

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

REPORT ON THE CONDUCT OF AUDIT

September 30, 2023

DRAFT

The Board of Directors
SABC Soccer PFC
San Antonio, Texas

We have audited the financial statements of the SABC Soccer PFC (the PFC) as of and for the year ended September 30, 2023, and have issued our report thereon dated January 3, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and that we also communicate to you other information related to our audit. Our responsibilities and other information related to our audit are provided in parts I to VII of this report. Other comments and recommendations are noted on part IX of this report.

This report does not affect our report dated January 3, 2024, on the financial statements of the PFC. This report is intended solely for the use of the Board and management of PFC and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the PFC's personnel during the course of our audit.

January 3, 2024

DRAFT

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

REPORT ON THE CONDUCT OF AUDIT

For the Year Ended September 30, 2023

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I. The Auditor’s Responsibility under U.S. Generally Accepted Auditing Standards.

As stated in our engagement letter dated November 27, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

As part of our audit, we considered the PFC’s internal control. Such considerations were solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the PFC’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

II. Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the PFC are described in Note I to the financial statements. The application of existing accounting policies was not changed during the year ended September 30, 2023.

We noted no transactions entered into by the PFC during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant sensitive estimates included in the current year financial statements.

We evaluated the key factors and assumptions used to develop estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

II. Qualitative Aspects of Accounting Practices (Continued)

Financial Statement Disclosures

The financial statement disclosures, as included in the financial statements, are neutral, consistent, and clear.

III. Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

IV. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

We proposed and management adopted an adjustment to record accounts payable for maintenance performed by SA FC and a note payable for stadium equipment entered into by SA FC during the year.

In addition, the note payable balance and the interest expense are understated by approximately \$2,000 which has not been corrected in the current year.

V. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

VI. Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 3, 2024.

VII. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If consultation involves the application of an accounting principle to the PFC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us or determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VIII. Other Issues

Matters Discussed with Management Prior to Appointment

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to appointment as the PFC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

We applied certain limited procedures to the management's discussion and analysis which is required supplementary information (RSI) and to the accompanying combining financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and did not express an opinion or provide any assurance on the RSI.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

IX. Other Comments and Recommendations

SA FC Operations

As of September 30, 2023, the SABC was pending receipts from SA FC as follows:

- Reimbursement payment (7th and 8th Year a total of \$500,000)
- Facility Access fees of approximately \$31,000, from SA FC for the \$.25 per ticket increase for the 8th year was not observed and paid.

Additionally, the SA FC completed projects and entered into a lease agreement for stadium equipment. However, the reimbursement requests and support were not submitted or recognized until audit testing and inquiries were initiated.

We recommend that the PFC ensure that all collections associated with the stadium lease be collected promptly. Additionally, the PFC should monitor maintenance projects and the procurement of equipment to ensure that the liabilities of the PFC are timely and properly recorded.

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

FINANCIAL STATEMENTS

For The Year Ended September 30, 2023

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, 2023

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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), a component unit of the City of San Antonio, Texas, as of and for the year ended September 30, 2023 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, 2023 and the respective changes in financial position and, its 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 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 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, 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 PFC'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 3, 2024

SABC SOCCER PFC
San Antonio, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

September 30, 2023

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, 2023. 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 \$13,372,662.
- Total assets net of depreciation decreased over the previous year by \$222,479.
- Revenues consisted of facility access fees in the amount of \$111,203 and leasing activity in the amount of \$248,584. Bank interest on the Reimbursement Fund amounted to \$223.
- Current Receivables total \$1,178,252 and consist of \$500,000 for the Year 7 and Year 8 MLS franchise reimbursement payments, \$58,684 in Facility Access Fees, and \$113,907 in Stadium Rental and Current Lease Receivables of \$505,661.

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, 2023

Net Position

The PFC's combined net position on September 30, 2023, was \$13,372,662. Of this amount, \$12,387,184 is a net investment in capital assets while the remaining \$636,515 is restricted net assets.

