

**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, 2021



Certified
Public
Accountants

SAN JOSE CONVENTION AND CULTURAL FACILITIES
(An Activity of the City of San José)
For the Year Ended June 30, 2021

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Independent Auditor's Report

City Council
City of San José, California

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Center as of June 30, 2021, and the change in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Basis of Presentation

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 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, 2021, 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.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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.

Other 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. The budgetary comparison schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California

October 7, 2021

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Statement of Net Position

June 30, 2021

Assets:

Current assets:

Cash	\$ 6,786,453
Accounts receivable	1,200,335
Accounts receivable - City of San José	1,287,355
Accounts receivable - Team San Jose	137,606
Inventories	65,807
Prepaid expenses	100,271
Other assets	37,243
Total current assets	<u>9,615,070</u>

Capital assets:

Depreciable capital assets, net	<u>109,727</u>
Total assets	<u>9,724,797</u>

Liabilities:

Current liabilities:

Accounts payable	261,404
Accounts payable - event related	225
Accrued liabilities	1,282,055
Unearned revenue	8,464,550
Total current liabilities	<u>10,008,234</u>

Net Position:

Net investment in capital assets	109,727
Unrestricted	<u>(393,164)</u>
Total net position	<u>\$ (283,437)</u>

See accompanying notes to 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, 2021

Operating revenues:

Building rental	\$	415,700
Food and beverage services		3,366,051
Commission revenues		390
Event electrical/utility services		189,436
Audio/visual services		700
Ticketing services		23
Telecommunications services		118,938
Event production labor revenues		3,396
Other revenues		788,415
		<hr/>
Total operating revenues		4,883,049

Operating expenses:

Administrative and general salaries - Team San Jose		4,786,048
Utilities		2,069,527
Food and beverage costs		1,486,815
Contracted outside services		1,749,844
Professional services		176,305
Operating supplies		189,032
Depreciation		99,469
Repairs and maintenance		725,706
Insurance		360,813
City of San José oversight		733,466
Workers' compensation insurance premiums		293,633
Fire insurance		401,033
Management fee - Team San Jose		1,000,000
Equipment rentals		14,824
Other expenses		675,797
		<hr/>
Total operating expenses		14,762,312
		<hr/>
Operating loss		(9,879,263)

Nonoperating revenues (expenses):

Contribution from City of San José		1,905,061
Contribution from Transient Occupancy Tax fund		7,633,198
		<hr/>
Total nonoperating revenues, net		9,538,259

Change in net position (341,004)

Net Position:

Beginning of year		<hr/>
		57,567
End of year		<hr/>
	\$	(283,437)

See accompanying notes to 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, 2021

Cash flows from operating activities:	
Cash receipts from customers	\$ 3,186,424
Cash payments to suppliers for goods and services	(5,352,051)
Cash payments to employees for services	(5,575,585)
Net cash used in operating activities	<u>(7,741,212)</u>
Cash flows from noncapital financing activities:	
Contribution from City of San José	1,905,061
Contribution from Transient Occupancy Tax fund	7,026,433
Net cash provided by noncapital financing activities	<u>8,931,494</u>
Change in cash	1,190,282
Cash, beginning of year	5,596,171
Cash, end of year	<u>\$ 6,786,453</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (9,879,263)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	99,469
Changes in assets and liabilities:	
Accounts receivable, net	208,919
Inventories	31,248
Prepaid expenses	4,693
Other assets	137,126
Accounts payable	(1,699,675)
Accounts payable - event related	(77,126)
Accounts receivable / payable - City of San José	6,722,183
Accounts payable - Team San Jose	(803,772)
Accrued liabilities	(1,383,242)
Unearned revenue	(1,101,772)
Net cash used in operating activities	<u>\$ (7,741,212)</u>

See accompanying notes to financial statements.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to Financial Statements

For the Year Ended June 30, 2021

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 and the change 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 is 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, 2021 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 recourses measuring 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 Financial Statements (Continued)

For the Year Ended June 30, 2021

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, 2021 is reported net of an allowance for estimated uncollectible amounts. Management estimated there were no uncollectible amounts at June 30, 2021, 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 UNITE HERE, Local 19, and its salaried staff, employees are permitted to accumulate earned but unused vacation benefits. All vacation pay is accrued when earned in accordance with the terms of the agreements with its employee groups. At June 30, 2021, the Center recorded \$639,187 of accrued vacation payable as part of accrued liabilities on the accompanying financial statements.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Defined Benefit Plans

On-call employees of the Center are enrolled in defined benefit plans administered by various third parties. 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 Revenues and Expenses

The Center defines its operating revenues as charges for services, which are 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. All other revenue not derived from these sources, such as the City's operating subsidies, are classified as non-operating in the accompanying statement of revenues, expenses and changes in net position.

(j) Net Position

Net position is classified in the following two components:

Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Unrestricted Net Position consists of the remaining balance of net position not subject to the aforementioned categorization.

