

GREATER ROCHESTER SPORTS AUTHORITY

**Financial Statements
as of December 31, 2007 and 2006
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

GREATER ROCHESTER SPORTS AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 5, 2008

To the Board of Directors of
Greater Rochester Sports Authority:

We have audited the accompanying balance sheets of Greater Rochester Sports Authority ("the Authority", a New York public benefit corporation) as of December 31, 2007 and 2006, and the related statements of revenues, expenses and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Rochester Sports Authority as of December 31, 2007 and 2006, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

The management's discussion and analysis on pages 2 and 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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GREATER ROCHESTER SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2007 AND 2006

The Greater Rochester Sports Authority (the Authority) is a not-for-profit public benefit corporation that manages a sports stadium in Rochester, New York, known as Frontier Field (the Stadium). The County of Monroe owns the Stadium and leases it to the Greater Rochester Outdoor Sports Facility Corporation (GROSFC).

The Authority has a management agreement with GROSFC whereby the Authority oversees the operations of the Stadium. The Authority has, in turn, outsourced the day-to-day operations of the Stadium to Beau Productions and, acting as a disclosed agent for GROSFC, entered into a management agreement with Beau Productions. Under the terms of the management agreement with GROSFC, GROSFC is required to reimburse the Authority for all reasonable costs incurred by the Authority to oversee the operations of the Stadium. Since the day-to-day operations of the Stadium were outsourced to Beau Productions and GROSFC paid Beau Productions for services rendered, the Authority did not incur any costs related to the management agreement in either 2007 or 2006. As such, GROSFC did not reimburse the Authority for any costs in either 2007 or 2006.

The financial statements of the Authority include the balance sheets, the statements of revenues, expenses and change in net assets, the statements of cash flows, and related notes to the financial statements. The balance sheets provide information about the nature and the amounts of investments and resources (assets) and the obligations to the Authority's creditors (liabilities), with the difference reported as net assets. The statements of revenues, expenses and change in net assets show how the Authority's net assets changed during the year. It accounts for all of the year's revenues and expenses, measures the financial results of the Authority's operations for the year and can be used to determine how the Authority has funded its costs. The statements of cash flows provide information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities. The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Authority's accounting methods and policies.

Management provides the discussion and analysis of the Authority's financial position and activities. This overview is provided for the years ended December 31, 2007 and 2006. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements, all of which follow this narrative.

Overview of the Financial Statements

This annual report consists of two parts, management's discussion and analysis (this section) and the basic financial statements. The balance sheets and the statements of revenues, expenses and change in net assets provide both long-term and short-term information about the Authority's overall financial status.

Financial Statements

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments, including public benefit corporations. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Authority's services are classified as proprietary activities.

Financial Analysis - 2007

Financial Position

The Authority's total assets increased \$64,610, due to an increase in cash flow from operations. The Authority's total net assets increased from \$452,385 in 2006 to \$517,963 in 2007, due to the revenue and expense activity detailed below.

Revenues and Expenses

The Authority's major source of revenue is an allocation of Monroe County's Hotel Room Occupancy Tax (the Tax). Revenue associated with the Tax was \$285,000 in both 2007 and 2006. On a quarterly basis, the Authority receives a check from Monroe County for its corresponding portion of the Tax. The Authority's only other source of revenue is interest income earned on cash and certificates of deposit. Interest income decreased from \$33,040 in 2006 to \$19,572 in 2007 due to lower cash balances during the year, as a result of repaying advances to GROSFC during 2006. Therefore, total revenue decreased \$13,468 from 2006. The Authority's expenses consist of grants provided to the Monroe County Sports Development Corporation (MCSDC) to promote organized sporting events in the Rochester area, special projects and legal fees. The Authority granted \$225,000 and \$150,000 to MCSDC in 2007 and 2006, respectively. The Authority also incurred legal, accounting, and insurance expenses in 2007 and 2006. The total increase in operating expenses was \$69,428. The change in net assets resulting from the above activity was \$65,578 and \$148,474 in 2007 and 2006, respectively.

Financial Analysis - 2006

Financial Position

The Authority and GROSFC periodically advance funds to one another based on working capital needs. In 2005, GROSFC transferred \$895,000 to the Authority in the form of two certificates of deposit under the Authority's name. The amount due to GROSFC at December 31, 2005 was repaid in 2006. This repayment is the primary reason for the decrease in total assets from \$996,250 in 2005 to \$455,564 in 2006, and the decrease in total liabilities from \$662,339 in 2005 to \$3,179 in 2006. The Authority's total net assets increased from \$303,911 in 2005 to \$452,385 in 2006, due to the revenue and expense activity detailed below.