For the fiscal year 2023, cash increased by \$345,410. A receivable for \$250,000 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. The Facility Access Fee due to the PFC under the terms of this lease increased to \$1.50 this fiscal year, however Facility Access Fees received were at a rate of \$1.25 per ticket, a shortage of \$36,898. 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.

	2023	2022	Change
Current Assets	\$ 2,162,082	\$ 1,335,968	\$ 826,114
Noncurrent Assets, Net	17,331,005	18,379,598	(1,048,593)
Total Assets	19,493,087	19,715,566	(222,479)
Total Liabilities	993,132	-	993,132
Deferred Inflows	5,127,293	5,377,941	(250,648)
Net Position			
Net Investment in Capital Assets	12,387,184	13,252,305	(865,121)
Restricted	985,478	1,085,320	(99,842)
Unrestricted	-	-	-
Total Net Position	\$ 13,372,662	\$ 14,337,625	\$ (964,963)

SABC SOCCER PFC
San Antonio, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

September 30, 2023

Capital Assets

As noted below, changes in current year Capital Assets were due to capital purchases and depreciation.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 3,980,000	\$ 3,980,000	\$ -
Capital Assets, Being Depreciated			
Stadium Facility	7,155,726	7,155,726	-
Improvements	9,854,642	9,348,822	505,820
Total Capital Assets, Being Depreciated	<u>17,010,368</u>	<u>16,504,548</u>	<u>505,820</u>
Less Accumulated Depreciation	<u>(8,280,996)</u>	<u>(7,232,243)</u>	<u>(1,048,753)</u>
Total Capital Assets, Net	<u>\$ 12,709,372</u>	<u>\$ 13,252,305</u>	<u>\$ (542,932)</u>

Changes in Net Position

As of September 30, 2023, the ending net position was \$13,372,662, a decrease of \$964,963. Facility expenses consisted of equipment to improve concessions, lighting, camera, and electrical improvements, sound system upgrades and seat replacements, and financing of LED field boards, 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 facility access fee.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues			
Contractual Reimbursements	\$ 167,001	\$ 163,726	\$ 3,275
Rental Fee	89,529	84,820	4,709
Interest Revenue – Leases	107,559	112,474	(4,915)
Facility Access Fee	221,390	159,624	61,766
Interest Income	223	41	182
Total Revenues	<u>585,702</u>	<u>520,685</u>	<u>65,017</u>
Expenses			
Maintenance	455,076	101,024	354,052
Other Expenses	46,836	12,400	34,436
Depreciation	1,048,753	1,081,831	(33,078)
Total Expenses	<u>1,550,665</u>	<u>1,195,255</u>	<u>355,410</u>
Change in Net Position	(964,963)	(674,569)	(290,393)
Net Position – Beginning	<u>14,337,625</u>	<u>15,012,194</u>	<u>(674,569)</u>
Net Position – Ending	<u>\$ 13,372,662</u>	<u>\$ 14,337,625</u>	<u>\$ (964,963)</u>

SABC SOCCER PFC
San Antonio, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

September 30, 2023

Other Information

The PFC's bylaws require an annual budget. A budget for 2023 was presented and adopted on September 23, 2022. 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 2023 Reimbursement Payment was due on September 30, 2023. The 2022 Reimbursement Payment was due on September 30, 2022 and is also still outstanding. 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. City of San Antonio has not brought forth an item to review for City Council Action.

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 Monica Ramos, Assistant Director, 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, 2023

ASSETS

Current Assets:

Cash	\$ 983,830
Lease Receivable	505,661
Receivables, Net	<u>672,591</u>

Total Current Assets 2,162,082

Noncurrent Assets:

Lease Receivable	<u>4,621,633</u>
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Capital Assets:

Land	3,980,000
Stadium Facility	7,155,726
Stadium Improvements	9,854,642
Less Accumulated Depreciation	<u>(8,280,996)</u>

Total Noncurrent Assets 17,331,005

Total Assets \$ 19,493,087

LIABILITIES

Current Liabilities

Accrued Liabilities	\$ 670,944
Note Payable (Current)	<u>71,173</u>
Total Current Liabilities	742,117

