

Hyatt Regency McCormick Place— Chicago

(Accounts Maintained by Hyatt Corporation)

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

HYATT REGENCY MCCORMICK PLACE—CHICAGO

(Accounts Maintained by Hyatt Corporation)

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INDEPENDENT AUDITORS' REPORT

Hyatt McCormick Place
Metropolitan Pier and Exposition Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Hyatt Regency McCormick Place—Chicago (accounts maintained by Hyatt Corporation), (the “Hotel”) a hotel owned by Metropolitan Pier and Exposition Authority (the “Owner”), 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 of Hyatt Corporation (Hyatt) is responsible for the preparation and fair presentation of these financial statements in accordance with the management agreement dated July 1, 2009, as amended, between Hyatt and the Owner (the “Management Agreement”), as described in Note 1 to the financial statements. 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.

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 the Hotel’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 Hotel’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 Hyatt Regency McCormick Place—Chicago (accounts maintained by Hyatt Corporation) 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 financial reporting provisions of the Management Agreement referred to above and 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 Hyatt 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This 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 audits 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, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction of Use

Our report is intended solely for the information and use of the Owner and Hyatt and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

September 15, 2020

HYATT REGENCY MCCORMICK PLACE—CHICAGO
(Accounts Maintained by Hyatt Corporation)

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

	2020	2019
ASSETS		
CASH:		
House banks	\$ 63,000	\$ 87,000
Demand deposits	<u>635,438</u>	<u>1,591,923</u>
Total cash	698,438	1,678,923
ACCOUNTS RECEIVABLE	1,401,561	6,644,665
INVENTORY	83,850	91,592
OPERATING EQUIPMENT	114,789	222,776
PREPAID EXPENSES	<u>685,220</u>	<u>954,533</u>
TOTAL ASSETS	<u>\$ 2,983,858</u>	<u>\$ 9,592,489</u>
LIABILITIES AND CONTROL		
DUE TO HYATT—Net	\$ 370,664	\$ 1,162,287
ACCOUNTS PAYABLE	122,396	3,351,573
ACCRUED EXPENSES	2,312,868	5,102,869
ADVANCE DEPOSITS	568,495	2,605,455
DEFERRED REVENUE	<u>1,439,209</u>	<u>127,704</u>
Total liabilities	4,813,632	12,349,888
CONTROL	<u>(1,829,774)</u>	<u>(2,757,399)</u>
TOTAL LIABILITIES AND CONTROL	<u>\$ 2,983,858</u>	<u>\$ 9,592,489</u>

See notes to financial statements.

HYATT REGENCY MCCORMICK PLACE—CHICAGO
(Accounts Maintained by Hyatt Corporation)

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

	2020	2019
REVENUE:		
Rooms	\$ 42,124,098	\$ 63,647,459
Food and beverage	14,316,288	25,360,658
Other operated departments	18,144	124,692
Rentals and other income	<u>1,928,723</u>	<u>2,243,378</u>
Total revenue	<u>58,387,252</u>	<u>91,376,187</u>
DEPARTMENTAL EXPENSES:		
Rooms	14,196,317	20,534,409
Food and beverage	<u>13,970,668</u>	<u>20,371,956</u>
Total departmental expenses	<u>28,166,985</u>	<u>40,906,365</u>
Total departmental income—net	<u>30,220,267</u>	<u>50,469,822</u>
UNDISTRIBUTED OPERATING EXPENSES:		
Administrative and general	4,915,085	6,083,482
Information and telecom systems	1,575,483	1,876,658
Sales and marketing	4,469,018	5,332,606
Property operation and maintenance	2,886,243	3,298,437
Utilities	<u>1,648,585</u>	<u>1,905,435</u>
Total undistributed operating expenses	<u>15,494,414</u>	<u>18,496,618</u>
GROSS OPERATING PROFIT	<u>14,725,853</u>	<u>31,973,204</u>
BASIC MANAGEMENT FEES	2,030,000	1,966,000
INCENTIVE MANAGEMENT FEES		<u>685,321</u>
Total management fees	<u>2,030,000</u>	<u>2,651,321</u>
INCOME BEFORE FIXED CHARGES	<u>12,695,853</u>	<u>29,321,883</u>
FIXED CHARGES:		
Rent	47,879	46,511
Insurance	<u>527,246</u>	<u>489,837</u>
Total fixed charges	<u>575,125</u>	<u>536,348</u>
NET OPERATING INCOME	12,120,728	28,785,535
LESS REPLACEMENT RESERVES (Note 3)	<u>2,335,490</u>	<u>3,655,047</u>
ADJUSTED NET OPERATING INCOME	<u>\$ 9,785,238</u>	<u>\$ 25,130,488</u>

