

Financial statements and report of independent certified public accountants

**Bradley Center Sports and Entertainment Corporation**

June 30, 2004 and 2003

**Grant Thornton** 

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors

**Bradley Center Sports and Entertainment Corporation**

We have audited the accompanying statements of financial position of Bradley Center Sports and Entertainment Corporation (the "Corporation," a Wisconsin not-for-profit corporation) as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 of America. 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 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 Bradley Center Sports and Entertainment Corporation as of June 30, 2004 and 2003, 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 of America.

*Grant Thornton LLP*

GRANT THORNTON LLP

Milwaukee, Wisconsin  
August 20, 2004

## Bradley Center Sports and Entertainment Corporation

### STATEMENTS OF FINANCIAL POSITION

As of June 30,

ASSETS	2004			2003		
	Current Operations	Plant	Total	Current Operations	Plant	Total
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 2,296,346	\$ -	\$ 2,296,346	\$ 2,207,646	\$ -	\$ 2,207,646
Cash deposits held for others	2,794,435	-	2,794,435	1,699,290	-	1,699,290
Total cash and cash equivalents	5,090,781	-	5,090,781	3,906,936	-	3,906,936
Accounts and interest receivable	184,451	-	184,451	93,581	-	93,581
Prepaid expenses and other assets	543,706	-	543,706	206,854	-	206,854
Inventories	299,746	-	299,746	264,810	-	264,810
Total current assets	6,118,684	-	6,118,684	4,472,181	-	4,472,181
<b>PROPERTY AND EQUIPMENT – AT COST:</b>						
Land	-	9,707,824	9,707,824	-	9,707,824	9,707,824
Buildings and improvements	-	69,355,192	69,355,192	-	69,486,740	69,486,740
Machinery and equipment	-	22,716,929	22,716,929	-	22,833,945	22,833,945
Construction in progress	-	67,590	67,590	-	478,572	478,572
	-	101,847,535	101,847,535	-	102,507,081	102,507,081
Less accumulated depreciation	-	(56,846,919)	(56,846,919)	-	(54,400,665)	(54,400,665)
Property and equipment, net	-	45,000,616	45,000,616	-	48,106,416	48,106,416
Assets designated for future property and equipment replacement	-	9,261,733	9,261,733	-	10,179,531	10,179,531
Total assets	\$ 6,118,684	\$ 54,262,349	\$ 60,381,033	\$ 4,472,181	\$ 58,285,947	\$ 62,758,128
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts and deposits payable	\$ 3,403,666	\$ -	\$ 3,403,666	\$ 2,112,530	\$ -	\$ 2,112,530
Other accrued liabilities	2,785,369	-	2,785,369	1,956,028	-	1,956,028
Deferred suite and other revenues	189,313	-	189,313	200,669	-	200,669
Current maturities of long-term debt	5,840,564	-	5,840,564	601,629	-	601,629
Total current liabilities	12,218,912	-	12,218,912	4,870,856	-	4,870,856
<b>LONG-TERM LIABILITIES:</b>						
Long-term debt	143,372	-	143,372	6,039,693	-	6,039,693
Other liabilities	2,200,000	-	2,200,000	2,100,000	-	2,100,000
Total liabilities	14,562,284	-	14,562,284	13,010,549	-	13,010,549
<b>NET ASSETS:</b>						
Unrestricted						
Undesignated	(8,443,600)	45,000,616	36,557,016	(8,538,368)	48,106,416	39,568,048
Designated plant	-	9,261,733	9,261,733	-	10,179,531	10,179,531
Total net assets	(8,443,600)	54,262,349	45,818,749	(8,538,368)	58,285,947	49,747,579
Total liabilities and net assets	\$ 6,118,684	\$ 54,262,349	\$ 60,381,033	\$ 4,472,181	\$ 58,285,947	\$ 62,758,128

*The accompanying notes to financial statements are an integral part of these statements.*

