

**IRVING CONVENTION CENTER**

**FINANCIAL STATEMENTS**

September 30, 2020 and 2019

IRVING CONVENTION CENTER

FINANCIAL STATEMENTS  
September 30, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

Management of the Irving Convention Center and SMG Management  
Irving, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Irving Convention Center ("ICC"), which comprise the statements of assets, liabilities, and equity (deficit) - contractual basis as of September 30, 2020 and 2019, and the related statements of revenues and expenses - contractual basis, changes in equity (deficit) -contractual basis, and cash flows - contractual basis for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Management Agreement between SMG and the City of Irving dated June 26, 2014 (the current contract). Management is also responsible 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity (deficit) of ICC as of September 30, 2020 and 2019, and revenues, expenses, changes in equity (deficit), and cash flows for the years then ended in accordance with the financial reporting provisions of the current contract.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared by ICC on the basis of the financial reporting provisions of the current contract, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. Our opinion is not modified with respect to this matter.

***Restriction on Use***

Our report is intended solely for the information and use of the City of Irving, management of ICC and SMG management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Crowe LLP".

Crowe LLP

Dallas, Texas  
November 12, 2020

IRVING CONVENTION CENTER  
STATEMENTS OF ASSETS, LIABILITIES AND EQUITY (DEFICIT) - CONTRACTUAL BASIS  
September 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,126,008	\$ 1,214,688
Accounts receivable	176,135	717,134
Due from City of Irving	42,641	-
Inventories	58,394	60,182
Prepays	<u>23,421</u>	<u>12,715</u>
Total current assets	<u>\$ 1,426,599</u>	<u>\$ 2,004,719</u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
Current liabilities		
Accounts payable	\$ 331,774	\$ 298,660
Accrued expenses	357,409	351,782
Advanced deposits	737,416	1,040,239
Due to City of Irving	<u>-</u>	<u>314,038</u>
Total current liabilities	1,426,599	2,004,719
Equity (deficit)		
Contributed capital	13,140,427	11,202,786
Deficit	<u>(13,140,427)</u>	<u>(11,202,786)</u>
Total equity (deficit)	<u>-</u>	<u>-</u>
Total liabilities and equity	<u>\$ 1,426,599</u>	<u>\$ 2,004,719</u>

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See accompanying notes to financial statements.

IRVING CONVENTION CENTER  
 STATEMENTS OF REVENUES AND EXPENSES - CONTRACTUAL BASIS  
 Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue		
Rental	\$ 1,059,450	\$ 2,212,383
Food and beverage	3,905,814	5,972,168
Parking	159,103	254,495
Ancillary	732,545	1,183,295
Other	<u>619,254</u>	<u>500,334</u>
Total revenue	6,476,166	10,122,675
Departmental expenses		
Rental expense	562,347	1,168,873
Food and beverage expense	1,333,819	2,523,992
Parking expense	19,495	25,142
Ancillary expense	<u>655,780</u>	<u>965,659</u>
Total direct event expense	<u>2,571,441</u>	<u>4,683,666</u>
<b>Gross operating income</b>	<u>3,904,725</u>	<u>5,439,009</u>
Operating expenses		
Employee salaries and wages	2,801,232	2,864,061
Contracted services	567,982	722,122
General and administrative	538,141	538,684
Operations	374,000	543,952
Repair and maintenance	442,259	558,782
Supplies	126,929	236,683
Insurance	100,524	86,152
Utilities	491,413	537,704
SMG management fees	<u>399,886</u>	<u>431,831</u>
Total operating expenses	<u>5,842,366</u>	<u>6,519,971</u>
<b>Net loss</b>	<u>\$ (1,937,641)</u>	<u>\$ (1,080,962)</u>

See accompanying notes to financial statements.

IRVING CONVENTION CENTER  
STATEMENTS OF CHANGES IN EQUITY (DEFICIT) - CONTRACTUAL BASIS  
Years ended September 30, 2020 and 2019

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Equity, October 1, 2018	\$ -
Contributed capital	1,395,000
Remitted capital	(314,038)
Net loss	<u>(1,080,962)</u>
Equity, September 30, 2019	\$ -
Contributed capital	1,937,641
Net loss	<u>(1,937,641)</u>
Equity, September 30, 2020	<u><u>\$ -</u></u>

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See accompanying notes to financial statements.

