

THE DCU CENTER
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

**THE DCU CENTER
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Worcester Civic Center Commission and ASM Global Board Members
The DCU Center
City of Worcester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the DCU Center (Center), an operating activity of the City of Worcester (City) that is attributable to the transactions of the Center as maintained by ASM Global, as of and for the year ended June 30, 2021, and the related notes to the 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 the financial reporting provisions of the City and the ASM Global agreement, as described in Note 1. 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 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 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared on the basis of the financial reporting provisions of the City and ASM Global agreement, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the City.

The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Center as of June 30, 2021, and the respective changes in net position and cash flows thereof for the year then ended.

Unmodified Opinion on City’s Basis of Accounting

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 the respective changes in financial position and cash flows thereof for the year then ended, in accordance with the financial reporting provisions of the City and ASM Global as described in Note 1.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the financial position, changes in financial position, and cash flows of only that portion of the Center’s activities that is attributable to the transactions of the Center as maintained by ASM Global. They do not purport to, and do not present fairly the financial position of the City as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Center’s financial statements. The management’s discussion and analysis and supplementary information, as referenced in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Worcester Civic Center Commission and ASM Global Board Members
The DCU Center

The management's discussion and analysis section has not been subjected to the auditing procedures applied in the audit of the Center's 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 28, 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 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.

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

CliftonLarsonAllen LLP

Boston, Massachusetts
December 28, 2021

**DCU CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

This section of the DCU Center's (Center) annual financial report presents a discussion and analysis of the Center's financial activities during the fiscal year ended June 30, 2021 to assist readers of the financial statements in understanding the financial activities of the Center. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- Net position of the Center was a deficit of \$1,517,472 at the close of fiscal year 2021.
- Operating loss of the Center was \$496,647 for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

The City of Worcester, Massachusetts, acting through the Worcester Civic Center Commission, has a management services agreement (management agreement) with ASM Global. These financial statements report the financial activities of the Center as maintained by ASM Global.

The financial statements do not reflect any assets, liabilities, net position, revenues, and expenses under control of the City as these items are reflected only on the City's financial statements.

This discussion and analysis is intended to serve as an introduction to the Center's financial statements. The Center's financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. This report also contains supplementary information in addition to the financial statements themselves.

Financial Statements

The statement of net position presents information of the Center's assets, liabilities and deferred inflows/outflows of resources (as maintained by ASM Global), with the difference reported as net position. The management agreement between the City and ASM Global requires surplus distributions be made to the City unless there are projected cash flow shortfalls. Therefore, increases and decreases to net position over time is reflective of whether surplus distributions have been made or have been withheld for cash flow purposes.

The statement of revenues, expenses, and changes in net position presents information showing how the Center's net position changed during fiscal 2021. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position regardless of when cash is received or paid.

The statement of cash flows presents information showing how changes in balance sheet accounts and income affect cash and cash equivalents.

The financial statements can be found on pages 7-9.

DCU CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 10-15.

Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents supplementary information related to management fees.

The supplementary information can be found on pages 16-17.

Financial Analysis

The following tables present current year and prior year data on the financial statements. As noted earlier, net position may serve as a useful indicator of financial position. In the Center's case, assets equaled liabilities at the close of the most recent fiscal year and are summarized as follows:

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 3,671,591	\$ 3,099,561
Noncurrent Assets	<u>14,000</u>	<u>97,675</u>
Total Assets	3,685,591	3,197,236
Current Liabilities	5,189,063	4,120,386
Noncurrent Liabilities	<u>14,000</u>	<u>97,675</u>
Total Liabilities	<u>5,203,063</u>	<u>4,218,061</u>
Net Position	<u><u>\$ (1,517,472)</u></u>	<u><u>\$ (1,020,825)</u></u>

**DCU CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The Center's total net position decreased \$496,647 during the recent fiscal year and is summarized as follows:

	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 2,286,443	\$ 4,282,920
Operating Expenses	<u>2,783,090</u>	<u>5,303,745</u>
Operating Income (Loss)	(496,647)	(1,020,825)
Net Position - Beginning	<u>(1,020,825)</u>	<u>-</u>
Net Position - Ending	<u><u>\$ (1,517,472)</u></u>	<u><u>\$ (1,020,825)</u></u>

Operating Revenues

Total operating revenues were \$2,286,443, which was a \$1,996,477 decrease from the previous fiscal year. The decrease in revenues is a result of the Center being closed for a majority of 2021 in response to the Covid-19 pandemic.

