

**GREATER ROCHESTER OUTDOOR SPORTS
FACILITY CORPORATION**

**Financial Statements
as of December 31, 2014 and 2013
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

GREATER ROCHESTER OUTDOOR SPORTS FACILITY CORPORATION

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INDEPENDENT AUDITOR'S REPORT

March 9, 2015

To the Board of Directors of
Greater Rochester Outdoor Sports Facility Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Greater Rochester Outdoor Sports Facility Corporation (the Company), a New York public benefit corporation, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's 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 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 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 entity'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 entity'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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company, as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015 on our consideration of the Company'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

GREATER ROCHESTER OUTDOOR SPORTS FACILITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2014 AND 2013

Greater Rochester Outdoor Sports Facility Corporation (the Company) is a New York corporation that manages the operation of a sports stadium in Rochester, New York, known as Frontier Field (the Stadium). The County of Monroe, New York (the County) owns the Stadium and leases it to the Company. The Greater Rochester Sports Authority (the Authority) has a management agreement with the Company whereby the Authority oversees the operations of the Stadium. The Stadium is home to the Rochester Red Wings (Red Wings) baseball team, owned by Rochester Community Baseball (RCB).

The financial statements of the Company include the balance sheets, the statements of operations and change in member's deficit, 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 Company's creditors (liabilities), with the difference reported as member's deficit. The statements of operations and change in member's deficit, or income statement, show how the Company's deficit changed during the year. They account for all of the year's revenues and expenses, measure the financial results of the Company's operations for the year and can be used to determine how the Company has funded its costs. The statements of cash flows provide information about the Company'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 Company's accounting methods and policies.

Management provides the discussion and analysis of the Company's financial position and activities. This overview is provided for the years ended December 31, 2014 and 2013. The information contained in this analysis should be used by the reader in conjunction with the information contained in our 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 operations and change in member's deficit provide both long-term and short-term information about the Company's overall financial status.

FINANCIAL STATEMENTS

The financial statements of the Company 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 Company's activities are classified as proprietary activities.

FINANCIAL ANALYSIS - 2014

Financial Position

The Company's total assets decreased by approximately \$82,000 as a result of a decrease in cash of approximately \$46,000 due to current year operations and a decrease in accounts receivable of \$37,000 due to the timing of payments from RCB.

The Company has been unable to pay to the County the rent that it is contractually obligated to pay, which is approximately equal to the payments for debt service on bonds issued by the County for the construction of the Stadium. As a result, the amount due to the County has been increasing each year, with an increase in 2014 of approximately \$1,318,000 or 5%.

In addition, the Company was able to decrease the outstanding note payable from \$158,029 to \$100,871 by applying advertising revenue collected by RCB on their behalf approximating \$57,000. Total liabilities were approximately \$30,279,000, an increase of \$1.3 million over 2013. Total member's deficit increased to (\$28,898,978), which is representative of the significant liability to the County.

Revenues

The Company's sources of revenue include parking fees, suite rental, facility usage fees, naming rights, advertising fees, concession fees and revenue from events other than sporting events. Most sources of revenue are associated with turnstile attendance.

During 2014 total operating revenue decreased from the prior year by approximately \$83,000 or 7% due primarily to decreases in parking revenue of approximately \$30,000, advertising revenue of \$26,000, and concessions revenue of \$20,000. Parking revenue is generated from parking space tickets. While the parking revenue should closely coincide with turnstile count during the year, parking is limited by the number of available spaces. In both 2014 and 2013 parking revenue per turnstile attendance remained consistent at approximately \$1.70. The decrease in advertising revenue was due to the decrease in the 50/50 split revenue shared with RCB. The concessions revenue decreased since there were not as many outside events in 2014 as in 2013.

Parking revenue, suite rental revenue, and naming rights revenue are the highest sources of income for the Company, comprising of 37%, 19%, and 15%, respectively, of total revenue in 2014.

Turnstile attendance for the Red Wings games was as follows for the years ended December 31:

<u>Team</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Red Wings	247,141	241,926	5,215	2.2%

Expenses

Total operating expenses in 2014 decreased by approximately \$213,000 or 8% due to decreases in rent expense of approximately \$180,000, management fees of approximately \$38,000, office expenses of approximately \$33,000 offset by an increase in utilities of approximately \$29,000. The decrease in rent expense was scheduled in accordance with the contract with Monroe County. The decrease in management fees was due to a decrease in the billings from Monroe County for their time spent. The decrease in office expense was due to a prior year payment to release a vendor from the previous contract. The increase in utilities was due to increased electric and gas costs because of a harsher winter in 2014.

