



**CITY OF MEMPHIS
REQUEST FOR PROPOSAL**

#123758

CONVENTION CENTER MANAGEMENT

Addendum Two (2)

This Addendum will become part of the Contract Documents. In case of difference with previous Addenda or communications, this Addendum takes precedence. Receipt will be acknowledged by inserting the Addendum number and its date in the RFP Response.

1. Modifications/Clarifications to Addendum One (1) of RFP 123758
 - a. Please note pages 12 thru 25 were inadvertently omitted from Addendum One (1). Please note the pages are now included for your review.



Questions & Answers

Except to remove vendor names and addresses, questions are provided exactly as submitted.

#		Section	Question / Answer
1	Q		We noticed there was no “pre-proposal conference”. Would the City be open to scheduling a walk through with any interested management companies to get a better feel for the operation and building?
1	A		A walk-through/tour will be offered to finalists.
2	Q		Can you please a detailed P&L from the past five years of the building.
2	A		Copies of audits from FY 2021 & FY 2022 are attached. (The building was closed for a two-year period due to the covid pandemic)
3	Q		Could you please provide the current contract for the Memphis Management Company.
3	A		Contract #31947 is available on the City of Memphis website: Memphistn.gov = Business = View City Contracts Online. AEX32 Print (morememphis.org) .
4	Q		Please provide an organizational chart with titles and salaries of the current staff.
4	A		The MCCC does not have staff; operations are provided solely by the management company.
5	Q		Can you please provide the food and beverage contract?
5	A		The food and beverage contract will not be provided during the RFP process.
6	Q		Please provide a list of the current MWBE organizations that perform services at the Center.
6	A		A list of vendors certified by the City of Memphis is located on the City of Memphis website: Memphistn.gov = Business = OBDC Registry. Click “Search the Directory” and scroll to the bottom to download the entire list. (The City of Memphis > Minority and Women's Business Enterprise (M/WBE) - Contract Compliance System (mwsbe.com)).
7	Q		Due to the short turn around advertised as the sue date, we are respectfully requesting the due date be extended to a minimum of 3 weeks to properly review the information anticipated coming back from these questions and hopefully perform a site visit.
7	A		The due date published in the original RFP will not be extended.
8	Q		Please confirm the start date of this contract.

8	A		The start date will be upon completion of contract negotiations between the MCCC and the successful finalist.
9	Q	RFP #123758, Section 4.6	Does the word "binder" describe only a three-ring binder, or can spiral bound binders be used?
9	A		Both are acceptable.
10	Q	RFP #123758, Sections 3.7.1 and 3.7.2	Do the phrases "salary levels" and "salary rates" mean that salary ranges are acceptable as responses?
10	A		Yes.
11	Q	RFP #123758, Section 3.14	Is Section 3.14 the correct section to list all proposed investment dollars, if any, relevant to the RFP decision making process (over and above any marketing efforts in Section 3.10), and will all such investment dollars, if any, be included in the Section 5.2 matrix of 15 points for the Pricing Evaluation Category?
11	A		No.
12	Q	RFP #123758, Section 4.3	How will the scheduling of any tours of the building for respondents to the RFP (prior to the submission of a proposal) be communicated to the current building Manager, so that appropriate accommodations can be made for public safety, and event(s) or attendee(s) confidentiality purposes?
12	A		Tours will not be scheduled prior to proposal submission. See answer to question 1.
13	Q	RFP #123758, Section 4.9	What specific City entity/department, and the person(s) within that entity/department, will make the final decision on which respondent has the winning bid?
13	A		An evaluation committee will choose the winning bidder.
14	Q	RFP #123758, Section 5.2	What is the number and composition of the evaluation team, and is the Memphis Convention Center Commission involved (if so – how)?
14	A		The MCCC will be involved as members as of the evaluation team.
15	Q	RFP #123758, Section 6 (RFP Terms and Conditions, and Instructions to Proposers) and Section 4.9	Do the Memphis Convention Center Commission's Procurement Policies factor into the decision-making process?
15	A		No.

Renasant Convention Center

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2022 AND 2021



REYNOLDS BONE & GRIESBECK PLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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June 30, 2022 and 2021

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December 21, 2022

Memphis Convention Center Commission
C/O Chairman Calvin Anderson
Memphis, Tennessee

Dear Chairman Anderson and Commission Members:

On behalf of the Memphis Management Group (MMG), I am pleased to present the Renasant Convention Center and Cannon Center for the Performing Arts (the "Center") report on audited financial statements for the year ending June 30, 2022. The audit consists of 4 sections: Introductory, Financial, Financial Statements, and the Report on Internal Controls and Compliance. The introductory section consists of the transmittal letter and a list of the Board of Commissioners and management staff. The next section contains the independent auditor's report and includes the management's discussion and analysis. The financial statements include the statements related to net position; revenues, expenses, and changes in net position; cash flows; and the related notes to the financial statements. The statutory reporting section includes the independent auditor's report on internal control over financial reporting and on compliance based on the audit of the financial statements.

The accuracy of the data and all audit disclosures are the responsibility of the Center. To the best of our knowledge, information and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to represent the financial position and operations of the Center.

During the last six months of fiscal 2022, the Renasant Convention Center returned to normal event activity as 214 event days were realized. We are expecting the event days to approach the 400 to 450 event days level for the foreseeable future. This event activity is consistent with pre-construction levels. We will continue to operate the venues with the utmost fiduciary care and responsibility.

I would like to thank Reynolds Bone and Griesbeck PLC, for their support in preparing the fiscal year 2022 audit. The audit of the Renasant Convention Center seeks to ensure fiscal transparency and accountability for the Commissioners and the public. These financial statements were created utilizing the highest professional standards to achieve that goal.

Cordially,

A handwritten signature in black ink, appearing to read "Kevin Kane".

Kevin Kane
President & CEO
Memphis Management Group

LIST OF MANAGEMENT OFFICIALS AND BOARD OF COMMISSIONERS

*Renasant Convention Center
June 30, 2022*

PRESIDENT/CHIEF EXECUTIVE OFFICER

Kevin Kane

BOARD OF COMISSIONERS

Calvin Anderson, Chairman
Lee Jackson
Tom Midgley
Natasha Langston
Doug Browne
John McKissack
Doug McGowen
Isabel Gonzalez-Whitaker
Micalyn Easter-Thomas

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Renasant Convention Center
June 30, 2022

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the Renasant Convention Center's (the Center) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Center for the year ended June 30, 2022. This information should be considered within the context of the accompanying financial statements and note disclosures.

FINANCIAL OPERATIONS HIGHLIGHTS

Rental and related services revenues, food and beverage commissions, naming rights revenue, and parking revenue accounted for 81% of operating revenues. Comparisons of actual to budget for operating revenue is as follows:

<u>Sources of Operating Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Convention Center event days	229	152	77
Cannon performance and event days	74	64	10
Cannon rehearsal days	33	20	13
Attendance	240,832	335,799	(94,967)
Food and beverage commissions	\$ 657,694	\$ 374,390	\$ 283,304
Electrical and technology	337,470	242,700	94,770
Event services revenue	877,826	658,503	219,323
Parking lot revenue	508,397	525,421	(17,024)
Rental revenue	1,891,008	1,691,085	199,923
Equipment rental revenue	160,989	64,700	96,289
Audio visual commissions	290,372	184,505	105,867
Cannon Center commissions revenue	196,229	93,739	102,490
Naming rights revenue	599,556	599,553	3
Other operating revenues, net	<u>61,761</u>	<u>92,500</u>	<u>(30,739)</u>
Total operating revenues	<u>\$ 5,581,302</u>	<u>\$ 4,527,096</u>	<u>\$ 1,054,206</u>

The renovation of the facility, the waning of the pandemic, and pent-up demand for organizations to host events resulted in a 23% increase in revenues over budgeted projections. Rental revenue was 11% more than budget and all ancillary revenues were 30% better than the budget projections. Event services revenue, food and beverage commissions, audio visual commissions, and Cannon Center commissions were significantly better than budget.

