

**Santa Clara County Fairgrounds
Management Corporation**

Financial Statements
and Supplementary Information

December 31, 2018 and 2017



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Clara County Fairgrounds Management Corporation
San Jose, California

We have audited the accompanying financial statements of Santa Clara County Fairgrounds Management Corporation (a California nonprofit public benefit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Clara County Fairgrounds Management Corporation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 20 - 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Armanino^{LLP}
San Jose, California

November 1, 2019

Santa Clara County Fairgrounds Management Corporation
 Statements of Financial Position
 December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 776,915	\$ 594,988
Accounts receivable, net	238,357	282,305
Prepaid expenses	182,157	130,093
Total current assets	1,197,429	1,007,386
Improvements, furniture and equipment, net	1,526,092	1,402,664
Total assets	\$ 2,723,521	\$ 2,410,050
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 207,448	\$ 161,194
Accrued liabilities	468,162	402,003
Deferred revenue	-	4,406
Deferred revenue - nonmonetary exchange, current	3,000	3,000
Loans payable - current portion	49,540	36,855
Note payable - related party, current portion	8,000	8,000
Customer deposits	354,071	165,576
Total current liabilities	1,090,221	781,034
Long-term liabilities		
Deferred revenue - nonmonetary exchange, net of current portion	230,656	230,656
Note payable - related party, net of current portion	5,534	13,534
Loans payable - net of current portion	79,826	79,518
Total long-term liabilities	316,016	323,708
Total liabilities	1,406,237	1,104,742
Net assets without donor restrictions	1,317,284	1,305,308
Total liabilities and net assets	\$ 2,723,521	\$ 2,410,050

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

Santa Clara County Fairgrounds Management Corporation
 Statements of Activities
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue and support without donor restrictions		
Anchor licensees	\$ 1,900,847	\$ 1,515,575
Bingo	1,732,355	1,789,811
Off track betting	1,245,353	1,312,041
County Fair	888,204	513,928
Events	822,143	780,913
Food and beverages	700,466	955,177
Parking	586,816	573,300
RV park and storage	496,390	482,143
Other income	155,993	6,490
Hosted events	70,909	67,324
Total revenue and support without donor restrictions	<u>8,599,476</u>	<u>7,996,702</u>
 Functional expenses		
Program services	7,101,286	6,818,731
Management and general	<u>1,486,214</u>	<u>1,219,692</u>
Total functional expenses	<u>8,587,500</u>	<u>8,038,423</u>
 Change in net assets	11,976	(41,721)
 Net assets without donor restrictions, beginning of year	<u>1,305,308</u>	<u>1,347,029</u>
 Net assets without donor restrictions, end of year	<u>\$ 1,317,284</u>	<u>\$ 1,305,308</u>

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

Santa Clara County Fairgrounds Management Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,558,629	\$ 575,828	\$ 2,134,457
Bingo payouts	1,406,875	-	1,406,875
Employee benefits	781,318	136,824	918,142
Utilities	633,811	14,778	648,589
Outside services	254,400	133,286	387,686
Security and sheriff	353,506	720	354,226
Payroll taxes	219,670	46,410	266,080
Depreciation and amortization	158,101	87,475	245,576
Supplies	149,671	57,071	206,742
Equipment rental	177,028	22,630	199,658
Insurance	186,225	5,111	191,336
Entertainment	176,359	-	176,359
Miscellaneous	111,350	59,516	170,866
Marketing	146,727	22,486	169,213
Bad debt expense	-	154,000	154,000
Bingo supplies	164,903	-	164,903
Repairs and maintenance	132,532	7,900	140,432
Food and beverage cost	140,369	-	140,369
Professional services	16,089	108,333	124,422
Racing forms	119,488	-	119,488
Parking	80,956	-	80,956
Commissions	43,364	-	43,364
Fees and licenses	23,293	3,511	26,804
Other	66,622	50,335	116,957
	<u>\$ 7,101,286</u>	<u>\$ 1,486,214</u>	<u>\$ 8,587,500</u>

