

# McCormick Place Convention Center—Chicago Food and Beverage Services

(Accounts Maintained by ASM Global, LLC  
d/b/a SAVOR)

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

**MCCORMICK PLACE CONVENTION CENTER—CHICAGO  
FOOD AND BEVERAGE SERVICES  
(Accounts Maintained by ASM Global, LLC d/b/a SAVOR)**

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## **INDEPENDENT AUDITORS' REPORT**

ASM Global, LLC d/b/a SAVOR and  
Metropolitan Pier and Exposition Authority  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of McCormick Place Convention Center—Chicago Food and Beverage Services (Accounts Maintained by ASM Global, LLC d/b/a SAVOR) (SAVOR), 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 8.2(f) of the management agreement between the Metropolitan Pier and Exposition Authority (MPEA) and ASM Global, LLC d/b/a/ SAVOR for the McCormick Place Complex, dated August 22, 2011 as well as the amendment to the management agreement dated December 29, 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 SAVOR'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 SAVOR'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 Convention Center—Chicago Food and Beverage Services (Accounts Maintained by ASM Food & Beverage, LLC d/b/a SAVOR) 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 as described 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 SAVOR 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 SAVOR 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 CONVENTION CENTER—CHICAGO**  
**FOOD AND BEVERAGE SERVICES**  
(Accounts Maintained by ASM Global, LLC d/b/a SAVOR)

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

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	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
CASH	\$ 715,280	\$ 908,060
ACCOUNTS RECEIVABLE—Net	441,746	2,769,631
PREPAID EXPENSES	366,893	545,867
INVENTORY	<u>594,247</u>	<u>973,489</u>
TOTAL ASSETS	<u>\$ 2,118,166</u>	<u>\$ 5,197,047</u>
 <b>LIABILITIES AND CONTROL</b>		
LIABILITIES:		
Accounts payable	\$ 621,055	\$ 2,993,345
Accrued expenses and replacement reserve	13,468,209	11,373,745
Advance deposits and ticket sales	<u>243,000</u>	<u>896,212</u>
Total liabilities	14,332,264	15,263,302
CONTROL (Note 3)	<u>(12,214,098)</u>	<u>(10,066,255)</u>
TOTAL LIABILITIES AND CONTROL	<u>\$ 2,118,166</u>	<u>\$ 5,197,047</u>

See accompanying notes to financial statements.

**MCCORMICK PLACE CONVENTION CENTER—CHICAGO**  
**FOOD AND BEVERAGE SERVICES**  
 (Accounts Maintained by ASM Global, LLC d/b/a SAVOR)

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

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	<b>2020</b>	<b>2019</b>
REVENUE—Concession and catering revenue	\$ 43,405,998	\$ 41,069,446
LESS COST OF GOODS SOLD	<u>(10,583,640)</u>	<u>(9,278,839)</u>
GROSS MARGIN	<u>32,822,358</u>	<u>31,790,607</u>
EXPENSES:		
Salaries, wages and benefits	16,669,946	17,111,060
General and administrative	10,453,290	10,758,514
Other operating expenses	<u>1,350,555</u>	<u>900,178</u>
Total expenses	<u>28,473,791</u>	<u>28,769,752</u>
NET INCOME BEFORE REPLACEMENT RESERVES	4,348,567	3,020,855
LESS REPLACEMENT RESERVES	<u>(3,972,294)</u>	<u>(2,681,272)</u>
ADJUSTED NET INCOME	<u>\$ 376,273</u>	<u>\$ 339,583</u>

See accompanying notes to financial statements.

**MCCORMICK PLACE CONVENTION CENTER—CHICAGO**  
**FOOD AND BEVERAGE SERVICES**  
(Accounts Maintained by SMG Food & Beverage, LLC d/b/a SAVOR)

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

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	<b>2020</b>	<b>2019</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Adjusted net income	\$ 376,273	\$ 339,583
Adjustments to reconcile adjusted net income to net cash provided by operating activities:		
Provision for replacement of and additions to furnishings and equipment	3,972,294	2,681,272
Changes in assets and liabilities:		
Accounts receivable—net	2,327,885	312,903
Prepaid expenses	178,974	(174,594)
Inventory	379,242	(307,681)
Accounts payable	(2,372,290)	79,841
Accrued expenses	2,094,464	(1,086,260)
Advance deposits and ticket sales	<u>(653,212)</u>	<u>135,381</u>
Net cash provided by operating activities	<u>6,303,630</u>	<u>1,980,445</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from MPEA	63,847,899	65,376,324
Cash paid to MPEA	<u>(70,344,309)</u>	<u>(66,672,549)</u>
Net cash used in financing activities	<u>(6,496,410)</u>	<u>(1,296,225)</u>
NET (DECREASE) INCREASE IN CASH	(192,780)	684,220
CASH—Beginning of year	<u>908,060</u>	<u>223,840</u>
CASH—End of year	<u><u>\$ 715,280</u></u>	<u><u>\$ 908,060</u></u>

See accompanying notes to financial statements.

# MCCORMICK PLACE CONVENTION CENTER—CHICAGO

## FOOD AND BEVERAGE SERVICES

(Accounts Maintained by ASM Global, LLC d/b/a SAVOR)

### NOTES TO FINANCIAL STATEMENTS

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

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying financial statements have been prepared pursuant to the provisions of the Management Agreement (Management Agreement), between ASM Global, LLC d/b/a SAVOR (SAVOR), a wholly owned subsidiary of ASM Global, LLC, and the 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 food and beverage operations of McCormick Place Convention Center—Chicago (McCormick Place). On December 29, 2017, MPEA and SAVOR signed the remaining contract extension, extending the original Management Agreement until December 31, 2021.