Continued

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Renasant Convention Center
June 30, 2022

Comparisons of actual to budget for operating expenses by department is as follows:

<u>Department Expenses</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Board expenses	\$ 19,079	\$ 10,000	\$ 9,079
Cannon Center	399,818	524,242	(124,424)
Cleaning services	436,886	508,822	(71,936)
Depreciation	314,282	274,680	39,602
Electrical, internet, telephone	-	26,578	(26,578)
Event management	410,182	523,570	(113,388)
Event services	884,175	724,643	159,532
Executive	438,883	439,163	(280)
Finance/IT	370,565	407,896	(37,331)
Operations	969,056	959,270	9,786
Overhead	864,329	811,793	52,536
Sales and marketing	163,525	201,995	(38,470)
Public safety	514,696	519,624	(4,928)
Utilities	1,294,979	1,294,500	479
Total department expenses	<u>\$ 7,080,455</u>	<u>\$ 7,226,776</u>	<u>\$ (146,321)</u>

As events returned, expenditures to operate increased logically. Expenditures were 2% less than budget. Event services expenditures, which are directly correlated with event services revenues (the more billed to events means more expenditures were required to staff and manage the event), exceeded budget by 22%. Budgetary surpluses were realized in Cannon Center operations, cleaning services, and sales & marketing, primarily through salary and benefits savings. Utilities, a major expenditure category, were at budgeted levels.

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A introduces the Center's financial statements. The financial statements include the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows.

The statements of net position report all the Center's assets and liabilities, with differences reported as net position. Over time, increases and decreases will give some indication of whether the financial position of the Center is improving or deteriorating. The majority of the Center's net position is invested in capital assets (buildings and improvements, furniture and equipment). These assets are used to keep the Center competitive with other convention centers of comparable size. The unrestricted net position gives a good indication of the earnings, exclusive of depreciation, that have been accumulated since inception. These assets are available for the operations of the Center.

Continued

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Renasant Convention Center
June 30, 2022

All of the Center's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. This statement measures the success of the Center's operations over the past year and can be used to determine whether the Center has successfully recovered its current costs through its user fees and other charges.

The statements of cash flows reconciles the operating loss to resources received and resources used. It also shows how those cash flows were spent during the year, for example, purchase of capital assets.

CENTER ACTIVITIES FOR THE YEAR

The Renasant Convention Center and Cannon Center hosted 336 event days and performances versus the budgeted projection of 236. The Renasant Convention Center hosted 229 event days. The Cannon Center had 67 event days and 40 performances.

The facility produced over \$41,000,000 in economic impact for the fiscal year.

CONDENSED FINANCIAL INFORMATION

A summary of the Center's statements of net position as of June 30, 2022, 2021, and 2020, is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current assets	\$ 3,968,459	\$ 2,463,574	\$ 2,421,943
Capital assets	3,535,396	2,929,342	3,182,256
TOTAL ASSETS	<u>7,503,855</u>	<u>5,392,916</u>	<u>5,604,199</u>
LIABILITIES			
Current	2,027,640	1,327,117	908,942
TOTAL LIABILITIES	<u>2,027,640</u>	<u>1,327,117</u>	<u>908,942</u>
NET POSITION:			
Net investment in capital assets	3,535,396	2,929,342	3,182,256
Unrestricted	1,940,819	1,136,457	1,513,000
TOTAL NET POSITION	<u>\$ 5,476,215</u>	<u>\$ 4,065,799</u>	<u>\$ 4,695,256</u>

Continued

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Renasant Convention Center
June 30, 2022

A summary of the Center's operations for the years ended June 30, 2022, 2021, and 2020, is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
OPERATING REVENUES	\$ 5,581,302	\$ 1,320,432	\$ 2,084,724
OPERATING EXPENSES	<u>7,080,455</u>	<u>4,418,077</u>	<u>5,014,390</u>
OPERATING LOSS	(1,499,153)	(3,097,645)	(2,929,666)
NON-OPERATING REVENUES (EXPENSES)			
Contributions from City of Memphis - General Fund	2,424,999	63,591	-
Contributions from City of Memphis - CIP Fund	189,127	2,775,060	2,638,439
Government grants	295,163	10,000	-
Loss on asset disposal	-	(381,503)	(1,183,200)
Interest income	<u>280</u>	<u>1,040</u>	<u>2,314</u>
TOTAL	2,909,569	2,468,188	1,457,553
CHANGE IN NET POSITION	1,410,416	(629,457)	(1,472,113)
NET POSITION - BEGINNING OF YEAR	<u>4,065,799</u>	<u>4,695,256</u>	<u>6,167,369</u>
NET POSITION - END OF YEAR	<u>\$ 5,476,215</u>	<u>\$ 4,065,799</u>	<u>\$ 4,695,256</u>

The Center's capital assets and accumulated depreciation for the years ended June 30, 2022, 2021, and 2020, are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 642,514	\$ 642,514	\$ 642,514
Construction in progress	255,315	296,123	-
Building	28,334,263	28,334,263	28,334,263
Building improvements	15,211,061	14,727,183	14,749,819
Furniture	1,029,087	900,144	883,023
Equipment	5,987,028	5,937,792	6,334,840
Computer equipment	428,497	193,677	191,598
Other assets	<u>830,253</u>	<u>765,984</u>	<u>765,984</u>
	52,718,018	51,797,680	51,902,041
Accumulated depreciation	<u>(49,182,622)</u>	<u>(48,868,338)</u>	<u>(48,719,786)</u>
Capital assets, net	<u>\$ 3,535,396</u>	<u>\$ 2,929,342</u>	<u>\$ 3,182,255</u>

Continued

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Renasant Convention Center
June 30, 2022

FUTURE PROJECTS/ACTIVITIES

The Renasant Convention Center's transformation from a dated facility into a world class convention center has immediately produced an increase in event days, event types, and revenue production. Reviews from clients and the public continue to be overwhelmingly positive. Management expects future activity to increase.

The City of Memphis committed \$400,000 in capital improvement funding for fiscal year 2023 as the City of Memphis leaders realize that continual investment in the facility is necessary.

PANDEMIC STATEMENT

The facility is not anticipating pandemic related cancellations. If any client requests certain health protocols, management will attempt to cooperate with any requests.



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Renasant Convention Center
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Renasant Convention Center (the Center), a component unit of the City of Memphis, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center as of June 30, 2022, and the respective changes in financial position and 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the 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 the 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.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Prior Period Financial Statements

The financial statements of the Center as of and for the year ended June 30, 2021, were audited by other auditors whose report dated December 31, 2021, expressed an unmodified opinion on those statements.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Reynolds, Bone & Grisebeck PLC

