

**SAN JOSE CONVENTION AND
CULTURAL FACILITIES**

(An Activity of the City of San José)

Independent Auditor's Report,
Financial Statements, and
Supplementary Information

For the Year Ended June 30, 2026



Certified
Public
Accountants

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

For the Year Ended June 30, 2026

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Independent Auditor's Report

City Council
San José, California

Opinion

We have audited the financial statements of the San José Convention and Cultural Facilities (the Center), an activity of the City of San José (the City), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Center's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2026, and the change in net 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 Opinion

We conducted our audit 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 Center, 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 opinion.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the financial statements of the Center are intended to present the net position, changes in net position, and cash flows of only that portion of the City's financial statements that is attributable to the operating transactions of the Center. The Center's operating transactions are reported within the City's special revenue funds; however, for purposes of presentation on a standalone basis, management reports it as an enterprise fund. The financial statements of the Center do not purport to, and do not, present fairly the financial position of the City as of June 30, 2026, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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 Center'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.

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

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



Walnut Creek, California
September 30, 2026

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Statement of Net Position

June 30, 2026

Assets:

Current assets:

Cash	\$ 12,548,811
Accounts receivable, net	2,107,515
Accounts receivable - City of San José	1,823,332
Inventories	184,317
Prepaid expenses	191,199
Other assets	6,730
Total assets	16,861,904

Liabilities:

Current liabilities:

Accounts payable	1,530,913
Accounts payable - event related	772,939
Accounts payable - Team San Jose	124,944
Accrued liabilities	3,854,772
Accrued compensated absences	1,210,230
Unearned revenue	8,780,690
Total current liabilities	16,274,488

Non-current liabilities:

Accrued compensated absences	1,369,272
Total liabilities	17,643,760

Net Position (Deficit):

Unrestricted	(781,856)
Total net position (deficit)	\$ (781,856)

See accompanying notes to the financial statements.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended June 30, 2026

Operating revenues:

Building rental	\$ 8,573,553
Food and beverage services	26,085,564
Commission revenues	1,070,544
Event electrical/utility services	442,067
Networking services	1,809,917
Audio/visual services	552,112
Ticketing services	1,169,713
Telecommunications services	223,454
Equipment rentals	163,599
Event production labor revenues	13,174,558
Rigging assessment fee	338,370
Other revenues	215,457
Total operating revenues	<u>53,818,908</u>

Operating expenses:

Administrative and general salaries - Team San Jose	29,231,857
Cost of event production labor	11,734,176
Utilities	4,564,591
Food and beverage costs	3,890,237
Bad debt expense	12,797
Contracted outside services	4,620,859
Professional services	291,532
Operating supplies	862,044
Repairs and maintenance	2,151,236
Insurance	1,021,233
City of San José oversight	1,769,945
Ticketing costs	48,586
Workers' compensation insurance premiums	702,475
Fire insurance	424,159
Management fee - Team San Jose	1,300,000
Equipment rentals	145,124
City of San José facility usage	5,795
Other expenses	2,320,587
Total operating expenses	<u>65,097,233</u>
Operating loss	<u>(11,278,325)</u>

Noncapital subsidies:

Contribution from City of San José	3,362,709
Contribution from Transient Occupancy Tax Fund	7,911,504
Total noncapital subsidies	<u>11,274,213</u>

Change in net position (4,112)

Net Position (Deficit):

Beginning of year	<u>(777,744)</u>
End of year	<u>\$ (781,856)</u>

See accompanying notes to the financial statements.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Statement of Cash Flows

For the Year Ended June 30, 2026

Cash flows from operating activities:	
Cash receipts from customers	\$ 53,661,258
Cash payments to suppliers for goods and services	(23,454,628)
Cash payments to employees for services	(40,920,656)
Net cash used in operating activities	<u>(10,714,026)</u>
Cash flows from noncapital financing activities:	
Contribution from City of San José	1,806,119
Contribution from Transient Occupancy Tax Fund	7,839,263
Net cash provided by noncapital financing activities	<u>9,645,382</u>
Change in cash	(1,068,644)
Cash, beginning of year	<u>13,617,455</u>
Cash, end of year	<u>\$ 12,548,811</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (11,278,325)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable, net	(802,592)
Inventories	(44,808)
Prepaid expenses	(6,713)
Other assets	115,882
Accounts payable	(249,191)
Accounts payable - event related	(5,273)
Accounts payable - Team San Jose	107,213
Accrued liabilities	281,520
Accrued compensated absences	510,522
Unearned revenue	657,739
Net cash used in operating activities	<u>\$ (10,714,026)</u>

