

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency
of the City of Salem, Oregon)
FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION
Year Ended June 30, 2023



GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT

Salem Convention Center (a part of the Urban Renewal Agency of the City of Salem, Oregon)
Salem, Oregon 97301

Opinion

We have audited the financial statements of the Salem Convention Center (a part of the Urban Renewal Agency of the City of Salem, Oregon), which comprise the statement of net position as of June 30, 2023, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Salem Convention Center as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Salem Convention Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Salem Convention Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 Salem 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 Salem 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.

Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating revenues and expenses on page 9 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Grove, Mueller & Swank, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2023

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 1,019,146
Accounts receivable	440,951
Due from Urban Renewal Agency	167,896
Inventory	40,180
Prepaid expenses	7,694

Total Assets \$ 1,675,867

LIABILITIES AND NET POSITION

Liabilities

Accounts payable	\$ 154,676
Accrued liabilities	116,983
Deposits	224,064

Total Liabilities 495,723

Net Position

Contributed capital	205,269
Restricted - marketing	79,757
Unrestricted	895,118

Total Net Position 1,180,144

Total Liabilities and Net Position \$ 1,675,867

The accompanying notes are an integral part of the financial statements.

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
Gross revenue	\$ 5,242,580
Cost of goods sold	1,088,491
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<i>Gross Profit</i>	4,154,089
OPERATING EXPENSES	
	3,249,184
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<i>Net Operations</i>	904,905
OTHER INCOME (EXPENSE)	
Marketing reimbursement	552,004
Marketing costs	(480,024)
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<i>Net Other Income (Expense)</i>	71,980
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CHANGE IN NET POSITION	976,885
NET POSITION, Beginning of year	212,726
CONTRIBUTIONS FROM THE URBAN RENEWAL AGENCY	262,569
DISTRIBUTIONS TO THE URBAN RENEWAL AGENCY	(272,036)
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NET POSITION, End of year	<u><u>\$ 1,180,144</u></u>

The accompanying notes are an integral part of the financial statements.

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

<i>Change in net position</i>	\$ 976,885
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>	
Change in:	
Accounts receivable	(251,318)
Due from Urban Renewal Agency	(167,896)
Inventory	(6,244)
Prepaid expenses	3,936
Accounts payable	23,795
Marketing reimbursement payable	(508,359)
Accrued liabilities	27,190
Deposits	1,304
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<i>Net Cash Provided by Operating Activities</i>	99,293
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Contributions from the Urban Renewal Agency	262,569
Distributions to the Urban Renewal Agency	(272,036)
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<i>Net Cash Used in Noncapital Financing Activities</i>	(9,467)
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<i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i>	89,826
<i>CASH AND CASH EQUIVALENTS, Beginning of year</i>	929,320
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<i>CASH AND CASH EQUIVALENTS, End of year</i>	<u>\$ 1,019,146</u>

The accompanying notes are an integral part of the financial statements.

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Salem Convention Center is owned by the Urban Renewal Agency of the City of Salem, Oregon (URA). The Salem Convention Center provides conference room accommodations and food services to the general public and groups. The operations of the Salem Convention Center are managed under contract by The Salem Group, LLC.

The financial statements presented are for the operating activity of the Salem Convention Center only and do not include the capital costs related to the facility.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost, which approximates fair value. For purposes of the statement of cash flows, cash and cash equivalents include amounts on hand and deposits in checking accounts. Cash accounts are collateralized in accordance with Oregon Revised Statutes.

Accounts Receivable

The Salem Convention Center uses the allowance method for recognition of bad debt expenses for financial statement purposes. Accounts receivable are periodically reviewed for collectability and adjustments are made to the allowance for doubtful accounts. No allowance for doubtful accounts is considered necessary as of June 30, 2023.

Inventories

Inventories consist of food and beverages and are stated at the lower of cost (first-in, first-out method) or market.

Deposits

Deposits received in advance of an event are recorded as revenue when the event takes place. In the event of cancellations, the forfeited deposits are prorated based on a sliding scale given the amount of advance notification.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of June 30, 2023 and for the year then ended. Actual results may differ from such estimates.

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2023

CASH AND CASH EQUIVALENTS

Cash in banks - book balances	<u>\$ 1,019,146</u>
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Cash in banks are demand deposits. At June 30, 2023, demand deposits had bank balances of \$1,093,875. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Salem Convention Center's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Salem Convention Center's deposits with financial institutions up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2023, \$843,875 of the Salem Convention Center's bank balances were exposed to custodial credit risk as part of the Public Funds Collateralization Program.

CAPITAL ASSETS

Amounts expended by the Salem Convention Center for capital assets are reimbursable by the Urban Renewal Agency of the City of Salem, Oregon.

PENSION PLAN

As a provision of Salem Convention Center's agreement, employees participate in a defined contribution plan managed by VIPs Industries, Inc., an affiliated company of The Salem Group, LLC. The plan covers substantially all full-time employees age 21 or over. Pension expense for the year ended June 30, 2023 totaled \$55,508.

MANAGEMENT FEES

The Salem Group, LLC receives a management fee consisting of a monthly fixed fee and an annual performance-based incentive fee. The fixed fee is a monthly payment of \$1,000 and compensates The Salem Group, LLC for providing management services required to operate the Salem Convention Center. Per the terms of the management agreement, the total management fee is capped at \$100,000. The incentive fee for the year ended June 30, 2023 was recorded at \$88,000 and will be paid during the 2023-24 fiscal year.

SALEM CONVENTION CENTER
(A Part of the Urban Renewal Agency of the City of Salem, Oregon)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2023

MANAGEMENT FEES (Continued)

In addition to the management fees paid to The Salem Group, LLC, the Salem Convention Center also pays a fixed monthly management fee to the Urban Renewal Agency of the City of Salem of \$1,000.

MARKETING EXPENSES

Under the terms of the management agreement between URA and The Salem Group, LLC, marketing expenses from July 1, 2022 to June 30, 2023 were funded by TOT funds disbursed by the URA up to \$300,000 minimum guaranteed, or, 10% of total TOT collections, whichever is greater. Marketing costs for the current year were \$480,024.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 25, 2023, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL INFORMATION

SALEM CONVENTION CENTER

(A Part of the Urban Renewal Agency of the City of Salem, Oregon)

ADDITIONAL INFORMATION – SCHEDULE OF OPERATING REVENUES AND EXPENSES

YEAR ENDED JUNE 30, 2023

OPERATING REVENUES

Gross revenue	
Meeting room rental	\$ 879,705
Audio-visual equipment rental	956,948
Banquet food	3,059,464
Beverage sales	346,463
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Total gross revenue	5,242,580
Cost of goods sold	1,088,491
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<i>Gross Profit</i>	4,154,089

OPERATING EXPENSES

Wages and salaries - staff	510,680
Wages and salaries - catering and casual labor	783,363
Benefits and payroll taxes	306,348
Allocation of tip revenue	618,070
Utilities	218,017
Maintenance and janitorial	111,133
Equipment	70,729
Other expenses	630,844
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Total operating expenses	3,249,184
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<i>Net Operations</i>	\$ 904,905