Operating Expenses

Total operating expenses were \$2,783,090, which was a \$2,520,655 decrease from the previous fiscal year. The decrease in expenses is a result of the Center being closed for a majority of 2021 in response to the Covid-19 pandemic.

Requests for Information

This financial report is designed to provide a general overview of the Center's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Worcester's City Auditor's Office, City Hall, Worcester, Massachusetts 01608.

THE DCU CENTER
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current:

Restricted Cash and Cash Equivalents	\$ 2,611,573
Account Receivables, Net of Allowance for Uncollectibles of \$63,190	715,596
Prepaid Expenses	60,721
Inventory	74,937
Other Assets	208,764
Total Current Assets	<u>3,671,591</u>

Noncurrent:

Restricted Cash and Cash Equivalents	<u>14,000</u>
Total Assets	3,685,591

LIABILITIES

Current:

Accounts Payable	202,650
Accrued Expenses	309,969
Due to City of Worcester	2,339,846
Advance Deposits and Ticket Sales	2,029,403
Unearned Revenue	307,195
Total Current Liabilities	<u>5,189,063</u>

Noncurrent:

Advance Deposits and Ticket Sales	<u>14,000</u>
Total Liabilities	5,203,063

NET POSITION

Unrestricted	<u>(1,517,472)</u>
Total Net Position	<u><u>\$ (1,517,472)</u></u>

See accompanying Notes to Financial Statements.

THE DCU CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2021

OPERATING REVENUES

Direct Event Income	\$ 216,357
Food and Beverage Income	31,465
Ancillary Income	26,769
Advertising Income	152,662
Ticket Service Fees	6,606
Other Income - Field Hospital	1,847,321
Other Income - Miscellaneous	5,263
Total Operating Revenues	<u>2,286,443</u>

OPERATING EXPENSES

Salaries, Wages, and Payroll Taxes	1,323,335
Utilities	336,983
Fringe Benefits	351,037
Maintenance	439,531
Supplies	29,621
Bad Debt Expense	40,000
Insurance	24,245
Food and Beverage Management Fee	12,500
Food and Beverage Incentive Fee	-
Data Processing	150,559
Professional Fees	52,284
Office	7,567
Travel and Entertainment	83
Bank Service Charges	2,613
Advertising	6,779
Dues and Subscriptions	2,589
Employee Training	1,743
Other	1,621
Total Operating Expenses	<u>2,783,090</u>

OPERATING LOSS AND CHANGE IN NET POSITION

(496,647)

Net Position - Beginning of Year

(1,020,825)

NET POSITION - END OF YEAR

\$ (1,517,472)

See accompanying Notes to Financial Statements.

**THE DCU CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 1,471,059
Payments to Vendors	(2,157,586)
Payments to Employees	(972,298)
Net Cash Used by Operating Activities	<u>(1,658,825)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Advances from the City of Worcester	<u>1,609,619</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS (49,206)

Cash and Cash Equivalents - Beginning of Year	<u>2,674,779</u>
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CASH AND CASH EQUIVALENTS - END OF YEAR \$ 2,625,573

**RECONCILIATION OF OPERATING INCOME TO NET CASH
FROM OPERATING ACTIVITIES**

Operating Loss	\$ (496,647)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Adjustments Requiring Current Cash Flows:	
Effect of Changes in Operating Assets and Liabilities:	
Account Receivables	(404,020)
Prepaid Expenses	34,453
Inventory	40,770
Other Assets	(208,764)
Accounts Payable	(132,539)
Accrued Expenses	33,649
Due to City of Worcester	(73,593)
Advance Deposits and Ticket Sales	(470,165)
Unearned Revenue	18,031
Total Adjustments	<u>(1,162,178)</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,658,825)</u></u>

See accompanying Notes to Financial Statements.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The DCU Center (Center) is a proprietary activity of the City of Worcester, Massachusetts (City). The City has a management services agreement (management agreement) with ASM Global. These financial statements have been prepared in accordance with the financial reporting provisions of the City as stated in the management agreement. This basis of accounting differs from accounting principles generally accepted in the United States of America in that these financial statements omit all fixed assets, associated debt and management fee expense and associated liabilities paid by the City. See the *Measurement Focus, Basis of Accounting and Basis of Presentation* below for further discussion of this departure from generally accepted accounting principles.