See accompanying notes to the financial statements.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to the Financial Statements

For the Year Ended June 30, 2026

NOTE 1 – DESCRIPTION OF OPERATIONS

The San José Convention and Cultural Facilities (the Center) consists of the San José McEnery Convention Center (the main facility), City National Civic, Center for the Performing Arts, California Theatre, South Hall, and Montgomery Theater. These six venues offer facilities for trade show exhibits, conventions, corporate meetings, consumer shows and performing arts events. The City of San José (the City) selected Team San Jose to manage the operations of the Center (see Note 5). The Team San Jose management office is located in the west portion of the main facility, which is located at 408 Almaden Boulevard, San José, California.

The Center's financial statements are intended to present the financial position, changes in financial position, and cash flows of only that portion of the City's financial statements that is attributable to the Center's operating transactions. The Center's operating transactions are reported within the City's special revenue funds; however, for purposes of presentation on a standalone basis, management has elected to report it as an enterprise fund. The contractual requirements between the City and Team San Jose focus on the operations of the Center and, as such, the City has not included the Center's main building, improvements, and related depreciation in the Center's financial statements in accordance with an enterprise fund presentation under accounting principles generally accepted in the United States of America. These assets and related debt are reported as part of the City's government-wide financial statements. The financial statements of the Center do not purport to, and do not, present fairly the financial position of the City as of June 30, 2026, and the change in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

TSJ Events, LLC

On March 19, 2009, Team San Jose established TSJ Events, LLC, in the State of California to provide alcoholic beverages at events catered by the Center. Team San Jose is the only member of TSJ Events, LLC, and, as such, has a controlling interest in the operations of the entity. The Chief Executive Officer of Team San Jose has been designated as the manager of TSJ Events, LLC. Pursuant to the Operating Agreement between Team San Jose and TSJ Events, LLC, all revenues and expenses for activities performed by TSJ Events, LLC will be allocated to the Center. TSJ Events, LLC is blended with the Center as its sole purpose is to provide a vehicle for licensing the Center's liquor sales.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Accounting

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP as prescribed by the Governmental Accounting Standards Board. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of the related cash flows.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2026

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Use of Estimates*

The financial statements require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(c) *Cash and Cash Equivalents*

All highly liquid investments with original maturities of three months or less were considered to be cash equivalents and are carried at fair value.

(d) *Accounts Receivable*

The accounts receivable balance at June 30, 2026, is reported net of an allowance for estimated uncollectible amounts. Management estimated there were uncollectible amounts in the amount of \$13,554 at June 30, 2026, using its allowance calculation methodology based on historical write-off rates and comparable industry standards.

(e) *Inventories*

Inventories consist of food and beverage supplies that are valued at the lower of cost (first-in, first-out method) or market.

(f) *Capital Assets*

Capital assets are defined as assets with initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. They include computers, machinery and equipment, furniture and fixtures, and other improvements that are used in operations. Such assets are recorded at historical costs if purchased or constructed, and are depreciated using the straight-line method over the following estimated useful lives:

Computer and network equipment	3 years
Machinery and equipment	5 years
Furniture and fixtures	5 years
Other improvements	10 years

(g) *Compensated Absences*

Under Team San Jose's agreement with various bargaining units, and its salaried staff, employees are permitted to accumulate earned but unused vacation and sick benefits. Liabilities for compensated absences are recognized for: (a) leave that is attributable to services already rendered, (b) leave that accumulates, and (c) leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. At June 30, 2026, the Center reported \$2,579,502 of accrued compensated absences, a net increase of \$510,522 from the prior year balance of \$2,068,980.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2026

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) *Benefit Plans*

On-call employees of the Center are enrolled in defined contribution and defined benefit plans administered by various third parties that are not state or local government plans. These plans provide benefits to both state and local government and non-state and local government employers and employers of the plan are not predominately state or local government. Based on the number of hours worked by the covered employees, the Center paid into the respective benefit plans in accordance with the collective bargaining agreements.

(i) *Operating and Nonoperating Revenues and Expenses*

Operating revenues and expenses are revenues and expenses other than non-operating revenues and expenses. The Center's non-operating revenues include noncapital subsidies from the City. The Center's operating revenues include charges for services revenues derived from building rental, event production labor revenues, audio/visual services, electrical/utility services, equipment rental, food and beverage services, concessions, networking services, telecommunication services, and other services.