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

Santa Clara County Fairgrounds Management Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,518,873	\$ 443,024	\$ 1,961,897
Bingo payouts	1,388,982	-	1,388,982
Employee benefits	646,549	155,082	801,631
Utilities	635,809	-	635,809
Outside services	197,363	196,283	393,646
Security and sheriff	436,692	171	436,863
Payroll taxes	166,102	39,309	205,411
Depreciation and amortization	177,732	59,375	237,107
Supplies	108,024	39,312	147,336
Equipment rental	107,911	21,929	129,840
Insurance	158,041	5,252	163,293
Entertainment	133,146	-	133,146
Miscellaneous	122,956	61,371	184,327
Marketing	203,768	10,840	214,608
Bingo supplies	102,409	-	102,409
Repairs and maintenance	120,476	3,422	123,898
Food and beverage cost	225,300	-	225,300
Professional services	3,670	136,343	140,013
Racing forms	130,550	-	130,550
Parking	104,939	-	104,939
Commissions	53,291	-	53,291
Fees and licenses	16,383	2,656	19,039
Other	59,765	45,323	105,088
	<u>\$ 6,818,731</u>	<u>\$ 1,219,692</u>	<u>\$ 8,038,423</u>

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

Santa Clara County Fairgrounds Management Corporation
 Statements of Cash Flows
 For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 11,976	\$ (41,721)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	245,576	237,107
Changes in operating assets and liabilities		
Accounts receivable, net	43,948	50,228
Prepaid expenses	(52,064)	12,104
Accounts payable	46,249	(55,942)
Accrued liabilities	66,159	(36,408)
Deferred revenue	(4,406)	(7,163)
Customer deposits	<u>188,495</u>	<u>(5,365)</u>
Net cash provided by operating activities	<u>545,933</u>	<u>152,840</u>
Cash flows from investing activities		
Improvements to property	(235,791)	(224,715)
Purchase of furniture and equipment	<u>(133,213)</u>	<u>(91,812)</u>
Net cash used in investing activities	<u>(369,004)</u>	<u>(316,527)</u>
Cash flows from financing activities		
Principal payment on note payable - related party	(8,000)	-
Principal payments on loans payable	(36,910)	(43,155)
Proceeds from issuance of loan	<u>49,908</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>4,998</u>	<u>(43,155)</u>
Net increase (decrease) in cash and cash equivalents	181,927	(206,842)
Cash and cash equivalents, beginning of year	<u>594,988</u>	<u>801,830</u>
Cash and cash equivalents, end of year	<u>\$ 776,915</u>	<u>\$ 594,988</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 8,112	\$ 11,009
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The accompanying notes are an integral part of these financial statements.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

1. NATURE OF OPERATIONS

Santa Clara County Fairgrounds Management Corporation ("SCCFMC" or "the Organization") was incorporated as a California public benefit corporation on March 28, 1995, to operate the Santa Clara County Fairgrounds in the best interests of the citizens of Santa Clara County, by organizing and operating the annual Santa Clara County Fair, as well as various educational, cultural, and community functions on such fairgrounds. In addition, it is licensed to conduct off track betting operations. The Organization is located in San Jose, California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of Santa Clara County Fairgrounds Management Corporation have been prepared on the accrual basis of accounting.

In accordance with generally accepted accounting principles in the United States of America, the Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes.
- *Net assets with donor restrictions* - assets which are subject to donor restrictions and for which the applicable restriction was not met as of the end of the current reporting period. There are currently no net assets with donor restrictions.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Requirement to provide information about operating expenses by both nature and function - on the face of the statement of activities, as a separate statement, or in the notes to the financial statements.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

3. Enhancing disclosures about:

- a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
- b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
- c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
- d. Methods used to allocate costs among program and support functions.

4. Reporting investment return net of external and direct internal investment expenses.

The amendments have been applied on a retrospective basis in 2018, with the option to omit the disclosures about liquidity and availability of resources for the prior year comparative period.

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 at the date of the financial statements and the reported amounts of revenue, support and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts receivable

Accounts receivable consist primarily of amounts billed for services provided. The Organization provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts as of December 31, 2018 and 2017 was \$159,374 and \$5,374, respectively.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements, furniture and equipment

Land improvements, building improvements, furniture and equipment are recorded as assets, net of accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years for furniture and equipment and 5 to 15 years for land improvements and building improvements. The Organization capitalizes all improvements, furniture and equipment acquisitions in excess of \$1,000.