See notes to financial statements.

HYATT REGENCY MCCORMICK PLACE—CHICAGO
(Accounts Maintained by Hyatt Corporation)

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Adjusted net operating income	\$ 9,785,238	\$ 25,130,488
Adjustments to reconcile adjusted net operating income to net cash provided by operating activities:		
Provision for replacement of and additions to furnishings and equipment	2,335,490	3,655,047
Changes in assets and liabilities:		
Accounts receivable	5,243,104	470,186
Inventory	7,742	906
Operating equipment	107,987	(68,576)
Prepaid expenses	269,313	(162,603)
Due to Hyatt—net	(791,623)	138,992
Accounts payable	(3,229,177)	307,470
Accrued expenses	(2,790,001)	(241,268)
Advance deposits	(2,036,960)	(540,366)
Deferred revenue	<u>1,311,505</u>	<u>127,704</u>
Net cash provided by operating activities	<u>10,212,618</u>	<u>28,817,980</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions by Owner	68,953,995	84,186,471
Distributions to Owner	(78,898,856)	(111,231,398)
Proceeds from sale of furnishings and equipment	70	400
Furnishings and equipment expenditures	<u>(1,248,312)</u>	<u>(1,371,180)</u>
Net cash used in financing activities	<u>(11,193,103)</u>	<u>(28,415,707)</u>
INCREASE (DECREASE) IN CASH	(980,485)	402,273
CASH—Beginning of year	<u>1,678,923</u>	<u>1,276,650</u>
CASH—End of year	<u>\$ 698,438</u>	<u>\$ 1,678,923</u>

See notes to financial statements.

HYATT REGENCY MCCORMICK PLACE—CHICAGO

(Accounts Maintained by Hyatt Corporation)

NOTES TO FINANCIAL STATEMENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements—The accompanying financial statements have been prepared pursuant to the provisions of the Management Agreement, dated July 1, 2009, as amended (the “Management Agreement”), between Hyatt Corporation (“Hyatt”) and the Metropolitan Pier and Exposition Authority, a political subdivision of the State of Illinois, unit of local government, body politic, and municipal corporation (the “Owner”). The Management Agreement expires on June 30, 2024. The Owner has a 100% ownership interest in Hyatt Regency McCormick Place—Chicago (the “Hotel”).

This is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the statements of assets, liabilities and control do not include all of the assets and liabilities of the Owner, but only those assets and liabilities carried on the books and records of the Hotel, which are maintained by the employees of Hyatt. Assets and liabilities not reflected herein may include, but are not limited to, property, buildings, furniture and equipment and mortgage debt. In addition, the statements of revenue and expenses do not include depreciation or interest expense, property taxes, or any expenses paid directly by the Owner, 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. 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—The Hotel is a 1,258-room convention hotel located in Chicago, Illinois. Hyatt manages the Hotel under the Management Agreement with the Owner.

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.

Beginning in March 2020, the Hotel decreased operations as the business at MPEA related to conventions were not deemed essential by the City of Chicago. During this time, the Hotel housed the National Guard while they set up the Alternate Care Facility at McCormick Place.

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

Cash—Cash and cash equivalents generally includes cash on hand through house bank, accounts maintained with a financial institution, and demand deposits.

