

**SANTA CLARA COUNTY FAIRGROUNDS
MANAGEMENT CORPORATION**

Independent Auditor's Reports and
Financial Statements

For the Years Ended
December 31, 2021 and 2020



Certified
Public
Accountants

SANTA CLARA COUNTY FAIRGROUNDS MANAGEMENT CORPORATION
For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Santa Clara County Fairgrounds Management Corporation (Corporation), a California nonprofit public benefit corporation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Macias Gini & O'Connell LLP

Walnut Creek, California
September 20, 2022

Santa Clara County Fairgrounds Management Corporation

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,437,101	\$ 1,199,113
Accounts receivable, net	95,871	232,232
Receivable from the County	2,002,514	372,815
Prepaid expense	91,848	84,836
Total current asset	<u>4,627,334</u>	<u>1,888,996</u>
Noncurrent assets:		
Improvements, furniture and equipment, net	<u>2,317,488</u>	<u>1,912,270</u>
Total assets	<u>\$ 6,944,822</u>	<u>\$ 3,801,266</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 113,990	\$ 136,743
Accrued liabilities	325,309	311,925
Unearned revenue - non-monetary exchange, current	3,000	3,000
Loans payable, current	-	12,078
Note payable - related party, current	-	5,534
Customer deposits	202,516	387,815
Total current liabilities	<u>644,815</u>	<u>857,095</u>
Long-term liabilities:		
Unearned revenue - non-monetary exchange, net of current	230,656	230,656
Loans payable - net of current	819,772	793,090
Total long-term liabilities	<u>1,050,428</u>	<u>1,023,746</u>
Total liabilities	<u>1,695,243</u>	<u>1,880,841</u>
Net Assets		
Net assets without donor restrictions	<u>5,249,579</u>	<u>1,920,425</u>
Total liabilities and net assets	<u>\$ 6,944,822</u>	<u>\$ 3,801,266</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue and Support Without Donor Restrictions		
Property management	\$ 2,978,287	\$ 2,824,025
Bingo	-	329,404
Off track betting	1,012,519	651,880
County Fair	70,231	91,402
Venue sales & event services	456,792	395,130
Food and beverages	139,806	142,053
Parking	-	98,945
Hosted events	16,441	208
County reimbursements	2,841,454	541,030
Other income	549,776	236,912
Total revenue and support without donor restrictions	<u>8,065,306</u>	<u>5,310,989</u>
Functional Expenses		
Program services	3,427,000	3,193,241
Management and general	1,936,602	1,541,055
Total functional expenses	<u>5,363,602</u>	<u>4,734,296</u>
Change in net assets before extraordinary item	2,701,704	576,693
Extraordinary item - forgiveness of loans payable	627,450	-
Change in net assets	3,329,154	576,693
Net assets without donor restrictions, beginning of year	1,920,425	1,343,732
Net assets without donor restriction, end of year	<u>\$ 5,249,579</u>	<u>\$ 1,920,425</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, 2021

	Program Services	Management and General	Total
Salaries and benefits	\$ 782,791	\$ 1,134,066	\$ 1,916,857
Utilities	849,878	24,083	873,961
Security and sheriff	626,113	-	626,113
Depreciation	170,982	156,297	327,279
Professional services	21,221	298,105	319,326
Supplies	196,646	81,057	277,703
Consultant services	61,625	134,943	196,568
Repairs and maintenance	178,764	47	178,811
Equipment rental	144,600	15,757	160,357
Insurance	142,452	6,013	148,465
Others	73,340	50,941	124,281
Marketing	52,356	24,621	76,977
Racing forms	48,002	-	48,002
Bank and credit card fees	20,972	9,138	30,110
Entertainment	28,350	-	28,350
Food and beverage cost	23,435	-	23,435
Fees and licenses	5,473	1,534	7,007
Total	<u>\$ 3,427,000</u>	<u>\$ 1,936,602</u>	<u>\$ 5,363,602</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, 2020