In accordance with the terms of the management agreement with the County of Santa Clara, all improvements become the property of the County of Santa Clara upon purchase, however, the Organization has the beneficial use of all assets purchased. In the event that the agreement is canceled or otherwise terminated in any manner, title to the improvements shall be and remain the property of the County of Santa Clara. Since the County of Santa Clara owns the improvements, these "right-of-use assets" are amortized rather than depreciated by the Organization over their estimated useful lives.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of December 31, 2018 and 2017, and is included in "accrued liabilities" in the statements of financial position. The accrued vacation balance as of December 31, 2018 and 2017 was \$128,201 and \$108,156, respectively.

Deferred revenue

Deferred revenue represents advances of resources or revenue received in advance of the earnings process being completed.

Customer deposits

Customer deposits represent advance payments received from customers for which the Organization must perform future services.

Revenue and support

The Organization recognizes revenue and support on the accrual basis of accounting. Revenue generated from anchor licensees, off track betting, the annual County Fair, events, food and beverages, parking, RV parking and storage, Bingo, hosted events, and other income is recognized as revenue in the period in which it is earned. Subsidies and contributions from local governments and the public are recognized as an increase in revenue and support without donor restrictions if expenditures are incurred in the current period which effectively fulfill the restrictions of the subsidies and or contributions.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and support (continued)

Significant revenue and support categories and descriptions for each are as follows:

Anchor licensees - SCCFMC enters into a License Agreement with licensees for the temporary use of a designated location on the Fairgrounds for a specified term. The licensee agrees to pay SCCFMC a monthly license fee plus any additional charges for labor, services and equipment in connection with the permitted use.

Bingo - Revenue generated from Bingo games conducted twice a week, Tuesdays and Thursdays.

Off track betting - Revenue generated from satellite wagering commissions and city tax from Golden Gate, Los Alamitos, and other horse racing locations.

County fair - An annual event produced by SCCFMC. Revenues are generated from admission fees, parking fees, food and beverage sales, sponsorships, and vendor revenue sharing.

Events - SCCFMC enters into a License Agreement with licensees for the temporary use of a building or outdoor space on the Fairgrounds for a specified event within an agreed upon term. The licensee pays SCCFMC a use fee plus any additional charges for labor, services, and equipment used in relationship to the event.

Food and beverages - Income generated from concession and catering services provided by SCCFMC staff at events. SCCFMC also enters into a License Agreement with caterers and food truck vendors for the temporary use of space and equipment in the commercial kitchen. In consideration, the licensee pays SCCFMC a use fee.

Parking - Direct charges for using a parking space.

RV park and storage - Income generated from the daily use of Recreational Vehicle (RV) spaces in the RV park and monthly revenues from RV and boat storage.

Hosted events - In addition to the annual County Fair, SCCFMC produces three (3) events during the year; Hop 'N Vine Festival & Market, Fourth of July Celebration, and Puptoberfest. Revenues are generated from admission fees, parking fees, food and beverage sales, sponsorships, and vendor revenue sharing.

Other income - Other income consists primarily of proceeds from an insurance claim.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind services

The Organization receives significant support from volunteer services each year, principally in connection with the annual County Fair, Bingo, and other events. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Organization may also receive donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. These contributed services are not reflected in the financial statements.

Nonmonetary exchanges

The Organization accounts for nonmonetary exchanges based on the fair values of the assets or services involved. The Organization received property improvements in exchange for promotion and facility use services in connection with the arena facility at the Santa Clara County Fairgrounds. The value of this transaction was determined based on the fair value of the property improvements received. See Note 4.

Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Functional expenses are identified and charged to a specific department based on the source of the expense.

Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certain significant risks and uncertainties

The Organization operates in a changing environment that involves a number of risks, some of which are beyond the Organization's control that could have a material adverse effect on the Organization's business operating results and financial condition. These risks include, among others, variability and uncertainty of revenues and operating results, and dependence on key personnel.

Marketing

The Organization's policy is to expense marketing costs as the costs are incurred. Marketing expense for the years ended December 31, 2018 and 2017 totaled \$169,213 and \$214,608, respectively.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation. For additional clarification, the Organization expanded certain revenue items, including Anchor licensees, Parking, and RV park and storage. In addition, Bingo revenue, which was previously reported net of payout amounts, has been reported to include gross revenue, with related expenses being reported separately in the statements of functional expenses. These reclassifications had no effect on the change in net assets for the prior year.

