

# World's Fair Had Deficit Of \$17,540,100 in 1964

## Audited Report Puts Cash on Hand at \$629,063 on Dec. 31—Official Cites Drastic Cuts in Costs for 1965

By ROBERT ALDEN

The World's Fair issued an audited financial report yesterday showing a deficit of \$17,540,100 at the end of 1964, instead of the large surplus that had been predicted at the start of the fair season.

In a statement accompanying the report, Erwin Witt, controller for the fair corporation, said:

"Operating budgets for 1965 have been drastically reduced to an absolute minimum and every effort is being exerted substantially to increase the attendance. It is the opinion of the fair officials that the 1965 effort will result in the fair meeting all of its obligations."

Independent auditors who examined the financial statement last night said that the report

indicated to them that the fair's financial position was "shaky" and that, in their view, the fair's obligations to its noteholders might not be met in full.

These independent auditors had access only to the fair's published financial statements, not to supplemental information that the fair corporation and its own auditors, Peat, Marwick, Mitchell & Co., might have in hand.

The audited report shows that as of Dec. 31, the cash reserves of the fair were \$629,063.

A fair official has said that additional money will have to be raised by Feb. 15. The fair's executive committee last month authorized raising up to \$4,000,000 in short term notes to as-

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# LOSS OF \$17,540,100 REPORTED BY FAIR

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sure the opening of the fair's second season on April 21.

Success in obtaining the loan from commercial banks will depend on the fair's audited statement and the sharply reduced budget mentioned by Mr. Witt.

The Peat Marwick audit wrote off as uncollectable two-thirds of the money now owed to the fair in loans and accounts receivable. Of the \$3,077,162 that the fair corporation has lent, the auditors said only \$999,681 appeared collectable. This figure reflected in large measure the loans to bankrupt pavilions at the fair.

In the accounts receivable column only \$1,592,778 was deemed collectable of \$4,972,778 owed to the fair.

## Other Liabilities Listed

As of Dec. 31, the fair had \$3,906,950 in accounts payable, \$920,743 in accrued expenses and \$1,522,829 in other liabilities. Also listed as liabilities were \$8,620,000 for demolition of the fair at the close of the 1965 season and \$22,371,750 in 6 per cent promissory notes due Aug. 1, 1966.

In connection with the \$8,620,000 estimated for fair demolition, independent auditing experts pointed out that construction costs at the fair had far exceeded estimates and, therefore, demolition costs might also be higher than expected.

The audited report showed that the fair had already spent \$15,679,193 of income received for tickets that will be used during the 1965 season and had spent \$7,915,324 more in rentals and fees applicable to the 1965 season—a total of \$23,594,517 of 1965 revenue spent in 1964.

Peat, Marwick raised a warning flag in its report:

"The corporation has been named as defendant in numerous legal actions involving, in the aggregate, substantial claims. No provision has been made in the financial statement for amounts, if any, which may ultimately be payable, since, in the opinion of general counsel, 'the Fair Corporation has valid legal and equitable defenses to all such litigation.'"

The fair's report listed its income for 1964 at \$64,716,260, its expenses as \$82,256,360, giving the \$17,540,100 deficit.

Rather than a deficit, the fair corporation had estimated a surplus of \$49,725,000 for the two year period of the exposition. Using its revenue and this surplus, the fair corporation had undertaken to meet its obligations in the following priority:

☞Repay bank loans.

☞Repay holders of the fair notes. (A first payment representing 25 per cent of the face value of the notes has been paid, leaving \$22,371,750 to be paid.)

☞Demolish and removed temporary structures on the fair site and restore the former uncompleted park.

☞Turn over to the city \$24,000,000 for permanent improvements on Flushing Meadow financed by the city. Robert Moses, president of the fair corporation has already said that "if I know anything about the fair's finances" this money will not be available for the city.

☞Complete and make fully usable Flushing Meadow Park and the first stage of a corridor park system through Queens.

☞Complete the second stage of the corridor park system.

## Big 1965 Income Needed

Instead of being able to fulfill that ambitious plan with the expected \$49,725,000 surplus, the fair would have to have an income of \$55,000,000 during the 1965 season, plus whatever the operating expenses for the season proved to be, just to break even after absorbing the 1964's season's deficit, in the opinion of the independent auditors based on the audited report.

Thus if the operating expenses of \$42,436,876 for 1964 was the same in 1965, the fair would have to take in \$97,436,876 to reach the break-even point. Its income would have to be \$32,720,616 larger in 1965 than in 1964.

Even if these figures were attained the fair would have no surplus.

The fair corporation, however, hopes to cut its expenses sharply and increase its revenue because of higher attendance and an increased admission of \$2.50 for adults.

The fair's financial situation became controversial last month with the resignation of five prominent bankers from the finance committee because, as they said, they had not been given access to proper audited figures on the fair.

## Big Payout Indicated

As it turned out the unaudited figures available to these bankers and issued on Oct. 13, showed the fair to have a surplus of \$12,651,396. If that unaudited figure is accurate, it means that the fair spent \$30,191,496 more than income in the four last months of the year.

By the Aug. 31 date almost all of the rentals to the fair for the 1964 season had been paid. Attendance also thinned out in the season's final two months of September and October.

The audited statement was delivered to newspapers yesterday by messenger. But by nightfall, Abraham D. Beame, City Controller, said the Controller's office had not received the report. The Controller has already subpoenaed the fair corporation to complete financial records in an effort to determine the fair's financial condition.

And yesterday Robert B. Blaikie, former West Side Democratic leader, instituted a taxpayer's suit to compel "an independent, open, itemized audit" of fair finances.

The fair corporation mailed notices to all exhibitors at the fair yesterday providing them with a list of "six or seven" additional maintenance concerns

authorized to do business on the fair grounds.

During the 1964 season Allied Maintenance and then a successor company, the Allied World's Fair Service Corporation, had the exclusive responsibility for contracted maintenance service on the fairgrounds.

That exclusive contract with the fair corporation had given rise to complaints by exhibitors that they were overcharged for the services performed. Allied denied the charges.

Henceforth, bidding for maintenance work will be competitive.