IRVING CONVENTION CENTER  
 STATEMENTS OF CASH FLOWS - CONTRACTUAL BASIS  
 Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,937,641)	\$ (1,080,962)
Adjustments to reconcile net loss to net cash used in operations		
(Increase) decrease in assets		
Accounts receivable	540,999	(23,906)
Inventories	1,788	(2,320)
Prepaid	(10,706)	(12,715)
Increase (decrease) in liabilities		
Accounts payable	33,114	(192,741)
Accrued expenses	5,627	105,404
Advance deposits	<u>(302,823)</u>	<u>110,188</u>
Net cash used in operating activities	<u>(1,669,642)</u>	<u>(1,097,052)</u>
<b>Cash flows from financing activities</b>		
Capital contributed by the City of Irving	1,895,000	1,395,000
Capital remitted to the City of Irving	<u>(314,038)</u>	<u>(305,281)</u>
Net cash provided by financing activities	<u>1,580,962</u>	<u>1,089,719</u>
Net change in cash	(88,680)	(7,333)
Cash at beginning of year	<u>1,214,688</u>	<u>1,222,021</u>
<b>Cash at end of year</b>	<u>\$ 1,126,008</u>	<u>\$ 1,214,688</u>
 Non-cash financing activities:		
Capital due to the City of Irving	\$ -	\$ 314,038
Capital due from the City of Irving	\$ 42,641	\$ -

See accompanying notes to financial statements.

IRVING CONVENTION CENTER  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020 and 2019

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**NOTE 1 - ORGANIZATION AND OPERATIONS**

Organization, Operations and Basis of Accounting: SMG (the Company or Contractor) is organized as a general partnership under the laws of the Commonwealth of Pennsylvania and having its principal place of business at 702 Market Street, Suite 5500, Philadelphia, Pennsylvania 19106. SMG is in the business of private management of public facilities.

On October 1, 2019, SMG and AEG Facilities, a venue management company based in Los Angeles, completed a merger to create ASM Global. ASM Global is headquartered in Los Angeles, California, and has key operations in Coshockton, Pennsylvania.

SMG entered into a management agreement (prior contract) with the City of Irving (the City) to operate and manage the Irving Convention Center (ICC). The prior contract was signed June 28, 2007 and continued through September 30, 2015. Effective October 1, 2015, the new contract (current contract) was signed June 26, 2014, and continues through September 30, 2020, and may be extended for two additional five year periods upon mutual agreement of the parties. SMG is working with the City of Irving and the Irving Convention Visitors Bureau (ICVB) to extend the management agreement. As required by the current and prior contract, the accompanying financial statements only include revenues and expenses on an accrual basis associated with the operation of the ICC. Additionally, the assets and liabilities only relate to the revenues and expenses of the ICC. ICC has no fixed assets, investments or debt as these items are the responsibility of the City of Irving. These financial statements are not intended to represent the revenues and expenses of the Company itself. As a result, contributions from the City towards the operations of the ICC are included in the accompanying financial statements as contributed capital.

Under the current contract signed June 26, 2014, SMG provides day-to-day general management and supervision of all activities at the ICC, including the premises. Management activities include planning marketing, fiscal analysis and budget management, personnel supervision, purchasing and acquisition, facility and equipment rental, contract negotiation and execution, maintenance and all other activities necessary for the general provision of services for ICC activities, including exhibitions, conventions, banquets, trade shows and other similar activities, events and productions. SMG agrees to make every reasonable effort to increase revenue, expand ICC activities, and improve the image of the ICC by aggressive and appropriate marketing analysis and advertising activities in coordination with the City.

The financial statements are prepared in accordance with the financial reporting provisions of the Management Agreement between SMG and the City of Irving under the current contract and these financial statements are not intended to be in accordance with accounting principles generally accepted in the United States of America.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cash and Cash Equivalents: For purposes of financial statement presentation and reporting cash flows, all highly liquid investments with original maturities at the date of purchase of three months or less are considered cash equivalents. ICC maintains its cash in bank deposit accounts that may, at times, exceed federally insured limits. ICC has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to deposits in excess of federally insured limits.

Accounts Receivable: The ICC accounts for trade receivables based on the amounts billed to customers and account receivables from the City of Irving for capital expenditures. See Note 8. The ICC does not accrue interest on any of its trade receivables.