Subsequent events

Management of the Organization has evaluated subsequent events through the date the financial statements became available to be issued, November 1, 2019. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended December 31, 2018.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

3. IMPROVEMENTS, FURNITURE AND EQUIPMENT

Improvements, furniture and equipment consisted of the following:

	2018	2017
Right-of-Use Assets (purchased improvements which became property of the County)		
Land improvements	\$ 491,344	\$ 475,425
Building improvements	1,501,954	1,452,909
Work in progress	220,610	42,102
Accumulated amortization	(1,038,431)	(911,831)
	1,175,477	1,058,605
Furniture and Equipment Owned by SCCFMC		
Furniture and equipment	1,397,386	1,271,855
Accumulated depreciation	(1,046,771)	(927,796)
	350,615	344,059
	\$ 1,526,092	\$ 1,402,664

In accordance with the terms of the management agreement with the County of Santa Clara, all improvements become the property of the County of Santa Clara upon purchase, however, the Organization has the beneficial use of all assets purchased. In the event that the agreement is canceled or otherwise terminated in any manner, title to the improvements shall be and remain in the name of the County of Santa Clara. Since the County of Santa Clara owns the improvements, these "right-of-use assets" are amortized rather than depreciated by the Organization over their estimated useful lives. The Organization is responsible for maintaining insurance coverage on all improvements.

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$245,576 and \$237,107, respectively.

4. DEFERRED REVENUE - NONMONETARY EXCHANGE

During the year ended December 31, 2013, the Organization received property improvements in exchange for promotion and facility use services in connection with the arena facility at the Santa Clara County Fairgrounds. The term of the non-monetary exchange agreement is for a period of not to exceed twelve years from the agreement effective date of May 20, 2011. Fair value of this transaction was determined based on the fair value of the property improvements received.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

4. DEFERRED REVENUE - NONMONETARY EXCHANGE (continued)

The fair value of the property improvements received and promotion and facility use services provided as of December 31, consisted of the following:

	2018	2017
Fair value of property improvements received	\$ 264,301	\$ 264,301
Fair value of promotion and facility use services provided	(30,645)	(30,645)
	233,656	233,656
Current portion	(3,000)	(3,000)
	\$ 230,656	\$ 230,656

Estimated revenue recognition for the above deferred revenue is as follows:

Year ending December 31,

2019	\$ 3,000
2020	3,000
2021	3,000
2022	3,000
2023	221,656
	\$ 233,656

5. LOANS PAYABLE

During the year ended December 31, 2016, the Organization entered into a loan agreement with Wells Fargo Bank. The initial loan balance of \$151,528 is being repaid in equal monthly payments of \$3,482 over 48 months. The loan bears interest at 4.89% per annum.

In December 2018, the Organization entered into a loan agreement in the amount of \$13,903 with US Bank, payable in 36 monthly installments of \$421 principal and interest, with interest at 5.7% per annum.

In December 2018, the Organization entered into a loan agreement in the amount of \$36,005 with US Bank, payable in 60 monthly installments of \$691 principal and interest, with interest at 5.7% per annum.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

5. LOANS PAYABLE (continued)

Loans payable consist of the following:

	2018	2017
Wells Fargo loan	\$ 79,458	\$ 116,373
US Bank loans	49,908	-
	129,366	116,373
Current portion	(49,540)	(36,855)
	\$ 79,826	\$ 79,518

The future maturities of the loans payable are as follows:

Year ending December 31,

2019	\$ 49,540
2020	52,110
2021	12,078
2022	7,598
2023	8,040
	\$ 129,366

6. NOTE PAYABLE - RELATED PARTY

In December 1997, the Organization entered into a loan agreement with Santa Clara County which provided for principal of \$130,000, interest at 6% per annum on the principal outstanding, and repayments on installments between April 30, 1998 and December 31, 1999. The loan was secured by all property of the Organization. The loan liability represents arrears which were due in 1998 and 1999. On February 28, 2012, the County Board of Supervisors approved forgiveness of \$135,160 of this loan and changed the terms of the balance of the loan. The remaining amount of \$65,000 of the related party note payable is to be repaid at the rate of \$8,000 per year, bearing simple interest at the rate of 2.75% per annum. The first payment of \$8,000 was made on this loan on December 31, 2012.