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

As of June 30, 2021, the Center has a deficit net position of \$283,437 which is expected to be eliminated in FY2022 through reopening the venues and resuming event bookings.

NOTE 3 – CASH AND EVENT DEPOSITS

The Center's cash as of June 30, 2021 consists of the following:

	2021
Operating accounts	\$ 213,094
Payroll account	420,429
Receipts accounts	6,123,130
Petty cash	29,800
Total cash and event deposits	<u>\$ 6,786,453</u>

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2021

NOTE 3 – CASH AND EVENT DEPOSITS (CONTINUED)

(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, 2021, the net carrying amount of the Center’s operating accounts is \$213,094 which is reported as part of cash, and the bank balances total \$1,308,850. The carrying amount of the Center’s payroll account is \$420,429 and the bank balance is \$423,513. The carrying amount and the bank balance of the Center’s receipts accounts is \$6,123,130. 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.

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets activity for the fiscal year ended June 30, 2021:

	2020	Additions	Deletions	2021
<i>Capital assets, being depreciated:</i>				
Computer and network equipment	\$ 1,395,536	\$ -	\$ -	\$ 1,395,536
Machinery and equipment	1,176,246	-	-	1,176,246
Furniture and fixtures	2,714,325	-	-	2,714,325
Other improvements	2,225,243	-	-	2,225,243
Total capital assets, being depreciated	<u>7,511,350</u>	<u>-</u>	<u>-</u>	<u>7,511,350</u>
<i>Less accumulated depreciation for:</i>				
Computer and network equipment	(1,293,567)	(59,190)	-	(1,352,757)
Machinery and equipment	(1,108,956)	(30,290)	-	(1,139,246)
Furniture and fixtures	(2,686,423)	(6,201)	-	(2,692,624)
Other improvements	(2,213,208)	(3,788)	-	(2,216,996)
Total accumulated depreciation	<u>(7,302,154)</u>	<u>(99,469)</u>	<u>-</u>	<u>(7,401,623)</u>
Total capital assets, being depreciated, net	<u>\$ 209,196</u>	<u>\$ (99,469)</u>	<u>\$ -</u>	<u>\$ 109,727</u>

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2024.

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 \$250,000, which is based on the extent to which Team San Jose meets incentive fee measure criteria. For the year ended June 30, 2021, Team San Jose did not meet the incentive measurement criteria and, therefore, did not receive an incentive fee.

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, 2024.

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.

Team San Jose historically has received approximately 3% of the City's transient occupancy tax (TOT), commonly referred to as the "hotel tax." The current TOT rate is equal to 10% of the rent charged by hotel operator 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.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2021

NOTE 6 – CONTRIBUTIONS FROM CITY OF SAN JOSE FUNDS

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, 2021 was \$9,879,263, which required cash contributions totaling \$1,905,061 from the City. The City uses a portion of 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.

During the year ended June 30, 2021, the City paid for some repairs, maintenance and capital improvements to the Center in the amount of \$1,651,045. 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. The coverage provided by commercial insurance and excess coverage as of June 30, 2021 is as follows:

<u>Provider</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>	<u>Deductible</u>
Alaska National Insurance Company	Workers' Compensation - California	\$ 1,000,000	n/a
Allied World National Assurance Company	Privacy Liability & Network Risk	1,000,000	\$ 1,000
Hiscox/Underwriters at Lloyd's, London	Crime - Employee Dishonesty	1,000,000	5,000
Hiscox/Underwriters at Lloyd's, London	Crime - ERISA	1,000,000	n/a
Landmark American Insurance	Miscellaneous Professional Liability	2,000,000	2,500
Philadelphia Indemnity Insurance Company	Automobile	1,000,000	n/a
Philadelphia Indemnity Insurance Company	General Liability	2,000,000	n/a
Philadelphia Indemnity Insurance Company	Excess/Umbrella Liability	4,000,000	10,000
Philadelphia Indemnity Insurance Company	Property	4,260,000	1,000
QBE Insurance Corporation	Accidental Death/Volunteers Medical	25,000	n/a
Allied World Assurance Co (US) Inc.	Directors & Officers Liability	2,000,000	25,000
Allied World Assurance Co (US) Inc.	Employment Practice Liability	2,000,000	75,000
Allied World Assurance Co (US) Inc.	Fiduciary Liability	1,000,000	-
Aegis	Earthquake/Difference in conditions	1,000,000	5% Earthquake \$250,000 Flood
ACE International Advantage	Foreign Package	1,000,000	n/a

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, nor have there been any significant reductions of insurance coverage.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2021

NOTE 8 – UNCERTAINTIES

In response to the COVID-19 pandemic, Team San Jose made the announcement to temporarily shut down the Center and reported to the City of San Jose effective March 16, 2020, to support the reduction of the potential transmission of the virus. Unfortunately, as a result, all theater and convention center events were canceled for the entire fiscal year 2021. The convention center and theaters remained closed for business through July 29, 2021, except for serving the City's meals program. The Center expects this outbreak to impact the Center's operations for future reporting periods. It is not possible for the Center to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Center's operations.