	Program Services	Management and General	Total
Salaries and benefits	\$ 1,068,735	\$ 767,526	\$ 1,836,261
Utilities	571,451	33,761	605,212
Depreciation	171,209	206,590	377,799
Security and sheriff	291,201	-	291,201
Bingo payout	282,273	-	282,273
Professional services	68,900	210,143	279,043
Consultant services	88,442	108,866	197,308
Others	56,843	117,922	174,765
Insurance	139,667	5,830	145,497
Supplies	97,795	41,887	139,682
Equipment rental	105,745	21,322	127,067
Repairs and maintenance	87,614	750	88,364
Marketing	36,722	14,567	51,289
Food and beverage cost	29,202	-	29,202
Bank and credit card fees	18,684	9,807	28,491
Bingo supplies	24,717	-	24,717
Entertainment	21,300	-	21,300
Racing forms	19,485	-	19,485
Fees and licenses	9,650	2,084	11,734
Parking	2,386	-	2,386
Commissions	1,220	-	1,220
Total	<u>\$ 3,193,241</u>	<u>\$ 1,541,055</u>	<u>\$ 4,734,296</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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 3,329,154	\$ 576,693
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	327,279	377,799
Loss on disposal of improvements, furniture, and equipment	-	7,708
Forgiveness of loans payable	(627,450)	-
Change in operating assets and liabilities		
Accounts receivable, net	136,361	(16,331)
Receivable from the County	(1,629,699)	(372,815)
Prepaid expenses	(7,012)	70,800
Accounts payable	(22,753)	(101,462)
Accrued liabilities	13,384	(77,530)
Unearned revenues	-	(5,500)
Customer deposits	(185,299)	(10,521)
Net cash provided by operating activities	1,333,965	448,841
Cash flows from financing activities:		
Repayment of notes payable - related party	(5,534)	(8,000)
Repayment of loans payable	(27,718)	(51,628)
Proceeds from loans	669,772	777,450
Net cash provided by financing activities	636,520	717,822
Cash flows from investing activities:		
Acquisition of improvements, furniture, and equipment	(732,497)	(86,935)
Net change in cash and cash equivalents	1,237,988	1,079,728
Cash and cash equivalents, beginning of year	1,199,113	119,385
Cash and cash equivalents, end of year	\$ 2,437,101	\$ 1,199,113
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 2,654	\$ 3,502
Supplemental Disclosure of Noncash Financing Activities		
Forgiveness of loans payable	\$ 627,450	\$ -

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

**SANTA CLARA COUNTY
FAIRGROUNDS MANAGEMENT CORPORATION**

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 1: Nature of Operations and Governing Body

Santa Clara County Fairgrounds Management Corporation (Corporation) was incorporated as a California nonprofit 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 Corporation is located in San Jose, California.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Corporation has two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets

Net assets without donor restrictions are resources not subject to donor-imposed restrictions. Net assets with donor restrictions are resources subject to donor-imposed restrictions. As of and for the years ended December 31, 2021 and 2020, the Corporation did not receive any resources that are subject to donor-imposed restrictions and had no net assets with donor restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

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

Accounts Receivable

Accounts receivable consist primarily of amounts billed for services provided. The Corporation 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

SANTA CLARA COUNTY
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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, 2021 and 2020, were \$5,374.

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 ranges from 3 to 7 years for furniture and equipment and 5 to 15 years for land improvements and building improvements. The Corporation capitalizes all improvements, furniture and equipment acquisitions in excess of \$5,000 individually.

In accordance with the terms of the management agreement with the County of Santa Clara (County), all improvements become the property of the County upon purchase, however, the Corporation 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. Since the County owns the improvements, these “right-to-use assets” are amortized rather than depreciated by the Corporation over their estimated useful lives. The Corporation is responsible for maintaining insurance coverage on all improvements.

Accrued Vacation

Accrued vacation represents vacation earned, but not taken as of December 31, 2021 and 2020, and is included in “accrued liabilities” in the statements of financial position. The accrued vacation balance as of December 31, 2021 and 2020 was \$84,014 and \$76,403, respectively.

Unearned Revenue

Unearned 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 Corporation must perform future services.

Revenue and Support

The Corporation recognizes revenue and support on the accrual basis of accounting. Revenue generated from property management, off track betting, the annual County Fair, events, food and beverages, parking, 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 expenses are incurred in the current period which effectively fulfill the restrictions of the subsidies and/or contributions.

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

Property Management – The Corporation enters into a License Agreement with licensees for the temporary use of a designated location on the Fairgrounds for a specific term. The licensee agrees to pay the Corporation a monthly license fee in connection with the permitted use. The Corporation also collects a monthly use fee from guests for the temporary uses of a designated space in the Recreational Vehicle location on the Fairgrounds.

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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 the Corporation. Revenues are generated from admission fees, parking fees, food and beverage sales, sponsorships, and vendor revenue sharing.

Venue Sales & Events Services – The Corporation enters into agreements 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 the Corporation 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 the Corporation staff at events. The Corporation also enters into a License Agreement with food truck vendors for the temporary use of space. In consideration, the licensee pays the Corporation a use fee.

Parking – Direct charges for using a parking space.