FINANCIAL ANALYSIS - 2013

Financial Position

The Company's cash increased by approximately \$432,000 in 2013, which was due primarily to a transfer from Greater Rochester Sports Authority in the amount of \$475,000 to finance on-going stadium projects. Total assets increased by approximately \$460,000 as a result of the increase in cash and offset by a decrease in net capital assets.

The Company has been unable to pay to the County the rent that it is contractually obligated to pay, which is approximately equal to the payments for debt service on bonds issued by the County for the construction of the Stadium. As a result, the amount due to the County has been increasing each year, with an increase in 2013 of approximately \$1,497,000 or 5%.

In addition, the Company was able to decrease the outstanding note payable from \$213,937 to \$158,029 by applying advertising revenue collected by RCB on their behalf approximating \$56,000. Total liabilities were approximately \$29,024,000, an increase of \$1.5 million over 2012. Total member's deficit increased to (\$27,562,372), which is representative of the significant liability to the County.

Revenues

During 2013 total operating revenue decreased from the prior year by approximately \$95,000 or 7% due primarily to an increase in advertising revenue of approximately \$62,000 which was offset by decreases in parking revenue of approximately \$42,000, suite rental of approximately \$72,000, facility usage fees of \$12,000, and concessions revenue of \$28,000. Parking revenue and Facility Usage Fees revenue decreased due to the decrease in turnstile attendance (17,755) arising from 39 additional games played by the Scranton/Wilkes Barre Yankees (Yankees) during 2012. Suite Rental revenue decreased due to the loss of four customers in 2013. Suite Rental revenue from such customers approximated \$61,000 during 2012. Concessions revenue decreased significantly because the Company received 6% of the concessions revenue for the 2012 Yankees games noting there were no Yankees games in 2013. Other revenue increased significantly, approximately \$475,000, because of a transfer from Greater Rochester Sports Authority to finance on-going stadium projects. The transfer from Greater Rochester Sports Authority, parking, and suite rental revenue are the highest sources of income for the Company, comprising of 28%, 26%, and 12%, respectively, of total revenue in 2013.

Turnstile attendance for the Red Wings games was as follows for the years ended December 31:

<u>Team</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Change</u>
Red Wings	241,926	232,315	9,611	4.1%

FINANCIAL ANALYSIS - 2013 (Continued)

Expenses

Total operating expenses in 2013 decreased by approximately \$297,000 or 10% due to a decrease in stadium maintenance and repairs of approximately \$199,000, a decrease in management fees of approximately \$52,000, a decrease in outside services of approximately \$36,000, a decrease in events expense of approximately \$16,000, offset by an increase in office expenses of approximately \$13,000. The decrease in stadium maintenance is due to significant structural and ventilation repairs performed in the prior year which were not necessary in the current year. The decrease in management fees is due to a change in the management contracts. In 2012, the Company contracted with a vendor for management services, but in 2013, this contract was terminated and replaced with two new contracts with the County and RCB. The decrease in outside services is due to a decrease in total labor hours year to year, noting the rate remained consistent.

The decrease in events expense is due to a change in the processing, noting that during 2012, the Company paid for the additional expenses surrounding outside events and was reimbursed by RCB, while in 2013, RCB paid for these costs directly.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Company's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Company, 50 West Main Street, Suite 8100, Rochester, NY 14614.

GREATER ROCHESTER OUTDOOR SPORTS FACILITY CORPORATION

BALANCE SHEETS DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 493,921	\$ 539,872
Accounts receivable	79,172	116,388
Prepaid expenses	<u>32,049</u>	<u>37,911</u>
Total current assets	605,142	694,171
CAPITAL ASSETS, net	<u>774,594</u>	<u>767,477</u>
	<u>\$ 1,379,736</u>	<u>\$ 1,461,648</u>
LIABILITIES AND MEMBER'S DEFICIT		
CURRENT LIABILITIES:		
Due to County of Monroe	\$ 30,125,144	\$ 28,807,462
Accounts payable and accrued expenses	<u>52,699</u>	<u>58,529</u>
Total current liabilities	30,177,843	28,865,991
LONG-TERM LIABILITIES:		
Due to Rochester Community Baseball	<u>100,871</u>	<u>158,029</u>
Total liabilities	30,278,714	29,024,020
MEMBER'S DEFICIT	<u>(28,898,978)</u>	<u>(27,562,372)</u>
	<u>\$ 1,379,736</u>	<u>\$ 1,461,648</u>

The accompanying notes are an integral part of these statements.

