>
Total nonoperating expenses	<u>(9,364,818)</u>	<u>-</u>	<u>(9,364,818)</u>
Net assets released from restrictions	<u>484,289</u>	<u>-</u>	<u>484,289</u>
Decrease in net assets without restrictions	<u>(645,964)</u>	<u>(288,287)</u>	<u>(934,251)</u>
Nonoperating revenue with restrictions			
Contributions from the Authority	4,300,000	-	4,300,000
Interest and dividend income	<u>58,798</u>	<u>-</u>	<u>58,798</u>
Total nonoperating revenue with restrictions	<u>4,358,798</u>	<u>-</u>	<u>4,358,798</u>
Net assets released from restrictions	<u>(484,289)</u>	<u>-</u>	<u>(484,289)</u>
Increase in net assets with restrictions	<u>3,874,509</u>	<u>-</u>	<u>3,874,509</u>
Change in net assets	<u>\$ 3,228,545</u>	<u>\$ (288,287)</u>	<u>\$ 2,940,258</u>