



S. PATRICIA WHITE, CPA, P.C.

Austin Convention Enterprises, Inc.

Financial Statements
and
Accountant's Compilation Report

For the Six Months Ended June 30, 2020

Austin Convention Enterprises, Inc.

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S. PATRICIA WHITE, CPA, P.C.

Accountant's Compilation Report

Board of Directors
Austin Convention Enterprises, Inc.
Austin, Texas

Management is responsible for the accompanying financial statements of Austin Convention Enterprises, Inc. (the Company) as of and for the six months ended June 30, 2020, which collectively comprise the Company's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit all of the disclosures and management discussion and analysis required by accounting principles generally accepted in the United States of America. If the omitted disclosures and management discussion and analysis were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The supplemental information on page 7 is the representation of management. This information was subject to my compilation engagement, however, I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

I am not independent with respect to the Company.

Patricia White CPA

July 28, 2020

Financial Statements

Austin Convention Enterprises, Inc.

Statement of Net Position

June 30, 2020

ASSETS

CURRENT ASSETS

Cash in bank	\$ 2,641,809
Accounts receivable, net of allowance of \$196,066	592,934
Inventories	155,040
Other current assets	<u>1,184,226</u>
Total Current Assets	<u>4,574,009</u>

NONCURRENT ASSETS

Investments - restricted	
2017 Available revenue fund	24,785
2017 Tax and insurance fund	291,255
2017 Administrative fee fund	14,316
2017 Renewal and replacement fund	2,026,912
2017A Debt service fund	5,889,009
2017A Debt service reserve fund	13,463,926
2017B Debt service fund	1,287,505
2017B Debt service reserve fund	6,226,203
2017 Supplemental renewal and replacement fund	4,919,915
2017AB Subordinate management fee fund	756
2017AB Operating reserve fund	5,304,093
2017 Excess revenue corporate fund	3,097
2017 Excess revenue prepayment fund	<u>10,693,352</u>
Total Investments	50,145,124

Capital assets, net of accumulated depreciation of \$108,883,764	174,485,114
Capital reserve - ACCA	<u>543,409</u>
Total Noncurrent Assets	<u>225,173,647</u>

TOTAL ASSETS	<u>229,747,656</u>
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DEFERRED OUTFLOWS - LOSS ON REFUNDING	<u>13,105,094</u>
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Accountant's compilation report should be read with this financial statement

Austin Convention Enterprises, Inc.

Statement of Net Position (Continued)

June 30, 2020

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 5,333,508
First tier debt service accrued interest	3,093,875
Second tier debt service accrued interest	1,287,500
Bonds payable - current maturities	<u>8,940,000</u>
Total Current Liabilities	<u>18,654,883</u>

NONCURRENT LIABILITIES

Series 2017A bonds payable	118,195,000
Series 2017B bonds payable	48,120,000
Premium on Series 2017A bonds payable, net	13,082,000
Premiums on Series 2017B bonds payable, net	4,237,987
Payroll taxes payable	<u>60,620</u>
Total Noncurrent Liabilities	<u>183,695,607</u>

Total Liabilities	<u>202,350,490</u>
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DEFERRED INFLOWS - GAIN ON REFUNDING	<u>946,244</u>
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NET POSITION

Net investment in capital assets	19,063,200
Restricted - debt service	20,769,527
Unrestricted	<u>(276,711)</u>
Total Net Position	<u>\$ 39,556,016</u>

Accountant's compilation report should be read with this financial statement

Austin Convention Enterprises, Inc.

