

McCormick Place Complex—Chicago

(Accounts Maintained by ASM Global)

Financial Statements as of and for the
Years Ended June 30, 2020 and 2019, and
Independent Auditors' Report

MCCORMICK PLACE COMPLEX—CHICAGO

(Accounts Maintained by ASM Global)

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INDEPENDENT AUDITORS' REPORT

ASM Global and Metropolitan Pier and Exposition Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of McCormick Place Complex—Chicago (Accounts maintained by ASM Global) (McCormick Place), which comprise the statements of assets, liabilities and control as of June 30, 2020 and 2019, and the related statements of revenue and expenses and cash flows 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 Section 7.2(b) of the management agreement between Metropolitan Pier and Exposition Authority and ASM Global for McCormick Place, dated March 29, 2016, and amended November 1, 2017; this includes 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.

Auditors' 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 McCormick Place'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 McCormick Place'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 statements of assets, liabilities and control of McCormick Place Complex—Chicago (Accounts maintained by ASM Global) as of June 30, 2020 and 2019, and the related statements of revenue and expenses and cash flows for the years then ended in accordance with the management agreement in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by ASM Global on the basis of financial reporting provisions of the management agreement, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction of Use

Our report is intended solely for the information and use of ASM Global and Metropolitan Pier and Exposition Authority and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

September 15, 2020

MCCORMICK PLACE COMPLEX—CHICAGO
(Accounts Maintained by ASM Global)

STATEMENTS OF ASSETS, LIABILITIES AND CONTROL
AS OF JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|------------------------------------|---------------------|---------------------|
| ASSETS | | |
| CASH AND CASH EQUIVALENTS | \$ 349,595 | \$ 1,408,548 |
| ACCOUNTS RECEIVABLE—Net | 3,834,810 | 5,465,033 |
| PREPAID EXPENSES AND OTHER ASSETS | <u>1,296,407</u> | <u>941,575</u> |
| TOTAL ASSETS | <u>\$ 5,480,812</u> | <u>\$ 7,815,156</u> |
| LIABILITIES AND CONTROL | | |
| LIABILITIES: | | |
| Accounts payable | \$ 7,591,726 | \$ 1,631,415 |
| Accrued expenses | 2,320,166 | 3,476,942 |
| Unearned revenue | 579,080 | 527,478 |
| Advance deposits | <u>4,497,259</u> | <u>4,128,253</u> |
| Total liabilities | <u>14,988,231</u> | <u>9,764,088</u> |
| CONTROL | <u>(9,507,419)</u> | <u>(1,948,932)</u> |
| TOTAL LIABILITIES AND CONTROL | <u>\$ 5,480,812</u> | <u>\$ 7,815,156</u> |

See accompanying notes to financial statements.

MCCORMICK PLACE COMPLEX—CHICAGO
(Accounts Maintained by ASM Global)

STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|--|------------------------------|------------------------------|
| REVENUE: | | |
| Use of exhibition facilities | \$ 34,438,548 | \$ 50,701,845 |
| Parking fees | 7,409,028 | 11,739,941 |
| Guest services | 5,547,833 | 6,260,621 |
| Other income | <u>1,219,868</u> | <u>1,189,710</u> |
| Total revenue | <u>48,615,277</u> | <u>69,892,117</u> |
| EXPENSES: | | |
| Salaries, wages and benefits | 29,701,370 | 33,577,533 |
| Supplies, repairs and maintenance | 20,542,390 | 25,357,209 |
| General and administrative | 7,297,259 | 6,184,688 |
| Guest service | 508,865 | 193,126 |
| Parking | <u>4,958,876</u> | <u>6,147,153</u> |
| Total expenses | <u>63,008,760</u> | <u>71,459,709</u> |
| OPERATING LOSS BEFORE RESERVE FOR PLANNED MAINTENANCE | (14,393,483) | (1,567,592) |
| LESS RESERVE FOR PLANNED MAINTENANCE | <u> </u> | <u> </u> |
| NET LOSS | <u><u>\$(14,393,483)</u></u> | <u><u>\$ (1,567,592)</u></u> |

See accompanying notes to financial statements.

