

THE DCU CENTER
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022



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**THE DCU CENTER
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YEAR ENDED JUNE 30, 2022**

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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 Audit of the Financial Statements

Adverse Opinion

We have audited the accompanying financial statements of the DCU Center (the Center), an operating activity of the City of Worcester, Massachusetts (City) that is attributable to the transactions of the Center as maintained by ASM Global, as of and for the year ended June 30, 2022, and the related notes to the financial statements.

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the financial statements referred to above do not present fairly the financial position of the Center as of June 30, 2022, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion

As more fully described in Note 1 to the financial statements, the Center has prepared the financial statements 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. In our opinion, accounting principles generally accepted in the United States of America require that these financial statements include all fixed assets, associated debt and management fee expense and associated liabilities paid by 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.

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. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse 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.

Auditors' 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 auditors' 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

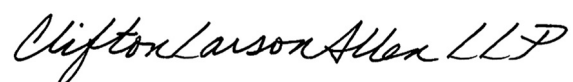
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is 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 opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying supplementary information as referenced in the Table of Contents 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 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 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.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 23, 2022

**THE DCU CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022 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 2022.
- Operating income of the Center was \$662,224 for the fiscal year ended June 30, 2022.

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 2022. 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.

THE DCU CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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>2022</u>	<u>2021</u>
Current Assets	\$ 6,459,280	\$ 3,671,591
Noncurrent Assets	<u>-</u>	<u>14,000</u>
Total Assets	6,459,280	3,685,591
Current Liabilities	7,976,752	5,189,063
Noncurrent Liabilities	<u>-</u>	<u>14,000</u>
Total Liabilities	<u>7,976,752</u>	<u>5,203,063</u>
Net Position	<u><u>\$ (1,517,472)</u></u>	<u><u>\$ (1,517,472)</u></u>

**THE DCU CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The Center's changes in net position are summarized as follows:

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 6,495,534	\$ 2,286,443
Operating Expenses	<u>5,833,310</u>	<u>2,783,090</u>
Operating Income (Loss)	662,224	(496,647)
Nonoperating Expenses (Surplus Distribution to City)	<u>(662,224)</u>	<u>-</u>
Change in Net Position	-	(496,647)
Net Position - Beginning	<u>(1,517,472)</u>	<u>(1,020,825)</u>
Net Position - Ending	<u><u>\$ (1,517,472)</u></u>	<u><u>\$ (1,517,472)</u></u>

Operating Revenues

Total operating revenues were \$6,495,534, which was a \$4,209,091 increase from the previous fiscal year. The increase 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 \$5,833,310, which was a \$3,050,220 increase from the previous fiscal year. The increase 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, 2022**

ASSETS

Current:

Restricted Cash and Cash Equivalents	\$ 4,986,823
Account Receivables, Net of Allowance for Uncollectibles of \$80,115	1,158,391
Other Assets	<u>314,066</u>
Total Current Assets	6,459,280

LIABILITIES

Current:

Accounts Payable	842,270
Accrued Expenses	568,040
Due to City of Worcester	3,041,789
Advance Deposits and Ticket Sales	3,132,395
Unearned Revenue	<u>392,258</u>
Total Current Liabilities	<u>7,976,752</u>

NET POSITION

Unrestricted	<u><u>\$ (1,517,472)</u></u>
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See accompanying Notes to Financial Statements.

THE DCU CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES

Direct Event Income	\$ 1,855,466
Food and Beverage Income	2,130,726
Ancillary Income	292,700
Advertising Income	410,828
Ticket Service Fees	1,492,705
Net Service Fees	178,274
Other Income - Miscellaneous	134,835
Total Operating Revenues	<u>6,495,534</u>

OPERATING EXPENSES

Salaries, Wages, and Payroll Taxes	2,783,559
Utilities	881,073
Fringe Benefits	441,426
Maintenance	738,648
Supplies	287,652
Bad Debt Expense	49,529
Insurance	80,488
Food and Beverage Management Fee	75,000
Food and Beverage Incentive Fee	42,063
Data Processing	243,685
Professional Fees	91,107
Office	33,825
Travel and Entertainment	7,309
Bank Service Charges	57,443
Advertising	7,929
Dues and Subscriptions	3,464
Employee Training	4,052
Other	5,058
Total Operating Expenses	<u>5,833,310</u>

OPERATING INCOME

662,224

NONOPERATING REVENUES (EXPENSES)

Surplus Distributions to the City of Worcester	<u>(662,224)</u>
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CHANGE IN NET POSITION

-

Net Position - Beginning of Year

(1,517,472)

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, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 7,226,794
Payments to Vendors	(2,523,411)
Payments to Employees	<u>(2,342,133)</u>
Net Cash Provided by Operating Activities	2,361,250

Cash and Cash Equivalents - Beginning of Year	<u>2,625,573</u>
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,986,823</u>
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**RECONCILIATION OF OPERATING INCOME TO NET CASH
FROM OPERATING ACTIVITIES**

Operating Income	\$ 662,224
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	(442,795)
Other Assets	30,356
Accounts Payable	639,620
Accrued Expenses	258,071
Due to City of Worcester	39,719
Advance Deposits and Ticket Sales	1,088,992
Unearned Revenue	<u>85,063</u>
Total Adjustments	<u>1,699,026</u>
Net Cash Used by Operating Activities	<u>\$ 2,361,250</u>

See accompanying Notes to Financial Statements.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 accounting principles generally accepted in the United States of America.

