Consolidated Financial Statements
December 31, 2021 and 2020

Los Angeles County Fair Association

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Directors
Los Angeles County Fair Association
Pomona, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Los Angeles County Fair Association and its subsidiaries (the Association) (a California nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and our 2021 audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards),* issued by the Comptroller General of the United States. The 2020 audit was not required to be conducted in accordance with *Government Auditing Standards.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2022, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
June 14, 2022

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 10,486,304	$ 7,185,712
Investments	5,221,962	252,091
Accounts receivable, net	22,259,083	1,374,434
Other current assets	539,995	495,041
Total current assets	38,507,344	9,307,278
Noncurrent Assets		
Restricted investments - interest reserve	1,250,000	1,250,000
Property and equipment, net	76,199,436	82,529,425
Other noncurrent assets	45,161	51,707
Total noncurrent assets	77,494,597	83,831,132
Total assets	$ 116,001,941	$ 93,138,410
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 3,376,720	$ 3,493,901
Accrued expenses and other liabilities	2,331,765	2,757,223
Refundable advance - PPP Loan	4,619,723	2,619,723
Line of credit	1,000,000	1,000,000
Current portion of bonds payable, net	1,215,000	1,140,000
Notes payable	415,000	1,165,000
Deferred revenue	3,363,145	3,261,582
Total current liabilities	16,321,353	15,437,429
Noncurrent Liabilities		
Bonds payable, net, less current maturities	37,648,647	38,822,135
Notes payable, less current maturities	355,000	-
County note payable	6,790,595	6,790,595
Employee benefit plans	36,840	69,049
Liability for interest rate swap	10,886,286	14,091,598
Total noncurrent liabilities	55,717,368	59,773,377
Total liabilities	72,038,721	75,210,806
Net assets without donor restrictions	43,963,220	17,927,604
Total liabilities and net assets	$ 116,001,941	$ 93,138,410

	2021	2020
Revenues		
Fair	$ 1,723,756	$ 512,387
Year-round events and other revenue	46,106,785	20,144,011
Hotel	10,312,102	4,000,619
Related enterprises	1,064,316	1,031,095
Total revenues	59,206,959	25,688,112
Expenses		
Fair and other		
Salaries and employee benefits	1,115,714	5,635,319
General and administrative	6,109,228	10,362,923
Utilities	2,346,184	2,188,216
Operating	2,296,756	1,971,134
Professional services	2,875,500	1,479,215
Premiums, entertainment, and other related expenses	1,864,312	142,272
Total fair and other expenses	16,607,694	21,779,079
Hotel operating expenses	9,900,917	7,393,547
Related enterprises	54,045	163,273
Operating income (loss) before depreciation and interest	32,644,303	(3,647,787)
Interest expense	2,829,699	2,321,375
Depreciation	6,966,337	6,956,995
Net operating income (loss)	22,848,267	(12,926,157)
Other Income (Expense)		
Investment income, net	9,608	30,150
Loss on disposal of assets	(27,571)	(97,298)
Net gain (loss) on bonds interest rate swap	3,205,312	(3,083,235)
Total other income (expense)	3,187,349	(3,150,383)
Increase (Decrease) in Net Assets	26,035,616	(16,076,540)
Net Assets, Beginning of Year	17,927,604	34,004,144
Net Assets, End of Year	$ 43,963,220	$ 17,927,604