Long Term Liabilities

Note Payable	<u>251,015</u>
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Total Liabilities \$ 993,132

Deferred Inflows - Leases \$ 5,127,293

NET POSITION

Net Investment in Capital Assets	12,387,184
Restricted	985,478
Unrestricted	<u>-</u>

Total Net Position \$ 13,372,662

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, 2023

OPERATING REVENUES	
Contractual Reimbursements	\$ 167,001
Rental Fee	89,529
Interest Revenue - Leases	107,559
Facility Access Fee	221,390
Total Operating Revenues	<u>585,479</u>
OPERATING EXPENSES	
Maintenance	455,076
Other Expenses	14,600
Depreciation	1,048,753
Total Operating Expenses	<u>1,518,429</u>
Operating Income (Loss)	<u>(932,950)</u>
NON-OPERATING REVENUE/(EXPENSES)	
Interest Income	223
Interest Expense	(32,236)
Total Non-Operating Revenue/(Expenses)	<u>(32,013)</u>
Change in Net Position	<u>(964,963)</u>
Total Net Position - Beginning	<u>14,337,625</u>
Total Net Position - Ending	<u>\$ 13,372,662</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Facility Access Fee received from SA FC	\$ 111,203
Receipts from Leasing Activity	248,584
Payments for Maintenance and Other Services	<u>(14,600)</u>
Net Cash Provided by Operating Activities	<u>345,187</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	<u>223</u>
Net Cash Provided (Used) by Investing Earnings	<u>223</u>
Net Increase in Cash and Cash Equivalents	345,410
Balances - Beginning of the Year	<u>638,420</u>
Balances - End of the Year	<u>\$ 983,830</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	(932,950)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Cash Flows Reported in Other Categories	
Depreciation	1,048,753
CHANGE IN ASSETS AND LIABILITIES	
(Increase) Decrease in Current Receivables	(225,692)
(Increase) Decrease in Lease Receivables	250,649
Increase (Decrease) in Accrued Liabilities	455,076
Increase (Decrease) in Deferred Inflow of Resources	<u>(250,649)</u>
Net Cash Provided by Operating Activities	<u>\$ 345,187</u>
Noncash	
Note Payable - Equipment	<u>\$ 431,000</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, 2023

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 2023 was presented and adopted on September 23, 2022.

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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

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 and Facility Access Fees collected and remitted by the Stadium lessee, SA FC Management, L.L.C. (SA FC), and Contractual Reimbursements in accordance with the agreement with the Stadium lessee.

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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

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. Leases

The PFC is required to disclose 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 the PFC's principle ongoing operations consist of leasing assets to other entities, the PFC 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, 2023

III. ACCOUNTS RECEIVABLE

As of September 30, 2023, receivables consisted of \$500,000 for the MLS franchise reimbursement payments (2022 and 2023 payments), \$58,684 in Facility Access Fees, \$113,907 in Stadium Rental, a total of \$672,591. No allowance for doubtful accounts has been recorded.

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, 2023, capital assets consisted of the following:

	Balance Sept 30 2022	Increases	Decreases	Balance Sept 30 2023
Land	\$ 3,980,000	\$ -	\$ -	\$3,980,000
Capital Assets, Being Depreciated:				
Stadium Facility	7,155,726	-	-	7,155,726
Improvements	9,348,822	505,820	-	9,854,642
Total Capital Assets, Being Depreciated	<u>16,504,548</u>	<u>505,820</u>	<u>-</u>	<u>17,010,368</u>
Less Accumulated Depreciation for:				
Stadium Facility	(966,024)	(143,114)	-	(1,109,138)
Improvements	(6,266,219)	(905,639)	-	(7,171,858)
Total Accumulated Depreciation	<u>(7,232,243)</u>	<u>(1,048,753)</u>	<u>-</u>	<u>(8,280,996)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,272,305</u>	<u>(542,933)</u>	<u>-</u>	<u>8,729,372</u>
 Total Capital Assets, Net	 <u>\$13,252,305</u>	 <u>\$(542,933)</u>	 <u>\$ -</u>	 <u>\$12,709,372</u>

There was no impairment on the assets during the year.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

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.