## Bradley Center Sports and Entertainment Corporation

### STATEMENTS OF ACTIVITIES Years Ended June 30,

	2004			2003		
	Current Operations	Plant	Total	Current Operations	Plant	Total
<b>OPERATING:</b>						
Changes in unrestricted net assets						
Revenues, gains and other						
Gross products and services	\$ 17,055,821	\$ -	\$ 17,055,821	\$ 17,889,893	\$ -	\$ 17,889,893
Tenant shared revenue	(4,745,355)	-	(4,745,355)	(4,799,300)	-	(4,799,300)
Net products and services	12,310,466	-	12,310,466	13,090,593	-	13,090,593
Tenant leases	1,611,649	-	1,611,649	1,691,273	-	1,691,273
Parking	1,800,366	-	1,800,366	1,761,654	-	1,761,654
Income on investments	34,068	-	34,068	56,102	-	56,102
Other	2,229,742	-	2,229,742	2,384,012	-	2,384,012
Total revenues, gains and other	17,986,291	-	17,986,291	18,983,634	-	18,983,634
Expenses						
Salaries, wages and benefits	7,527,449	-	7,527,449	7,959,070	-	7,959,070
Direct product costs	6,753,304	-	6,753,304	7,536,164	-	7,536,164
Depreciation	3,065,611	-	3,065,611	3,870,664	-	3,870,664
Contracted services, maintenance and supplies	1,929,130	-	1,929,130	1,640,732	-	1,640,732
Professional fees and other administrative	1,354,747	-	1,354,747	1,029,888	-	1,029,888
Utilities, insurance and property taxes	1,267,648	-	1,267,648	1,240,897	-	1,240,897
Interest	319,435	-	319,435	447,847	-	447,847
Total expenses	22,217,324	-	22,217,324	23,725,262	-	23,725,262
Decrease in unrestricted net assets from operations	(4,231,033)	-	(4,231,033)	(4,741,628)	-	(4,741,628)
<b>NONOPERATING:</b>						
Income on assets designated for future property and equipment replacements						
Interest and dividend income	-	351,088	351,088	-	446,816	446,816
Realized gains and losses, net	-	116,066	116,066	-	(95,398)	(95,398)
Net unrealized (depreciation) appreciation in investments	-	(137,753)	(137,753)	-	392,554	392,554
Total investment income	-	329,401	329,401	-	743,972	743,972
Trustee fees	-	(27,198)	(27,198)	-	(30,486)	(30,486)
Transfer of depreciation expense	3,065,611	(3,065,611)	-	3,870,663	(3,870,663)	-
Transfer of net additions of property and equipment	40,190	(40,190)	-	(352,935)	352,935	-
Other transfers, net	1,220,000	(1,220,000)	-	230,000	(230,000)	-
Change in nonoperating net assets	4,325,801	(4,023,598)	302,202	3,747,728	(3,034,242)	713,486
Total change in net assets	94,768	(4,023,598)	(3,928,830)	(993,900)	(3,034,242)	(4,028,142)
Net assets at beginning of year	(8,538,368)	58,285,947	49,747,579	(7,544,468)	61,320,189	53,775,721
Net assets at end of year	\$ (8,443,600)	\$ 54,262,349	\$ 45,818,749	\$ (8,538,368)	\$ 58,285,947	\$ 49,747,579

*The accompanying notes to financial statements are an integral part of these statements.*