The Organization's related party note payable as of December 31, consisted of the following:

	2018	2017
Secured interest-bearing long-term loan, Santa Clara County	\$ 13,534	\$ 21,534
Current portion	(8,000)	(8,000)
	\$ 5,534	\$ 13,534

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

6. NOTE PAYABLE - RELATED PARTY (continued)

The future maturities of the related party note payable are as follows:

<u>Year ending December 31,</u>	
2019	\$ 8,000
2020	<u>5,534</u>
	<u><u>\$ 13,534</u></u>

7. RELATED PARTY TRANSACTIONS

The Organization is managing the Fairgrounds property owned by the County. The Organization contracts with the County in the course of normal business activities including the County providing legal, fire marshal, and sheriff services. The County has invoiced the Organization for services provided. Furthermore, the County bills the Organization for services necessary for normal business activities. Some of these expenditures are passed on to the customers. In the event these expenditures are deemed uncollectible from customers, the Organization will reduce the accounts payable to the County accordingly.

8. MANAGEMENT AGREEMENT

In April 2000, the Organization entered into an agreement with the County to act as manager of the Fairgrounds property. Under the agreement, the Organization assumes responsibility for managing existing and subsequent improvements and activities on the property for the County and for advising the County on potential future developments of the property. The Organization is responsible for covering annual operating expenses, capital improvement expenditures and debts through revenue and support received. The County makes all decisions regarding the specific projects in the Fairgrounds revitalization plan and has delegated the responsibility for the execution of the plan to the Organization. The previous agreement expired on December 31, 2016 and was renewed for three years. The renewed agreement will expire on December 31, 2019. The County may also terminate the agreement at its convenience at any time and for any reason or for no reason at all by providing ninety days prior written notice to the Organization. The Organization is in discussions with the County to extend the management agreement for a period of twenty years.

9. RETIREMENT PLANS

Multi-employer defined contribution retirement plan

The Organization has a multi-employer defined contribution retirement plan for all eligible employees. Contributions to the plan are determined by labor contracts. The contributions made to the plan for the years ended December 31, 2018 and 2017 were \$34,778 and \$35,521 respectively.

Santa Clara County Fairgrounds Management Corporation
Notes to Financial Statements
December 31, 2018 and 2017

9. RETIREMENT PLANS (continued)

401(k) plan

The Organization also has a 401(k) plan enabling employees who meet the requirement of one year of service and 18 years of age to defer a portion of their income. The employees are 100% vested in any employer contributions after completing six years of service. The Organization has made no contributions to the plan. The cost of administering the plan is paid for by the Organization.

10. CONCENTRATIONS

The Organization is subject to a collective bargaining agreement with various unions. The union workers represented approximately 33% of the Organization's labor force for the years ended December 31, 2018 and 2017.

The Organization has in the past depended on grants and subsidies received from the State of California and the County of Santa Clara for a portion of its revenue and support. During the years ended December 31, 2018 and 2017 the State of California provided \$32,487 and \$32,487 respectively in funding to support the Santa Clara County Fair and \$36,000 and \$0 respectively in funding to support the costs of deferred maintenance provided to SCCFMC. While the Board of Directors believes the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does continue, is dependent on the County of Santa Clara and the State of California being in a position to provide the funding in the foreseeable future.

11. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Accounts receivable consist of amounts expected to be received within one year from December 31, 2018. These receivables will be available to support general operations of the Organization.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2018 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 776,915
Accounts receivable, net	<u>238,357</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,015,272</u></u>

SUPPLEMENTARY INFORMATION

Santa Clara County Fairgrounds Management Corporation
Schedule of Support, Revenue, and Expenses
For the Year Ended December 31, 2018