December 21, 2022

STATEMENTS OF NET POSITION

Renasant Convention Center
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,190,209	\$ 2,058,962
Accounts receivable, net	712,405	385,648
Prepaid expenses and other assets	<u>65,845</u>	<u>18,964</u>
Total current assets	3,968,459	2,463,574
Capital assets, net	<u>3,535,396</u>	<u>2,929,342</u>
Total assets	7,503,855	5,392,916
LIABILITIES		
Current liabilities		
Accounts payable	842,162	537,209
Accrued expenses	253,536	99,967
Customer deposits for future events	850,287	610,067
Unearned ticket rebate revenue and other	<u>81,655</u>	<u>79,874</u>
Total current liabilities	<u>2,027,640</u>	<u>1,327,117</u>
Total liabilities	2,027,640	1,327,117
NET POSITION		
Net investments in capital assets	3,535,396	2,929,342
Unrestricted	<u>1,940,819</u>	<u>1,136,457</u>
Total net position	<u>\$ 5,476,215</u>	<u>\$ 4,065,799</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Renasant Convention Center
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues		
Catering and other food and beverage commissions	\$ 657,694	\$ 22,913
Electrical and technology services	337,470	9,005
Event services	877,826	164,762
Parking lot revenue	508,397	223,138
Rent revenue	1,891,008	363,803
Equipment rental revenue	160,989	13,343
Audio visual revenue	290,372	31,333
Commission revenue	196,229	6,499
Naming rights revenue	599,556	482,887
Other operating revenues, net	61,761	2,749
Total operating revenues	5,581,302	1,320,432
Operating expenses		
Advertising	29,976	28,934
Board expenses	19,079	3,274
Cleaning	110,875	55,705
Depreciation	314,282	307,009
Event services	825,450	149,693
Insurance	438,582	379,745
Management and inventive fees	124,992	125,000
Miscellaneous	124,949	103,366
Office and administrative expenses	325,057	134,383
Payroll taxes and benefits	510,226	422,333
Professional services	69,568	60,102
Repairs and maintenance	666,612	261,203
Salaries and wages	2,176,834	1,434,792
Telephone	24,664	30,855
Travel	24,330	1,582
Utilities	1,294,979	920,101
Total operating expenses	7,080,455	4,418,077
Operating loss	(1,499,153)	(3,097,645)

Continued

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Renasant Convention Center
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Nonoperating revenues (expenses)		
Contributions from the City of Memphis - General Fund	\$ 2,424,999	\$ 2,775,060
Contributions from the City of Memphis - CIP Fund	189,127	63,591
Government grants	295,163	10,000
Loss on asset disposal	-	(381,503)
Interest income	280	1,040
Nonoperating revenues (expenses), net	<u>2,909,569</u>	<u>2,468,188</u>
Change in net position	1,410,416	(629,457)
Total net position, beginning of year	<u>4,065,799</u>	<u>4,695,256</u>
Total net position, end of year	<u>\$ 5,476,215</u>	<u>\$ 4,065,799</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Renasant Convention Center
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Receipts from customers	\$ 5,672,532	\$ 1,142,618
Payments to suppliers	(4,353,684)	(1,434,791)
Payments to employees	(2,176,834)	(2,246,499)
Net cash used in operating activities	(857,986)	(2,538,672)
Cash flows from capital and relating financing activity - acquisition of capital assets	(920,336)	(435,612)
Cash flows from noncapital financing activities		
Contributions received from the City of Memphis	2,614,126	2,838,651
Government grants	295,163	10,000
Net cash provided by noncapital financing activities	2,909,289	2,848,651
Cash flows from investing activity - interest received	280	1,040
Net increase (decrease) in cash and cash equivalents	1,131,247	(124,593)
Cash and cash equivalents, beginning of year	2,058,962	2,183,555
Cash and cash equivalents, end of year	<u>\$ 3,190,209</u>	<u>\$ 2,058,962</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Renasant Convention Center
Years Ended June 30, 2022 and 2021

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,499,153)	\$ (3,097,645)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	314,282	307,009
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(326,757)	(177,816)
Prepaid expenses and other assets	(46,881)	11,606
Accounts payable and accrued liabilities	458,522	290,536
Customer deposits for future events, unearned ticket rebate revenue and other	<u>242,001</u>	<u>127,638</u>
Net cash used in operating activities	<u>\$ (857,986)</u>	<u>\$ (2,538,672)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

*Renasant Convention Center
June 30, 2022 and 2021*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Renasant Convention Center (the Center) was formed in 1917 under the Tennessee Private Acts of 1917, Chapter 420, as subsequently amended (TPA). In accordance with the TPA, the deficit results from operations, maintenance, repairs, and insurance that are not funded from the operations of the Center are paid by the City of Memphis, Tennessee (the City).

The Center is a component unit of the City (primary government) and is managed by Memphis Management Group, LLC (MMG), a wholly-owned subsidiary of Memphis Convention and Visitors Bureau.

The Mayor of the City recommends members the Center's Board of Commissioners. The Memphis City Council, except for one official from the City, approves those recommendations.

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Accounts Receivable, Net

The Center records receivables at their estimated net realizable value. An allowance for doubtful accounts for customer balances is recorded based upon management's estimate of uncollectible accounts determined by analysis of specific customers, historical trends and other information. Past due balances and delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. The allowance for doubtful accounts totaled \$15,000 at June 30, 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS

Renasant Convention Center
June 30, 2022 and 2021

Capital Assets, Net

Capital assets purchased by the Center are recorded at cost less accumulated depreciation. Expenditures for improvements and repairs exceeding \$1,000 which significantly extend the life of an asset are capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation expense amounted to \$314,282 and \$307,009 for the years ended June 30, 2022 and 2021, respectively, and is computed using the straight-line method over estimated useful lives, which range from 5 to 31 years. When items of land, buildings, furniture, and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the statements of revenues, expenses and changes in net position.

The Center reviews its capital assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. In the event an impairment exists, a loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. No impairment has been recognized in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2022 and 2021.

Net Position

Net position is classified into three components as applicable: net investment in capital assets, restricted, and unrestricted. These components are defined as follows:

Net investment in capital assets – Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Restricted amounts consist of assets with constraints placed on net position use imposed by creditors, grantors, contributors, laws, or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Unrestricted – Unrestricted amounts are comprised of all other assets that constitute the components of net position that do not meet the definition of restricted or net investment in capital assets.

Net Investment in Capital Assets

Net investments in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investments in capital assets totaled \$3,535,396 and \$2,929,342 as of June 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS

Renasant Convention Center
June 30, 2022 and 2021

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating on the statements of revenues, expenses and changes in net position.

Operating revenues generally result from catering and other food and beverage commissions, electrical and technology services, parking lot revenue, rental income and security for events and conventions that are held at the Center. Revenue for these services is recognized once the respective event or convention is held. Naming rights revenue is recognized over the term of the contract with Renasant Bank.

Operating expenses include the costs associated with event services, administrative costs, and depreciation.

All revenues and expenses that do not meet the definitions of operating revenues and expenses are reported as non-operating revenues and expenses, the majority of which are contributions from the City (Note 6).

Customer Deposits for Future Events

Amounts received in advance for events and conventions are deferred and recognized as revenue at the time the events occur.

Advertising Costs

Advertising costs are expensed as incurred and totaled approximately \$30,000 and \$29,000 for the years ended June 30, 2022 and 2021, respectively.

Adoption of Accounting Principle

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which is intended to increase transparency and comparability among organizations by recording lease assets and lease liabilities on the statements of net position that previously were classified as operating leases. This statement is effective for annual reporting periods beginning after June 15, 2021. The Center adopted Statement No. 87 effective July 1, 2021, the effects of which were insignificant.

Recent Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is intended to establish the accounting requirements for interest cost incurred before the end of a construction period. The effective date for the Center of this Statement is for reporting periods beginning after December 15, 2021. Early implementation is permitted. The Center has elected not to early implement Statement No. 89 at this time. The effects of adopting Statement No. 89 have not been determined.

Continued

NOTES TO FINANCIAL STATEMENTS

Renasant Convention Center
June 30, 2022 and 2021

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is intended to establish the accounting requirements for reporting subscription-based information technology arrangements. The effective date for the Center of this Statement is for reporting periods beginning after June 15, 2022. Early implementation is permitted. The Center has elected not to early implement Statement No. 96 at this time. The effects of adopting Statement No. 96 have not been determined.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*, which provides guidance on several practice issues identified during the implementation of certain GASB statements. The Center has elected not to early implement Statement No. 99 at this time. The effects of adopting Statement No. 99 have not been determined.