GREATER ROCHESTER OUTDOOR SPORTS FACILITY CORPORATION

STATEMENTS OF OPERATIONS AND CHANGE IN MEMBER'S DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE:		
Parking	\$ 412,576	\$ 442,817
Suite rental	212,880	206,282
Naming rights	165,000	165,000
Advertising	144,736	170,979
Facility usage fees	126,584	133,676
Outside events and other revenue	42,880	49,915
Concessions	<u>15,642</u>	<u>34,921</u>
Total operating revenue	<u>1,120,298</u>	<u>1,203,590</u>
OPERATING EXPENSES:		
Rent	1,317,682	1,497,416
Depreciation and amortization	213,909	221,905
Stadium maintenance and repairs	209,080	191,796
Management fees	180,338	218,654
Utilities	153,921	124,837
Parking	139,119	148,432
Insurance	107,804	94,277
Police	68,104	66,019
Pure water taxes	34,851	34,842
Professional fees	17,968	17,700
Office and other	13,021	46,033
State income taxes	1,550	1,500
Events	<u>-</u>	<u>6,469</u>
Total operating expenses	<u>2,457,347</u>	<u>2,669,880</u>
Loss from operations	(1,337,049)	(1,466,290)
OTHER REVENUE		
Transfer from Greater Rochester Sports Authority	-	475,000
Interest income	<u>443</u>	<u>650</u>
Total other revenue	<u>443</u>	<u>475,650</u>
NET LOSS	(1,336,606)	(990,640)
MEMBER'S DEFICIT - beginning of year	<u>(27,562,372)</u>	<u>(26,571,732)</u>
MEMBER'S DEFICIT - end of year	<u>\$ (28,898,978)</u>	<u>\$ (27,562,372)</u>

The accompanying notes are an integral part of these statements.

GREATER ROCHESTER OUTDOOR SPORTS FACILITY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Parking receipts	\$ 412,576	\$ 442,817
Suite rental receipts	212,880	194,402
Naming rights receipts	165,000	165,000
Facility usage receipts	126,584	150,443
Advertising receipts	87,578	65,417
Concessions receipts	15,642	34,921
Outside events and other receipts	53,986	30,337
Parking	(139,119)	(98,194)
Management and professional fees	(219,401)	(191,470)
Events	-	(6,469)
Outside services	(68,104)	(116,257)
Stadium maintenance and repairs	(200,586)	(196,511)
Insurance	(100,197)	(99,159)
Utilities and water	(165,769)	(222,199)
Office and other disbursements	<u>(14,571)</u>	<u>(47,533)</u>
Net cash flow from operating activities	<u>166,499</u>	<u>105,545</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	<u>(212,893)</u>	<u>(148,874)</u>
Net cash flow from capital and related financing activities	<u>(212,893)</u>	<u>(148,874)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Transfer from Greater Rochester Sports Authority	-	475,000
Interest received	<u>443</u>	<u>650</u>
Net cash flow from investing activities	<u>443</u>	<u>475,650</u>
CHANGE IN CASH	(45,951)	432,321
CASH - beginning of year	<u>539,872</u>	<u>107,551</u>
CASH - end of year	<u>\$ 493,921</u>	<u>\$ 539,872</u>
NON-CASH TRANSACTION:		
Leasehold improvements included in accounts payable at year-end	<u>\$ 8,133</u>	<u>\$ -</u>

(Continued)

GREATER ROCHESTER OUTDOOR SPORTS FACILITY CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Continued)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF CHANGE IN MEMBER'S DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Loss from operations	\$ (1,337,049)	\$ (1,466,290)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Non-cash advertising income from Rochester Community Baseball	(57,158)	(55,908)
Depreciation and amortization	213,909	221,905
Due to County of Monroe	1,317,682	1,497,416
Changes in:		
Accounts receivable	37,216	(97,705)
Prepaid expenses	5,862	(3,137)
Accounts payable and accrued expenses	<u>(13,963)</u>	<u>9,264</u>
Net cash flow from operating activities	<u>\$ 166,499</u>	<u>\$ 105,545</u>

The accompanying notes are an integral part of these statements.