	Program Services										Total Program Services	Management and General	Total
	Off Track Betting	Events	Anchor Licensees	Parking	RV Park and Storage	Food and Beverages	Bingo	Hosted Events	County Fair	Facilities			
Revenue and support	\$ 1,245,353	\$ 822,143	\$ 1,900,847	\$ 586,816	\$ 496,390	\$ 700,466	\$ 1,732,355	\$ 70,909	\$ 888,204	\$ -	\$ 8,443,483	\$ 155,993	\$ 8,599,476
Cost of sales													
Bingo payouts	-	-	-	-	-	-	1,406,875	-	-	-	1,406,875	-	1,406,875
Salaries and wages	-	114,162	-	-	-	300	-	9,590	55,985	-	180,037	-	180,037
Employee benefits	-	85,941	-	-	-	226	-	7,220	42,145	-	135,532	-	135,532
Payroll taxes	-	32,170	-	-	-	84	-	2,703	15,776	-	50,733	-	50,733
Equipment rental	-	22,829	-	8,041	-	1,425	-	13,391	25,746	-	71,432	104	71,536
Entertainment	-	-	-	-	-	-	-	5,450	170,909	-	176,359	-	176,359
Bingo supplies	-	-	-	-	-	-	-	-	32,839	-	164,903	-	164,903
Food and beverage cost	-	-	-	-	-	-	-	-	21,514	-	140,369	-	140,369
Racing forms	119,488	-	-	-	-	-	-	-	-	-	119,488	-	119,488
Parking	-	14,718	-	46,936	-	-	-	-	19,302	-	80,956	-	80,956
Commissions	-	-	-	4,305	-	33,174	-	3,635	2,250	-	43,364	-	43,364
Outside services	-	4,271	-	-	-	10,544	-	7,591	200	-	22,606	-	22,606
Other	-	3,260	-	-	-	-	-	2,398	25,528	-	31,186	-	31,186
Total cost of sales	119,488	277,351	-	59,282	-	152,689	1,538,939	63,897	412,194	-	2,623,840	104	2,623,944
Direct expenses													
Salaries and wages	203,612	-	-	100,799	-	148,961	-	-	-	311,274	764,646	828	765,474
Employee benefits	98,629	-	-	15,855	-	35,423	-	-	-	364,317	514,224	623	514,847
Payroll taxes	18,703	-	-	14,117	-	17,133	-	-	-	66,819	116,772	233	117,005
Equipment rental	-	2,891	-	229	1,569	15,702	-	3,500	29,191	35,348	88,430	5,037	93,467
Security and sheriff	91,405	1,116	-	-	10,800	8,577	13,855	2,424	96,920	128,409	353,506	720	354,226
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	154,000	154,000
Utilities	236,645	1,111	-	-	-	1,111	-	-	20,604	337,747	597,218	-	597,218
Supplies	7,009	6,019	1,940	2,723	830	5,801	12,101	5,337	18,364	76,124	136,248	14,241	150,489
Repairs and maintenance	11,734	2,082	-	-	43	10,072	201	-	-	108,400	132,532	7,900	140,432
Depreciation and amortization	-	-	-	-	-	-	-	-	-	110,212	110,212	-	110,212
Miscellaneous	-	56	6,067	4,975	10,291	641	-	1,889	13,568	2,197	39,684	6,101	45,785
Fees and licenses	-	3,438	-	-	-	8,037	-	2,817	4,580	3,490	22,362	1,291	23,653