The significant accounting policies are described herein.

The financial statements have been prepared in accordance with the financial reporting provisions of the management agreement as noted above. This basis of accounting differs from accounting principles generally accepted in the United States of America as noted above.

Reporting Entity

The activities of the Center are directed by the five member Worcester Civic Center Commission (Commission) appointed by the City Manager. The Center is comprised of a convention center and arena. The convention center accommodates a variety of functions including trade shows, exhibitions, conventions, meetings, entertainment events, and banquets. The arena is a 14,800 seat civic arena that hosts a variety of entertainment events, sporting events, and exhibitions.

Implementation of New Accounting Principles

For the year ended June 30, 2021, the Center implemented GASB Statements No. 84, *Fiduciary Activities*, No. 90 *Majority Equity Interests*, No. 93 *Replacement of Interbank Offered Rates* (with the exception for the provisions related to leases which is effective for fiscal year beginning after June 15, 2021 and the removal of LIBOR as an appropriate benchmark interest rate, which is effective for reporting periods ending after December 31, 2021) and No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The implementation of these GASB Statements had no reporting impact for the Center.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The Center's financial statements are reported using the current financial resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred, but long-term assets and any associated debt are recorded only at the City level. Generally accepted accounting principles require the economic resource measurement focus for proprietary funds. Additionally, management fees are paid to ASM Global by the City and are not included in the expenses or liabilities of the Center.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Operating revenues and expenses are segregated from nonoperating items. Operating revenues consist primarily of direct event income, food and beverage income, ticket service fees, and advertising income. Operating expenses result from providing services in connection with the Center's principal operations. All revenues and expenses not meeting the definition of operating are reported as nonoperating revenues and expenses, consisting primarily of surplus distributions to the City in accordance with the management agreement.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable consist primarily of amounts owed for arena and convention center events, superbox seats, and advertising fees. Management provides for losses on uncollectible accounts receivable principally on the basis of past collection experience applied to ongoing evaluations of the receivables. The allowance for uncollectible accounts at June 30, 2021 totaled \$63,190.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Inventories

Inventories consist of food and beverage and are stated at cost based on last purchase price.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such limitations are externally imposed by the management agreement and other third parties.

Due to City of Worcester

Amounts due to the City consist primarily of surplus distributions and/or cash advances owed to the City in accordance with the management agreement.

Advance Deposits and Ticket Sales and Unearned Revenue

Advance deposits and ticket sales and unearned revenue consist of monies received in advance for convention center and arena events and monies received in advance from advertising contracts.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Center does not have items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Center does not have items that qualify for reporting in this category.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates used.

NOTE 2 DEPOSITS AND INVESTMENTS

The management agreement requires ASM Global to maintain separate operating bank accounts established at a banking institution located in the City. ASM Global's corporate policy guidelines suggest limiting investments to overnight sweep accounts, United States Treasury bills with maturities of 30-60 days, certificates of deposit with maturities of 90 days, mutual funds that have a constant per share purchase and redemption price, and mutual funds that invest in United States government obligations.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Center's deposits may not be recovered. The Center's policy for custodial credit risk of deposits is to maintain FDIC insurance coverage for all deposits. As of June 30, 2021, \$2,416,246 of the Center's bank balance of \$2,666,246 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Restricted Cash

Cash reported as restricted is based on limitations imposed by the management agreement, which requires cash either be distributed to the City quarterly or be held for the subsequent quarter's operations.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DUE TO THE CITY OF WORCESTER

The following represents a summary of amounts owed to the City at June 30, 2021.