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. The PFC maintains a prior year receivable of \$250,000 which was due for Lease Year 7 in 2022. The PFC again recognized a \$250,000 receivable for Lease Year 8 in 2023 in accordance with the Reimbursement Payment clause. SA FC proposed the removal of the Reimbursement Payment clause for the remaining \$4,750,000, inclusive of the outstanding \$500,000 receivables. Bexar County Commissioners Court approved the proposed Amendment on December 13, 2022 subject to City Council Approval. City of San Antonio has not brought forth an item to review for City Council Action. The claw back receivables for Lease Years 7 and 8 are both still outstanding and total \$500,000 due to the PFC. 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.

SABC Soccer PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

VII. SOCCER STADIUM FACILITY LEASE (Continued)

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, which in FY 2023 increased from \$1.25 to \$1.50. The Facility Access Fee is subject to a \$0.25 increase every 7th year, on every paid ticket. The lessee submits the Facility Access Fee 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 up to 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.

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.

<u>Fiscal Year</u>	<u>Lease Year</u>	<u>Amount</u>
2019	4	\$ -
2020	5	-
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>

SABC Soccer PFC
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

VII. SOCCER STADIUM FACILITY LEASE (Continued)

The total payments due to the PFC from the Lessee in subsequent years are as follows:

Year	Principal	Interest	Total
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	56,495	1,108,206
2028	1,072,745	35,461	1,108,206
2029-2033	490,223	50,810	541,033
2034-2035	210,090	6,324	216,414
Total	<u>\$ 5,127,293</u>	<u>\$ 421,186</u>	<u>\$ 5,548,479</u>

VIII. NOTE PAYABLE

The PFC purchased a Sport LED Perimeter System during the year. The purchase price was \$431,000. The SA FC paid \$43,100 down and financed \$387,900, with an interest rate of 8.31% as the lessee. The PFC has recorded accrued liabilities for current activity paid by the lessee in the amount of \$141,048. As of September 30, 2023 the PFC had a remaining note payable of \$322,188. Principal and interest payable on the note are as follows:

Year	Principal	Interest	Total
2024	\$ 71,173	\$ 26,775	\$ 97,948
2025	77,088	20,860	97,948
2026	83,494	14,454	97,948
2027	90,433	7,515	97,948
Total	<u>\$ 322,188</u>	<u>\$ 69,604</u>	<u>\$ 391,792</u>

IX. 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.

SUPPLEMENTAL STATEMENTS

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Combining Statements

SABC Soccer PFC
San Antonio, Texas

Combining Statement of Net Position

September 30, 2023

	Purchase & Initial Facilities Fund	Reimbursement Fund	I&M Fund	Capital Reserve Fund	SABC Soccer PFC
ASSETS					
Current Assets:					
Cash	\$ -	\$ 250,264	\$ 335,213	\$ 398,353	\$ 983,830
Lease Receivable	-	420,341	42,660	42,660	505,661
Receivables, Net	-	500,000	86,295	86,296	672,591
Total Current Assets	-	1,170,605	464,168	527,309	2,162,082
Noncurrent Assets:					
Lease Receivable	-	3,562,631	529,501	529,501	4,621,633
Capital Assets:					
Land	3,980,000	-	-	-	3,980,000
Stadium Facility	7,155,726	-	-	-	7,155,726
Stadium Improvements	8,856,416	-	238,592	759,634	9,854,642
Less Accumulated Depreciation	(7,972,157)	-	(98,837)	(210,002)	(8,280,996)
Total Noncurrent Assets	12,019,985	3,562,631	669,256	1,079,133	17,331,005
Total Assets	\$ 12,019,985	\$ 4,733,236	\$ 1,133,424	\$ 1,606,442	\$ 19,493,087
LIABILITIES					
Current Liabilities					
Accrued Liabilities	-	-	228,540	442,404	670,944
Note Payable (current)	-	-	-	71,173	71,173
Total Current Liabilities	-	-	228,540	513,577	742,117
Long Term Liabilities					
Note Payable	-	-	-	251,015	251,015
Total Liabilities	\$ -	\$ -	\$ 228,540	\$ 764,592	\$ 993,132
Deferred Inflows	-	3,982,972	572,160	572,161	5,127,293
NET POSITION					
Net Investment in Capital Assets	12,019,985	-	139,755	227,444	12,387,184
Restricted	-	750,264	192,969	42,245	985,478
Unrestricted	-	-	-	-	-
Total Net Position	\$ 12,019,985	\$ 750,264	\$ 332,724	\$ 269,689	\$ 13,372,662