GREATER ROCHESTER OUTDOOR SPORTS FACILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

1. THE COMPANY

Greater Rochester Outdoor Sports Facility Corporation (the Company) is a New York corporation formed to acquire and operate real and personal property for the economic benefit of the people in the County of Monroe (the County) and Rochester, New York area. The primary activity of the Company is the operation of a sports stadium in Rochester, New York, known as Frontier Field (the Stadium), which is used for the recreation, entertainment, amusement and benefit of the citizens of the County. The sole corporate member of the Company is the County of Monroe Industrial Development Agency (COMIDA). At inception, the Company was not able to obtain a definitive ruling from the Internal Revenue Service to be incorporated as a not-for-profit organization. Therefore, for tax purposes they have elected to be treated as a corporation.

Rochester Community Baseball, Inc. (RCB), which owns a minor league baseball team known as the Rochester Red Wings, is the primary user of the Stadium. The Company earns most of its revenue from baseball games played by the Rochester Red Wings.

2. CAPITAL RESOURCES AND LIQUIDITY

As described in Note 8, the Company leases the Stadium from the County under the terms of an agreement requiring annual payments at least equal to the County's debt service on bonds issued by the County to finance a portion of the construction of the Stadium.

Through December 31, 2014, the Company's expenses had exceeded revenues. As a result, the Company has been unable to make its required lease payments to the County. At December 31, 2014, the Company owed the County \$30,125,144 for unpaid rent, excluding any interest that may be charged on unpaid amounts. The County has not declared this an event of default under the terms of the lease and has indicated that it will not do so, nor will it demand any payment, prior to January 1, 2016. Further, the Company is obligated to make additional lease payments totaling \$10,036,191 through 2024.

The ability of the Company to continue to operate the Stadium is dependent on the County continuing not to declare the Company in default under the lease. If the County were to declare an event of default and terminate the lease, the County would be directly responsible for Stadium operations, unless operations were contracted to another entity. Since the majority of the Stadium's revenue and expenses relate to the long-term sublease with RCB, as described in Note 9, operating results would not be expected to be materially different if the Stadium were operated by the County or another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company 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 as well as those entities controlled by state and local governments.

The financial statements are reported using the economic resources measurement focus and 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 Company's services are classified as proprietary activities.

Cash

Cash includes cash on hand and a savings account.

Accounts Receivable

The Company provides credit to customers in the normal course of business. Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts are begun. When customary collection efforts are exhausted the account is written-off. An allowance for doubtful accounts is provided, when necessary, based primarily on the Company's prior collection experience and knowledge of specific outstanding accounts. There was no allowance for doubtful accounts at either December 31, 2014 or 2013.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets which range from 3 to 20 years. Leasehold improvements are amortized over the remaining lease term or the estimated useful life, whichever is shorter. Major additions and betterments that enhance the value of the Stadium are capitalized, while maintenance and repairs are charged to operations as incurred.

Management periodically evaluates the carrying value of capital assets whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. If the estimated fair value of assets is less than the carrying amount, an impairment loss is recognized. Management believes no such impairment existed at either December 31, 2014 or 2013.

Revenue Recognition

Revenue related to suite rentals is recognized ratably over the rental period. Deferred revenue, if applicable, represents cash received for suite rentals prior to revenue recognition. Other revenue is recognized when the services are provided (games, events) or when the products are delivered (concession, advertising spaces).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Deferred income taxes are provided to reflect the future tax consequences of temporary differences in the reporting of revenue and expenses for financial statement and tax purposes. At December 31, 2014, the Company had a deferred tax asset arising from Federal and New York State net operating loss carryforwards of approximately \$24.8 million. These carryforwards may be used to offset future taxable income and expire at various dates through 2031. Due to the uncertainty of the Company's ability to generate taxable income during the carryforward period, a valuation allowance equal to the deferred tax asset has been provided.