Statements of Revenues, Expenses and Changes in Net Position

For the Six Months Ended June 30, 2020

	Capital Assets	Hotel Operations	Total
Operating Revenue	\$ -	\$ 17,837,870	\$ 17,837,870
Operating Expenses			
Hotel Operating Expenses			
Direct operating expenses	-	8,151,880	8,151,880
Sales and marketing	-	1,975,974	1,975,974
Taxes and insurance	-	264,970	264,970
Information and telecom systems	-	428,484	428,484
General and administrative	210,858	2,265,887	2,476,745
Management fees	-	1,843,831	1,843,831
Operations monitor	-	122,695	122,695
Depreciation expense	-	6,407,589	6,407,589
Total Hotel Operating Expenses	210,858	21,461,310	21,672,168
D&O insurance	32,412	-	32,412
Professional fees	465,694	-	465,694
Total Operating Expenses	708,964	21,461,310	22,170,274
Operating Income (Loss)	(708,964)	(3,623,440)	(4,332,404)
Non-operating Revenues and (Expenses)			
Amortization of premiums on Series 2017A bonds	784,302	-	784,302
Amortization of premiums on Series 2017B bonds	281,159	-	281,159
City of Austin projects expense	(2,000,000)	-	(2,000,000)
Interest income	128,266	-	128,266
Interest expense	(4,846,617)	-	(4,846,617)
Total Non-operating Revenues and (Expenses)	(5,652,890)	-	(5,652,890)
Change in Net Position	\$ (6,361,854)	\$ (3,623,440)	(9,985,294)
Net Position at Beginning of Period			49,541,310
Net Position at End of Period			\$ 39,556,016

Accountant's compilation report should be read with this financial statement

Austin Convention Enterprises, Inc.

Statement of Cash Flows

For the Six Months Ended June 30, 2020

Cash Flows from Operating Activities	
Cash received from customers	\$ 19,615,771
Cash payments to employees for services	(4,489,645)
Cash payments to suppliers for goods and services	<u>(15,177,826)</u>
Net Cash Used in Operating Activities	<u>(51,700)</u>
Cash Flows from Investing Activities	
Interest received	193,553
Investment purchases and sales, net	<u>13,153,346</u>
Net Cash Provided by Investing Activities	<u>13,346,899</u>
Cash Flows from Non-Capital Financing Activities	
Payments for City of Austin projects	<u>(2,000,000)</u>
Net Cash Used in Non-Capital Financing Activities	<u>(2,000,000)</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of fixed assets	(2,816,327)
Payments of bond principal	(8,520,000)
Interest Paid	<u>(4,594,375)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(15,930,702)</u>
Net Decrease in Cash and Cash Equivalents	(4,635,503)
Cash and Cash Equivalents at Beginning of Period	<u>7,277,312</u>
Cash and Cash Equivalents at End of Period	<u><u>\$ 2,641,809</u></u>
Noncash Investing, Capital and Financing Activities	
Amortization of bond premiums	<u>\$ (1,065,461)</u>
Amortization of deferred loss on refunding	<u>\$ 500,074</u>
Amortization of deferred gain on refunding	<u><u>\$ (34,832)</u></u>

Accountant's compilation report should be read with this financial statement

Austin Convention Enterprises, Inc.

Statement of Cash Flows (Continued)

For the Six Months Ended June 30, 2020

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (4,332,404)
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	6,407,589
Change in Assets and Liabilities:	
(Increase) decrease in:	
Accounts receivable, net	1,971,898
Inventory	2,593
Other current assets	(239,692)
Other assets	(12,434)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>(3,849,250)</u>
Net Cash Used in Operating Activities	<u>\$ (51,700)</u>

Accountant's compilation report should be read with this financial statement

Supplemental Information

Austin Convention Enterprises, Inc.

Hotel Occupancy, Average Daily Rate, and RevPAR

For the Six Months Ended June 30, 2020 and the Year Ended December 31, 2019

The following information is included to provide a summary of Hotel operations in comparison to the prior year.

Description	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Occupancy Rate	32%	74%
Average Daily Rate	\$223	\$234
Revenue per available room (RevPAR)	\$71	\$174

The following information is included to provide a summary of Hotel operations in comparison to the Competitive Set. The Competitive Set includes four hotels in the Hotel's immediate market area that are most comparable to the Hotel in quality, price, and market. The calculations related to the Competitive Set are based on the six months ended June 30, 2020.

Description	Hilton Austin	Competitive Set
Occupancy Rate	32%	36%
Average Daily Rate	\$223	\$198
Revenue per available room (RevPAR)	\$71	\$72

Accountant's compilation report should be read with this supplemental information