Outside services	11,478	-	-	-	19,700	5,558	2,000	-	4,590	10,123	53,449	2,567	56,016
Other	-	-	3,609	-	576	-	-	3,480	22,298	-	29,963	300	30,263
Total direct expenses	679,215	16,713	11,616	138,698	43,809	257,016	28,157	19,447	210,115	1,554,460	2,959,246	193,841	3,153,087
Total program services	798,703	294,064	11,616	197,980	43,809	409,705	1,567,096	83,344	622,309	1,554,460	5,583,086	193,945	5,777,031
Gross profit (loss)	446,650	528,079	1,889,231	388,836	452,581	290,761	165,259	(12,435)	265,895	(1,554,460)	2,860,397	(37,952)	2,822,445
Indirect expenses													
Salaries and wages	190,280	219,482	-	-	-	60,280	-	-	143,903	-	613,945	575,001	1,188,946
Employee benefits	37,357	55,048	-	-	-	5,822	-	-	33,336	-	131,563	136,201	267,764
Payroll taxes	16,096	19,196	-	-	-	5,075	-	-	11,799	-	52,166	46,177	98,343
Equipment rental	14,667	-	-	-	-	-	-	-	2,500	-	17,167	17,488	34,655
Insurance	-	-	-	-	-	-	-	-	6,000	180,225	186,225	5,111	191,336
Marketing	2,977	8,640	-	-	-	-	7,794	9,243	118,072	-	146,726	22,487	169,213
Depreciation and amortization	-	-	-	-	-	-	-	-	-	47,889	47,889	87,475	135,364
Miscellaneous	22,111	5,271	-	-	-	17,183	16,617	42	10,441	-	71,665	53,415	125,080
Professional services	-	-	-	-	-	-	-	-	14,075	2,014	16,089	108,333	124,422
Utilities	13,323	1,020	-	-	-	3,809	-	-	18,441	-	36,593	14,778	51,371
Supplies	84	325	-	-	-	2,394	501	1,479	8,281	360	13,424	42,830	56,254
Fees and licenses	300	-	-	-	-	499	-	132	-	-	931	2,220	3,151
Outside services	492	-	-	-	-	79,200	-	4,122	39,425	55,106	178,345	130,720	309,065
Other	847	3,022	-	-	-	1,603	-	-	-	-	5,472	50,033	55,505
Total indirect expenses	298,534	312,004	-	-	-	175,865	24,912	15,018	387,832	304,035	1,518,200	1,292,269	2,810,469
Total expenses	1,097,237	606,068	11,616	197,980	43,809	585,570	1,592,008	98,362	1,010,141	1,858,495	7,101,286	1,486,214	8,587,500
Change in net assets without donor restrictions before													
Bingo subsidy to County Fair	148,116	216,075	1,889,231	388,836	452,581	114,896	140,347	(27,453)	(121,937)	(1,858,495)	1,342,197	(1,330,221)	11,976
Bingo subsidy to County Fair	-	-	-	-	-	-	(135,000)	-	135,000	-	-	-	-
Change in net assets without donor restrictions after	\$ 148,116	\$ 216,075	\$ 1,889,231	\$ 388,836	\$ 452,581	\$ 114,896	\$ 5,347	\$ (27,453)	\$ 13,063	\$ (1,858,495)	\$ 1,342,197	\$ (1,330,221)	\$ 11,976