	2021	2020
Operating Activities		
Increase (decrease) in net assets	$ 26,035,616	$ (16,076,540)
Adjustments to reconcile increase (decrease) in net assets to net cash flows from operating activities:		
Net (gain) loss on interest rate swap	(3,205,312)	3,083,235
Amortization of bond issuance costs	41,512	41,511
Settlement of County lease payable	-	6,790,595
Depreciation	6,966,337	6,956,995
Loss on disposal of assets	27,571	97,298
Change in operating assets and liabilities:		
Accounts receivable, net	(20,884,649)	719,527
Other current assets	(44,954)	364,697
Accounts payable	(117,181)	(6,017,503)
Accrued expenses and other liabilities	(425,458)	419,209
Refundable advance - PPP Loan	2,000,000	2,619,723
Deferred revenue	101,563	(367,086)
Other noncurrent liabilities	-	(302,749)
Employee benefit plans	(32,209)	(880,205)
Net Cash from (used for) Operating Activities	10,462,836	(2,551,293)
Investing Activities		
Purchase of investments	(4,969,871)	-
Proceeds from sale and maturity of investments	-	2,878,706
Purchase of property and equipment	(657,373)	(163,836)
Net Cash from (used for) for Investing Activities	(5,627,244)	2,714,870
Financing Activities		
Payment on bonds payable	(1,140,000)	(1,065,000)
Payment on notes payable	(395,000)	-
Payment on line of credit	-	(500,000)
Net Cash used for Financing Activities	(1,535,000)	(1,565,000)
Net Increase (Decrease) in Cash and Cash Equivalents	3,300,592	(1,401,423)
Cash and Cash Equivalents at Beginning of Year	7,185,712	8,587,135
Cash and Cash Equivalents at End of Year	$ 10,486,304	$ 7,185,712
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	$ 2,871,211	$ 2,362,886
Financing activities		
County note payable and other noncurrent liabilities	$ -	$ 6,790,595

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Los Angeles County Fair Association and its subsidiaries (the Association) is organized as a nonprofit organization and is tax exempt under the provisions of the *Internal Revenue Code*. The Association conducts the annual Los Angeles County Fair (the Fair) and numerous events during the year.

The Sheraton Fairplex Hotel and Conference Center (the Hotel) is owned by the Association and provides lodging, food, and banquet facilities for guests at the property. The Hotel operates under a franchise license support, service, and management agreement with Sheraton, expiring in 2024, which can be extended upon mutual agreement for two additional five-year periods.

In April 2004, Cornucopia Foods, LLC (Cornucopia) was formed as a for-profit corporation for the purpose of providing food and beverage as the master concessionaire for the Fair and other events during the year. The Association is the sole member of Cornucopia. In September 2016, the Association entered into a ten year Food Service Management Agreement with a third party to provide management of food and beverage sales and operations at the Fairplex. The Agreement includes both a percentage rent and a capital grant contribution to be paid by the new vendor for the rights to operate the food service business.

In February 2010, Event Production Solutions, LLC (EPS) was formed for the purpose of renting out event and party equipment. In February 2010, Fairplex RV and Boat Storage, LLC (RV and Boat Storage) was formed for the purpose of providing storage space for RVs and boats. The Association is the sole member of both EPS and RV and Boat Storage.

Fairplex Racing, Inc. was organized in 1986 as a for-profit corporation for the purpose of conducting harness racing and is subject to income taxes under the *Internal Revenue Code*. During 1998, Fairplex Racing, Inc. was renamed Fairplex Enterprises, Inc (FEI). In July 2002, Fairplex Equine Sales, LLC (FES) was formed to purchase the general partner interest in Barretts Equine Limited (Barretts). FES is owned 99.99% by the Association and 0.01% by FEI. Barretts conducts equestrian auctions and other activities at facilities leased from the Association and others. Barretts held its last auction in October 2018.

The Association was significantly impacted by the COVID-19 pandemic during the 2020 and 2021 years, which included the cancellation of the 98th and 99th annual Los Angeles County Fairs in September 2020 and September 2021. The Association assisted Los Angeles County in providing public health services in response to the COVID-19 pandemic, including virus testing, medical sheltering for patients, and vaccine distribution. Additionally, the Association provided facilities and services to the U.S. Department of Health and Human Services to assist with the migrant children humanitarian crisis at the U.S. southern border.

Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Association and its subsidiaries, the Hotel, FEI, FES, Barretts, Cornucopia, EPS, and RV and Boat Storage (collectively referred to herein as the Association). All significant intercompany balances and transactions have been eliminated.

The Association reports on a fiscal year reflecting 4-4-5 week calendar quarters with the period ending on the Sunday closest to December 31st. The Association's 2021 and 2020 fiscal years represented the 52 week period ended January 2, 2022 and a 53 week period ended 52 week period ended December 27, 2020, respectively. For presentation purposes, the Association presents each fiscal year as the year ended December 31, 2021 and 2020.

