

**CIVIC CENTER MONROE COUNTY
LOCAL DEVELOPMENT CORPORATION**

**Financial Statements
as of December 31, 2011 and 2010
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

March 12, 2012

To the Board of Directors of
Civic Center Monroe County Local Development Corporation:

We have audited the accompanying balance sheets of Civic Center Monroe County Local Development Corporation (Civic Center, LDC) (a New York nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Civic Center, LDC'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 audit 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 the 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 Civic Center Monroe County Local Development Corporation as of December 31, 2011 and 2010, and the changes 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 March 12, 2012, on our consideration of Civic Center, LDC'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 should be considered in assessing the results of our audit.

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CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 608,599	\$ 596,341
Accounts receivable	174,854	176,786
Prepaid expenses	<u>88,260</u>	<u>86,106</u>
Total current assets	<u>871,713</u>	<u>859,233</u>
FIXED ASSETS:		
Land	3,920,000	3,920,000
Building and improvements, net of accumulated depreciation	<u>1,796,482</u>	<u>1,933,048</u>
Total fixed assets	<u>5,716,482</u>	<u>5,853,048</u>
Total assets	<u><u>\$ 6,588,195</u></u>	<u><u>\$ 6,712,281</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 43,848	\$ 2,150
Due to Monroe County	43,292	86,542
Current portion of deferred revenue	340,000	340,000
Other liabilities	<u>2,203</u>	<u>-</u>
Total current liabilities	429,343	428,692
DEFERRED REVENUE, net of current portion	<u>3,740,000</u>	<u>4,080,000</u>
Total liabilities	4,169,343	4,508,692
UNRESTRICTED NET ASSETS	<u>2,418,852</u>	<u>2,203,589</u>
Total liabilities and net assets	<u><u>\$ 6,588,195</u></u>	<u><u>\$ 6,712,281</u></u>

The accompanying notes are an integral part of these statements.

CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE:		
Surface lot fees	\$ 78,166	\$ 89,575
Parking garage lease fees	506,427	480,981
Lease contract fee amortization	<u>340,000</u>	<u>340,000</u>
Total operating revenue	<u>924,593</u>	<u>910,556</u>
OPERATING EXPENSES:		
Program -		
Property taxes	216,223	213,836
Management fee - MAPCO Civic Center, LLC	78,166	89,575
Depreciation	<u>144,000</u>	<u>144,000</u>
Total program expenses	<u>438,389</u>	<u>447,411</u>
Management and general -		
Professional services	<u>273,344</u>	<u>190,906</u>
Total management and general expenses	<u>273,344</u>	<u>190,906</u>
Total operating expenses	<u>711,733</u>	<u>638,317</u>
Operating income	<u>212,860</u>	<u>272,239</u>
NONOPERATING REVENUES:		
Interest income	<u>2,403</u>	<u>1,833</u>
Total nonoperating revenues	<u>2,403</u>	<u>1,833</u>
CHANGE IN NET ASSETS	215,263	274,072
NET ASSETS - beginning of year	<u>2,203,589</u>	<u>1,929,517</u>
NET ASSETS - end of year	<u>\$ 2,418,852</u>	<u>\$ 2,203,589</u>

The accompanying notes are an integral part of these statements.

CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
NET CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 215,263	\$ 274,072
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	144,000	144,000
Amortization of deferred revenue	(340,000)	(340,000)
Changes in:		
Accounts receivable	1,932	(21,520)
Prepaid property taxes	(2,154)	(1,070)
Accounts payable	41,698	(2,564)
Due to Monroe County	(43,250)	(29,471)
Other liabilities	<u>2,203</u>	<u>-</u>
Net cash flow from operating activities	19,692	23,447
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of building improvements	<u>(7,434)</u>	<u>-</u>
Net cash flow from investing activities	<u>(7,434)</u>	<u>-</u>
CHANGE IN CASH	12,258	23,447
CASH - beginning of year	<u>596,341</u>	<u>572,894</u>
CASH - end of year	<u>\$ 608,599</u>	<u>\$ 596,341</u>
NON-CASH TRANSACTION:		
Building improvements included in accounts payable at year-end	<u>\$ 41,848</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

1. THE CORPORATION

Civic Center Monroe County Local Development Corporation (Civic Center, LDC) was established in 2002 and is governed by its Articles of Incorporation, bylaws and general laws of the State of New York. On December 30, 2003, Civic Center, LDC purchased a public parking garage in downtown Rochester, New York and entered into a management agreement to operate surface parking lots leased by the County of Monroe (the County), New York. Although the County is not financially accountable for Civic Center, LDC it does appoint a voting majority of the board and as such is considered a related-party to Civic Center, LDC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

Civic Center, LDC's financial statements are prepared in conformity with accounting principles generally accepted in the United States.

At December 31, 2011 and 2010, all of Civic Center, LDC's net assets were unrestricted.

Cash

Cash consists of bank demand deposit accounts which, at times, may exceed federally insured limits. Civic Center, LDC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Accounts Receivable

Civic Center, LDC records receivables based upon the terms of the management agreement between MAPCO Civic Center, LLC (MAPCO), an unrelated party, and Civic Center, LDC to operate the surface lots and parking garage. Civic Center, LDC provides an allowance for doubtful accounts based upon Civic Center, LDC's historical collection experience and review of outstanding accounts. At December 31, 2011 and 2010, no allowance was considered necessary.