Cash Advances from the City	\$ 2,319,619
Audit Fee Accruals	20,000
Miscellaneous	227
Total	<u>\$ 2,339,846</u>

NOTE 4 FUNDING FROM THE CITY OF WORCESTER

Cash Flow Requirements

The management agreement contains provisions for the City to advance funds to ASM Global to meet the Center's cash flow requirements. The City may advance funds to ASM Global based on the following:

- No later than fifteen days prior to the beginning of each quarter, ASM Global submits a quarterly cash flow projection report to the City Manager, specifying cash flow requirements for the operation of the Center each month for the next two ensuing quarters. If the cash flow projection indicates a cash flow deficit for any month, the City may advance funds to ASM Global no later than the first business day of any such month.
- At any time, ASM Global may notify the City in writing of the need for additional cash flow required to sustain the operation of the Center for any period up to four weeks. Such notification shall indicate the amount of funding required and shall state in detail the reason for the need for additional funding and the reason such need was not included in prior cash flow projections. No later than 15 days after receipt of such notice, the City may advance funds to ASM Global.

The City retains the right to advance funds to ASM Global at levels that the City deems to be in its best interests. If the City fails to provide sufficient funding to cover cash flow deficits, ASM Global (upon request from the City or on its own initiative) shall submit a plan to reduce expenses to a level consistent with the funding available from the City. If ASM Global, after implementation of the plan to reduce expenses, believes the level of City funding will have a material adverse effect on their ability to perform its duties, ASM Global may elect to terminate the management agreement. The termination requires 30 days written notice and shall not occur more than 60 days after the effective date of the City's failure to provide sufficient funding to cover cash flow deficits.

During the fiscal year ended June 30, 2021, the City advanced \$1,609,619 of funds to ASM Global related to cash flow requirements.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 MANAGEMENT FEES

Management Fees Payable to ASM Global by the City

The management agreement requires the City to pay management fees to ASM Global, which consist of a fixed fee and an incentive fee.

Fixed Fee

The fixed fee for the fiscal year ended June 30, 2021 totaled \$349,485. Since the fixed fee is paid by the City, it is not reported as an expense in the statement of revenues, expenses, and change in net position.

The base annual fixed fee is adjusted based on the annual percentage change (over the twelve-month period ending in June of the preceding fiscal year) in the Consumer Price Index (All Items, Boston-Worcester Average, as published by the United States Department of Labor, Bureau of Labor Statistics), capped at 3.0%. The base annual fixed fee was \$347,400 for the fiscal year ended June 30, 2020.

Incentive Fee

For the fiscal year ended June 30, 2021, the incentive fee equals 50% of the amount by which operating revenues exceed \$5,100,000, provided that in no event shall the incentive fee exceed the fixed fee.

There was no incentive fee for the fiscal year ended June 30, 2021.

Management Fees Payable to SAVOR

The Center has a food and beverage services agreement (food and beverage agreement) with SAVOR, a division of ASM Global. The food and beverage agreement requires the Center to pay management fees to SAVOR, which consists of a fixed fee and an incentive fee.

Fixed Fee

The fixed fee for the fiscal year ended June 30, 2021 totaled \$12,500 and is reported as food and beverage management fee in the statement of revenues, expenses, and change in net position.

Incentive Fee

The incentive fee equals the sum of the following:

- Fifteen percent of gross food and beverage revenue in excess of the gross food and beverage revenue threshold (average gross food and beverage revenues for the prior two fiscal years).
- Twenty percent of net food and beverage operating income in excess of the net food and beverage operating income threshold (average net food and beverage operating income for the prior two fiscal years).

There was no incentive fee for the fiscal year ended June 30, 2021.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 SURPLUS DISTRIBUTIONS TO THE CITY OF WORCESTER

The management agreement requires the Center, on a quarterly basis, to distribute surplus to the City. The management agreement defines surplus as the amount by which operating revenue for the prior quarter exceeded operating expenses for the prior quarter, less the projected cash flow shortfall for the subsequent quarter.

There were no surplus distributions for the fiscal year ended June 30, 2021.

NOTE 7 COMMITMENTS

In March 2014, the City, the Center, and the Digital Federal Credit Union (DCU) amended a Naming Rights Agreement (agreement). The agreement is for the period of March 1, 2015 through February 28, 2025. As part of the agreement, an Event Development Fund (fund) was created. The fund is managed by ASM Global to purchase talent, underwrite events, or otherwise incentivize new events.

