

SABC SOCCER PFC
(A Component Unit of the City of San Antonio, TX)
San Antonio, Texas

FINANCIAL STATEMENTS

For The Year Ended September 30, 2022

DRAFT

SABC SOCCER PFC
(A Component Unit of the City of San Antonio, TX)
San Antonio, Texas

FINANCIAL STATEMENTS

For The Year Ended September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
SABC Soccer PFC
San Antonio, Texas

Opinions

We have audited the accompanying financial statements of the SABC Soccer PFC (the PFC) as of and for the year ended September 30, 2022 and the related notes to the financial statements. These financial statements collectively comprise the PFC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PFC, as of September 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 PFC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 PFC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, 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 PFC'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 College'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PFC's basic financial statements. The Combining Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

January 6, 2023

SABC SOCCER PFC
San Antonio, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

September 30, 2022

The SABC Soccer PFC (the PFC) presents the following discussion and analysis of the PFC's financial performance as of and for the year ended September 30, 2022. This discussion and analysis is intended to assist readers in focusing on significant financial issues and changes in the PFC's financial position. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements provided in this report.

Financial Highlights

- The assets of the PFC exceeded the liabilities by \$14,337,625.
- The net position of the PFC decreased from the previous year by \$674,569.
- Cash receipts consisted of facility access fees in the amount of \$73,744 and \$250,000 Year 6 MLS franchise reimbursement payment. Bank interest on the Reimbursement Fund amounted to \$41.
- Current receivables consist of \$250,000 for the Year 7 MLS franchise reimbursement payment, \$85,880 in Facility Access Fees, and \$111,020 in Rental Fees.

Overview of the Financial Statements

The PFC's annual report consists of two parts – *management's discussion and analysis* (this section) and the *basic financial statements*. The PFC presents its basic financial statements using the reporting model for special purpose governments engaged in business-type activities.

The Statement of Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows, present information about the PFC as a whole to report the financial position and the results of its operations and cash flows.

The *notes to financial statements* provide additional information that is crucial in understanding the data provided in the financial statements.

SABC SOCCER PFC
San Antonio, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

September 30, 2022

Net Position

The PFC's combined net position on September 30, 2022, was \$14,337,625. Of this amount, \$13,252,305 is a net investment in capital assets while the remaining \$1,085,320 is restricted net assets.

For the fiscal year 2022, cash increased by \$210,361. A receivable for \$250,000.00 was issued at year end for the MLS franchise reimbursement payment. Receivables for Stadium Rent and Outstanding Facility Access Fees due to the PFC were also issued. Lease Receivable and Deferred Inflows were recorded in accordance with GASB 87 guidelines. Net position is restricted for Improvements and Maintenance and Capital Improvements under the terms of the lease agreement with SA FC. The decrease in the net position related to investment in capital assets resulted from stadium improvements and current year depreciation.

	2022	2021	Change
Current Assets	\$ 1,335,968	\$ 678,058	\$ 657,910
Noncurrent Assets, Net	18,379,598	14,334,136	4,045,462
Total Assets	19,715,566	15,012,194	4,703,372
Current Liabilities	-	-	-
Deferred Liabilities	5,377,941	-	5,377,941
Net Position			
Net Investment in Capital Assets	13,252,305	14,334,136	4,045,465
Restricted	1,085,320	678,058	369,933
Unrestricted	-	-	-
Total Net Position	\$ 14,337,625	\$ 15,012,194	\$ 4,415,395

Capital Assets

As noted below, the only change in current year Capital Assets was depreciation.