MCCORMICK PLACE COMPLEX—CHICAGO
(Accounts Maintained by ASM Global)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(14,393,483) | \$ (1,567,592) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Provision for planned maintenance reserves | | |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,630,223 | 2,389,467 |
| Prepaid expenses and other assets | (354,832) | (49,200) |
| Accounts payable | 5,960,311 | (291,873) |
| Accrued expenses | (1,156,776) | (1,560,760) |
| Unearned revenue | 51,602 | 9,511 |
| Advance deposits | <u>369,006</u> | <u>680,987</u> |
| Net cash used in operating activities | <u>(7,893,949)</u> | <u>(389,460)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Funds remitted to MPEA | (63,640,522) | (73,884,926) |
| Funds received from MPEA | <u>70,475,518</u> | <u>73,894,503</u> |
| Cash provided by financing activities | <u>6,834,996</u> | <u>9,577</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,058,953) | (379,883) |
| CASH—Beginning of year | <u>1,408,548</u> | <u>1,788,431</u> |
| CASH—End of year | <u>\$ 349,595</u> | <u>\$ 1,408,548</u> |

See accompanying notes to financial statements.

MCCORMICK PLACE COMPLEX—CHICAGO

(Accounts Maintained by ASM Global)

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying financial statements have been prepared pursuant to the provisions of the management agreement, dated March 29, 2016 (the “Management Agreement”) and amended on November 1, 2017, between SMG and Metropolitan Pier and Exposition Authority, a political subdivision of the State of Illinois, unit of local government, body politic, and municipal corporation (“MPEA”) relating to the operations of McCormick Place Complex—Chicago (“McCormick Place”). An amendment to the contract was signed on November 1, 2017 moving management of facility operations and utilities along with corresponding expenses to MPEA. As of October 1, 2019, SMG and AEG Facilities, LLC have merged to create a new standalone global facility management and venue services company, ASM Global (“ASM”).

The basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the accompanying statements of assets, liabilities and control, revenues, and expenses do not include all of the assets, liabilities, control, revenues, and expenses of MPEA, but only those assets, liabilities, control, revenues, and expenses carried on the books and records of ASM as it relates to the Management Agreement, which are maintained by the employees of ASM. Assets, liabilities and control not reflected herein may include, but are not limited to, property, buildings, furniture, equipment, and debt. In addition, the statements of revenue and expenses do not include depreciation, interest expense, income taxes, or any expenses paid directly by MPEA, except as noted. The statements of revenue and expenses do include current charges for the provision for replacement of and additions to furnishings and equipment calculated in accordance with the Management Agreement.

McCormick Place’s operations are reported using the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Description of Business—McCormick Place is a convention center located in Chicago, Illinois, and is the largest provider of space for conventions, trade shows, and other events in North America. ASM manages certain activities of the convention center based upon the Management Agreement with MPEA. In 2017, Wintrust Arena (the “Facility”) opened to the public, ASM begun management of the Facility as part of the contractual agreement with MPEA. Wintrust Arena is a 10,000 seat sports venue located in McCormick Place. Wintrust Area is host to Depaul University’s basketball teams, the Chicago Sky WNBA team, as well as several concerts and other sporting events.

COVID-19 Pandemic—On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic in the face of the global spread of the virus. The COVID-19 pandemic has dramatically altered the behavior of businesses and people in a manner that is having negative effects on global and local economies. Stock markets in the U.S. and globally, have seen significant declines and volatility attributed to concerns over COVID-19. These adverse impacts have intensified and continue to evolve within the United States.

On March 10, 2020, ASM ceased events both at the convention hall as well as the Facility as the business at MPEA related to conventions were not deemed essential by the City of Chicago. Conventions and large gatherings will not be permissible until Phase 5 of the Restore Illinois Plan at which time McCormick Place will reopen at full capacity.

On March 31, 2020 a contract was executed between MPEA and the Illinois Emergency Management Agency to construct an Alternate Care Facility within McCormick Place through August 2020. The Alternate Care Facility was implemented to assist with the anticipated surge in the COVID-19 pandemic within Chicago.

Use of Estimates—The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash—Cash consists of an operating account to which MPEA provides funding to ASM which allows ASM to pay the obligations of McCormick Place as they become due.