The Center has been monitoring the development of the vaccine and mask mandate guideline by the City of San José, County of Santa Clara, and the State of California, so as to respond promptly to accommodate any new health and safety ordinance.

Going forward, re-evaluation of TOT projections and reforecasting of the fiscal year will take place in November and December of 2021 to make any necessary adjustments to the TOT budget for fiscal year 2021/22. The Center is constantly updating the yearly forecast based on added business and further cancellations.

NOTE 9 – SUBSEQUENT EVENTS

On July 30, 2021 and August 14, 2021, the Center held its first concert at the Civic Center and its first wedding at the California Theater, respectively, since the closure of business in mid-March 2020. The Center successfully hosted large meetings/events at the Convention Center in August 2021, including DesignCon and SiliCon. In July 2021, the Center gradually brought its employees back to work and anticipates it will be fully staffed by January 2022. After serving the homeless for 18 months, South Hall's homeless shelter has been evacuated, cleaned, and reconditioned to open for business. Parkside Hall has been torn down and repurposed.

SAN JOSE CONVENTION AND CULTURAL FACILITIES

(An Activity of the City of San José)

Budgetary Comparison Schedule

For the Year Ended June 30, 2021

	Budget		Actual	Variance
	Original	Final		
Operating revenues:				
Building rental	\$ 4,491,574	\$ 4,491,574	\$ 415,700	\$ (4,075,874)
Food and beverage services	12,461,185	12,461,185	3,366,051	(9,095,134)
Commission revenues	775,809	775,809	390	(775,419)
Event electrical/utility services	158,413	158,413	189,436	31,023
Networking services	1,223,260	1,223,260	-	(1,223,260)
Audio/visual services	201,619	201,619	700	(200,919)
Ticketing services	446,446	446,446	23	(446,423)
Telecommunications services	72,009	72,009	118,938	46,929
Equipment rentals	57,608	57,608	-	(57,608)
Event production labor revenues	9,586,719	9,586,719	3,396	(9,583,323)
Rigging assessment fee	475,245	475,245	-	(475,245)
Event/networking discount	(131,053)	(131,053)	-	131,053
Other revenues	174,932	174,932	788,415	613,483
	<u>29,993,766</u>	<u>29,993,766</u>	<u>4,883,049</u>	<u>(25,110,717)</u>
Total operating revenues				
Operating expenses:				
Administrative and general salaries - Team San Jose	15,767,877	15,767,877	4,786,048	10,981,829
Cost of event production labor	8,178,804	8,178,804	-	8,178,804
Utilities	2,512,945	2,512,945	2,069,527	443,418
Food and beverage costs	1,914,967	1,914,967	1,486,815	428,152
Bad debt expense	14,401	14,401	-	14,401
Contracted outside services	2,859,449	2,859,449	1,749,844	1,109,605
Professional services	231,380	231,380	176,305	55,075
Operating supplies	329,766	329,766	189,032	140,734
Repairs and maintenance	1,629,557	1,629,557	725,706	903,851
Insurance	441,072	441,072	360,813	80,259
City of San José oversight	733,464	733,464	733,466	(2)
Workers' compensation insurance premiums	869,531	869,531	293,633	575,898
Fire insurance	338,004	338,004	401,033	(63,029)
Management fee - Team San Jose	1,250,000	1,250,000	1,000,000	250,000
Equipment rentals	114,756	114,756	14,824	99,932
City of San José facility usage	75,000	75,000	-	75,000
Other expenses	1,590,145	1,590,145	675,797	914,348
	<u>38,851,118</u>	<u>38,851,118</u>	<u>14,662,843</u>	<u>24,188,275</u>
Total operating expenses				
Operating loss	(8,857,352)	(8,857,352)	(9,779,794)	(922,442)
Nonoperating revenues (expenses):				
Contribution from City of San José	1,928,555	1,928,555	1,905,061	(23,494)
Contribution from Transient Occupancy Tax Fund	6,600,000	6,600,000	7,633,198	1,033,198
	<u>\$ (328,797)</u>	<u>\$ (328,797)</u>	<u>(241,535)</u>	<u>\$ 87,262</u>
Change in net position on a budgetary basis				
Reconciling items:				
Depreciation			(99,469)	
Change in net position on a GAAP basis			<u>\$ (341,004)</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, 2021

NOTE 10 – BUDGETARY DATA

(a) *Budget Information*

In accordance with Section 9.3 of the Agreement, Team San Jose prepares a proposed annual budget on or before March 1st 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.

(b) *Basis of Accounting*

The budgetary process is based upon accounting for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The Center has a difference between the budgetary and GAAP basis of accounting related to its presentation of depreciation expense. On a GAAP basis, depreciation expense is reported as an operating expense, while on a budgetary basis depreciation expense is not reported.