## Bradley Center Sports and Entertainment Corporation

### STATEMENTS OF CASH FLOWS

Years Ended June 30,

	2004			2003		
	Current Operations	Plant	Total	Current Operations	Plant	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Change in net assets	\$ 94,768	\$ (4,023,598)	\$ (3,928,830)	\$ (993,900)	\$ (3,034,242)	\$ (4,028,142)
Adjustments to reconcile change in net assets to net cash from operating activities:						
Depreciation	-	3,065,611	3,065,611	-	3,870,664	3,870,664
Write off of construction in process	-	409,757	409,757	-	-	-
Changes in operating assets and liabilities:						
Accounts and interest receivable	(90,870)	-	(90,870)	4,142	-	4,142
Prepaid expenses and other current assets	(336,852)	-	(336,852)	(73,217)	-	(73,217)
Inventories	(34,936)	-	(34,936)	(2,651)	-	(2,651)
Accounts and deposits payable	1,291,136	-	1,291,136	1,088,468	-	1,088,468
Other accrued liabilities	829,341	-	829,341	(516,007)	-	(516,007)
Deferred suite and other revenues	(11,356)	-	(11,356)	76,214	-	76,214
Net cash provided by (used in) operating activities	1,741,231	(548,230)	1,193,001	(416,951)	836,422	419,471
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Additions to property and equipment	-	(369,568)	(369,568)	-	(352,935)	(352,935)
Decrease (increase) in assets designated for future property and equipment replacements	-	917,798	917,798	-	(483,487)	(483,487)
Net cash provided by (used in) investing activities	-	548,230	548,230	-	(836,422)	(836,422)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Proceeds from long-term debt and changes in other liabilities	100,000	-	100,000	2,100,000	-	2,100,000
Payments on long-term debt	(657,386)	-	(657,386)	(538,530)	-	(538,530)
Net cash (used in) provided by financing activities	(557,386)	-	(557,386)	1,561,470	-	1,561,470
Net increase in cash and cash equivalents	1,183,845	-	1,183,845	1,144,519	-	1,144,519
Cash and cash equivalents at beginning of year	3,906,936	-	3,906,936	2,762,417	-	2,762,417
Cash and cash equivalents at end of year	\$ 5,090,781	\$ -	\$ 5,090,781	\$ 3,906,936	\$ -	\$ 3,906,936
Supplemental data:						
Cash paid for interest	\$ 319,435	\$ -	\$ 319,435	\$ 447,847	\$ -	\$ 447,847

*The accompanying notes to financial statements are an integral part of these statements.*

## **Bradley Center Sports and Entertainment Corporation**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2004 and 2003

#### **NOTE A - NATURE OF THE CORPORATION**

Bradley Center Corporation (“BCC”) was incorporated on March 13, 1985, as a Wisconsin nonstock, not-for-profit corporation. BCC had been formed for the purpose of constructing and operating the Bradley Center (the “Center”), a recreational and sports facility in Milwaukee, Wisconsin. The Center was opened and began operations October 1, 1988. All funding of the construction costs of the Center, a memorial to the late Harry L. Bradley, was provided by the late Mr. and Mrs. Lloyd H. Pettit.

The BCC had received a determination letter from the Internal Revenue Service (“IRS”) which exempted BCC from Federal income taxes under Section 501(c) (3), of the Internal Revenue Code. BCC was also exempt from state income taxes.

In conjunction with obtaining its tax-exempt status, BCC represented that it would use its best efforts to transfer ownership of the Center to the State of Wisconsin (the “State”), or a political subdivision or instrumentality of the State. The transfer of ownership of the Center to the Bradley Center Sports and Entertainment Corporation (the “Corporation”), an entity established via State legislation, occurred effective June 30, 1993. BCC received a ruling from the IRS that the transfer of ownership would not adversely impact its tax-exempt status. The Corporation is exempt from taxes as an instrumentality of the State.

#### **NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by the Corporation are described below to enhance the usefulness of the financial statements for the reader.

##### ***1. Basis of Accounting***

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

##### ***2. Basis of Presentation***

The Corporation prepares the financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under this provision, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

**Bradley Center Sports and Entertainment Corporation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

**2. *Basis of Presentation* - Continued**

Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met by actions of the Corporation and/or the passage of time. As of June 30, 2004 and 2003, the Corporation had no temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Corporation's actions. As of June 30, 2004 and 2003, the Corporation had no permanently restricted net assets.

**3. *Fund Accounting and Designated Net Assets***

The Corporation utilizes fund accounting for internal record keeping purposes. The assets, liabilities, and net assets of the Corporation are reported in two separate funds, as follows:

Current Operations

This fund accounts for the day-to-day operations of the Center. Depreciation expense is initially charged to this fund and then transferred annually to the plant fund.

**Bradley Center Sports and Entertainment Corporation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

**3. *Fund Accounting and Designated Net Assets* - Continued**

Plant

This fund is used to account for the acquisition and disposal of property and equipment and to allocate the cost of fixed assets acquired over their estimated useful lives. The assets and liabilities resulting from this are recorded in this fund. Property and equipment acquisitions are initially financed by the current operations fund and then transferred annually to the plant fund.