In June 2022, the GASB issued Statement No. 100, *Accounting for Change and Error Corrections*, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Center has elected not to early implement Statement No. 100 at this time. The effects of adopting Statement No. 100 have not been determined.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. This Statement requires liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement will be effective for the Center in fiscal year 2025. The Center is in the process of evaluating the impact of GASB Statement No. 101.

Reclassifications

Certain amounts in the June 30, 2021, financial statements have been classified to conform to the June 30, 2022, presentation without any effect on previously recorded net position or change in net position.

Subsequent Events

During the calendar year of 2021 and continuing into calendar year 2022, Memphis Management Group, LLC gave notice to the Center's food and beverage partner that they have not been meeting the requirements stipulated in its contract. There are ongoing negotiations to rectify the situation.

Management has reviewed events occurring through December 21, 2022, the date the financial statements were available to be issued, and no other subsequent events occurred requiring accrual or disclosure.

NOTES TO FINANCIAL STATEMENTS

Renasant Convention Center
June 30, 2022 and 2021

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Center follows GASB Statement 40, *Deposits and Investment Risk Disclosures*, for financial reporting of deposit risks.

The deposits of the Center are governed by the State of Tennessee statutes which allow depositories to collateralize excess deposits above federal depository insurance coverage by one of two methods: 1) 105% of all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Center's agency in the Center's name, or 2) the financial institution must be a member of the State of Tennessee Collateral Pool. Under this method, with a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Center, these deposits are considered held by the Center's agent in the Center's name. The amount of pledged collateral is based upon a method approved by the State of Tennessee. Depositories using the pooling method report to the State Treasurer the adequacy of the pledged collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Center or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Center under the pooling method, the potential exists for under collateralization, and the risk may increase in periods of higher cash balances. However, the State Treasurer for Tennessee enforces strict standards of financial stability for each depository that collateralizes under the State of Tennessee Collateral Pool.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure the Center's deposits may not be returned to it. The Center does have a policy for custodial credit risk. As of June 30, 2022 and 2021, the Center had cash with a financial institution that had carrying amounts of \$3,190,209 and 2,058,962, respectively. The balances in the bank account as of June 30, 2022 exceeded the FDIC insurable limit by \$2,940,209. The amount by which the balance exceeded the FDIC limit is collateralized with securities held in the Center's name.

NOTES TO FINANCIAL STATEMENTS

*Renasant Convention Center
June 30, 2022 and 2021*

3. CAPITAL ASSETS, NET

Capital assets consist of the following:

	Balance June 30, 2021	Increases	Decreases/ Transfers	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 642,514	\$ -	\$ -	\$ 642,514
Construction in progress	296,132	205,315	(246,123)	255,324
Total capital assets, not being depreciated	<u>938,646</u>	<u>205,315</u>	<u>(246,123)</u>	<u>897,838</u>
Capital assets being depreciated:				
Building and improvements	43,061,445	292,046	191,832	43,545,323
Furniture and equipment	7,797,597	422,975	54,291	8,274,863
	<u>50,859,042</u>	<u>715,021</u>	<u>246,123</u>	<u>51,820,186</u>
Total capital assets	51,797,688	920,336	-	52,718,024
Accumulated depreciation:				
Building and improvements	(41,850,530)	(165,141)	-	(42,015,671)
Furniture and equipment	(7,017,816)	(149,141)	-	(7,166,957)
	<u>(48,868,346)</u>	<u>(314,282)</u>	<u>-</u>	<u>(49,182,628)</u>
Capital assets, net	<u>\$ 2,929,342</u>	<u>\$ 606,054</u>	<u>\$ -</u>	<u>\$ 3,535,396</u>

Continued

NOTES TO FINANCIAL STATEMENTS

Renasant Convention Center
June 30, 2022 and 2021

	Balance June 30, 2020	Increases	Decreases/ Transfers	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 642,514	\$ -	\$ -	\$ 642,514
Construction in progress	-	296,132	-	296,132
Total capital assets, not being depreciated	642,514	296,132	-	938,646
Capital assets being depreciated:				
Building and improvements	43,084,082	92,880	(115,517)	43,061,445
Furniture and equipment	8,175,446	46,600	(424,449)	7,797,597
	51,259,528	139,480	(539,966)	50,859,042
Total capital assets	51,902,042	435,612	(539,966)	51,797,688
Accumulated depreciation:				
Building and improvements	(41,732,880)	(174,443)	56,793	(41,850,530)
Furniture and equipment	(6,986,920)	(132,566)	101,670	(7,017,816)
	(48,719,800)	(307,009)	158,463	(48,868,346)
Capital assets, net	<u>\$ 3,182,242</u>	<u>\$ 128,603</u>	<u>\$ (381,503)</u>	<u>\$ 2,929,342</u>

4. RETIREMENT PLAN

Employees of the Center are covered by the Memphis Management Group, LLC 401(k) Retirement Plan (the "Plan"), a defined contribution plan, and is administered by MMG. Each employee is eligible to make elective deferral contributions and receive matching contributions after completing six months of employment with at least 1,000 hours of service.

The Plan meets the requirements of a multi-employer plan, which is not subject to certain disclosure requirements. Matching contributions to MMG's plan totaled \$63,154 and \$41,892 for the years ended June 30, 2022 and 2021, respectively. Matching contributions of \$5,378 and \$5,436 were accrued as of June 30, 2022 and 2021. This amount is included in accrued expenses on the statements of net position.

NOTES TO FINANCIAL STATEMENTS

Renasant Convention Center
June 30, 2022 and 2021

5. COMMITMENTS AND CONTINGENCIES

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which MMG and the City carry commercial insurances for the benefit of the Center. The City has property, boiler, and chiller insurance. MMG has general liability, umbrella, workers' compensation, and all other necessary insurance. The Center has not incurred any losses in excess of commercial insurance coverage for the year ended June 30, 2022.

The Center is party to various claims and matters of litigation that arise in the normal course of operations. It is not possible to predict the outcome of these matters with certainty; however, management believes that the resolution of these matters will not have a material adverse effect on the results of operations or the financial condition of the Center.

6. RELATED PARTY TRANSACTIONS

The City appropriates funds to the Center. These capital transfers are recorded as nonoperating contributions in the statements of revenues, expenses and changes in net position. The amounts of capital transfers for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
City of Memphis General Fund	\$ 2,424,999	\$ 2,775,060
City of Memphis CIP fund	<u>189,127</u>	<u>63,591</u>
	<u>\$ 2,614,126</u>	<u>\$ 2,838,651</u>

The Center recognized expenses related to property insurance owed to the City totaling \$326,496 and \$274,768 for each of the years ended June 30, 2022 and 2021, respectively. The Center has amounts due to the City for property insurance of \$19,231 as of June 30, 2021.

In November 2010, the management contract for the Center was awarded to MMG, a wholly-owned subsidiary of Memphis Convention and Visitors Bureau (MCVB) by the Board of Commissioners. The management contract expires December 31, 2022.

NOTES TO FINANCIAL STATEMENTS

Renasant Convention Center
June 30, 2022 and 2021

Transactions with MMG for the years ended June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Management fees	\$ 124,992	\$ 125,000
Salary reimbursement fees	<u>249,711</u>	<u>194,014</u>
	<u>\$ 374,703</u>	<u>\$ 319,014</u>

During the years ended June 30, 2022 and 2021, the Center received approximately \$272,000 and \$30,000, respectively, from MCVB as subsidies for rent on certain conventions, meetings, events and other miscellaneous events throughout the year in order to attract business to the Center that generate substantial economic benefit for the City.

Under terms of the management contract, MMG provides a defined contribution plan to employees. During the years ended June 30, 2022 and 2021, the Center paid \$63,154 and \$41,892, respectively in matching contributions (Note 4).