	2022	2021	Change
Land	\$ 3,980,000	\$ 3,980,000	\$ -
Capital Assets, Being Depreciated			
Stadium Facility	7,155,726	7,155,726	-
Improvements	9,348,822	9,348,822	-
Total Capital Assets, Being Depreciated	16,504,548	16,504,548	-
Less Accumulated Depreciation	(7,232,243)	(6,150,412)	(1,081,831)
Total Capital Assets, Net	\$ 13,252,305	\$ 14,334,134	\$ (1,081,831)

SABC SOCCER PFC
San Antonio, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

September 30, 2022

Changes in Net Position

As of September 30, 2022, the ending net position was \$14,337,625, a decrease of \$674,569. Facility expenses consisted of equipment to improve concessions, lighting and electrical improvements, and visitor locker improvements in addition to audit and depreciation expenses. There was an increase in the Facility Access Fee revenue in comparison to the previous year from an increased number of matches.

	2022	2021	Change
Revenues			
Contractual Reimbursements	\$ 163,726	\$ 250,000	\$ (86,274)
Rental Fee	84,821	113,486	(28,665)
Interest Revenue – Leases	112,474	-	112,474
Facility Access Fee	159,624	73,548	86,076
Total Revenues	520,645	437,034	83,611
Expenses			
Maintenance	101,024	116,509	(15,485)
Other Expenses	12,400	12,400	-
Depreciation	1,081,831	1,137,731	(55,900)
Total Expenses	1,195,255	1,266,640	(71,385)
Operating Income (Loss)	674,610	829,606	155,037
Non Operating Revenue			
Interest Income	41	-	41
Change in Net Position	(674,569)	(829,606)	155,037
Net Position – Beginning	15,012,194	15,841,800	(829,606)
Net Position – Ending	\$ 14,337,625	\$ 15,012,194	\$ (674,569)

Other Information

The PFC's bylaws require an annual budget. A budget for 2022 was presented and adopted on September 28, 2021. SAFC was not awarded an MLS franchise on or before the expiration of Year 6 Lease ending September 30, 2021 and paid the first \$250,000 Reimbursement Payment. The 2022 Reimbursement Payment was due on September 30, 2022. SAFC met with City staff September 6, 2022 advising that they would be contacting both City and County executive leadership to propose the removal of the Reimbursement Payment clause for the remaining \$4,750,000 over a 6-year period due to recovering from the adverse impacts of COVID-19 and the lack of transparency of pre-existing MLS territorial rights in the current/adjacent market of San Antonio.

SABC SOCCER PFC
San Antonio, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

September 30, 2022

On Tuesday, December 13, 2022, Bexar County Commissioners Court approved the proposed Amendment subject to City Council approval. Convention and Sports Facilities (CSF) leadership will go into Executive Session in January 2023 for direction from City Council followed by a SABC Soccer PFC Board meeting early February 2023.

Requests for Information

This financial report is designed to provide a general overview of the PFC's position for all those with interest in the organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Carisa Gamez, Contract Manager, Convention and Sports Facilities, 900 East Market Street, San Antonio, TX 78205.

FINANCIAL STATEMENTS

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SABC Soccer PFC
San Antonio, Texas

Statement of Net Position

September 30, 2022

ASSETS

Current Assets:

Cash	\$	638,420
Lease Receivable		250,648
Receivables, Net		446,900

Total Current Assets 1,335,968

Noncurrent Assets:

Lease Receivable		5,127,293
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Capital Assets:

Land		3,980,000
Stadium Facility		7,155,726
Stadium Improvements		9,348,822
Less Accumulated Depreciation		(7,232,243)

Total Noncurrent Assets 18,379,598

Total Assets \$ 19,715,566

LIABILITIES

Total Liabilities \$ -

Deferred Inflows - Leases \$ 5,377,941

NET POSITION

Net Investment in Capital Assets		13,252,305
Restricted		1,085,320
Unrestricted		-

Total Net Position \$ 14,337,625

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

SABC Soccer PFC
San Antonio, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position

For The Year Ended September 30, 2022

OPERATING REVENUES	
Contractual Reimbursements	\$ 163,726
Rental Fee	84,821
Interest Revenue - Leases	112,474
Facility Access Fee	159,624
Total Operating Revenues	<u>520,645</u>
OPERATING EXPENSES	
Maintenance	101,024
Other Expenses	12,400
Depreciation	1,081,831
Total Operating Expenses	<u>1,195,255</u>
Operating Income (Loss)	<u>(674,610)</u>
NON OPERATING REVENUE	
Interest Income	41
Total Non Operating Revenue	<u>41</u>
Change in Net Position	<u>(674,569)</u>
Total Net Position - Beginning	<u>15,012,194</u>
Total Net Position - Ending	<u>\$ 14,337,625</u>