Since the Corporation has the statutory responsibility to adequately provide for the long-term maintenance of the Center for the benefit of the citizens of the State, the Board of Directors has designated certain unrestricted net assets for the purpose of funding property and equipment replacements. As of June 30, 2004 and 2003, the specific assets designated for future property and equipment replacements, consisting primarily of investments (see Note C), have been classified as a noncurrent asset in the accompanying Statements of Financial Position.

**4. *Accounts Receivable***

The majority of the Corporation's accounts receivable are due from suite holders, tenants, and other patrons. Credit is extended based on an evaluation of a customer's financial condition and past history and, generally, collateral is not required. Accounts receivable are payable upon receipt and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding significantly longer than the contractual payment terms are considered past due. The Corporation determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Corporation's previous loss history, the customer's current ability to pay its obligation to the Corporation, and the condition of the general economy and the industry as a whole. The allowance for bad debts was \$2,250 and \$2,000 for 2004 and 2003, respectively. The Corporation writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Corporation write-offs have been minimal due to the continuity of the customer base.

**Bradley Center Sports and Entertainment Corporation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

**5. *Inventories***

Inventories are stated at the lower of cost or market, with cost being determined using the first-in, first-out method.

**6. *Property and Equipment***

Property and equipment are stated at cost. The Corporation provides for depreciation by use of the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings and improvements	15-40 years
Machinery and equipment	5-15 years

Certain costs directly attributable to the development and construction of the Center have been capitalized. These include architectural and engineering fees as well as certain interest, construction administration and overhead costs. Land contributed by the City of Milwaukee (the "City") is recorded at the City's cost.

**7. *Advertising Costs***

The Corporation expenses advertising costs as they are incurred. Total advertising expense was \$3,415 and \$69,259 for fiscal years 2004 and 2003, respectively.

**8. *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**9. *Cash Equivalents***

Cash equivalents are defined as short-term investments with maturities generally of three months or less at time of purchase.

**Bradley Center Sports and Entertainment Corporation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

*10. Derivative Financial Instruments*

The Corporation was not party to any derivative financial instrument contracts in fiscal years 2004 or 2003.

**NOTE C - INVESTMENTS**

The Corporation carries investments at fair value as determined by quoted market prices.

Plant investments are designated for future property and equipment replacements as reflected in the accompanying Statements of Financial Position. The fair value of investments by type as of June 30 are as follows:

	<u>2004</u>	<u>2003</u>
Certificate of deposit	\$ 100,000	\$ 100,000
Money market fund	1,874,738	595,873
U.S. treasury notes	1,225,180	2,306,596
Corporate bonds (non-government)	3,122,013	4,083,286
Federal agencies, state and municipal securities	942,937	1,481,719
Equity mutual funds	<u>1,943,725</u>	<u>1,525,241</u>
	9,208,593	10,092,715
Accrued income on investments	55,144	89,443
Accrued trustee fees	<u>(2,004)</u>	<u>(2,627)</u>
Fair value of investments	<u>\$9,261,733</u>	<u>\$10,179,531</u>

Plant investment income for fiscal years 2004 and 2003 consists of interest, dividends, realized gains (losses) and unrealized appreciation (depreciation).

Current operation's investments consist of cash and cash equivalents. Current operations investment income consists entirely of interest income.

**Bradley Center Sports and Entertainment Corporation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE D - LONG-TERM DEBT**

Long-term debt as of June 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Promissory note to bank, unsecured, payable in monthly installments of \$32,800, including interest at 4.00%, balance due July 2, 2005.	\$ 491,712	\$ 857,081
Promissory note to bank, unsecured, payable in monthly installments of \$24,000, including interest at 4.09%, balance due January 1, 2005.	2,505,307	2,684,965
Promissory note to bank, unsecured, payable in monthly installments of \$19,698, including interest at 4.00%, balance due April 1, 2005.	<u>2,986,917</u>	<u>3,099,276</u>
Total debt	5,983,936	6,641,322
Less – current maturities	<u>(5,840,564)</u>	<u>(601,629)</u>
Long-term debt	\$ <u>143,372</u>	\$ <u>6,039,693</u>

Future principal payments required on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$5,840,564
2006	<u>143,372</u>
	<u>\$5,983,936</u>

On November 4, 2003, the Corporation provided a \$100,000 letter of credit to its liability insurance company. The line of credit is renewable in October 2004. There were no draws on the letter of credit as of June 30, 2004.