Accounts Receivable—Accounts receivable consists mainly of billed but uncollected amounts due from exhibitors or renters at the Facility. Credit is extended based on evaluation of the customer's financial condition and collateral is not required. Accounts receivable are generally due within thirty days of when the related revenue is earned. Management determines the allowance for doubtful accounts based on 15% of accounts outstanding over 60 days combined with a review of each specific customer account balance, and considers accounts outstanding longer than 90 days as past due. As of June 30, 2020, and 2019, an allowance for doubtful accounts of \$12,829 and \$21,104, respectively, was recorded.

Prepaid Expenses—Amounts in prepaid expenses consist primarily of prepaid operating expenses including advertising and maintenance contracts.

Revenue—Revenue consists of space rental (use of exhibition facilities), parking fees, and additional services purchased by the exhibitors (guest services) for McCormick Place. The exhibition facilities and guest services revenue are considered earned when the related show has been completed. Parking fees are considered earned during the period the services are provided. The Facility revenues consist of fees earned from space rental as well as the related concessions and guest services. The Facility revenues are considered earned when the related event has been completed.

Expenses—Expenses are recorded as incurred.

2. MANAGEMENT FEES

Management fees paid to ASM are calculated in accordance with the terms of the Management Agreement, which provides for both an annual base and incentive management fee.

The incentive fee calculation is calculated and earned if ASM Global meets the following criteria:

1. McCormick Place must achieve total operating revenues that are equal to or greater than the revenue target benchmark.
2. McCormick Place must achieve a net operating deficit that is equal to or less than the net operating deficit benchmark.

3. McCormick Place must provide the show manager of each major event with reasonable opportunity to submit a customer satisfaction survey to be calculated in to the performance incentive fee.
4. Manager must book a number of events at the Wintrust Arena that is greater than or equal to the event center benchmark established for each fiscal year.
5. McCormick Place must provide McCormick Square partners (MPEA, Hyatt, and Marriott) with reasonable opportunity to submit a partner satisfaction survey to be calculated in to the performance incentive fee.

Management fees paid to ASM related to the Management Agreement totaled \$708,558 and \$887,400 for the years ended June 30, 2020 and 2019, respectively. These fees are reflected in general and administrative expenses in the accompanying statements of revenues and expenses.

3. CONTROL

The control account represents the net cash due to or from MPEA as of the date of the financial statements. Funds remitted to MPEA represent funding required to be remitted to MPEA. Funds received from MPEA represent expenses reimbursed by MPEA, as MPEA provides funding to McCormick Place. Activity in the control account for the years ended June 30, 2020 and 2019, is as follows:

| | 2020 | 2019 |
|---------------------------|-----------------------|-----------------------|
| Balance—beginning of year | \$ (1,948,932) | \$ (390,917) |
| Net loss | (14,393,483) | (1,567,592) |
| Funds received from MPEA | 70,475,518 | 73,894,503 |
| Funds remitted to MPEA | <u>(63,640,522)</u> | <u>(73,884,926)</u> |
| Balance—end of year | <u>\$ (9,507,419)</u> | <u>\$ (1,948,932)</u> |

4. RETIREMENT PLAN

Employees at McCormick Place may participate in a 401(k) savings and retirement plan as sponsored by ASM. All eligible employees, as defined in the plan document, may participate after one year and 1,000 hours of service. ASM contributes 67% of each participant’s contributions up to a maximum of 5% of the employee’s eligible compensation. McCormick Place contributions totaled \$131,395 and \$130,328 during the years ended June 30, 2020 and 2019, respectively.

5. COMMITMENTS AND CONTINGENCIES

McCormick Place is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on its assets and liabilities, results of operations, or liquidity.

ASM provided essential services throughout this pandemic as part of the ongoing field hospital at McCormick Place. The field hospital opened in April 2020 and closed in May 2020 per Governor Pritzker’s orders. As part of the essential services provided, ASM, through MPEA, was granted funding from the Illinois Emergency Management Agency (IEMA) Public Assistance Grant. As of the date of this report, ASM has requested over \$1.9 million in federal assistance through cost reimbursements in response to the impact of COVID-19 to be used to cover expenses during the public health emergency. Of this amount, \$328,144 are currently contested with IEMA and negotiations are ongoing.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2020, which is the date the financial statements were available to be issued, and did not identify any subsequent events requiring adjustment or disclosure.

ASM reopened for business in a limited capacity commencing on August 12, 2020.

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