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

SABC Soccer PFC
San Antonio, Texas

Statement of Cash Flows

For The Year Ended September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Facility Access Fee received from SA FC	\$ 73,744
Receipts from Leasing Activity	250,000
Payments for Maintenance and Other Services	(113,424)
	<u>210,320</u>
Net Cash Provided by Operating Activities	<u>210,320</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Capital Improvements	-
Payments for Financing Activities	-
	<u>-</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	41
	<u>41</u>
Net Cash Provided (Used) by Investing Earnings	<u>41</u>
Net Increase in Cash and Cash Equivalents	210,361
Balances - Beginning of the Year	428,059
	<u>428,059</u>
Balances - End of the Year	<u>\$ 638,420</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	(674,610)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Cash Flows Reported in Other Categories	
Depreciation	1,081,831
CHANGE IN ASSETS AND LIABILITIES	
(Increase) Decrease in Current Receivables	53,100
(Increase) Decrease in Lease Receivables	(5,627,942)
Increase in Deferred Inflow of Resources	5,377,941
	<u>5,377,941</u>
Net Cash Provided by Operating Activities	<u>\$ 210,320</u>
Noncash	<u>\$ -</u>

The notes to financial statements form an integral part of this statement.

SABC SOCCER PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity

The SABC Soccer PFC (the PFC) was incorporated on December 17, 2015. The PFC is a nonprofit public corporation established under the Public Facility Corporation Act (Chapter 303, Texas Local Government Code, as amended) (the Act), to assist the City of San Antonio (the City) in financing public facilities (currently Toyota Field, STAR Complex, and parking lot, collectively the Stadium); acquiring, constructing, rehabilitating, renovating, repairing, equipping, furnishing, and placing in service public facilities; and, issuing related bonds.

The business of the PFC is conducted by a board of directors (the Board). The Board consists of a minimum four (4) Directors, each of whom is appointed by the City and at least one half of whom are recommended for appointment by Bexar County (the County). Accordingly, the PFC is considered a political subdivision of the State of Texas and follows the U.S. generally accepted accounting principles (GAAP) for state and local governments since the members of the board of directors are appointed by the City.

The PFC is considered a component unit of the City. The PFC is an organization as described in Internal Revenue Code Section 115(a). Accordingly, the PFC is exempt from federal income tax.

B. Basic Financial Statements

The PFC's prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The PFC presents its basic financial statements using the reporting model for special purpose governments engaged in business-type activities.

C. Annual Budget

The PFC's bylaws require the preparation of a proposed budget of expected revenues and proposed expenses for the coming fiscal year prior to the beginning of the fiscal year. A budget for 2022 was presented and adopted on September 28, 2021.

D. Measurement Focus and Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. With the accrual basis of accounting, revenue is recognized in the accounting period in which they are earned and become measurable, and expenses in the period in which they are incurred and become measurable.

SABC SOCCER PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

The PFC has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agents, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Accounts Receivable

Accounts receivable are comprised primarily of the Facility Rental, Facility Access Fees and the 7th year MLS Franchise Reimbursement to be paid by the Stadium lessee, SA FC Management, L.L.C. (SA FC).

3. Capital Assets

Capital assets include Land, Improvements and Stadium Facilities purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost and have a useful life of more than two years. Additions, improvements that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred since these amounts do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

4. Net Position

Net position is divided into three components:

- Net investment in capital assets
- Restricted, and
- Unrestricted

Net Investment in Capital Assets – This category represents the PFC’s total investment in capital assets net of related outstanding debt used to acquire or construct those assets and accumulated depreciation and amortization related to those capital assets.

