

**SALEM CONVENTION CENTER**

A part of the Urban Renewal Agency  
of the City of Salem

**FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDING  
JUNE 30, 2015**

**MERINA  
& COMPANY, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the operating activities of the Salem Convention Center, a part of the Urban Renewal Agency of the City of Salem, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the operating activities of the Salem Convention Center's basic financial statements found on pages 3-7.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements 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 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 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 financial statements are free from material misstatement.

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

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 statements referred to above present fairly, in all material respects, the respective financial position of the operating activities of the Salem Convention Center, as of June 30, 2015, and, the respective changes in financial position and its cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Salem Convention Center's basic financial statements. The accompanying additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying additional information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.



Merina & Company, LLP  
West Linn, Oregon  
August 27, 2015

**SALEM CONVENTION CENTER**  
**(A Part of the Urban Renewal Agency of the City of Salem, Oregon)**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$ 596,859
Accounts receivable	256,667
Inventory	30,272
Prepays	<u>17,715</u>

Total assets \$ 901,513

**LIABILITIES AND NET POSITION**

Liabilities:

Accounts payable	\$ 145,534
Accrued liabilities	114,631
Deposits	<u>133,571</u>

Total liabilities 393,736

Net position:

Contributed capital	205,269
Unrestricted	<u>302,508</u>

Total net position 507,777

Total liabilities and net position \$ 901,513

**SALEM CONVENTION CENTER**  
**(A Part of the Urban Renewal Agency of the City of Salem, Oregon)**  
**STATEMENT OF OPERATIONS**  
**AND CHANGES IN FUND NET POSITION**  
**For the Fiscal Year Ended June 30, 2015**

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<b>REVENUES</b>	
Gross revenue	\$ 3,739,372
Cost of goods sold	<u>845,516</u>
Gross profit	2,893,856
<b>OPERATING EXPENSES</b>	<u>2,585,052</u>
Net operations	308,804
<b>OTHER INCOME (EXPENSE)</b>	
Marketing reimbursement	298,620
Marketing costs	<u>(304,916)</u>
Net other income (expense)	<u>(6,296)</u>
Change in net position	302,508
<b>NET POSITION, BEGINNING</b>	446,464
<b>DISTRIBUTION TO THE URBAN RENEWAL AGENCY</b>	<u>(241,195)</u>
<b>NET POSITION, ENDING</b>	<u><u>\$ 507,777</u></u>

**SALEM CONVENTION CENTER**  
**(A Part of the Urban Renewal Agency of the City of Salem, Oregon)**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2015**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net position	\$ 302,508
Adjustments to reconcile change in net position to net cash provided by operating activities	
Decrease (increase) in:	
Accounts receivable	12,856
Inventory	(641)
Prepays	(3,923)
Increase (decrease) in:	
Accounts payable	(7,909)
Accrued liabilities	52,268
Deposits	(4,556)
	<hr/>
Net cash provided (used) by operating activities	<hr/> 350,603 <hr/>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Distribution to Urban Renewal Agency	<hr/> (241,195) <hr/>
Net increase (decrease) in cash and cash equivalents	109,408

**CASH AND CASH EQUIVALENTS, BEGINNING**

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487,451

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**CASH AND CASH EQUIVALENTS, ENDING**

\$ 596,859

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *The Financial Reporting Entity*

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

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

Under the terms of the management agreement, marketing expenses from July 1, 2014 to June 30, 2015 are reimbursable by the Urban Renewal Agency of the City of Salem up to \$298,620. Marketing costs reimbursed for the current year were \$298,620. Total marketing costs were \$304,916, \$6,296 of which was contributed from operations to marketing as necessary to fund shortfall between the City's funding of marketing and actual costs of marketing.

### *Basis of Accounting*

The financial statements are prepared on the accrual basis of accounting.

### *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 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 accordingly. No allowance for doubtful accounts is considered necessary at June 30, 2015.

### *Inventories*

Inventories consisting of food and beverages 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 deposits are forfeited based on a sliding scale given the amount of advance notification.

**SALEM CONVENTION CENTER**  
**(A Part of the Urban Renewal Agency of the City of Salem, Oregon)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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*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 reporting amounts of certain assets, liabilities, revenues and expenses as of June 30, 2015 and for the year then ended. Actual results may differ from such estimates.

**CASH**

Cash in banks are demand deposits. At June 30, 2015, demand deposits had bank balances of \$598,189. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance to ORS 295 under a collateral program administered by the Oregon State Treasurer.

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Convention Center's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Convention Center's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2015, none of the Center's bank balance was exposed to credit risk.

**CAPITAL ASSETS**

Amounts expended by the Convention Center for capital assets are reimbursable by the Urban Renewal Agency.

**PENSION PLAN**

Employees participate with other companies affiliated through management contracts with VIP'S Industries Inc. in a defined contribution pension plan. The plan covers substantially all full time employees age 21 or over. Pension expense for 2015 totaled \$27,117.

**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 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, 2015 was recorded at \$78,540 and will be paid during the 2015-16 fiscal year.

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



**SALEM CONVENTION CENTER**

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

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING REVENUES AND EXPENSES**

**For the Fiscal Year Ended June 30, 2015**

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**REVENUES**

Gross revenue

Meeting room rental	\$ 675,780
Meeting set-up	750
Audio-visual equipment rental	614,223
Other revenues	5,612
Banquet food	2,213,581
Beverage sales	<u>229,426</u>

Total gross revenues 3,739,372

Cost of goods sold

845,516

Gross profit 2,893,856

**OPERATING EXPENSES**

Wages and salaries - staff	541,681
Wages and salaries - catering and casual labor	528,451
Benefits and payroll taxes	289,933
Allocation of tip revenue	451,034
Utilities	195,898
Maintenance and janitorial	85,599
Equipment	42,950
Management fees	102,540
Other expenses	<u>346,966</u>

Total operating expenses 2,585,052

Net operations \$ 308,804