

Richmond Coliseum

Financial Schedules

June 30, 2016 and 2015



Independent Auditor's Report

The Members of Richmond Coliseum Joint Venture, LLC
and the Honorable Members of City Council,
City of Richmond, Virginia

Report on the Financial Schedules

We have audited the accompanying financial schedules of the Richmond Coliseum (the Coliseum), as managed by Richmond Coliseum Joint Venture, LLC (RCJV), which comprise the schedules of operating assets and liabilities as of June 30, 2016 and 2015, and the related schedules of operating activities and cash flow activities for the years then ended, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial schedules 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 audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

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

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

Opinion

In our opinion, the financial schedules referred to above present fairly, in all material respects, the operating assets, liabilities, operating activities, and cash flow activities of the Richmond Coliseum as of June 30, 2016 and 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial schedules, the schedules were prepared for the purpose of complying with the Management Agreement between RCJV and the City of Richmond. The schedules are not intended to be a complete presentation of the financial statements of the Richmond Coliseum.

Restrictions on Use

This report is intended solely for the information and use of the Richmond Coliseum Joint Venture, LLC and the City of Richmond, and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell, Wiggins & Company LLP

Richmond, Virginia
October 21, 2016

Richmond Coliseum, as Managed by RCJV

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Richmond Coliseum, as Managed by RCJV

***Schedules of Operating Assets and Liabilities
June 30, 2016 and 2015***

	2016	2015
Operating Assets		
Cash held in trust on behalf of the City	\$ 718,768	\$ 742,964
Accounts receivable, less allowance for doubtful accounts of \$0	163,519	192,940
Due from affiliates	69,676	217,215
Prepaid expenses and inventory	30,900	54,157
Total operating assets	\$ 982,863	\$ 1,207,276
Operating Liabilities		
Accounts payable and accrued expenses	\$ 195,203	\$ 444,797
Due to other funds	425,000	425,000
Due to affiliates	48,786	52,081
Due to management company	390,560	446,283
Accrued interest	67,990	84,822
Deferred income	487,010	345,258
Total operating liabilities	\$ 1,614,549	\$ 1,798,241

See Notes to Financial Schedules

Richmond Coliseum, as Managed by RCJV

***Schedules of Operating Activities
Years Ended June 30, 2016 and 2015***

	2016	2015
Operating Revenues		
Direct event income	\$ 346,012	\$ 280,098
Ancillary income	453,596	625,699
Other operating income	579,803	679,621
Interest income	12	130
Total operating revenues	1,379,423	1,585,548
Operating Expenses		
Payroll and employee benefits	964,338	957,849
Public utilities services	464,125	498,792
Operating supplies and expenses	322,990	303,909
Repairs and maintenance	97,676	114,776
Contractual and professional services	260,364	275,236
General administration	111,220	99,117
Total operating expenses	2,220,713	2,249,679
Operating loss	\$ (841,290)	\$ (664,131)

See Notes to Financial Schedules

Richmond Coliseum, as Managed by RCJV

***Schedules of Cash Flow Activities
Years Ended June 30, 2016 and 2015***

	2016	2015
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,698,134	\$ 86,171
Payments to suppliers	(924,506)	(1,290,241)
Payments to employees	(970,918)	(931,827)
Net cash used in operating activities	\$ (197,290)	\$ (2,135,897)
Reconciliation of Operating Loss to Net Cash (Used in) Operating Activities		
Cash Flows From Operating Activities		
Operating loss	\$ (841,290)	\$ (664,131)
<i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities</i>		
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	176,960	142,405
Prepaid expenses and inventory	23,257	12,179
Accounts payable and accrued expenses	302,031	15,432
Deferred income	141,752	(1,641,782)
Net cash used in operating activities	\$ (197,290)	\$ (2,135,897)

See Notes to Financial Schedules

Richmond Coliseum, as Managed by RCJV

Notes to Financial Schedules

June 30, 2016 and 2015

Note 1. Organization and Business

Richmond Coliseum (the Coliseum), located in Richmond, Virginia, operates as a facility for conventions, assembly events, and sporting events for the surrounding community. It is owned by the Richmond Redevelopment and Housing Authority and leased to the City of Richmond, Virginia (the City). Because the intent of the governing body is that the costs of providing goods or services to the general public be financed or recovered primarily through user charges, the Coliseum is accounted for as an enterprise fund in the Comprehensive Annual Financial Report of the City.

During 2002, SMG and Johnson, Inc. formed a management company, Richmond Coliseum Joint Venture, LLC (RCJV). RCJV and the City have signed a contract for a five-year period beginning on July 1, 2002. The contract has been extended through December 31, 2016. The terms of the contract require RCJV to provide certain audited information to the City of Richmond. The purpose of this report is to meet the requirements of the contract.

Note 2. Summary of Significant Accounting Policies

Basis of accounting

The Coliseum's schedules are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

All activities of the Coliseum are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, excluding depreciation and interest) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Coliseum is determined by its measurement focus. The transactions of the Coliseum are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the schedules of operating assets and liabilities.

The preparation of these schedules in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the schedule date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine the allowance for doubtful accounts and certain

Richmond Coliseum, as Managed by RCJV

Notes to Financial Schedules

June 30, 2016 and 2015

Note 2. Summary of Significant Accounting Policies (continued)

claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Cash and cash equivalents

For purposes of reporting the schedule of cash flow activity, the Coliseum includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying schedule of operating assets and liabilities. The Coliseum's cash balances, at times, may exceed the FDIC insured limits.