Financial Statement Presentation

The Association prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts maintained by and directly under the control of the Association. The Association does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. In addition, the Association is required to present a statements of cash flows.

Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investment purchases are recorded at cost. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment income is reported in the consolidated statements of activities and consists primarily of interest and dividend income, less external and direct internal investment expenses.

The Association holds $1.25 million in interest reserves in accordance with the debt covenants related to the 2009 and 2010 Bonds. This amount is reported as restricted investments in the consolidated statements of financial position.

Accounts Receivable

Accounts receivable are stated at amounts due from customers and agencies net of an allowance for doubtful accounts. The Association determines its allowance by considering a number of factors, including the length of time receivables are past due, the Association's previous loss history, and the customer's current ability to pay their obligations. Receivables are written off when they become uncollectible. For the year ending December 31, 2021, a substantial portion of the Association’s accounts receivable is due from government entities, which management has determined is collectible in full. At December 31, 2021 and 2020, the allowance was $77,838 and $77,871, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Lives
Buildings and improvements	8-50 years
Equipment	3-20 years

Capital projects are capitalized at cost and will be depreciated over the estimated life upon completion of the project. The costs of repairs and maintenance are charged to expense.

Impairment of Long-Lived Assets

The Association regularly reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the asset, the Association recognizes an impairment loss. For the years ended December 31, 2021 and 2020, no provision for impairment losses was recorded.

Bond Issuance Costs

Bond issuance costs are amortized using the straight-line method over the life of the Bonds. Bond issuance costs of $756,353 and $797,865 are presented net of accumulated amortization of $456,703 and $415,191 at December 31, 2021 and 2020, respectively. Bond issuance costs are presented as a reduction in the balance of the related long-term debt.

Concentration of Credit Risk

Financial instruments that subject the Association to credit risk consist primarily of accounts receivable and deposits held by financial institutions. Concentrations of credit risk with respect to accounts receivable are generally diversified due to the large number of entities composing the Association's customer base. For the year ending December 31, 2021, a substantial portion of the Association’s accounts receivable is due from government entities. The Association performs ongoing credit evaluations of its customers, including governmental entities, and maintains an allowance for potential credit losses. Additionally, the Association maintains cash and investment balances at banks in excess of Federal Deposit of Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits. Deposit concentration risk is managed by placing cash and investment balances with financial institutions believed by the Association to be creditworthy. Management believes credit risk is limited.

Accounts Payable and Deferred Revenue

Accounts payable represents current amounts due to the Association's vendors at December 31, 2021 and 2020. The deferred revenue balances primarily relate to prepayments and deposits at December 31, 2021 and 2020, by customers for rental of the Association's facilities.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Derivative Instruments

The Association uses derivative financial instruments to optimize borrowing costs under its financial strategy. The Association entered into derivative contracts, known as interest rate swaps, which change the interest rates of its bonds payable. Derivative instruments are recorded at fair value in the accompanying consolidated financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Association did not have any net assets with donor restrictions at December 31, 2021 and 2020.

Revenue Recognition

The Association's events, facility rentals and sponsorship revenues are recognized at a point in time based on the transfer services provided, such as the events being held. The performance obligation of delivering such services is simultaneous with the date of the event. All amounts received prior to the event are deferred to the applicable period. In addition, the Association's event contracts do not contain variable consideration and contract modifications are generally minimal.

The Association's hotel room revenues are recognized at a point in time based on the transfer of services provided. The performance obligation of delivering such services is satisfied at the time of hotel occupancy and use. All amounts received prior to such dates are deferred to the applicable period. In addition, the Association's hotel contracts do not contain variable consideration and contract modifications are generally minimal.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Association's revenue is derived from cost-reimbursable federal grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions.

Functional Allocation of Expenses

The costs of program and supporting services activities for the Association have been summarized on a functional basis in Note 10. Most expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring. Depreciation expense has been allocated among the programs and supporting services benefited, which requires allocation on a reasonable basis that is consistently applied. Depreciation expense is allocated based on the directly attributable functional category of facilities-related costs, including utilities, repair and maintenance, and supply costs.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2021 and 2020, there were approximately $9,000 and $170,000, respectively, in advertising costs.