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

*Renasant Convention Center
Year Ended June 30, 2022*

Grantor	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Expenditures
<u>FEDERAL FINANCIAL ASSISTANCE:</u>			
U.S. Department of the Treasury			
Pass-through from the City of Memphis:			
Coronavirus State and Local Fiscal Recovery Funds (COVID-19)	21.027	(1)	\$ 250,000
Pass-through from the State of Tennessee Coronavirus Relief Fund (CRF):			
Tourism CARES Marketing Program (COVID-19)			
Pass-through from the Memphis Convention Visitor's Bureau	21.019	(1)	<u>45,163</u>
Total Federal Financial Assistance from U.S. Department of the Treasury			<u>295,163</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 295,163</u></u>

Note 1 - Coronavirus State and Local Fiscal Recovery Funds

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

*Renasant Convention Center
Year Ended June 30, 2022*

Note 1 – Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards summarized the expenditures of Renasant Convention Center under programs of the federal and state governments for the year ended June 30, 2022. The schedule is presented using the accrual basis of accounting and is required by the Audit Manual issued by the Tennessee Comptroller of the Treasury.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Board of Commissioners
Renasant Convention Center
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renasant Convention Center (the Center), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reynolds, Bone & Grissbeck PLC

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

*Renasant Convention Center
For the Year Ended June 30, 2022*

The Center had no prior year audit findings.

RENASANT CONVENTION CENTER
Memphis, Tennessee

**Financial Statements
and Reports of Independent Auditors**

For the Years Ended June 30, 2021 and 2020

RENASANT CONVENTION CENTER
Memphis, Tennessee

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December 31, 2021

Memphis Convention Center Commission
C/O Chairman Calvin Anderson
Memphis, Tennessee

Dear Chairman Anderson and Commission Members:

On behalf of the Memphis Management Group (MMG), I am pleased to present the Renasant Convention Center and Cannon Center for the Performing Arts (the "Center") report on audited financial statements for the year ending June 30, 2021. The audit consists of 4 sections: Introductory, Financial, Financial Statements, and the Report on Internal Controls and Compliance. This introductory section consists of the transmittal letter and a list of the Board of Commissioners and management staff. The next section contains the independent auditor's report and includes the management's discussion and analysis. The financial statements include the statements related to net position; revenues, expenses, and changes in net position; cash flows; and the related notes to the financial statements. The statutory reporting section includes the independent auditor's report on internal control over financial reporting and on compliance based on the audit of the financial statements.

The accuracy of the data and all audit disclosures are the responsibility of the Center. To the best of our knowledge, information and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to represent the financial position and operations of the Center.

The Center's renovation was substantially completed during the late fall of 2020. The transformation of the facility is a significant achievement for the City of Memphis. The Center's operations, however, were severely impacted by the ongoing pandemic, as were most all public assembly venues globally. As we enter a new era of operation with the renovated facility, we will continue to operate the venues with the utmost fiduciary care and responsibility.

I would like to thank Banks, Finley, White & Co., and Cannon & Company, for their support in preparing the fiscal year 2021 audit. The audit of the Renasant Convention Center seeks to ensure fiscal transparency and accountability for the Commissioners and the public. These financial statements were created utilizing the highest professional standards to achieve that goal.

Cordially,

A handwritten signature in black ink, appearing to read "Kevin Kane".

Kevin Kane
President & CEO
Memphis Management Group

RENASANT CONVENTION CENTER
MANAGEMENT OFFICIALS AND BOARD OF COMMISSIONERS
For the Year Ended June 30, 2021

PRESIDENT/CHIEF EXECUTIVE OFFICER

Kevin Kane

BOARD OF COMMISSIONERS

Wayne Tabor, Chairman
Lee Jackson
Tim Midgley
Natasha Langston
Doug Browne
John McKissack
Doug McGowen
Martavious Jones
Calvin Anderson



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Renasant Convention Center
Memphis, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Renasant Convention Center (the "Center") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Center's financial statements as listed in the table of contents.

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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2021 and 2020, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Bauby Ainsley, CPA

Memphis, Tennessee
December 31, 2021

RENASANT CONVENTION CENTER
Management's Discussion and Analysis
For the Year Ended June 30, 2021

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the Renasant Convention Center's (the "Center") activities and financial performance provides the reader with an introduction and overview to the financial statements of the Center for the year ended June 30, 2021. This information should be considered within the context of the accompanying financial statements and note disclosures.

FINANCIAL OPERATIONS HIGHLIGHTS

The majority of total revenues were rentals, the naming rights agreement with Renasant Bank and hotel parking rental. Comparisons of actual to budget for operating revenue is as follows:

<u>Sources of Operating Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Convention Center Event days	44	116	(72)
Cannon performance and event days	46	59	(13)
Cannon rehearsal days	7	25	(18)
Attendance	46,278	245,050	(198,772)
Catering and other food and beverage commissions	\$ 22,913	\$ 452,285	\$ (429,372)
Electrical and technology	9,005	184,188	(175,183)
Event services revenue	164,762	382,669	(217,907)
Parking lot revenue	223,138	463,490	(240,352)
Rent revenue	363,803	1,310,515	(946,712)
Equipment rental revenue	13,343	30,420	(17,077)
Audio visual revenue	31,333	165,375	(134,042)
Cannon Center commissions revenue	6,499	113,635	(107,136)
Naming rights revenue	482,887	482,887	-
Other operating revenues, net	<u>2,749</u>	<u>170,500</u>	<u>(167,751)</u>
Total operating revenues	<u>\$ 1,320,432</u>	<u>\$ 3,755,964</u>	<u>\$ (2,435,532)</u>

The pandemic and delays in project completion resulted in a 65% decrease in budgeted revenues. The facility had 97 event days versus a budget of 200 event days. The first event in the renovated Center was held in January 2021 and additional events took place into the spring. Most of the event revenue was earned at the Cannon Center which was mostly unaffected by construction.

RENASANT CONVENTION CENTER
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Comparison of actual to budget for operating expenses by department is as follows:

<u>Department Expenses</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Board expenses	\$ 3,274	\$ 28,000	\$ (24,726)
Cannon Center	417,409	509,879	(92,470)
Cleaning services	67,927	591,238	(523,311)
Depreciation	307,008	341,172	(34,164)
Electrical and technology	-	21,811	(21,811)
Event management	199,649	483,163	(283,514)
Event services	129,098	426,020	(296,922)
Executive	272,567	325,071	(52,504)
Finance/IT	295,436	404,438	(109,002)
Operations	584,218	889,729	(305,511)
Overhead	667,309	622,168	45,141
Sales and marketing	149,481	329,266	(179,785)
Security	404,600	439,254	(34,654)
Utilities	<u>920,101</u>	<u>1,132,250</u>	<u>(212,149)</u>
Total Department Expenses	<u>\$ 4,418,077</u>	<u>\$ 6,543,459</u>	<u>\$ (2,125,382)</u>

Every expense category, with the exception of Overhead, was significantly below budget during this period. Overall, a 32% decrease in expenditures versus budget. The pandemic dictated such business expenditure curtailments. The facility did not hire many budgeted positions and reduced operational expenditures as there was little event activity. The Cleaning, Event Services, and Operations Department were collectively \$1.1 million under budget.

Comparison of actual to budget for non-operating revenues/expenses is as follows:

<u>Non-Operating Revenues/Expenses</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Contributions from City of Memphis General Fund	\$ 2,775,060	\$ 2,434,577	\$ 340,483
Contributions from City of Memphis CIP Fund	63,591	-	63,591
Loss on asset disposal	(381,503)	-	(381,503)
Interest Income	<u>1,040</u>	<u>-</u>	<u>1,040</u>
Grants	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total non-operating revenue/expenses	<u>\$ 2,468,188</u>	<u>\$ 2,434,577</u>	<u>\$ 33,611</u>

RENASANT CONVENTION CENTER
Management's Discussion and Analysis
For the Year Ended June 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A introduces the Center's basic financial statements. The basic financial statements include the statements of net position - proprietary fund, the statements of revenues, expenses and changes in net position and statements of cash flows - proprietary fund.