Accounts Receivable—Net—Accounts receivable comprise billed but uncollected amounts due from guests and other charges. Accounts receivable are recorded at management’s estimate of the amounts that will ultimately be collected. The Hotel provides for an allowance for doubtful accounts of \$53,010 and \$83,351 at June 30, 2020 and 2019, respectively, which is based on specific identification and management’s historical collection experience.

Inventories—Inventories, consisting primarily of food and beverage, are stated at the lower of cost or market. Cost is determined by the first-in, first-out method of accounting.

Operating Equipment—Operating equipment includes linen, china, glassware, and flatware. Monthly routine replacement purchases are recorded as assets and expensed over the expected period of consumption or one year.

Due to Hyatt, Net—As further discussed in the Schedule of Chain Service Fees with Hyatt Corporation and its Affiliates, the Hotel incurs certain charges for services, programs, labor, employment benefits, and other allocated costs provided by Hyatt in addition to the management fees earned by Hyatt for the management of the Hotel. Such charges are recorded as incurred. The balances reflected as Due to Hyatt on the statement of assets, liabilities and control as of June 30, 2020 and 2019, are the amounts owed to Hyatt Corporation due to charges incurred but not yet paid as of the respective dates.

Advance Deposits—Advance deposits represent deposits for room, food and beverage, and other revenue received prior to services being performed.

Revenue—Revenue primarily consists of room as well as food and beverage revenues from convention business as well as internal meetings in the Hotel. In addition, revenue consists of transient bookings, cancellation and attrition collected from groups along with other miscellaneous income. These revenues are considered earned when the services are provided. The Hotel collects sales, use, occupancy, and similar taxes, which are presented on a net basis (excluded from revenue) on the statements of revenue and expenses.

Expenses—Costs are expensed as incurred.

Replacement Reserves—The Management Agreement requires that a fund for replacement of and additions to furnishings and equipment (the “Fund”) be established. Per the management agreement contributions are made to the Reserve fund on a monthly to be used for capital projects, repairs, and maintenance, replacement of and additions to furnishings and equipment. The contributions to the accrued reserve fund are recorded against the replacement reserve expense. When expenditures for capital projects, repairs, or furnishings are required, Hyatt requests reimbursement from the replacement reserve fund.

Deferred Revenues—Deferred revenues consist of Cancellation and Attrition Fees from groups who cancel their sales agreement based on the terms in the cancellation clause or attrition due to guestroom or F&B minimums not met by the group. Revenue will be recognized when payment is received or upon occurrence of the future event.

2. RELATED PARTIES

Hyatt receives a base management fee and has the opportunity to earn an incentive management fee. The Basic Fee is equal to the greater of either 2.0% of Gross Receipts or as provided in the Management Agreement and is \$2,030,000 and \$1,966,000 for the years ended June 30, 2020 and 2019, respectively, and were paid on a monthly basis in arrears.

The Incentive Fee shall be earned in the event the Hotel satisfies an annual Incentive Fee RevPAR Test (Revenue per available room), which is 87% of the numerical average of the Achieved RevPAR for the Comparable Hotels. If the Incentive Fee RevPar Test is met for any applicable Fiscal Year, then Hyatt shall be paid an Incentive Fee for such Fiscal Year equal to 0.75% of the Gross Receipts for such Fiscal Year. In 2020, the Hotel did not satisfy the RevPAR test. As such, the Incentive Fee accrued at June 30, 2020 and 2019 was \$0 and \$685,321, respectively.

The Hotel incurred charges for services, programs, and allocated costs (reimbursements) from Hyatt and certain of its subsidiaries and affiliates for the years ended June 30, 2020 and 2019, of \$6,356,517 and \$7,708,636, respectively. Additionally, the Hotel reimburses Hyatt for salary, related benefits, and employment costs of Hyatt employees who work for the Hotel which were \$15,061,177 and \$21,251,121 for the years ended June 30, 2020 and 2019, respectively.