(j) *Net Position*

Net position is the excess of the Center's assets and deferred outflows of resources over its liabilities and deferred inflows of resources. At June 30, 2026, the Center only has unrestricted net position, which represents net position of the Center not restricted for any project or purpose.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first and then unrestricted resources, as they are needed.

At June 30, 2026, the Center has a deficit net position of \$781,856. The deficit net position is expected to be reduced through improvement in operating results in the future years.

(k) *Effects of New Pronouncements*

During the year ended June 30, 2026, the Center implemented the following Governmental Accounting Standards Board (GASB) Statements:

In April 2024, the GASB issued Statements No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Implementation of this statement did not have a significant impact on the Center's financial statements for the year ended June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to establish requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures, and to establish requirements for capital assets held for sale and note disclosures for those capital assets. Implementation of this statement did not have a significant impact on the Center's financial statements for the year ended June 30, 2026.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2026

NOTE 3 – CASH

The Center's cash as of June 30, 2026, consists of the following:

	<u>June 30, 2026</u>
Operating accounts	\$ 1,564,304
Payroll account	1,390,203
Receipts accounts	9,555,178
Petty cash	<u>39,126</u>
Total cash and event deposits	<u>\$ 12,548,811</u>

(a) *Nature of Bank Accounts*

The Center maintains all of its funds as cash deposits. The operating account is owned by the City, but is in the name of Team San Jose and is used to disburse funds for operations or for capital outlays under the direction of Team San Jose. The receipts account is in the name of the City of San José and is under the custodianship of the City. All revenues collected by the Center are deposited into the receipts account and Team San Jose transfers funds from the receipts account to the operating account on a monthly basis, as funding is needed.

(b) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the Center may be unable to recover the value of the investments or collateral securities in the possession of an outside party.

At June 30, 2026, the net carrying amount of the Center's operating accounts is \$1,564,304 which is reported as part of cash, and the bank balances total \$3,745,134. The carrying amount of the Center's payroll account is \$1,390,203 and the bank balance is \$1,401,394. The carrying amount of the Center's receipts account is \$9,555,178 and the bank balance is \$9,555,178. The differences between the bank balances and the carrying amounts represent outstanding checks and deposits in transit. The amounts placed on deposits with the bank were covered by federal depository insurance or were collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. Such collateral is held by the pledging financial institution's trust department or agent in the Center's name.

SAN JOSE CONVENTION AND CULTURAL FACILITIES
 (An Activity of the City of San José)
 Notes to the Financial Statements (Continued)
 For the Year Ended June 30, 2026

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets activity for the fiscal year ended June 30, 2026:

	July 1, 2025	Additions	Deletions	June 30, 2026
<i>Capital assets, being depreciated:</i>				
Computer and network equipment	\$ 1,395,536	\$ -	\$ (1,395,536)	\$ -
Machinery and equipment	1,176,246	-	(1,169,462)	6,784
Furniture and fixtures	2,714,325	-	(2,683,323)	31,002
Other improvements	2,225,243	-	(2,225,243)	-
Total capital assets, being depreciated	7,511,350	-	(7,473,564)	37,786
<i>Less accumulated depreciation for:</i>				
Computer and network equipment	(1,395,536)	-	1,395,536	-
Machinery and equipment	(1,176,246)	-	1,169,462	(6,784)
Furniture and fixtures	(2,714,325)	-	2,683,323	(31,002)
Other improvements	(2,225,243)	-	2,225,243	-
Total accumulated depreciation	(7,511,350)	-	7,473,564	(37,786)
Total capital assets, being depreciated, net	\$ -	\$ -	\$ -	\$ -

NOTE 5 – SIGNIFICANT AGREEMENTS WITH OUTSIDE PARTIES

Team San Jose

Team San Jose, Inc., a public benefit corporation, was formed in December 2003 in response to the City's request for proposals for the management and operations of the Center. Team San Jose integrates key community stakeholders to create an innovative governance model. The City entered into a management agreement (the Agreement) with Team San Jose to operate and manage the Center. The Agreement expires on June 30, 2029.

As compensation for the services rendered by Team San Jose pursuant to the Agreement, the City pays Team San Jose a fixed executive management fee of \$1,000,000 to provide reimbursement for a portion of the expenses incurred for salaries, wages, taxes and benefits for executive staff and an incentive fee of \$300,000, which is based on the extent to which Team San Jose meets incentive fee measure criteria for the prior year.