Santa Clara County Fairgrounds Management Corporation
Schedule of Support, Revenue, and Expenses
For the Year Ended December 31, 2017

	Program Services										Total Program Services	Management and General	Total
	Off Track Betting	Events	Anchor Licensees	Parking	RV Park and Storage	Food and Beverages	Bingo	Hosted Events	County Fair	Facilities			
Revenue and support	\$ 1,312,041	\$ 780,913	\$ 1,515,575	\$ 573,300	\$ 482,143	\$ 955,177	\$ 1,789,811	\$ 67,324	\$ 513,928	\$ -	\$ 7,990,212	\$ 6,490	\$ 7,996,702
Cost of sales													
Bingo payouts	-	-	-	-	-	-	1,388,982	-	-	-	1,388,982	-	1,388,982
Salaries and wages	-	120,714	-	-	-	45,282	-	1,805	41,761	-	209,562	-	209,562
Entertainment	-	-	-	-	-	-	-	3,100	130,046	-	133,146	-	133,146
Bingo supplies	-	-	-	-	-	-	-	102,409	-	-	102,409	-	102,409
Food and beverage cost	-	-	-	-	-	181,946	15,837	9,861	17,656	-	225,300	-	225,300
Racing forms	130,550	-	-	-	-	-	-	-	-	-	130,550	-	130,550
Employee benefits	-	90,873	-	-	-	34,088	-	1,360	31,437	-	157,758	-	157,758
Parking	-	-	-	87,759	-	205	-	-	16,975	-	104,939	-	104,939
Equipment rental	-	11,397	-	-	-	688	-	1,730	33,204	-	47,019	-	47,019
Payroll taxes	-	34,016	-	-	-	12,760	-	509	11,768	-	59,053	-	59,053
Commissions	-	-	-	4,396	-	47,086	-	1,808	-	-	53,290	-	53,290
Outside services	-	-	-	-	-	17,143	-	5,200	735	-	23,078	-	23,078
Other	-	7,623	-	-	-	-	995	780	49,669	-	59,067	655	59,722
Total cost of sales	130,550	264,623	-	92,155	-	339,198	1,508,223	26,153	333,251	-	2,694,153	655	2,694,808
Direct expenses													
Salaries and wages	167,136	-	30,899	-	-	70,943	-	-	-	516,866	785,844	-	785,844
Employee benefits	103,638	-	1,819	-	-	5,129	-	-	-	212,837	323,423	-	323,423
Equipment rental	-	4,419	-	-	-	5,836	-	607	20,334	13,679	44,875	4,107	48,982
Payroll taxes	17,516	-	1,286	-	-	4,747	-	-	-	30,793	54,342	-	54,342
Security and sheriff	77,141	-	-	-	-	9,729	12,459	2,172	59,410	275,781	436,692	171	436,863
Utilities	227,224	-	-	-	-	30,268	-	-	27,504	298,830	583,826	-	583,826
Supplies	8,130	7,497	-	-	-	2,152	15,292	1,523	24,285	31,882	90,761	15,306	106,067
Repairs and maintenance	6,296	2,000	-	-	-	11,823	294	388	1,199	98,476	120,476	3,422	123,898
Depreciation and amortization	-	-	-	-	-	-	-	-	-	101,260	101,260	-	101,260
Miscellaneous	-	2,369	-	-	-	4,790	240	1,816	31,441	-	40,656	3,949	44,605
Fees and licenses	-	-	-	-	-	10,598	-	130	1,197	2,423	14,348	-	14,348
Outside services	9,268	-	-	-	-	5,985	-	-	4,790	9,347	29,390	120	29,510
Total direct expenses	616,349	16,285	34,004	-	-	162,000	28,285	6,636	170,160	1,592,174	2,625,893	27,075	2,652,968
Total program services	746,899	280,908	34,004	92,155	-	501,198	1,536,508	32,789	503,411	1,592,174	5,320,046	27,730	5,347,776
Gross profit (loss)	565,142	500,005	1,481,571	481,145	482,143	453,979	253,303	34,535	10,517	(1,592,174)	2,670,166	(21,240)	2,648,926
Indirect expenses													
Salaries and wages	166,683	156,365	-	-	-	42,917	-	-	134,423	23,079	523,467	443,024	966,491
Employee benefits	55,144	50,781	-	-	-	33,473	-	-	18,488	7,482	165,368	155,082	320,450
Equipment rental	13,723	-	-	-	-	-	-	-	2,293	-	16,016	17,822	33,838
Payroll taxes	15,339	12,388	-	-	-	4,282	-	-	18,557	2,142	52,708	39,309	92,017
Insurance	-	-	-	-	-	-	-	-	-	158,041	158,041	5,252	163,293
Marketing	2,409	416	-	-	-	-	8,965	12,692	179,286	-	203,768	10,840	214,608
Depreciation and amortization	-	-	-	-	-	-	-	-	-	76,472	76,472	59,375	135,847
Miscellaneous	18,194	6,528	-	-	-	7,563	24,753	12,532	12,204	527	82,301	57,421	139,722
Professional services	-	1,949	-	-	-	-	-	101	1,620	-	3,670	136,343	140,013
Utilities	12,663	6,728	-	-	-	3,809	-	-	-	28,783	51,983	-	51,983
Supplies	696	1,631	-	-	-	1,135	2,045	1,916	9,329	510	17,262	24,006	41,268
Fees and licenses	-	-	-	-	-	162	-	-	1,873	-	2,035	2,656	4,691
Outside services	482	-	-	-	4,000	72,000	-	1,167	12,250	54,995	144,894	196,163	341,057
Other	-	-	-	-	-	-	-	-	700	-	700	44,669	45,369
Total indirect expenses	285,333	236,786	-	-	4,000	165,341	35,763	28,408	391,023	352,031	1,498,685	1,191,962	2,690,647
Total expenses	1,032,232	517,694	34,004	92,155	4,000	666,539	1,572,271	61,197	894,434	1,944,205	6,818,731	1,219,692	8,038,423
Change in net assets without donor restrictions before													
Bingo subsidy to County Fair	279,809	263,219	1,481,571	481,145	478,143	288,638	217,540	6,127	(380,506)	(1,944,205)	1,171,481	(1,213,202)	(41,721)
Bingo subsidy to the County Fair	-	-	-	-	-	-	(135,000)	-	135,000	-	-	-	-
Change in net assets without donor restrictions after	\$ 279,809	\$ 263,219	\$ 1,481,571	\$ 481,145	\$ 478,143	\$ 288,638	\$ 82,540	\$ 6,127	\$ (245,506)	\$ (1,944,205)	\$ 1,171,481	\$ (1,213,202)	\$ (41,721)