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(Continued)

IRVING CONVENTION CENTER  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the ICC's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and records an allowance for specific customers based on current circumstances and charges off the receivable against the allowance when all attempts to collect the receivable have failed. There is no allowance for doubtful accounts as of September 30, 2020 and 2019.

Inventories: Inventories, consisting primarily of food and beverage, are stated at the lower of cost or net realizable value. Cost is generally determined by the first-in, first-out method.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Revenue Recognition: Revenue is recognized as services are provided and at the time products are delivered to the customer. The ICC records payments they receive in advance, including up front non-refundable payments, as deferred revenue or advance deposits until they provide the service or deliver the products. Other revenue consists of electrical hookup charges, equipment rentals, audio visual commissions, and several other smaller amounts

Advertising and Marketing Costs: Advertising and marketing costs are expensed as incurred. These costs aggregated \$0 and \$10,356 for the years ended September 30, 2020 and 2019, respectively, and are included in general and administration expenses on the Statements of Revenues and Expenses – Contractual Basis.

Reclassification: Certain prior year amounts in Ancillary Expense have been reclassified to Ancillary Income in order to conform with current year presentation on the statements of revenues and expenses - contractual basis. These reclassifications had no effect on net loss or the total equity (deficit) and are not material to the financial statements.

Income Taxes: ICC is not a taxable entity on a standalone basis. SMG, as contractor, reports its items of income and losses arising from the operation of the ICC directly to its members' operating accounts. Accordingly, no provision for federal or state income tax expense appears on the Statements of Revenues and Expenses – Contractual Basis, and no liability for federal or state income taxes appears on the Statements of Assets, Liabilities and Equity (Deficit) – Contractual Basis.

Risks and Uncertainties: Actual results and outcomes may differ from management's estimates and assumptions due to risks and uncertainties, including uncertainty in the current economic environment due to the outbreak of a novel strain of the coronavirus ("COVID-19"). The ICC has taken additional safety precautions and sanitation protocols to host events. The ICC has seen a significant reduction in revenue during the year ended September 30, 2020 and expects that to continue until there is more confidence in safely holding larger events. As a result, the ICC has furloughed employees, cancelled events, and rescheduled events to a later date.

Subsequent Events: Management has performed an analysis of activities and transactions subsequent to September 30, 2020 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended September 30, 2020. Management has performed their analysis through November 12, 2020, the date these financial statements were available to be issued.

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(Continued)

IRVING CONVENTION CENTER  
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**NOTE 3 - MANAGEMENT FEES**

Management fees are computed in accordance with the terms of the Management Agreement between ICC and the City of Irving. The current contract is for the period commencing October 1, 2015 and expiring on September 30, 2020. There are no changes between the prior contract and current contract for management fees other than the commencing and expiration date. The Management fee consists of a base fee, food and beverage fee, and an incentive fee. The base fee has been established as a fixed amount and is payable in equal installments for each accounting period. The base fee is scheduled to increase annually throughout the term of the management agreement, as defined.

The base fee for a twelve month period is \$152,500 and is adjusted upward on the first day of each Fiscal Year by the percentage change in the Consumer Price Index – All Urban Consumer (CPI-U) – U.S. City Average – All Items, per the Bureau of Labor Statistics of the U.S. Department of Labor. The base fee for the years ended September 30, 2020 and 2019 was \$165,877 and \$161,831, respectively.

The food and beverage fee for the years ended September 30, 2020 and 2019 was \$234,009 and \$270,000, respectively. This fee was charged to operations in fiscal years ended September 30, 2020 and 2019.

The amount due to SMG included in accounts payable and accrued expenses at September 30, 2020 and 2019 was \$18,518 and \$0, respectively.

The management fees expense for the years ended September 30 are as follows:

	<u>2020</u>	<u>2019</u>
Base fee	\$ 165,877	\$ 161,831
Food and beverage incentive fee	<u>234,009</u>	<u>270,000</u>
	<u>\$ 399,886</u>	<u>\$ 431,831</u>

Food and Beverage: SMG shall be entitled to a fee equal to six percent of the gross food and beverage revenues or a maximum of \$270,000.

Incentive Fees: SMG shall be entitled to annual incentive fees during the term of the management agreement. In no event shall the incentive fees exceed one hundred percent (100%) of the base fee for such fiscal year.