Fixed Assets

Fixed assets are stated at cost or if donated, at fair value at the date of contribution. Civic Center, LDC capitalizes fixed asset purchases greater than \$1,000, which have useful lives greater than one year. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for routine repairs and maintenance are expensed as incurred. Depreciation is computed on a straight-line basis over the shorter of the remaining lease term, or 20 years.

Deferred Revenue and Revenue Recognition

Deferred revenue is recorded for the lease contract fee received in advance under the terms of an operating lease agreement for the parking garage. The lease contract fee will be recognized as revenue on a straight-line basis over the 20-year term of the operating lease agreement which began in 2003. Parking fees are recognized as revenue as the services are provided to the customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Civic Center, LDC is a not-for-profit corporation organized pursuant to sections 402 and 1411 of the New York State Not-for-Profit Corporation law and is, therefore, exempt from income taxes. Civic Center, LDC is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit or affiliate of a governmental unit described in the procedure.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of December 31, 2011 and 2010, Civic Center, LDC does not have a liability for unrecognized tax benefits, nor does it file federal or New York State income tax returns.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States 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. CONCENTRATIONS

In 2011 and 2010, 100% of the Civic Center, LDC's total operating revenue and accounts receivable were attributable to MAPCO.

4. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 3,920,000	\$ 3,920,000
Building and improvements	<u>2,948,482</u>	<u>2,941,048</u>
	6,868,482	6,861,048
Less: Accumulated depreciation	<u>(1,152,000)</u>	<u>(1,008,000)</u>
	<u>\$ 5,716,482</u>	<u>\$ 5,853,048</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$144,000.

During 2009, Civic Center, LDC had begun a significant project to undergo improvements to the garage structure. As of December 31, 2011, these improvements and the entire project scope were not complete, and accordingly the cost of construction-in-progress (\$68,482 and \$61,048 at December 31, 2011 and 2010, respectively) has not begun to be depreciated. When completed, the improvements will be amortized over the remaining lease term. Civic Center, LDC anticipates that significant progress will be made on these improvements in 2012.

5. COMMITMENTS

Leases

Civic Center, LDC has an operating lease agreement with MAPCO through December 2023 for a public parking garage that requires monthly rent payments payable once MAPCO's gross revenue for the lease year exceeds a pre-determined floor of \$1,000,000. This floor was exceeded in 2011 and 2010. The rent received under this agreement was \$506,427 and \$480,981 for 2011 and 2010, respectively. In connection with the execution of the lease agreement between MAPCO and Civic Center, LDC, MAPCO was required to pay a contract fee of \$6,800,000 to Civic Center, LDC for the right to operate the parking facility for 20 years. The payment was recorded as deferred revenue when received and is being recognized as revenue over the life of the lease. All fixed assets owned by Civic Center, LDC are currently being leased to MAPCO under this agreement.

Management Agreements

The County has contracted with Civic Center, LDC to manage the County's surface lots in downtown Rochester through November 30, 2023. Simultaneously, Civic Center, LDC has subcontracted with MAPCO to operate those same surface lots through the same time period. The agreement with MAPCO requires that Civic Center, LDC reimburse all of MAPCO's costs associated with managing the lot, as well as an amount equal to the lesser of 20 percent of gross receipts or 30 percent of net profits as defined in the agreement. Under the terms of this agreement, Civic Center, LDC recorded management fee expense to MAPCO and equal surface lot fees revenue of \$78,166 and \$89,575 for 2011 and 2010, respectively.

Under the agreement with the County, after the management fee is paid to MAPCO, any remaining proceeds from the surface lots are to be collected and remitted to the County. Under the terms of the agreement with the County, as an agent for the County, Civic Center, LDC distributed \$198,567 and \$232,776 to the County for 2011 and 2010, respectively. At December 31, 2011 and 2010 Civic Center, LDC had a liability to the County in the amount of \$30,644 and \$37,476, respectively, related to the surface lot fees collected, but not remitted.

Asset Retirement Obligations

Generally accepted accounting principles clarify that conditional asset retirement obligations meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. As of December 31, 2011, Civic Center, LDC had determined that no significant asset retirement obligations existed. This determination was based on Civic Center, LDC's assessment of expected renovations to the garage. As existing renovations have not identified asset retirement obligations, Civic Center, LDC could not develop a reasonable estimate of their fair values. Civic Center, LDC will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient, additional information becomes available.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 12, 2012, which is the date the financial statements were available to be issued. Civic Center, LDC, entered into a contract in February, 2012 for building improvements to the Civic Center garage. The contracted cost is not to exceed \$1,956,000. The terms of the contract included direct debt-related financing for a ten-year period at 6.75% interest per annum for a substantial portion of the improvement costs. The amount to be financed is not determinable by management as of the date of this report.

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

March 12, 2012

To the Board of Directors of the
Civic Center Monroe County Local Development Corporation:

We have audited the financial statements of the Civic Center Monroe County Local Development Corporation (Civic Center, LDC) (a New York nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 12, 2012. 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

Management is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered Civic Center, LDC'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 Civic Center, LDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Civic Center, LDC's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Civic Center, LDC'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*.

This report is intended solely for the information and use of management, audit committee, others within the entity, Board of Directors, New York State Authorities Budget Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.