Restricted net position – net position restricted by external constraints placed on net position use by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – net position that does not meet the definition of “restricted” or “net investment in capital assets” and may be used at the discretion of the Board for any lawful purpose of the PFC.

SABC SOCCER PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net position shall be considered released from restriction, as expenses are incurred for the purpose of the restrictions. When an expense is made for a purpose for which amounts are available in multiple net position classifications, the restricted resources will be expensed before unrestricted net position.

5. In-Kind Revenues and Expenses

In-kind revenues and expenses are recognized in the financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). FASB ASC topic 958 requires the PFC to report in-kind revenues and expenses based on the presence of any restrictions or lack thereof. All of the PFC's in-kind contributions are considered unrestricted. In-kind contributions are measured and recorded as revenues at their cost to the third party, which approximates fair value. No in-kind is reported in the current year by the PFC.

6. Personnel

The PFC has no employees.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. GASB 87

GASB 87 was implemented on October 1, 2021 with a 2% interest rate. The total amount of inflows of resources (for example, lease revenue, interest rate, and any other lease-related inflows) recognized in the reporting period from leases, if that amount cannot be determined based on the amounts displayed on the face of the financial statements. In addition, if a lessor's principle ongoing operations consist of leasing assets to other entities, the government should disclose a schedule of future payments that are included in the measurement of the lease receivable, showing principle and interest rate separately, for each of the five subsequent fiscal years and in five-year increments thereafter.

II. CASH

The PFC's funds are required to be deposited and invested under the terms of a depository contract. Under Texas State law, a bank serving as the depository must have a bond or in lieu thereof, deposited or pledged securities with the PFC or independent third-party agent, an amount equal to the highest daily balance of all deposits the PFC may have during the term of the depository contract, less applicable federal depository insurance (FDIC). The PFC has FDIC coverage for deposits exceeding \$250,000.

SABC SOCCER PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

III. ACCOUNTS RECEIVABLE

As of September 30, 2022, receivables consisted of \$85,880 in facility access fees. In addition, lease payments earned and due as of September 30, 2022 of \$250,000 for the Lease Year 7 MLS franchise reimbursement, and \$111,020 in Rental Fees which were due as of September 30, 2022 are also reported in the statement of net position as accounts receivable. No allowance for doubtful accounts is included.

IV. RELATED PARTY TRANSACTIONS

The City and the County are related parties to the PFC. Personnel and other costs related to the management of the SABC PFC are provided by the City and are not reflected in the financial statements. There were no current year monetary transactions with the City and the County.

V. CAPITAL ASSETS

As of September 30, 2022, capital assets consisted of the following:

	Balance September 30, 2021	Increases	Decreases	Balance September 30, 2022
Land	\$ 3,980,000	\$ -	\$ -	\$ 3,980,000
Capital Assets, Being Depreciated:				
Stadium Facility	7,155,726	-	-	7,155,726
Improvements	9,348,822	-	-	9,348,822
Total Capital Assets, Being Depreciated	16,504,548	-	-	16,504,548
Less Accumulated Depreciation for:				
Stadium Facility	(822,909)	(143,115)	-	(966,024)
Improvements	(5,327,503)	(938,716)	-	(6,266,219)
Total Accumulated Depreciation	(6,150,412)	(1,081,831)	-	(7,232,243)
Total Capital Assets, Being Depreciated, Net	10,354,136	(1,081,831)	-	9,272,305
Total Capital Assets, Net	\$ 14,334,136	\$ (1,081,831)	\$ -	\$ 13,252,305

There was no impairment on the assets during the year.

VI. INTERLOCAL AGREEMENT WITH THE CITY AND THE COUNTY

On December 17, 2015, the PFC entered into an interlocal agreement with the County and the City relating to the ownership and operation of the Toyota field and other matters in connection therewith. The City and the County each invested \$9,000,000 in the PFC to enable it to acquire the Toyota Field consisting of real property and the stadium located in that property. Both the City and the County agreed that such property was to be permanently owned by the PFC and leased to be a professional soccer entity to ensure professional soccer is available to the Citizens of the City and the County.