The statements of net position report all of the Center's assets and liabilities, with the differences reported as net position. Over time, increases and decreases will give some indication of whether the financial position of the Center is improving or deteriorating. The majority of the Center's net position is invested in capital assets (building and improvements, furniture and equipment). These assets are used to keep the Center competitive with other convention centers of comparable size. The unrestricted net position gives a good indication of the earnings, exclusive of depreciation, that have been accumulated since inception. These assets are available for operations of the Center.

All of the Center's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position - proprietary fund. This statement measures the success of the Center's operations over the past year and can be used to determine whether the Center has successfully recovered its current costs through its user fees and other charges.

The statements of cash flows reconciles the operating income (loss) to resources received and resources used. It also shows how those cash flows were spent during the year; for example, purchases of capital assets.

CENTER ACTIVITIES FOR THE YEAR

For the complex, 97 event days were held versus the projection of 200. The Renasant Convention Center hosted 44 event days. The Cannon Center had 49 event days and 4 performances. Four million dollars of economic impact was produced with event activity.

CITY OF MEMPHIS FUNDING

If hotel lodging taxes are insufficient to fund the Center's operational deficit for any given year then the City of Memphis (the "City") will fund the Center's entire operational deficit through the City's general fund. The Center received \$2,775,060 from the City's general fund to fund the operational deficit. For the foreseeable future, it appears that the City's general fund will be the source of the Center's operational funding.

The City has budgeted \$2,425,000 for fiscal 2022 from its general fund for the Center's operations.

RENASANT CONVENTION CENTER
Management's Discussion and Analysis
For the Year Ended June 30, 2021

CONDENSED FINANCIAL INFORMATION

A summary of the Center's statements of net position as of June 30, 2021, 2020 and 2019, is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current assets	\$ 2,463,574	\$ 2,421,943	\$ 2,556,812
Capital assets	<u>2,929,342</u>	<u>3,182,256</u>	<u>4,658,228</u>
TOTAL ASSETS	<u>5,392,916</u>	<u>5,604,199</u>	<u>7,215,040</u>
LIABILITIES			
Current	<u>1,327,117</u>	<u>908,942</u>	<u>1,047,671</u>
TOTAL LIABILITIES	<u>1,327,117</u>	<u>908,942</u>	<u>1,047,671</u>
NET POSITION:			
Net investment in capital assets	2,929,342	3,182,256	4,658,228
Unrestricted	<u>1,136,457</u>	<u>1,513,000</u>	<u>1,509,141</u>
TOTAL NET POSITION	<u>\$ 4,065,799</u>	<u>\$ 4,695,256</u>	<u>\$ 6,167,369</u>

A summary of the Center's operations for the years ended June 30, 2021, 2020 and 2019, is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES	\$ 1,320,432	\$ 2,084,724	\$ 4,170,537
OPERATING EXPENSES	<u>4,418,077</u>	<u>5,014,390</u>	<u>7,021,735</u>
OPERATING LOSS	<u>(3,097,645)</u>	<u>(2,929,666)</u>	<u>(2,851,198)</u>
NON-OPERATING REVENUES (EXPENSES)			
Contributions from City of Memphis CIP fund	63,591	-	9,204
Contributions from the City of Memphis General fund	2,775,060	2,638,439	2,434,577
Loss on asset disposal	(381,503)	(1,183,200)	-
Interest income	1,040	2,314	3,534
Grants	10,000	-	-
Insurance claim outlays	-	-	-
TOTAL	<u>2,468,188</u>	<u>1,457,553</u>	<u>2,447,315</u>
CHANGE IN NET POSITION	(629,457)	(1,472,113)	(403,883)
NET POSITION - beginning of year	<u>4,695,256</u>	<u>6,167,369</u>	<u>6,571,252</u>
NET POSITION - end of year	<u>\$ 4,065,799</u>	<u>\$ 4,695,256</u>	<u>\$ 6,167,369</u>

RENASANT CONVENTION CENTER
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Capital Assets

The Center's capital assets and accumulated depreciation for the years ended June 30, 2021, 2020 and 2019, are summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 642,514	\$ 642,514	\$ 642,514
Construction in progress	296,123	-	-
Building	28,334,263	28,334,263	28,334,263
Building improvements	14,727,183	14,749,819	15,812,169
Furniture	900,144	883,023	879,090
Equipment	5,937,792	6,334,840	6,621,034
Computer equipment	193,677	191,598	333,479
Other assets	<u>765,984</u>	<u>765,984</u>	<u>1,259,670</u>
	51,797,680	51,902,041	53,882,219
Accumulated depreciation	<u>(48,868,337)</u>	<u>(48,719,786)</u>	<u>(49,223,991)</u>
Capital assets, net	<u>\$ 2,929,343</u>	<u>\$ 3,182,255</u>	<u>\$ 4,658,228</u>

FUTURE PROJECTS/ACTIVITIES FOR THE CENTER

The Renasant Convention Center completed a stunning transformation from a dated facility into a world class convention center. Reviews from clients and the public are overwhelmingly positive.

Management is very confident that new clients; both regional and national will be eager to host their event in the new facility. Established clients are expected to increase their opportunities as well.

The City did commit for \$400,000 in capital improvement funding for fiscal 2022 as the City of Memphis leaders realized that continual strategic improvements are necessary.

RENASANT CONVENTION CENTER
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Pandemic Statement

The facility did receive cancellations from 3 major conventions for the summer and fall of 2021 (fiscal 2022). Any spikes in cases locally, regionally, or nationally could cause further revenue loss. The Center's management is proceeding with logical caution regarding expenditures though the building is now fully operational.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional information, contact the Renasant Convention Center's Director of Finance at 255 North Main Street, Memphis, Tennessee 38103-1623, or by telephone at (901) 576-1200.

RENASANT CONVENTION CENTER

Statements of Net Position
June 30, 2021 and June 30, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,058,962	\$ 2,183,555
Accounts receivable, net	385,648	207,823
Prepaid expenses	<u>18,964</u>	<u>30,565</u>
Total Current Assets	<u>2,463,574</u>	<u>2,421,943</u>
CAPITAL ASSETS (NET)	<u>2,929,342</u>	<u>3,182,256</u>
TOTAL ASSETS	<u>\$ 5,392,916</u>	<u>\$ 5,604,199</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:		
Cash draws against future deposits	\$ -	\$ 125,144
Accounts payable	537,209	155,852
Due to Hotel and MCVB	-	1,664
Customer deposits for future events	610,067	470,500
Accrued expenses	99,967	63,980
Unearned advertising and ticket rebate revenue	<u>79,874</u>	<u>91,802</u>
Total Current Liabilities	<u>1,327,117</u>	<u>908,942</u>
TOTAL LIABILITIES	<u>1,327,117</u>	<u>908,942</u>
NET POSITION:		
Net investments in capital assets	2,929,342	3,182,256
Unrestricted	<u>1,136,457</u>	<u>1,513,000</u>
TOTAL NET POSITION	<u>\$ 4,065,799</u>	<u>\$ 4,695,256</u>