As of December 31, 2014 and 2013, the Company does not have a net liability for unrecognized tax benefits. The Company files income tax returns in the U.S. Federal and New York State jurisdictions. The Company is generally no longer subject to U.S. Federal and New York State income tax examinations by tax authorities for years through 2010.

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.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

State statutes govern the Company's investment policies. Company 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 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.

At December 31, 2014 and 2013, the Company's cash was covered by FDIC insurance, or by eligible securities held in the Company's name by a third-party custodial bank or by the bank's trust department. The Company's deposits consisted of the following at December 31:

	<u>2014</u>		<u>2013</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits	<u>\$ 491,762</u>	<u>\$ 493,921</u>	<u>\$ 537,014</u>	<u>\$ 539,872</u>

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

These deposits were insured or collateralized as follows:

	<u>2014</u>	<u>2013</u>
FDIC insurance	\$ 299,961	\$ 275,397
Collateralized by third party	<u>195,637</u>	<u>266,850</u>
Total FDIC insurance and collateral	<u>\$ 495,598</u>	<u>\$ 542,247</u>

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31 was as follows:

	Balance <u>12/31/13</u>	Additions	Deletions	Balance <u>12/31/14</u>
Stadium equipment	\$ 1,721,084	\$ 61,222	\$ -	\$ 1,782,306
Leasehold improvements	<u>969,388</u>	<u>159,804</u>	<u>-</u>	<u>1,129,192</u>
	<u>2,690,472</u>	<u>221,026</u>	<u>-</u>	<u>2,911,498</u>
Less: Accumulated depreciation and amortization on:				
Stadium equipment	(1,307,740)	(127,405)	-	(1,435,145)
Leasehold improvements	<u>(615,255)</u>	<u>(86,504)</u>	<u>-</u>	<u>(701,759)</u>
	<u>(1,922,995)</u>	<u>(213,909)</u>	<u>-</u>	<u>(2,136,904)</u>
	<u>\$ 767,477</u>	<u>\$ 7,117</u>	<u>\$ -</u>	<u>\$ 774,594</u>
	Balance <u>12/31/12</u>	Additions	Deletions	Balance <u>12/31/13</u>
Stadium equipment	\$ 1,684,276	\$ 91,286	\$ (54,478)	\$ 1,721,084
Leasehold improvements	<u>911,800</u>	<u>57,588</u>	<u>-</u>	<u>969,388</u>
	<u>2,596,076</u>	<u>148,874</u>	<u>(54,478)</u>	<u>2,690,472</u>
Less: Accumulated depreciation and amortization on:				
Stadium equipment	(1,212,148)	(150,070)	54,478	(1,307,740)
Leasehold improvements	<u>(543,420)</u>	<u>(71,835)</u>	<u>-</u>	<u>(615,255)</u>
	<u>(1,755,568)</u>	<u>(221,905)</u>	<u>54,478</u>	<u>(1,922,995)</u>
	<u>\$ 840,508</u>	<u>\$ (73,031)</u>	<u>\$ -</u>	<u>\$ 767,477</u>

6. DUE TO ROCHESTER COMMUNITY BASEBALL, INC.

During 1997, the Company received \$350,980 in cash and equipment from RCB. RCB has the right to sell certain stadium advertising on behalf of the Company, the proceeds of which are used to reduce the balance due on the cash and equipment provided. During 2011, this agreement was amended to include \$162,013 in additional equipment funding provided by RCB. RCB applied \$57,158 and \$55,908 of advertising revenues to the balance due in 2014 and 2013, respectively.

7. GREATER ROCHESTER SPORTS AUTHORITY

The Company has a management agreement with Greater Rochester Sports Authority (the Authority) whereby the Authority oversees the operations of the Stadium. The Authority has, in turn, outsourced the day-to-day operations of the Stadium and the marketing activities of the Stadium and, acting as a disclosed agent for the Company, has entered into management agreements on the Company's behalf (see Note 11). Under the terms of the management agreement with the Authority, the Company is required to reimburse the Authority for all of the reasonable costs incurred by the Authority to oversee the operations of the Stadium. Since the day-to-day operations of the Stadium were outsourced and the Company paid for those services rendered, the Authority did not incur any costs related to the management agreement in either 2014 or 2013. As such, the Company was not required to reimburse the Authority for any costs in either 2014 or 2013. However, the Company paid its respective contracts \$180,338 and \$218,654 in 2014 and 2013, respectively under the terms of the contracts in Note 11.