SMG shall be entitled to earn a financial incentive fee during each fiscal year, or part thereof, which shall be determined by multiplying thirty percent (30%), the incentive fee percentage, by the amount of improvement in Operating Revenue for such fiscal year over the operating revenue benchmark. In no event shall the financial incentive fee for any fiscal year exceed sixty percent (60%) of the base fee for such fiscal year.

SMG shall be entitled to earn a non-financial incentive fee during each fiscal year, or part thereof, which shall be based upon ICC's performance with respect to the criteria set forth in the management Agreement during such fiscal year. In no event shall the non-financial incentive fee for any fiscal year exceed forty percent (40%) of the base fee for such fiscal year.

For the years ended 2020 and 2019, the Irving Convention Visitors Bureau (ICVB) Board of Directors approved that the incentive fee would be paid directly by the ICVB to SMG rather than passing through ICC; therefore, the incentive fees of \$46,446 and \$161,831, respectively, are not recorded in ICC's financial statements for the fiscal years ended September 30, 2020 and 2019.

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**NOTE 4 - CONTRIBUTED CAPITAL**

The ICVB board of directors approved the 2019-2020 ICC annual budget for \$1,395,000 on June 24, 2019, which was then approved by the City of Irving on September 19, 2019. Due to COVID-19, the ICVB board of directors approved a contribution of emergency operations funding for \$500,000 to the ICC on April 27, 2020, which was then approved by the City of Irving on May 7, 2020.

The City of Irving funds operating deficits based on an approved annual budget negotiated prior to the start of each fiscal year. On June 22, 2020, the ICVB board of directors approved the 2020-2021 ICC annual budget for \$1,395,000, which was then approved by the City of Irving on September 17, 2020.

**NOTE 5 - CAPITAL IMPROVEMENTS**

The City of Irving will retain the responsibility for capital improvements to the ICC facility; however, the City of Irving is under no obligation to make such improvements. SMG agrees to annually provide to the City of Irving, in accordance with the Contractor's requirements, a schedule of items that the Contractor reasonably anticipates to be necessary capital expenditures. The purpose of such a schedule is to allow the City of Irving to consider such projects for inclusion in future capital budgets.

**NOTE 6 - EMPLOYEE BENEFIT PLAN**

SMG has established a 401(k) profit sharing plan covering all employees who have completed a one-year period of service. Under this defined contribution plan, SMG may make discretionary matching contributions. The matching contributions made by SMG for the fiscal year ended September 30, 2020 and 2019 were \$33,794 and \$41,378, respectively and are recorded in employee salaries and wages expense in the statements of revenues and expenses - contractual basis.

**NOTE 7 - ADVANCE DEPOSITS**

Deposits received for event rent, food and beverage minimum, or services are recognized as revenue upon the completion of the related event. Long-term deposits consist of deposits for events that will not be held until the subsequent fiscal year. Should events be canceled prior to the event date, customer deposits are forfeited to SMG according to the following schedule.

<u>Cancellation Date</u>	<u>Applicable Forfeited Fee</u>
Less than 6 months prior to date of event	100% of deposit
6 months to 1 year prior to the date of event	60% of deposit
Greater than 1 year prior to date of event	25% of deposit

Due to COVID-19, SMG has amended their cancellation policies. If events cannot be rescheduled for a future date, refunds are granted at 100% of the deposit.

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IRVING CONVENTION CENTER  
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**NOTE 8 - RELATED PARTY**

SMG has a current contract with the City of Irving through the Irving Convention and Visitors Bureau. Both the City and the Bureau utilize convention services during the course of the year and quite often do so at discounted prices. Total event revenue for the City events totaled \$9,463 and \$8,538 for the years ended September 30, 2020 and 2019, respectively.

Accounts receivable from the City of Irving for capital expenditures included \$117,731 and \$309,578 for the years ended September 30, 2020 and 2019, respectively. As stated in Note 1, the ICC has no fixed assets or capital expenditures and these items are the responsibility of the City of Irving. Also included as a receivable from the Irving Convention and Visitors Bureau is a reimbursement to ICC for IT-related expenses that are performed by a third party. Total reimbursable IT-related expenses totalled \$22,949 and \$0 for the years ended September 30, 2020 and 2019, respectively.

Tom Meehan, General Manager  
Maura Gast, Executive Director of ICVB  
SMG Irving Convention Center  
500 West Las Colinas Blvd.  
Irving, TX 75039

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

#### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with the contractual basis as noted in the audit report. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the Company for further information on the responsibilities of management and of Crowe LLP.

#### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you on October 29, 2020.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications with regulators.
  - Other matters you believe are relevant to the audit of the financial statements.

## SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. There were no such accounting changes or significant policies requiring communication.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the Company's yearend financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Allowance for Doubtful Accounts and Bad Debt Expense	The allowance for doubtful accounts was determined by management by a process involving consideration of past experiences, current aging information, information from credit reports, contacts with the customers, and other available data including environmental factors such as industry, geographical, economic and political factors.	We tested this accounting estimate by reviewing, on a test basis, the information listed and by testing information in certain customers' credit files.

## AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the Company's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.it now

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

### Appendix A Current Year Corrected Entries

<u>Period</u>	<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Effect Inc / (Dec)</u>
9/30/2020	CROWE-13000	A/R ICVB	42,641		
	29060-000	CY Funds Received from ICVB		42,641	
<i>Client proposed to adjust retained earnings to account for funds to be provided by the ICVB in supplementary funds.</i>					
9/30/2020	80005-810	Base Fee	18,133		(18,133)
	21101-000	Accrued Expenses		18,133	
<i>To properly record the base fee in accordance with the SMG management contract.</i>					
9/30/2020	10002-000	Cash - City Operating BOA	53,370		
	21000-000	A/P		53,370	

*Through our review of Cash, it was noted that a check that was reported on the bank reconciliation had not been mailed until subsequent to year-end.*

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

### Appendix B Current Year Uncorrected Entries

<u>Known / Likely</u>	<u>Period</u>	<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Effect Inc / (Dec)</u>
Known	9/30/2020	12060-000	A/R	57,250		
		31005-701	Room Rental		57,250	57,250
		73030-810	Bad Debt Expense	57,250		(57,250)
		12099-000	Allowance for Doubtful Accts.		57,250	

*A receivable was not recorded for a pursued balance in regard to a cancelled event. The event is pending legal action to recover an outstanding balance per the contract. This entry records the amount to accounts receivable, and fully reserves it as the balance does not appear to be fully collectable.*

## OTHER COMMUNICATIONS

Communication Item	Results
<p><b>Other Information In Documents Containing Audited Financial Statements</b>            Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared such information to accompany the audited financial statements.</p>
<p><b>Significant Difficulties Encountered During the Audit</b>            We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p><b>Disagreements With Management</b>            We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p><b>Consultations With Other Accountants</b>            If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>
<p><b>Representations The Auditor Is Requesting From Management</b>            We are to provide you with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>
<p><b>Significant Issues Discussed, or Subject to Correspondence, With Management</b>            We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no such significant issues discussed, or subject to correspondence, with management.</p>
<p><b>Significant Related Party Findings and Issues</b>            We are to communicate to you significant findings and issues arising during the audit in connection with the Company's related parties.</p>	<p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>
<p><b>Other Findings or Issues We Find Relevant or Significant</b>            We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>

We are pleased to serve your Company as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe LLP

Dallas, Texas  
November 12, 2020

Tom Meehan, General Manager  
Maura Gast, Executive Director of ICVB  
SMG Irving Convention Center  
500 West Las Colinas Blvd.  
Irving, TX 75039

In planning and performing our audit of the financial statements of SMG Irving Convention Center (“Company”) as of and for the years ended September 30, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Company’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures 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 Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain matters that we wish to communicate to you. Matters communicated in this letter are classified as follows.

- Deficiency – A control deficiency 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.

Related Party Identification		Deficiency
Control Deficiency:	Management should establish a formal process to identify potential related party relationships and transactions.	
Potential Effect:	There is the potential to have incomplete or inaccurate disclosure of related party transactions in the financial statements.	
Recommendation:	It is recommended that management implement a policy to frequently evaluate the existence and completeness of related party relationships and transactions when reviewing new customers and vendors.  It is also recommended that management inquire about possible related party relationships during the executive sessions.	

Cash Reconciliation		Deficiency
Control Deficiency:	There was a check dated September 30, 2020 but processed and mailed in October 2020.	
Potential Effect:	This transaction should have been accounted for in October 2020 and as a result there was an adjustment posted by management to increase cash and decrease accounts payable.	
Recommendation:	It is recommended that management properly date checks in the month that the checks are processed so the cash reconciliation is accurate.	

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe LLP