When promoting events directly, a normal and customary rental fee shall be paid to the Center when the event activities result in a profit. In this case, all monies in excess of the normal and customary rental and use fees shall be deposited into the fund. When the event results in a loss, such losses shall be offset by the City and the Center providing for the rent fee and all additional expenses paid out of the fund.

At the expiration or termination of the agreement, any monies remaining in the fund shall revert to the City to be used at the City's sole discretion.

In fiscal year 2014, DCU made a payment of \$200,000 to the Center for deposit into the fund. Since fiscal year 2014, incentive fees of \$138,446 have been deposited into the fund, none during fiscal year 2021. None of the deposits have been expended as of June 30, 2021. As a result, the balance in the fund at June 30, 2021 was \$338,446. This amount is included in advance deposits and ticket sales in the statement of net position.

THE DCU CENTER
SCHEDULE OF MANAGEMENT FEES PAID BY THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

FIXED MANAGEMENT FEE PAID TO SMG BY CITY OF WORCESTER

Base Fee	\$ 347,400
Consumer Price Index (CPI) - Annual Percentage Change 2019-2020 (A)	<u>0.6%</u>
CPI Adjustment to Base Fee (\$347,400 x 0.6%)	<u>2,085</u>
Total Fixed Management Fee	<u>349,485</u>

MANAGEMENT INCENTIVE FEE OWED TO SMG BY CITY OF WORCESTER

Operating Revenues (as Defined in the Management Agreement)	415,707
Less: Incentive Benchmark	<u>(5,100,000)</u>
Excess (Deficiency) of Operating Revenues Over Incentive Benchmark	(4,684,293)
Management Incentive Fee Percentage	<u>50%</u>
Excess (Deficiency) of Operating Revenues Multiplied by Incentive Fee Percentage (B)	<u>-</u>
Management Incentive Fee Cap (C)	<u>N/A</u>
Total Management Incentive Fee (B)	<u>-</u>
Total Management Fees	<u><u>\$ 349,485</u></u>

(A) Based on the Consumer Price Index for all Urban Consumers (CPI-U), Boston-Worcester Average All Items, as published by the United States Department of Labor, Bureau of Labor Statistics

(B) When operating revenues are less than the incentive benchmark, the incentive fee is zero.

(C) The incentive fee cannot exceed the fixed management fee. When operating revenues are less than the incentive benchmark, the incentive fee is zero.

THE DCU CENTER
SCHEDULE OF FOOD AND BEVERAGE MANAGEMENT FEES PAID BY THE CENTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

FIXED MANAGEMENT FEE PAID TO SAVOR BY ASM GLOBAL

Base Fee	\$ 12,500
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MANAGEMENT INCENTIVE FEE OWED TO SAVOR BY ASM GLOBAL

Gross Revenue Component

Gross Food and Beverage Revenues (as Defined in the Food and Beverage Agreement)	\$ 53,473
Less: Gross Food and Beverage Revenue Threshold (A)	<u>(3,895,828)</u>
Excess (Deficiency) of Gross Revenues Over Threshold	<u>(3,842,355)</u>
Management Incentive Fee Percentage	<u>15%</u>
Excess (Deficiency) of Gross Revenues Multiplied by Incentive Fee Percentage (C)	<u>-</u>

Net Operating Income Component

Net Food and Beverage Operating Income	(105,020)
Less: Net Food and Beverage Operating Income Threshold (B)	<u>(1,489,696)</u>
Excess (Deficiency) of Net Operating Income Over Threshold	<u>(1,594,716)</u>
Management Incentive Fee Percentage	<u>20%</u>
Excess (Deficiency) of Net Operating Income Multiplied by Incentive Fee Percentage (C)	<u>-</u>
Total Management Incentive Fee (C)	<u>\$ -</u>

(A) Average of the gross food and beverage revenues for the prior two fiscal years.

(B) Average of the net food and beverage operating income for the prior two fiscal years.

(C) When amounts are less than the incentive benchmark, the incentive fee is zero.