8. FACILITY LEASE

The Company leases the Stadium from the County under the terms of an operating lease agreement. The County issued bonds to finance a portion of the construction of the Stadium. The Company is required to make lease payments to the County in an amount at least equal to the debt service on the bonds through 2024. The Company has failed to make a majority of its required payments to the County under the terms of the lease agreement. The County agreed to not declare an event of default under the terms of the lease for nonpayment of rent through at least January 1, 2016. Future minimum lease payments due under the terms of the lease are as follows for the years ending December 31:

2015	\$ 1,028,940
2016	1,034,568
2017	1,005,957
2018	998,292
2019	999,139
Thereafter	<u>4,969,295</u>
	10,036,191
Plus: Amounts unpaid from prior years	<u>30,125,144</u>
	<u>\$ 40,161,335</u>

9. SUBLEASE AGREEMENT

The Company has a sublease agreement with RCB through 2017. The sublease provides for revenue sharing in lieu of rent. Ticket, premium suite, concession and advertising revenue are shared as described in the agreement. Revenue sharing varies based on attainment of specified revenue, ticket sale and attendance levels. The majority of the Company's accounts receivable was due from RCB at both December 31, 2014 and 2013.

The RCB sublease required the Company to establish a capital improvement fund. If turnstile attendance exceeds 300,000 during any one baseball season, RCB is required to make payments into the fund of up to \$200,000 annually and \$4 million in the aggregate. During 2014 and 2013, turnstile attendance did not exceed 300,000.

10. NAMING RIGHTS

The Company has an agreement with Frontier Communications of Rochester, Inc. (Frontier) for the naming rights of the Stadium. Under terms of the agreement, the Company will receive annual payments of \$165,000 through November 15, 2015. The agreement provides Frontier with a ten-year renewal option.

11. COMMITMENTS AND CONTINGENCIES

Management Agreement

The Authority, acting as agent for the Company, entered into contracts with the County and RCB, which are effective through December 31, 2014. Under the terms of these contracts, the County is responsible for the day-to-day maintenance responsibilities, while RCB is responsible for all on-site maintenance and marketing activities of the Stadium. Both contracts provide an option to renew for additional one year terms upon the mutual written consent of both parties. Expenses incurred under the aforementioned contracts in 2014 and 2013 were \$180,338 and \$218,654, respectively.

Parking Lot Leases

The Company has a lease agreement with Eastman Kodak Company for the rental of certain parking areas. Beginning in 2002, the base rent increases by 3% per year through the lease expiration date of September 30, 2017. Additional rent may be due based on the number of events held at the Stadium. Rent expense totaled \$37,815 and \$36,713 in 2014 and 2013, respectively, and is included as a component of parking expenses in the accompanying statements of operations and change in member's deficit.

The Company has an agreement with a third party to provide for parking lot operation services which expired December 31, 2011, which automatically continues thereafter from year to year, for no more than four additional years. The agreement requires the payment of a management fee equal to the greater of 10% of gross receipts or 16% of annual net receipts. Net receipts are defined as gross receipts less all operating expenses as set forth in the agreement's budget. Expenses related to this contract for 2014 and 2013 were \$52,087 and \$56,083, respectively.

Rochester Police Department Agreement

In both 2013 and 2012, the Company entered into an agreement with the Rochester Police Department to provide traffic and ground control for events held at the stadium for each baseball season. The agreements provide for a fixed rate of \$ 75.42 and \$69.75 per hour for a minimum of one Police Officer per event in 2014 and 2013, respectively. In 2014 and 2013, the Company incurred \$68,104 and \$66,019, respectively, of expense related to this agreement.

12. SUBSEQUENT EVENT

The Authority will begin the process of dissolution in March 2015 and, with the Board's anticipated approval, all of its assets and obligations under its management contract with the County shall be assigned to the Company. All of the Authority's operations are being assumed by the Company for the purpose of government efficiency and the consolidation of services related to the Stadium.

INDEPENDENT AUDITOR'S 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 9, 2015

To the Board of Directors of the
Greater Rochester Outdoor Sports Facility Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Greater Rochester Outdoor Sports Facility Corporation (the Company) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated March 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S 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 Company's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.