Income Taxes

The Association is exempt from Federal income and California franchise taxes under Section 501(c)(5) of the *Internal Revenue Code* and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Association annually files Forms 990, 199, and RRF-1 with the appropriate agencies, as well as Forms 990T and 199T when applicable. The Association has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Association's tax filings include the activity of all its consolidated entities, except for FEI.

For its limited liability corporations and for-profit entities, the Association files Form 1120 for federal tax purposes. Income taxes are provided for under the liability method and, as such, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. A valuation allowance reduces deferred income tax assets when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

The Association has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements. The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the factors that market participants would use in pricing an asset or liability.

All of the Association's investments as disclosed in Note 2 are considered to be Level 1 and Level 2 investments, while the Association's interest rate swap agreement associated with its Bonds as disclosed in Note 5 is considered to be a Level 3 transaction. The interest rate swap agreement is valued using a third party's valuation model, which considers past, present, and future assumptions regarding interest rates and market conditions to estimate the fair value of the agreement. The commercial paper is valued by the custodians of the debt instrument using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions. These investments are considered to be level 2 investments.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on the change in net assets or net assets.

New Accounting Pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. The amendments in this update are effective for interim and annual periods beginning after December 15, 2021. The Association is currently evaluating the effects of ASU 2016-02 on its financial statements and disclosures.

Note 2 - Fair Value of Assets and Liabilities

Fair Value Measurements

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2021.

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,480,183	$ -	$ -	$ 1,480,183
Commercial paper	-	4,991,779	-	4,991,779
	$ 1,480,183	$ 4,991,779	$ -	$ 6,471,962

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2020.

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,502,901	$ -	$ -	$ 1,502,901

Investments held by the Association for purposes of funding the 457(b) deferred compensation plan were $122,076 and $148,887 at December 31, 2021 and 2020, respectively. See further information about the 457(b) deferred compensation plan in Note 8.

The following table presents the balances of the liabilities measured at fair value on a recurring basis as of December 31, 2021.

	Level 1	Level 2	Level 3	Total
Liability for interest rate swap	$ -	$ -	$ 10,886,286	$ 10,886,286

The following table presents the balances of the liabilities measured at fair value on a recurring basis as of December 31, 2020.

	Level 1	Level 2	Level 3	Total
Liability for interest rate swap	$ -	$ -	$ 14,091,598	$ 14,091,598

There were no transfers into and out of Level 3 of the fair value hierarchy, and no purchases or issues of Level 3 assets or liabilities for the years ending December 31, 2021 and 2020.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	$ 10,486,304	$ 7,185,712
Investments	5,099,886	103,204
Accounts receivable, net	22,259,083	1,374,434
	$ 37,845,273	$ 8,663,350

The Association used these sources to meet its ongoing obligations with respect to general expenditures, liabilities and other obligations as they become due. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

Note 4 - Property and Equipment

Property and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
Non Depreciable Assets		
Land	$ 368,808	$ 368,808
Capital projects in process	379,685	2,719,688
Subtotal non depreciable assets	748,493	3,088,496
Depreciable Assets		
Buildings and improvements owned by the Association on County land	160,965,667	158,752,821
Equipment, tools, and implements	29,264,789	29,043,558
Subtotal depreciable assets	190,230,456	187,796,379
Less: Accumulated Depreciation	(114,779,513)	(108,355,450)
Subtotal depreciable assets less accumulated depreciation	75,450,943	79,440,929
Property and Equipment, net	$ 76,199,436	$ 82,529,425

Certain buildings have had a lien in the amount of $1.75 million placed on them for 15 years as a condition of receiving $1.75 million in EDA grant monies. As described further in Note 5, the Association's land of $368,808 is pledged as collateral on the bonds payable.

Depreciation expense was $6,966,337 and $6,956,995 for the years ended December 31, 2021 and 2020, respectively.

