

To the Board of Directors of the
San Jose Arena Authority

We have compiled the accompanying statement of financial position of the San Jose Arena Authority (a non-profit corporation) as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Costantini, Danna, Immer & Reynolds

October 28, 2008

SAN JOSE ARENA AUTHORITY
(A Non-Profit California Corporation)
STATEMENT OF FINANCIAL POSITION
June 30, 2008
(See Independent Accountant's Compilation Report)

ASSETS

Current Assets:	
Cash	\$ 280,266
Prepaid expenses	<u>5,662</u>
Total Current Assets	285,928
Office Equipment, Furniture and Fixtures, Net of Accumulated Depreciation of \$51,772	<u>8,960</u>
Total Assets	<u>\$ 294,888</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 1,040
Accrued liabilities	19,484
Deferred revenue	<u>215,940</u>
Total Current Liabilities	<u>236,464</u>
Net Assets:	
Unrestricted	12,771
Temporarily restricted	<u>45,653</u>
Total Net Assets	<u>58,424</u>
Total Liabilities and Net Assets	<u>\$ 294,888</u>

See accompanying notes to financial statements

SAN JOSE ARENA AUTHORITY
(A Non-Profit California Corporation)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008
(See Independent Accountant's Compilation Report)

Support and Revenues:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
City of San Jose	\$ -	\$ 249,254	\$ 249,254
Arena seat revenue	4,405	-	4,405
Sports Hall of Fame Scholarship program	-	5,000	5,000
Interest income	99	698	797
Donated services	5,500	-	5,500
Satisfaction of purpose restrictions	<u>271,748</u>	<u>(271,748)</u>	<u>-</u>
Total Support and Revenues	<u>281,752</u>	<u>(16,796)</u>	<u>264,956</u>
Expenses:			
Program expenses:			
Oversite of Arena	71,913	-	71,913
Ticket Distribution	44,384	-	44,384
Community Programs	22,426	-	22,426
Sports Hall of Fame	59,745	-	59,745
Oversite of Ice Center	25,758	-	25,758
Oversite of Stadium	25,758	-	25,758
Administrative	<u>27,264</u>	<u>-</u>	<u>27,264</u>
Total Expenses	<u>277,248</u>	<u>-</u>	<u>277,248</u>
Increase (Decrease) in Net Assets	4,504	(16,796)	(12,292)
Net Assets:			
Beginning of year	<u>8,267</u>	<u>62,449</u>	<u>70,716</u>
End of Year	<u>\$ 12,771</u>	<u>\$ 45,653</u>	<u>\$ 58,424</u>

See accompanying notes to financial statements

SAN JOSE ARENA AUTHORITY
 (A Non-Profit California Corporation)
 For the Year Ended June 30, 2008
STATEMENT OF FUNCTIONAL EXPENSES
 (See Independent Accountant's Compilation Report)

	Program Services						Administrative	Total Expenses
	Oversite of Arena	Ticket Distribution	Community Programs	Sports Hall of Fame	Oversite of Ice Center	Oversite of Stadium		
Wages	\$ 49,118	\$ 32,108	\$ 14,277	\$ 14,277	\$ 18,420	\$ 18,420	\$ 15,869	\$ 162,489
Payroll taxes and employee benefits	11,406	7,456	3,315	3,315	4,277	4,277	3,685	37,731
Vehicle	974	122	244	244	365	365	122	2,436
Accounting	1,663	1,087	484	483	623	623	537	5,500
Board and staff development	0	0	0	0	0	0	2,041	2,041
Promotion	476	0	0	0	0	0	476	952
Community relations	0	0	2,500	0	0	0	0	2,500
Dues and subscriptions	45	30	13	13	17	17	15	150
Sports Hall of Fame plaque production	0	0	0	29,819	0	0	0	29,819
Scholarships	0	0	0	10,000	0	0	0	10,000
Depreciation	616	402	179	179	232	232	199	2,039
Insurance	2,212	1,446	643	643	829	829	714	7,316
Equipment rental	797	520	232	232	299	299	256	2,635
Equipment furnishing	98	64	28	28	37	37	32	324
Office supplies	1,200	784	349	349	450	450	388	3,970
Telephone	291	190	84	84	109	109	94	961
Miscellaneous	267	175	78	79	100	100	86	885
Donated services	2,750	0	0	0	0	0	2,750	5,500
Total Expenses	\$ 71,913	\$ 44,384	\$ 22,426	\$ 59,745	\$ 25,758	\$ 25,758	\$ 27,264	\$ 277,248

See accompanying notes to financial statements

SAN JOSE ARENA AUTHORITY
(A Non-Profit California Corporation)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008
(See Independent Accountant's Compilation Report)

Cash Flows From Operating Activities:		
Decrease in Net Assets		\$ (12,292)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		2,039
Prepaid expenses		(287)
Accounts payable		332
Accrued liabilities		2,461
Deferred revenue		<u>215,940</u>
Net Cash Provided By Operating Activities		208,193
 Cash Flows From Investing Activities		 -
 Cash Flows From Financing Activities		 <u>-</u>
Net Increase in Cash		208,193
 Cash:		
Beginning of year		<u>72,073</u>
End of Year		<u>\$ 280,266</u>

See accompanying notes to financial statements

SAN JOSE ARENA AUTHORITY
(A Non-Profit California Corporation)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008
(See Independent Accountant's Compilation Report)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The San Jose Arena Authority (the SJAA) was formed by resolution of the San Jose City Council to represent the City's interest in the oversight and operation of HP Pavilion at San Jose. The SJAA also serves as the City's community liaison concerning the day-to-day management and operation of HP Pavilion at San Jose. Additionally, the SJAA was designated by the San Jose City Council to evaluate the operations and management of Sharks Ice at San Jose and San Jose Municipal Stadium.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Support and Revenues:

The majority of support and revenues are received from the City of San Jose for the operation of San Jose Arena Authority.

Recognition of Donor Restrictions:

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Office Equipment, Furniture and Fixtures:

Office furniture and equipment is recorded at cost. Depreciation is computed on a straight-line basis over estimated useful lives of 5-20 years.

Income Taxes:

The organization is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash:

At June 30, 2008, cash balances in certain banks are in excess of the \$100,000 maximum insured by the Federal Deposit Insurance Corporation.

SAN JOSE ARENA AUTHORITY
(A Non-Profit California Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2008
(See Independent Accountant's Compilation Report)

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents:

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

NOTE 2 - OFFICE EQUIPMENT, FURNITURE AND FIXTURES

Office equipment, furniture and fixtures, and office improvements consist of the following at June 30, 2008:

Equipment	\$ 7,271
Furniture and fixtures/office improvements	<u>53,461</u>
	60,732
Less accumulated depreciation	<u>(51,772)</u>
	<u>\$ 8,960</u>

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2008 are available for the following purposes or periods:

Sports Hall of Fame program	\$ 23,045
Scholarship program	6,855
Oversite of Arena, Sharks Ice and Municipal Stadium	<u>15,753</u>
	<u>\$ 45,653</u>

NOTE 4 - OPERATING LEASE

The Organization leases office equipment under a non-cancelable agreement which require minimum lease payments plus sales tax. Lease payments for equipment for the year ended June 30, 2008 totaled \$2,360.

Future lease payments are as follows:

<u>Year Ended</u> <u>December 31,</u>	
2009	\$ 2,338
2010	2,338
2011	<u>1,754</u>
	<u>\$ 12,428</u>