SABC SOCCER PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

VI. INTERLOCAL AGREEMENT WITH THE CITY AND THE COUNTY (Continued)

As part of the agreement, the City agreed to pay the County an amount equal to one-half of all distributions, dividends, payouts, loans or other amount paid or made from the PFC to the City. The PFC agreed that any claw back payments received under its lease with SA FC Management LLC would be distributed equally to the City and the County. No such amounts were paid in the current year to the City and/or the County.

VII. SOCCER STADIUM FACILITY LEASE

The PFC entered into a 20-year lease agreement (the Agreement) with SA FC Management, L.L.C. (SA FC, or Lessee), a Texas limited liability company, on December 21, 2015, for the use of the Stadium which was jointly purchased by the City and the County and owned by the PFC. The lease year ends on September 30 each year, and the lease term ends on September 30, 2035. Under the Agreement, SA FC will lease the Stadium from the PFC and (a) pay annual rent to the PFC; (b) collect and submit the Facility Access Fee assessed to all ticket purchases to the PFC; and (c) plan and perform repair, maintenance, and improvement work on the Stadium as approved by the Board.

Following the Lease commencement, in accordance with the Agreement, the City and the County each contributed \$500,000, and the Lessee, \$1,000,000 to the Initial Facilities Fund, to fund the costs associated with the initial mutually-agreed maintenance and improvements. All of the Initial Facilities Fund had been spent as of the beginning of the fiscal year 2018.

The PFC holds and administers funds for maintenance and improvement projects which are funded solely by the rent and the Facility Access Fee. An annual rental fee of \$100,000, subject to the annual Consumer Price Index increase, is due on or before September 30 of each Lease Year. The Lessee collects the Facility Access Fee, currently \$1.25 and subject to a \$0.25 increase every 7th year, on every paid ticket and submits it to PFC no later than the 10th day of the month following the event. These funds are equally deposited into the Improvements and Maintenance Fund and the Capital Reserve Fund. The City and County are not required to make any additional contributions or expenditures related to the Stadium. The Lessee retains all gross revenues of any kind for all events, including but not limited to, ticket sales, parking, sponsorship, advertising and concessions, except, PFC is entitled to 15% of all food and beverage concession gross revenues for food and beverage sold by Lessee or its concessionaire at *Community Events*, defined as upto 10 events benefitting the community and scheduled by PFC in any Lease Year, that exclude professional athletic or professional sporting events.

Section 7.04 of the Agreement provided for certain cross-termination provisions related to a separate lease between the City, and SA FC entered into on December 21, 2015, for the regional sports complex commonly known as STAR Soccer Complex located adjacent to the Stadium. In the event the STAR Lease is terminated, either party may terminate this Agreement upon 300 days' notice to the other party, whereupon the rights and obligations contained in the Agreement shall automatically terminate and be of no further force and effect. In the event the PFC does not exercise its right to terminate this Agreement within 180 days following the termination of the STAR Lease, the PFC's termination right pursuant to this section shall terminate and be of no further force and effect.

SABC SOCCER PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

VII. SOCCER STADIUM FACILITY LEASE (Continued)

Pursuant to Section 22.04 of the Agreement, in the event SA FC is unable to obtain a Major League Soccer (MLS) franchise by the end of the respective lease year below, the SA FC will make PFC reimbursement payments totaling \$5 million over an 8-year period as noted below. If the Lessee subsequently is awarded or acquires an MLS franchise, (i) if such award/acquisition occurs on or before the end of any lease year during the reimbursement period, Lessee is not required to pay the PFC any reimbursement payment for the lease year and any lease year thereafter; and any reimbursement payment paid to the PFC will offset against SA FC's share of MLS expansion contribution.