The San José Convention and Visitors Bureau

The San José Convention and Visitors Bureau (CVB) was established as a nonprofit, 501(c)(6) organization in 1984. In 2009, Team San Jose and CVB merged into a single nonprofit entity with Team San Jose as the surviving entity and CVB as a fictitious business name. Currently, Team San Jose provides convention and visitor bureau services to the City under an agreement that expires on June 30, 2029.

The mission of Team San Jose as the provider of Convention and Visitors Bureau is to enhance the image and economic well-being of the City by taking the leadership role in marketing the City as a globally recognized destination. Team San Jose provides marketing, promotion and sales support services for the convention center and cultural facilities and provides full service destination planning to meeting planners, tour operators, and individual visitors.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2026

NOTE 5 – SIGNIFICANT AGREEMENTS WITH OUTSIDE PARTIES (CONTINUED)

Team San Jose historically has received approximately 3% of the rent charged by hotel operators throughout the City. The current transient occupancy tax (TOT) rate, commonly referred to as the “hotel tax,” is equal to 10% of the rent charged by hotel operators throughout the City. Of the current TOT rate, 4% is a general tax that is deposited into the City’s General Fund. The remaining TOT is deposited into a special revenue fund allocated to various specified purposes. One of the specified purposes is the funding of a convention and visitor bureau, including a rental subsidy of City facilities for convention purposes. The CVB receives supplemental funding through annual partner/advocate fees through which convention hotel partners and tourism advocates (e.g. area restaurants, attractions, shopping, transportation and lodging) contribute.

Supply Management

Effective September 1, 2019, Team San Jose entered into an agreement with Avendra LLC, to manage the procurement process, including bids, audits and suppliers. The Center is required to purchase at least 80% of its requirements for goods and services, such as food and beverage, operating supplies and engineering services, through Avendra LLC. The agreement is a month-to-month arrangement.

NOTE 6 – CONTRIBUTIONS FROM CITY OF SAN JOSE

In order for the Center to continue its operations, it relies on the City for operating contributions. The Center’s operating loss for the fiscal year ended June 30, 2026, was \$11,278,325, which required cash contributions totaling \$3,362,709 from the City. The City uses a portion of its TOT from its Transient Occupancy Tax Special Revenue Fund to fund these contributions. Accordingly, any significant changes in the TOT or a decision to change the amount of support could greatly affect the Center’s ability to continue as a going concern. At June 30, 2026, the Center has a net amount due from the City of \$1,823,332 for TOT receipts and certain other reimbursements.

During the year ended June 30, 2026, the City paid for some repairs, maintenance and capital improvements to the Center in the amount of \$6,225,013. These activities are not reported on the Center’s statement of revenues, expenses and change in net position.

NOTE 7 – CLAIMS AND LITIGATION

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Center funds the costs of salaries and benefits, including the cost of workers’ compensation premiums for Team San Jose employees. Team San Jose is required to purchase commercial insurance, as specified in the Agreement.

SAN JOSE CONVENTION AND CULTURAL FACILITIES
(An Activity of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2026

NOTE 7 – CLAIMS AND LITIGATION (CONTINUED)

The coverage provided by commercial insurance and excess coverage as of June 30, 2026, is as follows:

Provider	Type of Coverage	Coverage Amount	Deductible
Philadelphia Indemnity Insurance Company	Automobile	\$ 1,000,000	\$ 500-1,000
Philadelphia Indemnity Insurance Company	General Liability	1,000,000	-
Philadelphia Indemnity Insurance Company	Commercial Liability/Property/Business Income	6,500,000	5,000
Philadelphia Indemnity Insurance Company	Equipment Floater	10,500	1,000
Indian Harbor Insurance Company	Excess/Umbrella Liability - Layer 1	5,000,000	-
Evanston Insurance Company	Excess/Umbrella Liability - Layer 2	5,000,000	-
Cypress Insurance Company / Oak River Insurance Company	Workers' Compensation	1,000,000	-
Philadelphia Indemnity Insurance Company	Directors & Officers Liability	2,000,000	25,000
Philadelphia Indemnity Insurance Company	Employment Practice Liability	2,000,000	100,000
Philadelphia Indemnity Insurance Company	Fiduciary Liability	2,000,000	-
Tokio Marine HCC	ERISA	500,000	-
Great American	Crime - General	1,000,000	25,000
Lloyds of London	Professional Liability /Cyber Liability	2,000,000	5,000
Lloyds of London	Professional Liability - Work Place Violence	1,000,000	10,000
Ace American Insurance Company	General Liability (Drone Coverage)	1,000,000	-
Beazley Syndicates	Pollution	1,000,000	1,000,000

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Center. In the opinion of management, such claims, if disposed of unfavorably, would not have a material adverse effect on the financial position or changes in financial position of the Center and are considered in the City's loss reserves. During the past three years, there have been no instances where the amount of claim settlements exceeded insurance coverage.