**Bradley Center Sports and Entertainment Corporation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE E - CASH DEPOSITS HELD FOR OTHERS**

The Corporation maintains separate cash accounts, under various operating agreements for cash collections related to ticket sales through the Center box office. The cash collected for these ticket sales is to be remitted to the respective promoter or tenant at the settlement of the event. As of June 30, 2004 and 2003, the Corporation had \$2,794,435 and \$1,699,290, respectively, in cash that was held in a fiduciary capacity under the terms of the agreements. These amounts are shown as a corresponding current liability included in accounts and deposits payable in the accompanying Statements of Financial Position.

**NOTE F - TENANT LEASE AGREEMENTS**

The Corporation has entered into lease agreements with Milwaukee Bucks, Inc. (the "Bucks"), P.B.C. Productions, Inc. (the "Admirals"), and Marquette University ("Marquette") for use of the Center. The expiration dates of these agreements are September 30, 2004, August 31, 2004, and March 16, 2004, respectively.

The Bucks receive a share of concessions, suites, catering, merchandise and program revenues which is reflected as tenant shared revenue in the accompanying Statements of Activities.

Under the lease agreement with the Bucks, the Corporation agreed to transfer additional suite revenues of \$2.1 million to the Bucks for both fiscal 2004 and 2003. Under the terms of the agreement, \$1 million was paid in fiscal 2004, \$1 million is payable in fiscal 2005, \$1.1 million has been deferred until no later than August 2005, and \$1.1 million has been deferred until no later than August 2006. Under certain conditions, each of the \$1.1 million deferrals may be extended an additional year.

**Bradley Center Sports and Entertainment Corporation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE G - SUITE LICENSE AND OTHER FEES**

The Corporation has entered into various license agreements ranging from three to five years for the use of the box suites at the Center. Minimum gross rental fees to be received primarily from the license agreements are as follows:

Year Ending June 30,	Amount
2005	\$ 5,452,337
2006	4,381,632
2007	2,856,490
2008	1,639,134
2009	<u>581,984</u>
	<u>\$14,911,577</u>

Under these agreements, deferred suite revenue of \$122,848 and \$108,752 is reflected in the accompanying Statements of Financial Position at June 30, 2004 and 2003, respectively.

**NOTE H - EMPLOYEE BENEFIT PLAN**

The Corporation has a defined contribution retirement plan (the "Retirement Plan"). The Retirement Plan is a qualified noncontributory profit sharing plan which allows for annual contributions to be made at the discretion of the Board of Directors. Contributions are allocated to eligible employees based on employee compensation and vest over time, as described in the Retirement Plan. During fiscal 2004 and 2003, contributions of approximately \$196,000 and \$197,000, respectively, were made and expensed.

The Corporation also has a deferred compensation plan for the benefit of its employees. The plan was established under Section 457 of the Internal Revenue Code which is applicable to units of state or local governments and other tax-exempt organizations. Under the terms of the plan, employees are permitted to defer compensation within specified legal limits on a pretax basis. Corporation contributions are not permitted by the Section 457 Plan.

**Bradley Center Sports and Entertainment Corporation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2004 and 2003

**NOTE I - RELATED PARTY TRANSACTIONS**

An officer of the Corporation is a member of a law firm which provides legal services to the Corporation. The cost of services provided by the officer's law firm to the Corporation was \$155,262 and \$101,011 for fiscal 2004 and 2003, respectively.

**NOTE J - CONTINGENCIES**

The Corporation is involved in contract and other disputes in the ordinary course of business. While the results of these matters cannot be predicted with any certainty, based upon the information presently available, management is of the opinion that the final outcome of such proceedings should not have a materially adverse effect upon the financial statements of the Corporation.

**NOTE K - SUBSEQUENT EVENTS**

On August 3, 2004, the Center entered into a contract to have a new fire alarm system installed. The total purchase price was approximately \$400,000. On June 22, 2004, the center entered into a contract to purchase commercial property for a total purchase price of approximately \$500,000.