Fiscal Year	Lease Year	Amount
2021	6	\$ 250,000
2022	7	250,000
2023	8	250,000
2024	9	500,000
2025	10	750,000
2026	11	1,000,000
2027	12	1,000,000
2028	13	1,000,000
Total		<u>\$ 5,000,000</u>

In the current year the PFC adopted Government Accounting Standards Board Statement No. 87 *Leases*, which required the recognition of a lease receivable and a deferred outflow of resources for the Stadium lease. The payments due to the PFC from the Lessee in subsequent years are as follows:

Year	Principal	Interest	Total
2023	\$ 250,648	\$ 107,559	\$ 358,207
2024	505,661	102,546	608,207
2025	765,774	92,433	858,207
2026	1,031,089	77,117	1,108,206
2027	1,051,711	56,485	1,108,206
2028-2032	1,461,003	80,031	1,541,034
2033-2035	312,055	12,565	324,620
Total	<u>\$ 5,377,941</u>	<u>\$ 528,746</u>	<u>\$ 5,906,687</u>

SABC SOCCER PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

VIII. COMMITMENTS AND CONTINGENCIES

a. Contingent Liabilities

The PFC entered into various agreements as described in the financial statement footnotes. These agreements require compliance with terms and conditions specified in the various agreements and funds received could be subject to return. Any disallowed amounts resulting from such claims could become a liability of the PFC.

b. Litigation

The PFC's management is not aware of any litigation or claims against the PFC.

c. Potential Forgiveness of Lease Reimbursement Agreement

As mentioned in Note VII pursuant to Section 22.04 of the agreement SA FC has not met the requirement of the award of an MLS franchise on or before the expiration of Year 6 Lease ending September 30, 2021 and has paid the first \$250,000 reimbursement payment. The second reimbursement payment was due on September 30, 2022 and is recognized as a receivable as of September 30, 2022. SAFC met with City staff September 6, 2022 advising that they would be contacting both City and County executive leadership to propose the removal of the Reimbursement Payment clause for the remaining \$4,750,000 over a 6-year period due to recovering from the adverse impacts of COVID-19 and the lack of transparency of pre-existing MLS territorial rights in the current/adjacent market of San Antonio. On Tuesday, December 13, 2022, Bexar County Commissioners Court approved the proposed Amendment subject to City Council approval. Convention and Sports Facilities (CSF) leadership will go into Executive Session in January 2023 for direction from City Council followed by a SABC Soccer PFC Board meeting early February 2023.

In the current year the PFC adopted GASB 87 Leases, which required the recognition of a lease receivable and a deferred outflow of resources. The lessee as described above has initiated negotiation of a forgiveness of a portion of the recognized lease liability. The forgiveness would result in a reduction of the lease receivable in the approximate amount of \$4,399,972 and an offsetting reduction of the deferred inflow of resources in the amount of \$4,149,971. The effect of the potential forgiveness is not recognized as of September 30, 2022.

SUPPLEMENTAL STATEMENTS

DRAFT

Combining Statements

SABC Soccer PFC
San Antonio, Texas

Combining Statement of Net Position

September 30, 2022

	Purchase & Initial Facilities Fund	Reimbursement Fund	I&M Fund	Capital Reserve Fund	SABC Soccer PFC
ASSETS					
Current Assets:					
Cash	\$ -	\$ 250,041	\$ 169,920	\$ 218,459	\$ 638,420
Lease Receivable		167,000	41,824	41,824	250,648
Receivables, Net	-	250,000	98,450	98,450	446,900
Total Current Assets	-	667,041	310,194	358,733	1,335,968
Noncurrent Assets:					
Lease Receivable	-	3,982,971	572,161	572,161	5,127,293
Capital Assets:					
Land	3,980,000	-	-	-	3,980,000
Stadium Facility	7,155,726	-	-	-	7,155,726
Stadium Improvements	8,856,416	-	182,955	309,451	9,348,822
Less Accumulated Depreciation	(6,993,402)	-	(73,910)	(164,931)	(7,232,243)
Total Noncurrent Assets	12,998,740	3,982,971	681,206	716,681	18,379,598
Total Assets	\$ 12,998,740	\$ 4,650,012	\$ 991,400	\$ 1,075,414	\$ 19,715,566
LIABILITIES					
Total Liabilities					
Deferred Inflows	-	4,149,972	613,985	613,985	5,377,941
NET POSITION					
Net Investment in Capital Assets	12,998,740	-	109,045	144,520	13,252,305
Restricted	-	500,041	268,370	316,909	1,085,320
Unrestricted	-	-	-	-	-
Total Net Position	\$ 12,998,740	\$ 500,041	\$ 377,415	\$ 461,429	\$ 14,337,625