See accompanying notes to the financial statements

RENASANT CONVENTION CENTER
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES:		
Catering and other food and beverage commissions	\$ 22,913	\$ 244,652
Electrical and technology	9,005	109,210
Event services	164,762	564,828
Parking lot revenue	223,138	392,635
Rent revenue	363,803	358,456
Equipment rental revenue	13,343	11,870
Audio visual revenue	31,333	50,062
Commission revenue	6,499	143,412
Naming rights revenue	482,887	164,814
Other operating revenues, net	2,749	44,785
TOTAL OPERATING REVENUES	1,320,432	2,084,724
OPERATING EXPENSES:		
Advertising	28,934	27,007
Board expenses	3,274	74,465
Cleaning	55,705	94,459
Depreciation	307,009	370,830
Event services	149,693	557,513
Insurance	379,745	278,199
Management and incentive fees	125,000	125,000
Miscellaneous	103,366	275,568
Office and administrative expenses	134,383	127,699
Payroll taxes and benefits	422,333	427,127
Professional services	60,102	36,685
Repairs and maintenance	261,203	435,006
Salaries and wages	1,434,792	1,335,452
Telephone	30,855	50,900
Travel	1,582	13,544
Utilities	920,101	784,936
TOTAL OPERATING EXPENSES	4,418,077	5,014,390
OPERATING INCOME (LOSS)	(3,097,645)	(2,929,666)
NON-OPERATING REVENUES (EXPENSES):		
Contributions from the City of Memphis General fund	2,775,060	2,638,439
Contributions from the City of Memphis CIP fund	63,591	-
Loss on asset disposal	(381,503)	(1,183,200)
Interest income	1,040	2,314
Interest expense	10,000	-
NON-OPERATING REVENUES, NET	2,468,188	1,457,553
CHANGE IN NET POSITION	(629,457)	(1,472,113)
TOTAL NET POSITION - BEGINNING OF YEAR	4,695,256	6,167,369
TOTAL NET POSITION - END OF YEAR	\$ 4,065,799	\$ 4,695,256

See accompanying notes to the financial statements

RENASANT CONVENTION CENTER
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,142,618	\$ 2,467,888
Cash payments to employees for services	(1,434,791)	(1,335,452)
Cash payments to other operating expenses	<u>(2,246,499)</u>	<u>(3,405,406)</u>
Net Cash Provided By (Used in) Operating Activities	<u>(2,538,672)</u>	<u>(2,272,970)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Contributions received from the City of Memphis	2,838,651	2,638,439
Interest paid on noncapital debt	<u>11,040</u>	<u>-</u>
Net Cash Provided By (Used in) Non-Capital Financing Activities	<u>2,849,691</u>	<u>2,638,439</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net Cash Provided By (Used in) Capital and Related Financing Activities	<u>(435,612)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	-	2,314
Loss on Sale of Assets	<u>-</u>	<u>(78,058)</u>
Net Cash Provided By (Used in) Investing Activities	<u>-</u>	<u>(75,744)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(124,593)	289,725
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,183,555</u>	<u>1,893,830</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,058,962</u>	<u>\$ 2,183,555</u>
RECONCILIATION OF OPERATING LOSS TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (3,097,645)	\$ (2,929,666)
Depreciation	307,009	370,830
Changes in operating assets and liabilities:		
Accounts receivable	(177,816)	408,324
Prepaid expenses	11,606	16,270
Cash draws against future deposits	-	125,144
Accounts payable	379,692	(238,712)
Due to Hotel and MCVB	-	(20,034)
Customer deposits for future events	127,638	(19,555)
Accrued expenses	(89,156)	(46,568)
Unearned advertising and ticket rebate revenue	<u>-</u>	<u>60,997</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,538,672)</u>	<u>\$ (2,272,970)</u>

See accompanying notes to the financial statements

RENASANT CONVENTION CENTER
Memphis, Tennessee

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See accompanying notes to the financial statements

RENASANT CONVENTION CENTER
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The Renasant Convention Center (the "Center") was formed in 1917 under the Tennessee Private Acts of 1917, Chapter 420, as subsequently amended (TPA).

In accordance with the TPA, deficit results from operations, maintenance, repairs and insurance that are not funded from the operations of the Center were paid equally by the City and Shelby County (the County) through June 30, 2011. Prior to August 25, 2011, the Center was jointly owned by the City and the County. On August 25, 2011, the City became the sole owner of the Center and the deficit is now solely funded by the City. Memphis Management Group, LLC (MMG, a wholly-owned subsidiary of Memphis Convention and Visitors Bureau) manages the facility.

The Mayor of the City of Memphis (the "City") recommends members for the Center's Board. The Memphis City Council, except for one official from the City, approves those recommendations.

Purpose

The purpose of the Center is to provide convention space to lure regional and national conventions, and other rental events, to help the economy of Memphis and Shelby County, Tennessee.

Reporting Entity

The financial statements for the City can be obtained by writing the City of Memphis Division of Finance, 125 North Main, 3rd Floor, Memphis, Tennessee 38103, or calling (901) 636-6657.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Center reports as an enterprise fund for the operation of the convention center. Enterprise funds are classified as proprietary funds by the Governmental Accounting Standards Board (GASB) and are accounted for using a total economic resources measurement focus. Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of the facilities and services which are

supported primarily by user charges. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. The intent of the Board of Commissioners is that the costs of providing services on a continuing basis be recovered through user charges.

The Center prepares its financial statements according to the governmental standards for external financial reporting and disclosure for state and local governmental entities, which include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Net position is required to be classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of investment in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Cash and Cash Equivalents

The Center considers all highly liquid instruments with maturity of three months or less to be cash equivalents.

Accounts Receivable

The accounts receivable represent amounts billed to customers for use of the facilities. The Center does not require collateral for accounts receivable arising from the normal course of business. The Center maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. All accounts or portions thereof considered uncollectible or to require excessive collection costs are written off to the allowance for doubtful accounts.

Accounts receivable as of June 30, 2021 and 2020, are reflected net of the allowance for doubtful accounts of \$15,000 and \$11,000, respectively.

Capital Assets

Capital assets, including land, building, improvements, furniture and equipment are stated at cost less accumulated depreciation. Donated property and equipment are recognized at fair value on the date donated. Expenditures for additions, major renewals and betterments greater than \$1,000 generally are capitalized and those for maintenance and repairs are charged to expenses as incurred. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in the statements of revenues, expenses and changes in net position - proprietary fund.

Buildings, improvements, furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	31
Building Improvements	5-15
Furniture and Equipment	5-20

Customer Deposits for Future Events

Amounts received in advance for events and conventions are deferred and recognized as revenue when the events occur.

Net Investment in Capital Assets

Net investments in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. As of June 30, 2021 and 2020, net investments in capital assets consists of capital assets, net of accumulated depreciation, totaling \$2,929,342 and \$3,182,256, respectively.

Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from charges for services including catering and other food and beverage, electrical and phone hookups, parking fees, rental income, and security for events and conventions that are held at the Center. Revenue is recognized by the Center once events and conventions have occurred. All revenues not meeting those definitions are reported as non-operating revenues.

Operating expenses include costs associated with event services, administrative costs and depreciation. Loss on asset disposal is the Center's only non-operating expenses for the year ended June 30, 2021. For the year ended June 30, 2020 there were no non-operating expenses.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$28,934 and \$27,007 for the years ended June 30, 2021 and 2020, respectively.

Estimates and Uncertainties

The presentation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out method.

Subsequent Events

The Center has evaluated subsequent events for potential recognition and disclosure through December 31, 2021, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS:

The Center follows GASB Statement 40, *Deposit and Investment Risk Disclosures*, for financial reporting of deposit risks.

The deposits of the Center are governed by the State of Tennessee statutes which allow depositories to collateralize excess deposits above federal depository insurance coverage by one of two methods: 1) 105% of all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Center's agency in the Center's name, or 2) the financial institution must be a member of the State of Tennessee Collateral Pool. Under this method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Center, these deposits are considered held by the Center's agent in the Center's name. The amount of pledged collateral is based upon a method approved by the State of Tennessee. Depositories using the pooling method report to the State Treasurer the adequacy

of the pledged collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Center or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Center under the pooling method, the potential exists for undercollateralization, and the risk may increase in periods of higher cash balances. However, the State Treasurer for Tennessee enforces strict standards of financial stability for each depository that collateralizes under the State of Tennessee Collateral Pool.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure the Center's deposits may not be returned to it. The Center does have a policy for custodial credit risk. As of June 30, 2021 and 2020, the Center had cash with a financial institution that had carrying amounts of \$2,058,962 and \$2,183,555, respectively. The balances in the bank account as of June 30, 2021 exceeded the FDIC insurable limit by \$1,808,962. The amount by which the balance exceeded the FDIC limit is collateralized with securities held in the Centers name.

