

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF
MASSACHUSETTS)**

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Board Members
Massachusetts Convention Center Authority
Boston, Massachusetts 02210

We have audited the accompanying financial statements of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the fiscal years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2009 and 2008, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 10, the Authority applied the provisions of Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not 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 Governmental Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 4 through 14) and pension plan information (located on page 38) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority. The additional information (located on pages 40 through 41) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Julie S. & Company, LLC". The signature is written in a cursive, flowing style.

September 9, 2009

Management's Discussion and Analysis

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) comments on the Massachusetts Convention Center Authority's operations, performance and financial condition for the fiscal years ended June 30, 2009 and 2008.

The MD&A is presented in four sections:

Background describes the Authority's legislative history and enabling authority.

About our Business describes the Authority's mission, business, objectives, and strategies for success.

Summary of Financial Performance reviews the key measures we use to assess our performance and how our results in 2009 and 2008 compare to our results in 2008 and 2007. It also provides detailed information and analysis about our performance for the past two years. It focuses on our operating results and provides financial information for each of our four facilities.

Risk Assessment provides an overview of the key risks that could affect our business.

Please refer to the audited *Financial Statements* when reading the MD&A.

About Forward Looking Statements

Statements made in this MD&A, that describe the Authority's or management's objectives, projections, estimates, expectations or predictions of the future may be "forward-looking statements", which can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "should", "estimates", "anticipates", or the negative thereof or other variations thereon. The Authority cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. You will find a more detailed assessment of the risks that could cause our actual results to materially differ from our current expectations in the *Risk Assessment* section of this MD&A.

About the Financial Statements

The Authority maintains its accounts and prepares its financial statements in accordance with U.S. generally accepted accounting principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The financial statements of the Authority are maintained on an accrual basis of accounting. The Authority's financial report includes three basic financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows.

BACKGROUND

The Massachusetts Convention Center Authority (the "MCCA" or "Authority") is an independent public authority of the Commonwealth of Massachusetts that owns and operates public assembly facilities primarily for the convention, tradeshow and meetings industry. It was established by Chapter 190 of the Acts of 1982 which was subsequently amended by Chapter 629 of the Acts of 1982; Chapter 400 of the Acts of 1983; Chapter 637 of the Acts of 1983; Chapter 78 of the Acts of 1988; Chapter 138 of the Acts of 1991; Chapter 307 of the Acts of 1991; Chapter 110 of the Acts of 1993; Chapter 152 of the Acts of 1997 ("Chapter 152"); Chapter 23 of the Acts of 1998; and Chapter 45 of the Acts of 2001.

Under Chapter 190, the Commonwealth of Massachusetts acquired the John B. Hynes Veterans Memorial Auditorium and the Boston Common Garage from the City of Boston. To manage these newly acquired assets, the legislation created the Authority, which was governed by a seven-member board chaired by the Treasurer of the Commonwealth. The MCCA remodeled and expanded the auditorium building, creating the John B. Hynes Veterans Memorial Convention Center (the "Hynes"), which was opened in 1988.

In 1997, the Commonwealth passed Chapter 152, which empowered the Authority to construct and manage a new convention facility on the South Boston waterfront, the Boston Convention & Exhibition Center (the "BCEC"), and provided the MCCA with control over and responsibility for the Springfield Civic Center, its renovation and expansion. Chapter 152 also expanded the Authority's board membership from seven to thirteen, to be chaired by an appointee of the Governor (approved by the Mayor) with a six-year term.

In the fiscal year 2003 budget for the Commonwealth, several provisions were enacted affecting the operations, marketing and financial activities of the MCCA. Most significantly, it eliminated the Authority's funding for its net operating costs from the State Tourism Fund. This funding mechanism was replaced in fiscal year 2004 by disbursements from the Convention Center Fund, created by the 1997 Convention Center Act, which authorized the Commonwealth to provide the Authority with up to \$17 million for operating expenses from the fund. This use requires that the State Treasurer and Secretary of Administration and Finance annually certify the availability of funds within the \$17 million cap after payment of debt service which is required to be made first. This funding cap was subsequently increased to \$23 million in fiscal year 2005.