This 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 and revenue and expenses do not include all of the assets, liabilities, revenues and expenses of MPEA, but only those assets, liabilities, control, revenues and expenses carried on the books and records of SAVOR as it relates to the food and beverage operations of McCormick Place in accordance with the Management Agreement, which are maintained by the employees of SAVOR. Assets and liabilities 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, 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 food and beverage 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. SAVOR manages certain food and beverage operations of the convention center based upon the Management Agreement with MPEA.

**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 8, 2020, SAVOR ceased operations for normal business operations as the activities at MPEA related to conventions were not deemed essential by the City of Chicago. As of the date the financial statements were available to be issued, SAVOR has not reopened under Governor Pritzker's orders.

**Use of Estimates**—The preparation of the 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 for SAVOR to pay the obligations of McCormick Place food and beverage operations as they become due.

**Accounts Receivable**—Accounts receivable consists mainly of billed but uncollected amounts due from catering customers. 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 a review of each specific customer account balance and considers accounts outstanding longer than 120 days as past due. As of June 30, 2020 and 2019, there was a provision for doubtful accounts of \$43,931 and \$89,861, respectively.

**Inventory**—Inventories consist of food and beverages held for resale, and are valued at cost using the first-in, first-out method of accounting.

**Advance Deposit**—Advance deposits consists of cash or deposits received in advance of an event, but not yet earned.

**Revenue**—Revenue consists of concessions and catering revenues provided during the events at McCormick Place, and is considered earned when the concessions are sold or when the catering event has occurred.

**Accounts Payable and Accrued Expenses**—Accounts payable and accrued expenses consists of operating expenses incurred but not yet paid. Included within these balances are payables related to normal operations as well as capital work performed. In addition, within the Accrued Expense accounts is the Reserve. Contributions are made to the Reserve fund on a monthly basis in accordance with the Management Agreement. This is used for capital projects, repairs and maintenance, replacement of smallwares and marketing.

**Replacement Reserves**— As mentioned for the Accrued Reserve above, contributions are made to the Reserve fund on a monthly basis in accordance with the Management Agreement to be used for capital projects, repairs, and maintenance, replacement of smallwares, and marketing. The contributions to the accrued reserve fund are recorded against the replacement reserve expense. When expenditures for capital projects, repairs, and replacement items are required, SAVOR pays cash and requests reimbursement from the replacement reserve fund.

## **2. MANAGEMENT FEES, RETAIL FOOD LICENSE FEES, AND UTILITY EXPENSES**

SAVOR is entitled to receive management and food license fees in accordance with the terms of the Management Agreement. SAVOR receives a base management fee of 1.2% of gross revenues from food and beverage operations and an incentive management fee equal to 1.5% of gross receipts and if certain sustainability, customer satisfaction, and financial performance goals are met. These goals are developed cooperatively at the beginning of each year between SAVOR and the chief executive officer of MPEA. SAVOR also receives 4.0% of the food license fee revenue. Management fees and retail food license fees earned in accordance with the Management Agreement are included in general and administrative expenses in the accompanying financial statements and totaled approximately \$1,135,135 and \$1,093,306 for the years ended June 30, 2020 and 2019, respectively.

In addition, per the Management Agreement, SAVOR remits \$360,000 in 12 monthly installments for utility expenses, 1.0% of gross receipts as compensation for utility installation expenses and 0.5% of gross receipts as compensation for room conversion fees to MPEA. SAVOR remitted \$955,844 and \$927,191 for the years ended June 30, 2020 and 2019, respectively. Utility expenses are included in general and administrative expenses in the accompanying financial statements.

### 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 funding provided to pay the obligations of McCormick Place food and beverage services when due. Activity in the control account for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Balance—beginning of year	\$(10,066,255)	\$(11,790,885)
Adjusted net income	376,273	339,583
Funds received from MPEA	63,847,899	65,376,324
Funds remitted to MPEA	(70,344,309)	(66,672,549)
Provision for replacement of and additions to furniture and equipment	<u>3,972,294</u>	<u>2,681,272</u>
Balance—end of year	<u><u>\$(12,214,098)</u></u>	<u><u>\$(10,066,255)</u></u>

### 4. REPLACEMENT RESERVES

The Management Agreement requires that a fund for replacement of and additions to furnishings and equipment be established (the “Fund”). A separate interest-bearing bank account is maintained for the Fund, which is not recorded on the books and records of SAVOR and is instead maintained by MPEA as agreed to by MPEA and SAVOR in the Management Agreement. Interest earned on the Fund shall accrue to the benefit of MPEA and does not become part of the Fund. The annual provision for the Fund is generally calculated as 10% of the McCormick Place’s concession and catering services gross receipts, as defined in the Management Agreement. For the years ended June 30, 2020 and 2019, this reserve was \$3,972,294 and \$2,681,272 and is included on the statements of revenues and expenses.

### 5. RETIREMENT PLAN

SAVOR’s employees participate in a 401(k) savings and retirement plan as sponsored by ASM, the parent company of SAVOR. All eligible employees, as defined in the plan document, may participate after one year and 1,000 hours of service. ASM Global, LLC contributions totaled \$92,370 and \$87,698 during the years ended June 30, 2020 and 2019, respectively.

### 6. 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.

## 7. 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. As of the date the financial statements were available to be issued, SAVOR has not reopened. SAVOR does not anticipate any events until January 2021 at the earliest given Governor Pritzker's restrictions on large gatherings.

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