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, 2022, the Center implemented GASB Statement No.'s 87, 89, 91, 92, 95 and 98. 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. Accounting principles generally accepted in the United States of America 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, 2022**

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, 2022 totaled \$80,115.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, \$4,945,399 of the Center's bank balance of \$5,195,399 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.

NOTE 3 DUE TO THE CITY OF WORCESTER

The following represents a summary of amounts owed to the City at June 30, 2022.

Cash Advances from the City	\$ 2,319,619
Surplus Owed to the City	662,224
Audit Fee Accruals	40,000
Miscellaneous	19,946
Total	<u>\$ 3,041,789</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 15 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.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 FUNDING FROM THE CITY OF WORCESTER (CONTINUED)

- 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, 2022, the City did not advance any funds to ASM Global related to cash flow requirements. As of June 30, 2022, approximately \$2,300,000 of advance funding from prior fiscal years was due to the City. This amount is included in due to City of Worcester in the statement of net position.

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, 2022 totaled \$359,970. 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 12-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 \$349,485 for the fiscal year ended June 30, 2021.

Incentive Fee

For the fiscal year ended June 30, 2022, the incentive fee equals 50% of the amount by which operating revenues exceed \$5,200,000, provided that in no event shall the incentive fee exceed the fixed fee.

The incentive fee for the fiscal year ended June 30, 2022 totaled \$359,970.

**THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 MANAGEMENT FEES (CONTINUED)

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, 2022 totaled \$75,000 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).

The incentive fee for the fiscal year ended June 30, 2022 totaled \$42,063.

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.

Accrued surplus distributions for the fiscal year ended June 30, 2022 totaled \$662,224. This amount is included in due to City of Worcester in the statement of net position.

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.

THE DCU CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 COMMITMENTS (CONTINUED)

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 2022. None of the deposits have been expended as of June 30, 2022. As a result, the balance in the fund at June 30, 2022 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, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

FIXED MANAGEMENT FEE PAID TO SMG BY CITY OF WORCESTER

Base Fee	\$ 349,485
Consumer Price Index (CPI) - Annual Percentage Change 2020-2021 (A)	<u>3.0%</u>
CPI Adjustment to Base Fee (\$349,485 x 3.0%)	<u>10,485</u>
Total Fixed Management Fee	<u>359,970</u>

MANAGEMENT INCENTIVE FEE OWED TO SMG BY CITY OF WORCESTER

Operating Revenues (as Defined in the Management Agreement)	6,459,292
Less: Incentive Benchmark	<u>(5,200,000)</u>
Excess of Operating Revenues Over Incentive Benchmark	1,259,292
Management Incentive Fee Percentage	<u>50%</u>
Excess of Operating Revenues Multiplied by Incentive Fee Percentage	<u>629,646</u>
Management Incentive Fee Cap (B)	<u>359,970</u>
Total Management Incentive Fee	<u>359,970</u>
Total Management Fees	<u><u>\$ 719,940</u></u>

(A) Based on the annual percentage change over the 12-month period ending on the March first immediately preceding such July first date in the Consumer Price Index for All Urban Consumers (CPU-U) – Boston Worcester Average All Items, as maintained by the United States Department of Labor, Bureau of Labor Statistics; provided that, in no year shall the annual adjustment be greater than 3%.

(B) Cannot exceed fixed management fee.

THE DCU CENTER
SCHEDULE OF FOOD AND BEVERAGE MANAGEMENT FEES PAID BY THE CENTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

FIXED MANAGEMENT FEE PAID TO SAVOR BY ASM GLOBAL

Base Fee	\$ 75,000
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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)	\$ 3,966,206
Less: Gross Food and Beverage Revenue Threshold (A)	(3,895,828)
Excess (Deficiency) of Gross Revenues Over Threshold	70,378
Management Incentive Fee Percentage	15%
Excess (Deficiency) of Gross Revenues Multiplied by Incentive Fee Percentage	10,557

Net Operating Income Component

Net Food and Beverage Operating Income	1,647,227
Less: Net Food and Beverage Operating Income Threshold (B)	(1,489,696)
Excess (Deficiency) of Net Operating Income Over Threshold	157,531
Management Incentive Fee Percentage	20%
Excess (Deficiency) of Net Operating Income Multiplied by Incentive Fee Percentage	31,506
Total Management Incentive Fee (C)	\$ 42,063

(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.