SABC Soccer PFC
San Antonio, Texas

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For The Year Ended September 30, 2022

	Purchase & Initial Facilities Fund	Reimbursement Fund	I&M Fund	Capital Reserve Fund	SABC Soccer PFC
OPERATING REVENUES					
Contractual Reimbursements	\$ -	\$ 163,726	\$ -	\$ -	\$ 163,726
Rental Fee	-	-	42,410	42,411	84,821
Interest Revenue - Leases	-	86,274	13,100	13,100	112,474
Facility Access Fee	-	-	79,812	79,812	159,624
Total Operating Revenues	-	250,000	135,322	135,323	520,645
OPERATING EXPENSES					
Maintenance	-	-	90,545	10,479	101,024
Other Expenses	-	-	12,400	-	12,400
Depreciation	1,028,755	-	19,362	33,714	1,081,831
Total Operating Expenses	1,028,755	-	122,307	44,193	1,195,255
Operating Income (Loss)	(1,028,755)	250,000	13,015	91,130	(674,610)
NON OPERATING REVENUE					
Interest Income	-	41	-	-	41
Total Non Operating Revenue	-	41	-	-	41
Change in Net Position	(1,028,755)	250,041	13,015	91,130	(674,569)
Total Net Position - Beginning	14,027,495	250,000	364,400	370,299	15,012,194
Total Net Position - Ending	\$ 12,998,740	\$ 500,041	\$ 377,415	\$ 461,429	\$ 14,337,625

SABC Soccer PFC
San Antonio, Texas

Combining Statement of Cash Flows

For The Year Ended September 30, 2022

	Purchase & Initial Facilities Fund	Reimbursement Fund	I&M Fund	Capital Reserve Fund	SABC Soccer PFC
CASH FLOWS FROM OPERATING ACTIVITIES					
Facility Access Fee received from SA FC	\$ -	\$ -	\$ 36,872	\$ 36,872	\$ 73,744
Receipts from Leasing Activity	-	250,000	-	-	250,000
Payments for Maintenance and Other Services	-	-	(102,945)	(10,479)	(113,424)
Net Cash Provided (Used) by Operating Activities	-	250,000	(66,073)	26,393	210,320
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments for Capital Improvements	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Earnings	-	41	-	-	41
Net Cash Provided (Used) by Investing Activities	-	41	-	-	41
Net Increase (Decrease) in Cash and Cash Equivalents	-	250,041	(66,073)	26,393	210,361
Balances - Beginning of the Year	-	-	235,993	192,066	428,059
Balances - End of the Year	\$ -	\$ 250,041	\$ 169,920	\$ 218,459	\$ 638,420
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (1,028,755)	\$ 250,000	\$ 13,015	\$ 91,130	\$ (674,610)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Cash Flows Reported in Other Categories					
Depreciation Expense	1,028,755	-	19,362	33,714	1,081,831
CHANGE IN ASSETS AND LIABILITIES					
(Increase) Decrease in Current Receivables	-	250,000	(98,450)	(98,450)	53,100
(Increase) Decrease in Lease Receivables	-	(4,399,971)	(613,985)	(613,986)	(5,627,942)
Increase in Deferred Inflow of Resources	-	4,149,971	613,985	613,985	5,377,941
Net Cash Provided by Operating Activities	\$ -	\$ 250,000	\$ (66,073)	\$ 26,393	\$ 210,320
Noncash	\$ -	\$ -	\$ -	\$ -	\$ -