3. REPLACEMENT RESERVES

The Management Agreement requires that a fund for replacement of and additions to furnishings and equipment (the "Fund") be established. A separate interest-bearing bank account is maintained for the Fund, which is not recorded on the Hotel's books and records and is instead maintained by the Owner as agreed to by the Owner and Hyatt in the Management Agreement. Interest earned on the Fund shall accrue to the benefit of the Owner and does not become part of the Fund. The annual provision for the Fund, which is charged in the calculation of adjusted net operating income, is calculated as 4% of the Hotel's gross receipts, as defined in the Management Agreement.

For the years ended June 30, 2020 and 2019, the provision is computed as follows:

	2020	2019
Gross receipts—as defined	\$ 58,387,252	\$ 91,376,187
Reserve provision rate	<u>4 %</u>	<u>4 %</u>
Total provision for replacement reserves	<u>\$ 2,335,490</u>	<u>\$ 3,655,047</u>

A summary of activity in the Fund for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Balance—beginning of year	\$ 3,310,436	\$ 1,026,169
Provision for the year	2,335,490	3,655,047
Proceeds from sale of furnishings and equipment	70	400
Furnishings and equipment expenditures	<u>(1,248,312)</u>	<u>(1,371,180)</u>
Balance—end of year	<u>\$ 4,397,684</u>	<u>\$ 3,310,436</u>

4. CONTROL

Activity in the Owner's control account for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Balance—beginning of year	\$ (2,757,399)	\$ (3,127,227)
Adjusted net operating income	9,785,238	25,130,488
Contributions from Owner	68,953,995	84,186,471
Distributions to Owner	(78,898,856)	(111,231,398)
Replacements of and additions to furnishings and equipment purchased on behalf of Owner	(1,248,312)	(1,371,180)
Provision for replacement of and additions to furnishings and equipment	2,335,490	3,655,047
Proceeds from sale of furnishings and equipment	<u>70</u>	<u>400</u>
Balance—end of year	<u>\$ (1,829,774)</u>	<u>\$ (2,757,399)</u>

5. COMMITMENTS AND CONTINGENCIES

The Hotel is involved in various claims and legal actions arising in the ordinary course of business. The outcome of these matters are not expected to have a material adverse effect on the Hotel's assets, liabilities and control, revenue and expenses, or cash flows.

6. SUBSEQUENT EVENTS

As of the date the financial statements were available to be issued, the Hotel has reported declined operations. The Hotel does not anticipate any significant events until January 2021 at the earliest given Governor Pritzker's restrictions on large gatherings.

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SUPPLEMENTARY INFORMATION

HYATT REGENCY MCCORMICK PLACE—CHICAGO (Accounts Maintained by Hyatt Corporation)

SCHEDULE OF CHAIN SERVICE FEES WITH HYATT CORPORATION AND ITS AFFILIATES AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

In addition to management fees earned by Hyatt, the Hotel incurred charges for services, programs, and allocated costs (reimbursements) from Hyatt and certain of its subsidiaries and affiliates for the years ended June 30, 2020 and 2019, as follows:

	2020	2019
Chain allocation	\$ 1,574,817	\$ 1,804,589
World of Hyatt program	714,068	1,087,017
Employees' benefit plans	1,912,148	1,976,981
Insurance	495,634	575,029
Technology services	961,439	868,113
Other	<u>670,729</u>	<u>1,396,909</u>
Total Chain Service Fees	<u>\$ 6,328,835</u>	<u>\$ 7,708,638</u>

Additionally, the Hotel reimburses Hyatt for salary, related benefits, and employment costs of Hyatt employees who work for the Hotel. Hyatt also provides an aggregate of twelve complimentary rooms per year (on a space available basis) to employees who have completed one year of employment with Hyatt or any Hyatt hotel. The maximum number of complimentary room nights per employee in any one hotel is three nights per year. Each Hyatt hotel must generally reserve 1% of its room inventory for employee complimentary rooms. Furthermore, Hyatt and its affiliates directly or indirectly own or have interests in certain Hyatt hotels. Such Hyatt hotels are allocated costs on the same basis as any other Hyatt hotel.

At June 30, 2020 and 2019, amounts included in Due to Hyatt, Net related to the above transactions were \$201,497 and \$313,132, respectively.