NOTE 8 – UNCERTAINTIES

The contributions from the City and the TOT fund for the year ended June 30, 2026 totaled \$11,274,213. These contributions are vital to continue operating the Center as a going concern. The City is committed to ensuring Team San Jose has enough resources to operate the Center.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Budgetary Comparison Schedule

For the Year Ended June 30, 2026

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Building rental	\$ 8,457,172	\$ 8,457,172	\$ 8,573,553	\$ 116,381
Food and beverage services	23,626,756	23,626,756	26,085,564	2,458,808
Commission revenues	761,970	761,970	1,070,544	308,574
Event electrical/utility services	707,451	707,451	442,067	(265,384)
Networking services	1,350,879	1,350,879	1,809,917	459,038
Audio/visual services	366,591	366,591	552,112	185,521
Ticketing services	1,046,010	1,046,010	1,169,713	123,703
Telecommunications services	108,733	108,733	223,454	114,721
Equipment rentals	119,438	119,438	163,599	44,161
Event production labor revenues	13,501,808	13,501,808	13,675,557	173,749
Event/networking discount	(454,274)	(454,274)	(500,999)	(46,725)
Rigging assessment fee	277,267	277,267	338,370	61,103
Other revenues	72,250	72,250	215,457	143,207
Total operating revenues	49,942,051	49,942,051	53,818,908	3,876,857
Operating expenses:				
Administrative and general salaries - Team San José	28,694,486	28,694,486	29,231,857	(537,371)
Cost of event production labor	11,329,301	11,329,301	11,734,176	(404,875)
Utilities	5,142,378	5,142,378	4,564,591	577,787
Food and beverage costs	3,830,440	3,830,440	3,890,237	(59,797)
Bad debt expense	-	-	12,797	(12,797)
Contracted outside services	4,638,883	4,638,883	4,620,859	18,024
Professional services	223,200	223,200	291,532	(68,332)
Operating supplies	932,731	932,731	862,044	70,687
Repairs and maintenance	2,031,047	2,031,047	2,151,236	(120,189)
Insurance	915,016	915,016	1,021,233	(106,217)
City of San José oversight	857,330	857,330	1,769,945	(912,615)
Ticketing costs	56,876	56,876	48,586	8,290
Workers' compensation insurance premiums	692,946	692,946	702,475	(9,529)
Fire insurance	505,000	505,000	424,159	80,841
Management fee - Team San José	1,300,000	1,300,000	1,300,000	-
Equipment rentals	140,827	140,827	145,124	(4,297)
City of San José facility usage	138,000	138,000	5,795	132,205
Other expenses	2,144,591	2,144,591	2,320,587	(175,996)
Total operating expenses	63,573,052	63,573,052	65,097,233	(1,524,181)
Operating loss	(13,631,001)	(13,631,001)	(11,278,325)	2,352,676
Nonoperating revenues:				
Contribution from City of San José	2,511,418	2,511,418	3,362,709	851,291
Contribution from Transient Occupancy Tax Fund	13,257,365	13,257,365	7,911,504	(5,345,861)
Total operating expenses	15,768,783	15,768,783	11,274,213	(4,494,570)
Change in net position	<u>\$ 2,137,782</u>	<u>\$ 2,137,782</u>	<u>\$ (4,112)</u>	<u>\$ (2,141,894)</u>

See accompanying note to the budgetary comparison schedule.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Note to the Budgetary Comparison Schedule

For the Year Ended June 30, 2026

NOTE 1 – BUDGETARY DATA

In accordance with Section 9.3 of the Agreement, Team San Jose prepares a proposed annual budget on or before March 15th of each contract year. The City reviews and approves the proposed annual budget on or before May 31st of the contract year during which the budget is submitted. The adopted budget represents the financial and organizational plan by which the policies and services of the Center approved by the City Council will be implemented. It includes: (1) the services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. During the year, changes in services and activities, estimated revenues, and estimated spending requirements may require modifications to the original adopted budget through City Council action. Modifications approved by the City Council throughout the year result in the final adopted budget.