Note 5 - Bonds Payable, Notes Payable, and Other Obligations

Long-term debt consists of the following at December 31, 2021 and 2020:

	2021	2020
Bonds payable, Taxable Variable Rate Demand Revenue Bonds Series 2009, due in installments through November 2031, at a fixed rate of 4.805% at December 31, 2021.	$ 15,365,000	$ 16,505,000
Bonds payable, Tax Exempt Series 2010 Recovery Zone Bonds, due in installments through November 2039, at a fixed rate of 3.430% at December 31, 2021.	24,255,000	24,255,000
Less: Bond issuance costs, net of accumulated amortization	(756,353)	(797,865)
Total bonds payable	38,863,647	39,962,135
Term note payable with financial institution due in installments through July 1, 2023 at an interest rate of 2.500% above LIBOR, or 2.603% at December 31, 2021.	770,000	1,165,000
	39,633,647	41,127,135
Less: Current Portion	(1,630,000)	(2,305,000)
Long-Term Debt	$ 38,003,647	$ 38,822,135

Description of Debt

During the year ended December 31, 2009, the Association issued $49,650,000 of Taxable Variable Rate Demand Revenue Bonds Series 2009 (the 2009 Bonds). Proceeds from the issuance of the 2009 Bonds were used to retire the Taxable Variable Rate Demand Revenue Bonds Series 2000 (the 2000 Bonds) and the non-revolving lines of credit in the amount of approximately $26,364,000 and $2,738,000, respectively. The Association's Board of Directors designated the remaining proceeds to be used for the construction of the Conference center. The Bonds were secured by an irrevocable direct-pay letter of credit (the Letter of Credit) issued by banks, in favor of the trustee, in the amount of $50,482,488, $49,650,000 to be drawn upon to pay the unpaid principal amount of the Bonds outstanding, and up to $832,488 to be drawn upon to pay accrued and unpaid interest on the Bonds.

Concurrently with the issuance of the Letter of Credit, the Association executed a Reimbursement Agreement with the banks, which, among other things, set the terms and conditions whereby the Association is required to repay the banks any amounts drawn by the trustee under the Letter of Credit and grant the banks certain security interests in certain collateral of the Association. Under the Reimbursement Agreement, the Association agreed to comply with various covenants as defined in the Reimbursement Agreement. These Bonds were secured by the gross revenues of the Association.

During the year ended December 31, 2010, the Los Angeles County Regional Financing Authority (Authority) issued $24,255,000 of Tax Exempt Series 2010 Recovery Zone Bonds (the 2010 Bonds) on behalf of the Association. Proceeds from the issuance of the 2010 Bonds were used to retire $24,255,000 of the Taxable 2009 Bonds. Upon retirement of the portion of the 2009 Bonds retired, a portion of the swap agreement relating to the retired portion was terminated, as described below. In connection with the 2010 Bonds, the Association entered into a Loan Agreement with the Authority and a Continuing Covenant Agreement with the financial institution purchasing the 2010 Bonds. The Loan Agreement provides for the payment to the Authority of loan payments equal to debt service on the 2010 Bonds. The Continuing Covenant Agreement contains various covenants and agreements of the Association, and also provides for the amendment of certain covenants found in the 2009 Bonds such that the 2010 Bond covenants and 2009 Bond covenants are the same. The existing Letter of Credit related to the remaining 2009 Bonds was extended through the maturity of the bonds. All bonds are secured by the gross revenues of the Association.

In conjunction with the Association's 2010 and 2009 issuance of variable rate debt, the Association entered into interest rate swap agreements with a financial institution counter party. Pursuant to the swap agreement relating to the 2009 Bonds, the Association pays a fixed rate of 4.805%, and the counterparty pays a rate equal to the variable rate on the 2009 Bonds. Pursuant to the swap agreement relating to the 2010 Bonds, the Association pays a fixed rate of 3.43%, and the counterparty pays a rate equal to the variable rate on the 2010 Bonds. At December 31, 2021 and 2020, the notional amount of the interest rate swap agreements was $39,620,000 and $40,760,000, respectively. The Association entered into these agreements to lock in a fixed interest rate on the variable rate debt and is not using this agreement for speculative purposes. The value of the swap instrument represents the estimated cost to the Association to cancel the agreement at the reporting date, which is based on pricing models that consider risks and market factors. The liability for the interest rate swap at December 31, 2021 and 2020, was $10,886,286 and $14,091,598, respectively.