Hosted Events – In addition to the annual County Fair, the Corporation typically produces four (4) events during the year: Hop ‘N Vine Festival & Market, Fourth of July Celebration, Puptoberfest, and the Wednesday Night Music Series (WNMS). As a result of the County’s use of the facilities at the Fairgrounds for COVID-19 testing and vaccination purposes, the Corporation has hosted only the WNMS during the year ended December 31, 2021, with no events during the year ended December 30, 2020. Revenues are generated from admission fees, parking fees, food and beverage sales, sponsorships, and vendor revenue sharing.

County Reimbursements – Represents reimbursement from the County for costs incurred for usage of the facility for COVID-19 testing and vaccination purposes.

Other Income – Other income consists primarily of sponsorship and grants received.

In-Kind Services

The Corporation 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 Corporation would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Corporation may also receive donated services that do not require specific expertise but which are nonetheless central to the Corporation’s operations. These contributed services are not reflected in the financial statements.

Non-Monetary Exchanges

The Corporation accounts for non-monetary exchanges based on the fair value of the assets or services involved. The Corporation 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.

SANTA CLARA COUNTY
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Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

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 Corporation 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 Corporation qualified 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

U.S. GAAP provides 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 Corporation in its federal and state exempt Corporation tax returns are more likely than not to be sustained upon examination.

Certain Significant Risks and Uncertainties

The Corporation operates in a changing environment that involves a number of risks, some of which are beyond the Corporation's control that could have a material adverse effect on the Corporation'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 Corporation's policy is to expense marketing costs as the costs are incurred. Marketing expense for the years ended December 31, 2021 and 2020 totaled \$76,977 and \$51,289, respectively.

Reclassifications

Certain amounts for the year ended December 31, 2020 have been reclassified in order to be consistent with the presentation for the year ended December 31, 2021. These reclassifications had no effect on the change in net assets for the year ended December 31, 2020.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, requiring lessees to be recognized on the statement of financial position as assets and liabilities for the rights and obligations created by their leases with lease terms more than 12 months. Current guidance only requires capital leases to be recognized on the balance sheet. The updated standard will become effective for the Corporation's financial statements for the year ending December 31, 2022. The Corporation is currently evaluating the effect the updated standard will have on the Corporation's financial statements.

Extraordinary Item

Extraordinary items are both 1) unusual in nature, and 2) infrequent in occurrence. The forgiveness of the outstanding loans payable qualifies as an extraordinary item for the year ended December 31, 2021.

**SANTA CLARA COUNTY
FAIRGROUNDS MANAGEMENT CORPORATION**

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 3: Improvements, Furniture and Equipment

Improvements, furniture and equipment consisted of the following:

	2021	2020
Right-of-Use Assets (purchased improvements which became property of the County)		
Land and building improvements	\$ 2,388,977	\$ 2,264,811
Work in progress	87,972	86,618
Less: Accumulated depreciation	(791,800)	(599,183)
	1,685,149	1,752,246
 Furniture and Equipment Owned by the Corporation		
Furniture and equipment	1,259,126	652,149
Less: Accumulated depreciation	(626,787)	(492,125)
	632,339	160,024
 Total	\$ 2,317,488	\$ 1,912,270

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$327,279 and \$377,799, respectively.

Note 4: Unearned Revenue – Non-Monetary Exchange

During the year ended December 31, 2013, the Corporation 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.

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

	2021	2020
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

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Estimate revenue recognition for the above unearned revenue is as follows:

<u>Year ending December 31,</u>	
2022	\$ 3,000
2023	<u>230,656</u>
	<u><u>\$ 233,656</u></u>

Note 5: Loans Payable

In December 2018, the Corporation 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. The loan was paid off during the year ended December 31, 2021.

In December 2018, the Corporation 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. The loan was paid off during the year ended December 31, 2021.

In May 2020, the Corporation was awarded the first draw of a Payroll Protection Program (PPP) loan in the amount of \$627,450. The loan has an interest rate of 1.0% and matures on May 1, 2022. In May 2021, the Corporation received approval from the U.S. Small Business Administration for the forgiveness of the outstanding first PPP loan draw of \$627,450 and related interest.

In June 2021, the Corporation was awarded the second draw of a PPP loan in the amount of \$669,772. The loan has an interest rate of 1.0% and matures on June 8, 2026. The balance was forgiven during March 2022. See Note 12.

In October 2020, the Corporation was awarded the Economic Injury Disaster loan in the amount of \$150,000. The loan has an interest rate of 2.75%. The Corporation is required to pay \$641 monthly starting October 2021 which will first be applied to reduce outstanding interest and then principal. The remaining balance will be payable in October 2050.