Trade receivables

The Coliseum extends unsecured credit to its customers in the ordinary course of business, but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Trade accounts receivable are due 30 days after the issuance of the invoice.

Advertising

Advertising costs are expensed as incurred. Advertising costs incurred for the years ended June 30, 2016 and 2015 were \$104,774 and \$50,833, respectively.

Note 3. Cash Equivalents

The carrying value of the Coliseum's deposits with banks was \$713,132 and \$338,532 and the bank balance was \$734,649 and \$344,013 at June 30, 2016 and 2015, respectively. The bank balance is not considered to be a public deposit and, therefore, is not collateralized in accordance with the Virginia Security for Public Deposits Act.

The Coliseum's investment policies are governed by statutes of the Commonwealth of Virginia. Permissible investments include time certificates of deposit, obligations of the United States or its agencies, bankers' acceptances, repurchase agreements, and commercial paper.

At June 30, 2015, the Coliseum had an overnight repurchase agreement with an aggregate market value and carrying amount of \$384,265. The overnight repurchase agreement was terminated during the year ended June 30, 2016. These investments are included in cash equivalents in the accompanying schedules of operating assets and liabilities.

A reconciliation of the carrying value of the Coliseum's cash deposits and investments reported above to the amount reported in the schedules of operating assets and liabilities are as follows:

Richmond Coliseum, as Managed by RCJV

Notes to Financial Schedules

June 30, 2016 and 2015

Note 3. Cash Equivalents (continued)

	<u>2016</u>	<u>2015</u>
Overnight repurchase agreements	\$ -	\$ 384,265
Cash in bank	713,132	338,532
Cash on hand	5,636	20,167
	<u>\$ 718,768</u>	<u>\$ 742,964</u>

Note 4. Transactions with Related Parties

RCJV manages the food, beverage, and concessions for a fee equal to 9% of sales for the years ended June 30, 2016 and 2015. The Coliseum incurred management fees to RCJV related to this agreement during the years ended June 30, 2016 and 2015, of \$140,772 and \$156,716, respectively. At June 30, 2016 and 2015, the amount due to RCJV was \$128,233 and \$196,283, respectively.

The Coliseum has contracted to pay Johnson, Inc. \$5,000 per month for management and marketing consultation. During the years ended June 30, 2016 and 2015, the Coliseum incurred management and marketing expenses of \$60,000 under this agreement.

The Coliseum has agreed to pay to Johnson, Inc. 22.5% of advertising revenue collected. During the years ended June 30, 2016 and 2015, commissions earned by Johnson, Inc. under this contract were \$62,914 and \$47,239, respectively. At June 30, 2016, the amount due to Johnson, Inc. was \$11,172. Additionally, during the years ended June 30, 2016 and 2015, the Coliseum had an amount due from Johnson, Inc. in the amount of \$29,165 and \$21,442, respectively, for sporting events.

The Coliseum shares employees with four other city-owned entertainment facilities — Altria Theater, Dominion Arts Center, RVA On Ice, and the Bon Secours Washington Redskins Training Center. During the years ended June 30, 2016 and 2015, payroll and expense allocations to these facilities were \$434,899 and \$313,806, respectively. As of June 30, 2016 and 2015, \$39,167 and \$172,353, respectively, was due for such expenses. During the years ended June 30, 2016 and 2015, payroll allocations from these facilities were \$298,906 and \$68,965, respectively. As of June 30, 2016 and 2015, \$48,786 and \$52,081, respectively, was due for such expenses.

As of June 30, 2016 and 2015, the Coliseum had an amount due to SMG in the amount of \$250,000 related to the event development fund which is to be paid upon termination of the management agreement. The Coliseum had an amount due to SMG in the amount of \$1,155 and \$0 for small miscellaneous items as of June 30, 2016 and 2015, respectively. Additionally, the Coliseum had an amount due from SMG in the amount of \$1,344 for miscellaneous reimbursements as of June 30, 2016.

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June 30, 2016 and 2015

Note 5. Employee Benefits

Participants in the SMG defined contribution plan must have been employed for one year and worked at least one thousand hours in one year. The employer contribution to the plan for Coliseum employees is made by the Coliseum. Eligible employees, except highly compensated employees, can contribute up to 60% of their annual salary and the Coliseum can contribute a percentage of the employee's annual salary. Employees are fully vested three years from date of hire and vest at 1/3 per year. The Coliseum may at its discretion also contribute an additional 1% of all eligible employees' salaries, regardless of employee contributions, for all active employees on December 31 of each year.

During the years ended June 30, 2016 and 2015, the Coliseum contributed \$8,816 and \$8,986, respectively.

Note 6. Commitments

The Coliseum routinely enters into commitments to rent facilities to promoters for specific events on specific dates and incurs liabilities related to these events.

During 2003, the City approved establishing a \$500,000 working capital fund for the benefit of the Coliseum. Advances from this fund will be noninterest bearing and will be repaid as soon as practical. As of June 30, 2016, \$425,000 was outstanding on the working capital fund.

Note 7. Subsequent Events

Management has evaluated subsequent events through October 21, 2016, the date which the financial schedules were available for issue.