The amount recorded in the consolidated statements of activities represent the effect on net assets for changes in the swap's fair value is a gain of $3,205,312 and loss of $3,083,235 for the years ended December 31, 2021 and 2020, respectively.

The effective interest rate, which includes the impact of bond issuance costs, is 4.918% for the 2009 Bonds and 3.516% for the 2010 Bonds.

During 2015, the Association entered into a note agreement with a financial institution in the amount of $2,500,000 for the remodel of the Finish Line Sports Grill. Terms of the note include annual installments due at an interest rate of 2.50% above Daily One Month LIBOR. The interest rate was 2.60% and 2.64% at December 31, 2021 and 2020, respectively.

The Association has $2,000,000 available under other lines of credit. There was $1,000,000 outstanding under these lines of credit at December 31, 2021 and 2020.

Debt Forbearance

During 2019, the Association defaulted on the bonds payable, note payable, and line of credit agreements by failing to meet certain loan covenants related to the agreements. The debtholder had issued a forbearance agreement to allow the Association time to refinance the obligations. The forbearance agreement included several provisions which the Association was required to meet, including periodic financial reporting, monthly profitability covenants, prohibition on significant disposition of assets, and additional fees associated with the execution and maintenance of the agreement. The forbearance period was scheduled to run through the earlier of June 30, 2021 or the date on which payment is made on defaulted obligations. The Association continued to make principal and interest payments in accordance with the terms of the bonds payable, note payable, and line of credit agreements during the forbearance period.

In April 2021, the Association modified its agreement with the debtholder in which to provide additional collateral to alleviate the forbearance agreement and to put the Association in compliance and revert back to its original debt payment terms. In exchange for the forbearance resolution, the Association provided a mortgage interest to the debtholder via a trust deed against real estate owned by the Association. The modified agreement also contains certain financial and nonfinancial covenants.

Year Ending Decmeber 31,	Taxable Variable Rate Demand Revenue Bonds Series 2009	Recovery Zone Facility Bonds Series 2010	Term Note Payable	Total
2022	$ 1,215,000	$ -	$ 415,000	$ 1,630,000
2023	1,295,000	-	355,000	1,650,000
2024	1,375,000	-	-	1,375,000
2025	1,470,000	-	-	1,470,000
2026	1,565,000	-	-	1,565,000
2027-2031	8,445,000	1,070,000	-	9,515,000
2032-2036	-	13,085,000	-	13,085,000
2037-2039	-	10,100,000	-	10,100,000
	$ 15,365,000	$ 24,255,000	$ 770,000	$ 40,390,000
Less: Bond Issuance Costs				(756,353)
				$ 39,633,647

Note 6 - Paycheck Protection Program (PPP) Loan

In 2020, the Association was granted a $2,619,723 loan under the PPP administered by a Small Business Administration (SBA) approved partner. In 2021, the Association was granted a $2,000,000 loan under the PPP administered by an SBA approved partner. The loans are uncollateralized and are fully guaranteed by the Federal government. The Association has initially recorded the loans as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loans or when such conditions are explicitly waived. Proceeds from the loans are eligible for forgiveness if the Association maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended December 31, 2021. The PPP loan granted in 2020 in the amount of $2,619,723 was forgiven subsequent to December 31, 2021. See Note 13 for further discussion.

The Association will be required to repay any remaining balance, plus interest accrued at 1% in monthly payments commencing the date on which the amount of forgiveness determined under the PPP program requirements is remitted to SBA approved partner (or the date that the approved partner is notified that no loan forgiveness is allowed) and shall continue monthly until loans maturity date of May 2026. The terms of the loans provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The loans may be accelerated upon the occurrence of an event of default.

Note 7 - Revenue from Contracts with Customers

The beginning and ending balances for accounts receivable and deferred revenue were as follows for the year ended December 31, 2021:

	2021	2020
Accounts receivable, net	$ 22,259,083	$ 1,374,434
Deferred revenue	3,363,145	3,261,582

The beginning and ending balances for accounts receivable and deferred revenue were as follows for the year ended December 31, 2020:

	2020	2019
Accounts receivable, net	$ 1,374,434	$ 2,093,961
Deferred revenue	3,261,582	3,628,668

Note 8 - Employee Benefit Plans

The Association has a defined contribution savings plan in effect under Section 401(k) of the *Internal Revenue Code* (IRC), a Profit Sharing Plan and a deferred compensation plan under Section 457(b) of the IRC. Under the 401(k) plan, each participant is able to defer the maximum amount of compensation allowed by law. The Association contributed three percent to each eligible employee's account in 2021 and 2020. Each employee is eligible after 1,000 hours of employment.