SABC Soccer PFC
San Antonio, Texas

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

For The Year Ended September 30, 2023

	Purchase & Initial Facilities Fund	Reimbursement Fund	I&M Fund	Capital Reserve Fund	SABC Soccer PFC
OPERATING REVENUES					
Contractual Reimbursements	\$ -	\$ 167,001	\$ -	\$ -	\$ 167,001
Rental Fee	-	-	44,764	44,765	89,529
Interest Revenue - Leases	-	82,999	12,280	12,280	107,559
Facility Access Fee	-	-	110,695	110,695	221,390
Total Operating Revenues	-	250,000	167,739	167,740	585,479
OPERATING EXPENSES					
Maintenance	-	-	172,903	282,173	455,076
Other Expenses	-	-	14,600	-	14,600
Depreciation	978,755	-	24,927	45,071	1,048,753
Total Operating Expenses	978,755	-	212,430	327,244	1,518,429
Operating Income (Loss)	(978,755)	250,000	(44,691)	(159,504)	(932,950)
NON-OPERATING REVENUE/(EXPENSE)					
Interest Income	-	223	-	-	223
Interest Expense	-	-	-	(32,236)	(32,236)
Total Non-Operating Revenue/(Expense)	-	223	-	(32,236)	(32,013)
Change in Net Position	(978,755)	250,223	(44,691)	(191,740)	(964,963)
Total Net Position - Beginning	12,998,740	500,041	377,415	461,429	14,337,625
Total Net Position - Ending	\$ 12,019,985	\$ 750,264	\$ 332,724	\$ 269,689	\$ 13,372,662

SABC Soccer PFC
San Antonio, Texas

Combining Statement of Cash Flows

For The Year Ended September 30, 2023

	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	\$ -	\$ -	\$ 55,601	\$ 55,602	\$ 111,203
Receipts from Leasing Activity	-	-	124,292	124,292	248,584
Payments for Maintenance and Other Services	-	-	(14,600)	-	(14,600)
Net Cash Provided (Used) by Operating Activities	-	-	165,293	179,894	345,187
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Earnings	-	223	-	-	223
Net Cash Provided (Used) by Investing Activities	-	223	-	-	223
Net Increase (Decrease) in Cash and Cash Equivalents	-	223	165,293	179,894	345,410
Balances - Beginning of the Year	-	250,041	169,920	218,459	638,420
Balances - End of the Year	\$ -	\$ 250,264	\$ 335,213	\$ 398,353	\$ 983,830
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (978,755)	\$ 250,000	\$ (44,691)	\$ (159,504)	\$ (932,950)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Cash Flows Reported in Other Categories					
Depreciation Expense	978,755	-	24,927	45,071	1,048,753
CHANGE IN ASSETS AND LIABILITIES					
(Increase) Decrease in Current Receivables	-	(250,000)	12,154	12,154	(225,692)
(Increase) Decrease in Lease Receivables	-	167,001	41,824	41,824	250,649
Increase (Decrease) in Accrued Liabilities	-	-	172,903	282,173	455,076
Increase (Decrease) in Deferred Inflow of Resources	-	(167,001)	(41,824)	(41,824)	(250,649)
Net Cash Provided by Operating Activities	\$ -	\$ -	\$ 165,293	\$ 179,894	\$ 345,187
Noncash					
Note Payable - Equipment	\$ -	\$ -	\$ -	\$ 431,100	\$ 431,100