IRVING CONVENTION CENTER
AT LAS COLINAS

Debt Management & Bad Debt Write-off Policy

Background

As part of the management of its financial resources, the Irving Convention Center continues to ensure that the most effective cash collection procedures are in place and that income generated is reported correctly. The Irving Convention Center is audited by a 3rd party auditor each year to verify our compliance with income generated and reported as well as collected.

Income to the Convention Center is reported through the Event and Other Income section on the financial statements and is calculated to reflect the income generating activity for that time period, regardless of whether or not the cash has been received yet by the convention center.

Clients of the Irving Convention Center generally pay deposits leading up to the event that cover rent, food and beverage, and any estimated ancillary costs that may be incurred. However, there are certain organizations and state associations, particularly those with history in the facility, that are allowed credit to pay post event in one final settlement. Most events generate revenue by selling tickets or through registration of attendees that allow them to cover the cost of an event. Credit applications are filled out and references checked before issuing credit to most organizations of this nature. Deposit schedule is generally:

- 25% due at signing of contract
- 75% due 30 days prior to event

As part of the contracting process, each client fills out a credit card authorization form that we hold to cover any additional costs or F & B overages that may occur. The client has the option to write a check or have the additional charges paid by the card on file at the conclusion of the event.

While most clients are paid up upon arrival for an event, there are often additional expenses that are incurred during an event and posted to the client's account. These expenses are generally billed to the client post-event to collect or charged to the credit card on file. There are many types of events that the convention center hosts each year; each come with different financial situations and structures that the convention center has to work though.

Treating income as a bad debt is the final stage of the convention center's debt collection process. To mitigate against the impact of writing off bad debts, the convention center makes an annual provision in the budget referred to as the account for bad debt.

Purpose Statement

The purpose of this document is to outline the policy and procedures that must be followed for any account to be written off to bad debt.

Responsibilities

Responsibility for this policy lies with the General Manager of the Irving Convention Center.

The Finance Director is responsible for the management and administration of the policy. The policy will be reviewed on an annual basis with the external auditors to ensure it reflects current accounting practices and is reflective of the financial risks around income collection faced by the Irving Convention Center.

The Director of Sales and the Director of Events, as well as their respective teams, are responsible for ensuring that the sales information/deposit schedule contained in the contract is correct and payment deadlines are met to reduce the risk of subsequent late payments. They are also required to provide accurate/relevant information and documentation for any expenses and/or costs incurred that will be billed to the client for final settlement.

All inquiries relating to this policy should be directed to the General Manager.

Key Policy Actions

The Irving Convention Center conducts a monthly review of the financial reports as well as a review of the aged receivables. The focus of the review is to look at receivables in the 30-60- and 60-90-day range to determine if/what the issue may be and what the next steps will be to collect the debt.

We first determine if there is a billing issue/dispute that client is waiting to get resolved; if so, management meets with the event manager to determine where we are in that process. We will promptly decide whether an adjustment needs to be made to the final bill or if it is the client's responsibility. If the decision is to make an adjustment to the final bill, then the Event Manager fills out the "Adjustment Form," which is then reviewed and signed by the Sales and Event Managers, Director of Events, and the General Manager.

If the issue/dispute is deemed the client's responsibility, we will notify them of our decision and ask for payment to be made immediately.

At the 60-day mark, the Sales Manager will contact the client to see if there are any issues that may need to be addressed.

At the 90-day mark, if we have not had any communication from the client, the General Manager will send an email to the client asking for payment to be paid immediately. The email also states that if payment is not made by a certain date, the account will be turned over to our attorney.

Every event is different and every situation with a client is different. Our goal is to work through the process in the most effective way possible to avoid any type of write-off. Most of the time it depends on the client's communication with us. We can work with clients in many ways, including making adjustments when appropriate, establishing payment plans, or simply extending time if the client continues to communicate with us.

If there is no response/communication with a client after repeated phone calls or emails, then a decision is made as to what the debt is versus the cost of getting an attorney involved. If it is cost-effective to involve the attorney, then we proceed in that direction.

As the very last resort, if it becomes impossible to collect the debt and is not cost-effective to involve an attorney, then the debt will be written off to the bad debt account. In this case the Adjustment Form must be filled out and signed by the General Manager, Director of Finance, and the Event/Sales Manager for that event and detailed information must be provided as to the steps that were taken to collect the debt.

Calculation of the bad debt provision

A bad debt provision will be determined each year and will be based on previous years' history. The bad debt allowance will be included in the budget planning process in August for fiscal year beginning October 1 each year.

Summary

With a wide variety of events in the facility including conventions, banquets, consumer/public shows, sporting events, assemblies, and meetings, each brings its own set of dynamics as far as payment structure and each is contracted according to what those dynamics are. There is always risk involved, but the goal is always to minimize that risk in the best way possible while putting business on the books. It is very rare that an event or part of an event would ever be written off to bad debt. In most cases we work with the client to formulate a solution that works for both parties and maintains the client relationship.