Revenues and Expenses

Revenue associated with the Tax was \$285,000 in both 2006 and 2005. The Authority's only other source of revenue is interest income earned on cash and certificates of deposit, which the Authority began investing in during December 2005. Interest income was first earned in 2006 and was \$33,040 for the year ended December 31, 2006. Total revenues increased from \$285,000 in 2005 to \$318,040 in 2006. The Authority's expenses consist of grants provided to MCSDC to promote organized sporting events in the Rochester area, special projects and legal fees. The Authority granted \$150,000 to MCSDC in 2006 and 2005. The Authority also conducted a research study of sporting facilities in the Rochester area in 2005 for a total cost of \$20,000 and paid the County of Monroe for the services of the legal counsel for the Authority \$8,798 and \$13,126 in 2006 and 2005, respectively. Total expenses decreased from \$188,126 in 2005 to \$169,566 in 2006. The change in net assets resulting from the above activity was \$148,474 and \$96,874 in 2006 and 2005, respectively.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information contained in this report or requests for additional information should be addressed in writing to the Stadium Director, Frontier Field, 333 North Plymouth Avenue, Rochester, New York 14608.

GREATER ROCHESTER SPORTS AUTHORITY

BALANCE SHEETS DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 448,924	\$ 384,314
Monroe County hotel room occupancy tax receivable	<u>71,250</u>	<u>71,250</u>
Total current assets	<u>\$ 520,174</u>	<u>\$ 455,564</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued expenses	<u>\$ 2,211</u>	<u>\$ 3,179</u>
Total current liabilities	2,211	3,179
NET ASSETS	<u>517,963</u>	<u>452,385</u>
	<u>\$ 520,174</u>	<u>\$ 455,564</u>

The accompanying notes are an integral part of these statements.

GREATER ROCHESTER SPORTS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Allocation of Monroe County hotel room occupancy tax	\$ 285,000	\$ 285,000
Interest income	19,572	33,040
Total revenues	<u>304,572</u>	<u>318,040</u>
OPERATING EXPENSES:		
Grants to Monroe County Sports Development Corporation	225,000	150,000
Professional fees	12,298	19,361
Miscellaneous	1,696	205
Total operating expenses	<u>238,994</u>	<u>169,566</u>
CHANGE IN NET ASSETS	65,578	148,474
NET ASSETS - beginning of year	<u>452,385</u>	<u>303,911</u>
NET ASSETS - end of year	<u>\$ 517,963</u>	<u>\$ 452,385</u>

The accompanying notes are an integral part of these statements.

GREATER ROCHESTER SPORTS AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from Monroe County hotel room occupancy tax	\$ 285,000	\$ 285,000
Interest received	19,572	33,040
Grants to Monroe County Sports Development Corporation	(225,000)	(150,000)
Payments to suppliers and vendors	<u>(14,962)</u>	<u>(16,387)</u>
Net cash flow from operating activities	<u>64,610</u>	<u>151,653</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayment of advances from Greater Rochester Outdoor Sports Facility Corporation	<u>-</u>	<u>(662,339)</u>
Net cash flow from noncapital financing activities	<u>-</u>	<u>(662,339)</u>
CHANGE IN CASH AND EQUIVALENTS	64,610	(510,686)
CASH AND EQUIVALENTS - beginning of year	<u>384,314</u>	<u>895,000</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 448,924</u>	<u>\$ 384,314</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 65,578	\$ 148,474
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in:		
Accrued expenses	<u>(968)</u>	<u>3,179</u>
Net cash flow from operating activities	<u>\$ 64,610</u>	<u>\$ 151,653</u>

The accompanying notes are an integral part of these statements.

GREATER ROCHESTER SPORTS AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

1. THE AUTHORITY

Greater Rochester Sports Authority (the Authority) is a not-for-profit public benefit corporation formed for the purpose of managing the operations of a sports stadium in Rochester, New York, known as Frontier Field (the Stadium). The County of Monroe owns the Stadium and leases it to Greater Rochester Outdoor Sports Facility Corporation (GROSFC).