Loans payable as of December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
US Bank loans	\$ -	\$ 27,718
Payroll Protection Program loan	669,772	627,450
Economic Injury Disaster loan	<u>150,000</u>	<u>150,000</u>
	819,772	805,168
Current portion	<u>-</u>	<u>(12,078)</u>
	<u><u>\$ 819,772</u></u>	<u><u>\$ 793,090</u></u>

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The future maturities of these loans payable are as follows:

Year ending December 31,	Payroll Protection Program	Economic Injury Disaster	Total
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	-	3,610	3,610
2025	-	3,710	3,710
2026	669,772	3,814	673,586
Thereafter	-	138,866	138,866
	\$ 669,772	\$ 150,000	\$ 819,772

Note 6: Note Payable – Related Party

In December 1997, the Corporation 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 in installments between April 30, 1998 and December 31, 1999. The loan was secured by all property of the Corporation. The note payable represents payments that were in 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. As of December 31, 2021 and 2020, the outstanding note payable balance was \$0 and \$5,534, respectively.

Note 7: Related Party Transactions

The Corporation is managing the Fairgrounds property owned by the County. The Corporation 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 Corporation for services provided. Furthermore, the County bills the Corporation for services necessary for normal business activities. Some of these expenses are passed on to the customers. In the event these expenses are deemed uncollectible from customers, the Corporation will reduce the amounts owed to the County accordingly.

The Corporation also receives reimbursement from the County for costs incurred for usage of the facility for COVID-19 testing purposes. During the year ended December 31, 2021 and 2020, the County reimbursement was \$2,841,454 and \$541,030, respectively. At December 31, 2021 and 2020, the receivable from the County related to COVID-19 cost reimbursements was \$2,002,514 and \$372,815, respectively.

SANTA CLARA COUNTY
FAIRGROUNDS MANAGEMENT CORPORATION

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 8: Management Agreement

In April 2000, the Corporation entered into an agreement with the County to act as manager of the Fairgrounds property. Under the agreement, the Corporation 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 Corporation is responsible for covering annual operating expenses, capital improvement expenses 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 Corporation. 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 Corporation. The agreement expired on December 31, 2019. The Corporation and the County entered into an Amended and Restated Management Agreement (Agreement) with an effective date of January 1, 2020, for a term of twenty years. The Agreement outlines the rights and duties of the Corporation.

Note 9: Retirement Plans

Multi-employer defined contribution retirement plan

The Corporation has a 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, 2021 and 2020 were \$28,962 and \$51,530, respectively.

401(k) plan

The Corporation also has a 401(k) plan enabling employees who meet the requirement of providing in excess of 1,000 hours 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 Corporation's contributions to the plan for the years ended December 31, 2021 and 2020, were \$66,530 and \$59,335, respectively. The cost of administering the plan is paid by the Corporation.

Note 10: Liquidity and Availability of Resources

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

At December 31, 2021, the Corporation has \$4,535,486 of financial assets available within one year of the statement of financial position date for its operations, consisting of cash and cash equivalents of \$2,437,101, accounts receivable of \$95,871, and receivable from the County of \$2,002,514. All of the balances are without donor restrictions and are available for operations.

At December 31, 2020, the Corporation has \$1,804,160 of financial assets available within one year of the statement of financial position date for its operations, consisting of cash and cash equivalents of \$1,199,113, accounts receivable of \$232,232, and receivable from the County of \$372,815. All of the balances are without donor restrictions and are available for operations.

SANTA CLARA COUNTY
FAIRGROUNDS MANAGEMENT CORPORATION

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Although the COVID-19 pandemic has prevented the Corporation from conducting normal business operations, the Corporation continues to be pro-active and aggressively seek other revenue sources to maintain and oversee the current operations. Subsequent to the year ended December 31, 2021, the Corporation has received \$161,000 in grant funds from the California Department of Food and Agriculture in June 2022 as funding in the Targeted Support Program. Of the total grant funds, \$61,000 is restricted for the Corporation's operations for the year ending June 30, 2023 and the remaining \$100,000 will be passed-through to the California Authority of Racing Fairs for future satellite improvements. Since the start of the COVID-19 pandemic in March 2020, the Corporation has dramatically reduced program services expenses by reducing staff and terminating consultant and facility services agreements.

Note 11: Uncertainties

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected organizations and its workforces, as well as the economy and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many organizations, including the Corporation. This outbreak decreased the revenues and impacted the Corporation's operations. The Corporation expects this pandemic continues to adversely impact revenues and operations for future reporting periods. It is not possible for the Corporation to predict the duration or magnitude of the adverse results of the pandemic and its effects on the Corporation or results of operations.

Note 12: Subsequent Event

During March 2022, the Corporation received approval from the U.S. Small Business Administration for the forgiveness of \$669,772 for the second PPP loan draw and related interest.

Management evaluated all activity through September 20, 2022, the date the financial statements were available for issuance, and concluded that no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.