Under the Profit Sharing Plan, each participant is granted a percentage of compensation before deduction. Each employee who has completed 1,000 hours of service each year, and is employed at year end, is eligible to participate. For the years ending December 31, 2021 and 2020, the Association did not make any discretionary contribution to the plan, as determined by the Board of Directors of the Association.

Under the 457(b) plan, eligible executives are able to participate in the plan up to the maximum amount allowed by law. Each executive who has completed 1,000 hours of service is eligible to participate. The Association will contribute 50% of the amount contributed by the executive up to the amount allowed by law. For the year ended December 31 2020, the Association contributed $6,783. There were no contributions made for the year ending December 31, 2021.

The Association contributed to various pension plans under union and industry-wide agreements. Contributions are based on the hours worked by or gross wages paid to covered employees. The Association similarly makes payments to various union and industry-wide health and welfare plans. The Association does not administer these plans, nor do they have any obligation to the plans outside of making required funding payments based on hours worked by or gross wages paid to covered employees.

The Association's total expense for the aforementioned plans was $156,546 and $209,225 for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Lease Agreement

The Association leases the majority of its property from the County of Los Angeles (the County). A lease with the County was executed in 1988 to enable the Association to complete the Hotel Project, Equestrian Center, and Pavilion Project. The term of the lease is for 56 years commencing January 1, 1988. The Association also has the option to renew for two five-year terms. During the term of the lease, the Association pays as rent to the County in the amount of 5% of the gross revenues derived from the use of the property and received by the Association.

The County conducted an audit of the Association’s lease payments in 2016. The results of the audit were finalized in 2020, and included the identification of past due rent owed to the County. The amount of $1,790,595 will be paid to the County over a 5-year period in quarterly payments, with payment beginning January 1, 2023. Interest will accrue beginning on the first date of payment, with the rate set at the 5-Year Treasury Rate (determined as of the first date of payment) plus 225 basis points annually. At December 31, 2021, the balance of the liability due to the County was $1,790,595 and is included in other noncurrent liabilities.

In addition to the amount identified in the preceding paragraph, the Association will also provide the County with a credit to their account, in the form of a promissory note, in the amount of $5,000,000, which can be redeemed and/or applied by the County, at its election at any time, in whole or in parts, towards any fees, costs, expenses or other sums that are or become payable (in cash or credit) to the Association (whether pursuant to the lease or otherwise), without expiration. Each draw from the County credit shall be memorialized by a letter from the County to the Association. At December 31, 2021, the balance of the County credit/promissory note was $5,000,000 and is included in long-term liabilities as of December 31, 2021.

Lease expense included in general and administrative expense in the accompanying consolidated statements of activities for the years ended December 31, 2021 and 2020, was $1,732,996 and $1,230,750, respectively.

Note 10 - Functional Expense Schedule

The Association's operating expenses for the Fairplex by functional classification for the year ended December 31, 2021 are:

	Program: Fair Time	Program: Year-round and Other	Management and Administative	Hotel and Other Related Enterprises	Total
Salaries and benefits	$ 101,905	$ 479,113	$ 534,696	$ -	$ 1,115,714
Temporary labor	174,439	1,266,756	101,993	-	1,543,188
Equipment rentals	192,468	505,722	44,777	-	742,967
Travel, meals, and employee relations	2,197	-	34,710	-	36,907
Office and other general expenses	7,480	21,056	205,811	-	234,347
Insurance	41,493	-	647,273	-	688,766
Taxes, licenses, and fees	10,925	36,555	239,939	-	287,419
Donations	-	-	842,638	-	842,638
County lease	30,248	1,501,365	201,383	-	1,732,996
Utilities	-	136,107	2,210,077	-	2,346,184
Repair and maintenance	33,294	194,366	722,056	-	949,716
Supplies	47,752	298,223	374,535	-	720,510
Facilities subcontractors	381,604	52,460	192,466	-	626,530
Advertising and promotions	-	-	8,873	-	8,873
Security services	69,892	596,408	507,613	-	1,173,913
Legal and other professional services	-	-	1,692,714	-	1,692,714
Food and beverage costs	2,493	1,807,369	21,093	-	1,830,955
Event premiums and entertainment	14,593	11,221	7,543	-	33,357
Hotel operating expenses	-	-	-	9,900,917	9,900,917
Related enterprises	-	-	-	54,045	54,045
Subtotal operating expenses	1,110,783	6,906,721	8,590,190	9,954,962	26,562,656
Interest expense	-	-	849,699	1,980,000	2,829,699
Depreciation expense	133,687	1,037,047	5,454,416	341,187	6,966,337
Total expenses	$ 1,244,470	$ 7,943,768	$ 14,894,305	$ 12,276,149	$ 36,358,692

The Association's operating expenses for the Fairplex by functional classification for the year ended December 31, 2020 are:

	Program: Fair Time	Program: Year-round and Other	Management and Administative	Hotel and Other Related Enterprises	Total
Salaries and benefits	$ 400,521	$ 1,005,690	$ 4,229,108	$ -	$ 5,635,319
Temporary labor	-	90,120	22,463	-	112,583
Equipment rentals	8,317	44,662	38,219	-	91,198
Travel, meals, and employee relations	83	2,550	36,820	-	39,453
Office and other general expenses	-	42,260	18,451	-	60,711
Insurance	116,835	-	944,272	-	1,061,107
Taxes, licenses, and fees	23,931	5,602	765,934	-	795,467
Donations	-	-	944,640	-	944,640
County lease	-	-	7,257,764	-	7,257,764
Utilities	9,487	60,249	2,118,480	-	2,188,216
Repair and maintenance	-	6,899	532,553	-	539,452
Supplies	-	46,506	153,032	-	199,538
Facilities subcontractors	37,552	299,237	895,355	-	1,232,144
Advertising and promotions	-	-	174,427	-	174,427
Security services	-	-	385,932	-	385,932
Legal and other professional services	-	-	918,856	-	918,856
Event premiums and entertainment	118,044	24,228	-	-	142,272
Hotel operating expenses	-	-	-	7,393,547	7,393,547
Related enterprises	-	-	-	163,273	163,273
Subtotal operating expenses	714,770	1,628,003	19,436,306	7,556,820	29,335,899
Interest expense	-	-	347,443	1,973,932	2,321,375
Depreciation expense	21,489	257,434	6,351,391	326,681	6,956,995
Total expenses	$ 736,259	$ 1,885,437	$ 26,135,140	$ 9,857,433	$ 38,614,269

Note 11 - Contingencies

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of $2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance. As such, the potential exists that the Association may be deemed ineligible for loan forgiveness and be required to repay the loan.

In 2021, the Association received financial assistance from the SBA in the form of a Shutter Venue Operations Grant (SVOG). The disbursement of funds received under this program requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Association. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Association at December 31, 2021.

The Association is involved in various lawsuits arising in the ordinary course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Association at December 31, 2021.

Note 12 - Related Party Transactions

The Association provides administrative and programmatic support to The Learning Centers at Fairplex (TLC), a related not-for-profit organization as an in-kind donation. The Association recognized $740,807 and $878,893 of expenses for the years ended December 31, 2021 and 2020, respectively. These expenses have been recognized as general and administrative expense in the accompanying consolidated statements of activities. Amounts due from TLC to the Association were $139,327 and $308,663 at December 31, 2021 and 2020, respectively. Amounts due from the Child Development Center (CDC), a related not-for-profit organization, were $143,870 and $149,183 at December 31, 2021 and 2020, respectively.

Note 13 - Subsequent Events

On February 8, 2022, the Association received forgiveness in full of its first PPP loan in the amount $2,619,723.

The Association has evaluated subsequent events for recognition and disclosure through June 14, 2022, which is the date the financial statements were available to be issued.