The Authority has a management agreement with GROSFC whereby the Authority oversees the operations of the Stadium. The Authority has, in turn, outsourced the day-to-day operations of the Stadium to Beau Productions and, acting as a disclosed agent for GROSFC, entered into a management agreement with Beau Productions. Under the terms of the management agreement with GROSFC, GROSFC is required to reimburse the Authority for all reasonable costs incurred by the Authority to oversee the operations of the Stadium. Since the day-to-day operations of the Stadium were outsourced to Beau Productions and GROSFC paid Beau Productions for services rendered, the Authority did not incur any costs related to the management agreement in either 2007 or 2006. As such, GROSFC did not reimburse the Authority for any costs in either 2007 or 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments, including public benefit corporations. In accordance with GAAP, the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Standards Board (APB) opinions, issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to adopt the provisions of paragraph 7 of GASB Statement No. 20. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Authority's services are classified as proprietary activities. All of the Authority's net assets were unrestricted in 2007 and 2006.

Cash and Equivalents

State statutes govern the Authority's investment policies. Authority monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State. Permissible investments include certificates of deposit and obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal government, or of New York State, and in general obligations of the State's political subdivisions.

Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in New York State General Municipal Law, Section 10 and outlined in the New York State Comptroller's Financial Management Guide.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents (Continued)

At December 31, 2007, the Authority's cash and cash equivalents were entirely covered by FDIC insurance, or by eligible securities held in the Authority's name by a third-party custodial bank.

Advances to Greater Rochester Outdoor Sports Facility Corporation

Prior to 2006, the Authority and GROSFC periodically advance funds to one another based on working capital needs. These advances do not bear interest and have no formal repayment terms. No amounts were due to GROSFC as of December 31, 2007 or 2006, and there were no such advances during 2007. During 2006, the Authority repaid \$662,339 of advances that were outstanding at December 31, 2005.

Contracts Entered into on Behalf of GROSFC

GRSA has a management contract with GROSFC to operate and maintain the Stadium. Pursuant to this contract, GRSA is authorized and required to act as GROSFC's disclosed agent and may enter into contracts on behalf of GROSFC for various services required to effectively operate and maintain the Stadium. GRSA is acting as GROSFC's agent in these transactions. As such, the expenses related to these contracts are not included in GRSA's financial statements, but are included as expenses on GROSFC's financial statements as the principal in the transaction. Contracts entered into on behalf of GROSFC are summarized in Note 5.

Revenue Recognition

The Authority receives an allocation of the Monroe County hotel room occupancy tax to be used in accordance with the purposes set forth in the Monroe County Hotel Occupancy Tax Law, including, but not limited to, supporting sports facility development. The Authority recognizes revenue from the occupancy tax in the period to which the payments relate. Since the fourth quarter payments are normally not received until after year-end, the Company includes them in receivables at year-end.

Income Taxes

The Authority is a public benefit corporation and is not subject to income tax.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. GRANTS TO MONROE COUNTY SPORTS DEVELOPMENT CORPORATION

During 2007 and 2006, the Authority paid \$225,000 and \$150,000, respectively, to Monroe County Sports Development Corporation (MCSDC) to develop and implement a comprehensive plan to attract, create and promote sports and sporting events in Monroe County. These efforts are expected to result in a significant increase in the number of visitors, hotel room nights, and events held in Monroe County.

4. CONCENTRATIONS

During 2007 and 2006, approximately 94% and 90%, respectively, of the Authority's revenue came from the Monroe County Hotel Room Occupancy Tax.

5. COMMITMENTS AND CONTINGENCIES

GRSA, acting as agent for GROSFC, entered into a contract with Beau Productions to manage the day-to-day operations of the Stadium for the period March 1, 2007 through December 31, 2011. Prior to March 1, 2007, Beau Productions managed the day-to-day operations of the Stadium under the terms of a similar contract entered into directly between GROSFC and Beau Productions. Monthly payments for 2008 are \$19,671. Commencing January 1, 2009 and each January 1 thereafter through January 1, 2011, the monthly fee will be increased by three percent or by the increase in the Consumer Price Index for Western New York from the immediately preceding January 1, whichever is greater. As described in Note 2, GRSA entered into this contract as a disclosed agent on behalf of GROSFC. As such, expenses incurred under this contract have been excluded from GRSA's financial statements and included as expenses on GROSFC's financial statements as the principal in the transaction. Minimum future payments required under this contract are as follows for the years ended December 31:

2008	\$	236,052
2009		243,134
2010		250,428
2011		<u>257,940</u>
	\$	<u>987,554</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 5, 2008

To the Board of Directors of
Greater Rochester Sports Authority:

We have audited the financial statements of the Greater Rochester Sports Authority (the Authority) as of and for the year ended December 31, 2007, and have issued our report thereon dated June 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the Authority's management in a separate letter dated June 5, 2008.

This report is intended solely for the information and use of management, the Board members of the Greater Rochester Sports Authority, and others within the entity, and is not intended to be used and should not be used by anyone other than these specified parties.

BONADIO & Co., LLP