The Authority is considered a component unit of the Commonwealth of Massachusetts for financial statement reporting purposes.

ABOUT OUR BUSINESS

WHAT WE DO

The MCCA operates three world-class public assembly facilities that generate significant regional economic activity by attracting conventions, tradeshow, and other events to the Commonwealth of Massachusetts. Two of these facilities - the BCEC and the Hynes - generate event-related revenue primarily from the sale and use of meeting and exhibition space, the sale of services that support the use of that space, such as cleaning, electricity, security and telecommunications (together such services are referred to herein as "Support Services"), and commissions on food and beverage sales at the facilities. The third facility, the MassMutual Center in Springfield, generates both arena event revenue, from hosting a full season of Springfield Falcons minor league hockey games and other arena events, and convention event revenue from the attached convention center, which opened in October 2005. Through these facilities, the MCCA attracts hundreds of thousands of people to the Commonwealth of Massachusetts, enriching the local economy with hotel and retail spending, and other direct spending on goods and services.

The MCCA also operates a 1,367-space underground public parking garage, the Boston Common Garage, located in the Back Bay/Beacon Hill neighborhood of Boston. The Garage is a top-tier parking facility in the heart of Boston, providing secure and accessible parking for commuters, nearby residents, and tourists alike. The Garage generates revenue almost exclusively as a result of parking fees. Currently, the Garage is managed by an agreement with Central Parking, Inc., an experienced garage management company that also manages a number of other parking facilities in the Greater Boston area.

MANAGEMENT'S OBJECTIVES AND STRATEGY

The Authority's objective is to generate significant regional economic activity by attracting conventions, tradeshows, and other events to its world-class facilities while maximizing the investment return for the residents and businesses in the Commonwealth of Massachusetts. To accomplish this, the Authority's management operates the business consistent with strategic business principles that management believes will lead to success in the short term and over time. The Authority is committed to attaining industry leadership through focused and targeted sales and marketing that leverages the strengths of its facilities, the region, and regional demographics. The Authority also identifies high-quality customer service as a strategic advantage, and continues to invest in activities designed to hardwire the service value into the organization. Unifying the management team and the Authority's dedicated employees in achieving these objectives is part of the Authority's over-arching goal, and management believes it is critical to becoming a true leader in the meetings industry.

SUMMARY OF FINANCIAL PERFORMANCE

2009

The Authority performed well in fiscal year 2009, despite significant contractual changes, a challenging economic environment and an anticipated decrease in convention activities. Having now experienced five years of operating both the BCEC and the Hynes at the same time, management believes that the BCEC's rapid growth and the Hynes' stability during this brief history validates that the meetings marketplace regards the two facilities as distinct, viable "products."

In fiscal year 2009, the MassMutual Center was open for business for its third full year of operations. With the MassMutual Center's arena upgrades, addition of a convention center, and private operation and sales vigor, management believes that the facility will generate comparatively strong economic performance for a facility of its size and geographic location.

2008

The Authority enjoyed strong financial performance in fiscal year 2008, setting new benchmarks and surpassing milestones despite a sometimes-challenging economic environment. The BCEC continued to gain market share, increasing occupancy and generating an increasingly large portion of hotel room nights among the Authority's convention facilities. The Hynes delivered another financially strong year, with the highest gross revenues ever achieved by the facility. Having now experienced four years of operating both the BCEC and the Hynes at the same time, management believes that the BCEC's rapid growth and the Hynes' stability during this brief history validates that the meetings marketplace regards the two facilities as distinct, viable "products."

In fiscal year 2008, the MassMutual Center was open for business for its second full year of operations. The new facility sports a completely renovated arena with center-hung scoreboard and expanded concessions, and a new convention center with 40,650 square feet of exhibition space, a 14,880 square foot ballroom and 8,352 square feet of meeting room space. With the MassMutual Center's arena upgrades, addition of a convention center, and private operation and sales vigor, management believes that the facility will generate comparatively strong economic performance for a facility of its size and geographic location.

The financial performance of the Authority should be viewed in this context.