See next page

NOTE 3 - CAPITAL ASSETS:

Capital assets consist of the following:

	June 30, 2020	Additions	Retirements	June 30, 2021
Capital assets not being depreciated -				
Land	\$ 642,514	\$ -	\$ -	\$ 642,514
Construction in progress	<u>-</u>	<u>296,132</u>	<u>-</u>	<u>296,132</u>
	<u>642,514</u>	<u>296,132</u>	<u>-</u>	<u>938,646</u>
Capital assets being depreciated -				
Building and improvements	43,084,082	92,873	115,510	43,061,445
Furniture and equipment	<u>8,175,446</u>	<u>46,600</u>	<u>424,449</u>	<u>7,797,597</u>
	<u>51,259,528</u>	<u>139,473</u>	<u>539,959</u>	<u>50,859,042</u>
Total capital assets	<u>51,902,042</u>	<u>435,605</u>	<u>539,959</u>	<u>51,797,688</u>
Accumulated depreciation -				
Building and improvements	41,732,880	174,443	56,793	41,850,530
Furniture and equipment	<u>6,986,906</u>	<u>132,574</u>	<u>101,664</u>	<u>7,017,816</u>
	<u>48,719,786</u>	<u>307,017</u>	<u>158,457</u>	<u>48,868,346</u>
CAPITAL ASSETS, net	<u>\$ 3,182,256</u>	<u>\$ 128,588</u>	<u>\$ 381,502</u>	<u>\$ 2,929,342</u>
	June 30, 2019	Additions	Retirements	June 30, 2020
Capital assets not being depreciated -				
Land	\$ 642,514	\$ -	\$ -	\$ 642,514
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land	<u>642,514</u>	<u>-</u>	<u>-</u>	<u>642,514</u>
Capital assets being depreciated -				
Building and improvements	44,146,432	55,235	1,117,585	43,084,082
Furniture and equipment	<u>9,093,273</u>	<u>22,823</u>	<u>940,650</u>	<u>8,175,446</u>
	<u>53,239,705</u>	<u>78,058</u>	<u>2,058,235</u>	<u>51,259,528</u>
Total capital assets	<u>53,882,219</u>	<u>78,058</u>	<u>2,058,235</u>	<u>51,902,042</u>
Accumulated depreciation -				
Building and improvements	41,920,225	316,667	504,012	41,732,880
Furniture and equipment	<u>7,303,766</u>	<u>261,743</u>	<u>578,603</u>	<u>6,986,906</u>
	<u>49,223,991</u>	<u>578,410</u>	<u>1,082,615</u>	<u>48,719,786</u>
CAPITAL ASSETS, net	<u>\$ 4,658,228</u>	<u>\$ (500,352)</u>	<u>\$ 975,620</u>	<u>\$ 3,182,256</u>

Total depreciation expense for June 30, 2021 and 2020 was \$307,009 and \$370,830, respectively.

NOTE 4 - ACCRUED VACATION:

The Center accrues vacation for which it expects to pay employees. As of June 30, 2021 and 2020, the liability for accrued vacation totaled \$- and \$-, respectively. This amount is included in accrued expenses on the statements of net position.

NOTE 5 - RETIREMENT PLAN:

The Memphis Management Group, LLC 401(k) Retirement Plan (the "Plan"), a profit-sharing plan, is provided by MMG under the terms of their management agreement with the Center. The Plan is a defined contribution plan, and it is administered by MMG. Amendments to the Plan can only be made by MMG.

Each employee of the Center, excluding union employees, leased employees and non-resident aliens, if any, is eligible to make elective deferral contributions and receive matching contributions after completing six months of employment with at least 1,000 hours of service. The Center's contributions are discretionary. Currently, the Center makes a contribution not to exceed 4% of the participant's salary for all participants. Matching contributions to MMG's plan totaled \$41,892 and \$36,949 for the years ended June 30, 2021 and 2020, respectively. \$5,436 and \$3,379 in contributions payable were accrued as of June 30, 2021 and 2020. This amount is included in accrued expenses on the statements of net position.

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Center's contribution portion of their accounts is based on years of service. A participant is vested 25% after one years of service, 40% after two years of service, 60% after three years of service, 80% after four years of service, and 100% after five years of service.

The non-vested portion of account balances are forfeited upon distribution of the vested portion. Forfeitures are used to reduce employer contributions. At June 30, 2021 and 2020, there were no forfeitures.

NOTE 6 - RISK MANAGEMENT:

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which MMG and the City carry commercial insurances for the benefit of the Center.

The City has property, boiler and chiller insurance. MMG has general liability, umbrella, workers' compensation and all other necessary insurance. The Center has not incurred any losses in excess of commercial insurance coverage for the year ended June 30, 2021.

NOTE 7 - LITIGATION, COMMITMENTS AND CONTINGENCIES:

The Center is party to various claims and matters of litigation that arise in the normal course of operations. It is not possible to predict the outcome of these matters with certainty; however, management believes that the resolution of these matters will not have a material adverse effect on the results of operations or the financial condition of the Center.

NOTE 8 - RELATED PARTY TRANSACTIONS:

The City appropriates funds to the Center. These capital transfers are recorded as non-operating contributions in the statements of revenues, expenses and changes in net position. The amounts of these transfers for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
City of Memphis General fund	\$ 2,775,060	\$ 2,638,439
City of Memphis CIP fund	<u>63,591</u>	-
	<u>\$ 2,838,651</u>	<u>\$ 2,638,439</u>

The Center recognized expenses related to property insurance owed to the City totaling \$274,768 and \$181,646 for each of the years ended June 30, 2021 and 2020, respectively. The Center has amounts due to the City for property insurance of \$19,231 and \$15,137 as of June 30, 2021 and 2020, respectively.

In November 2010, the management contract for the Center was awarded to MMG, a wholly-owned subsidiary of Memphis Convention and Visitors Bureau (MCVB) by the Board of Commissioners. This management contract expires December 31, 2022.

Transactions with MMG for the years ended June 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Management fees	\$ 125,000	\$ 125,000
Salary reimbursement fees	<u>194,014</u>	<u>244,224</u>
	<u>\$ 319,014</u>	<u>\$ 369,224</u>

During the years ended June 30, 2021 and 2020, respectively, the Center received \$30,000 and \$32,487 from MCVB as subsidies for rent on certain conventions, meetings, events and other miscellaneous events throughout the year in order to attract business to the Center that generate substantial economic benefit for the City.

Under terms of the management contract, MMG provides a defined contribution plan to employees. During the years ended June 30, 2021 and 2020, the Center paid \$41,892 and \$36,849, respectively, in matching contributions to the plan (see Note 5).

NOTE 9 - RECLASSIFICATIONS:

Certain reclassifications to the June 30, 2020 financial statements have been made to conform with the June 30, 2021 presentation with no effect on changes in net position.

NOTE 10 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 31, 2021, which is the financial statement issuance date. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government response are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while management expects this matter to negatively impact the organization's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

REPORT ON INTERNAL CONTROL AND COMPLIANCE



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Renasant Convention Center
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Renasant Convention Center ("Center"), basic financial statements, and have issued our report thereon dated December 31, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baughman, W. H. & Co.

Memphis, Tennessee
December 31, 2021

RENASANT CONVENTION CENTER

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2021

There were no prior findings reported.