



Financial Statements

for

**LOUISVILLE ARENA AUTHORITY,  
INC.**

Years Ended December 31, 2024 and 2023  
with Independent Auditor's Report

## CONTENTS

	<u>Pages</u>
Independent Auditor's Report.....	1 - 2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6 - 25

## **Independent Auditor's Report**

To the Board of Directors  
Louisville Arena Authority, Inc.  
Louisville, Kentucky

### **Opinion**

We have audited the financial statements of Louisville Arena Authority, Inc. (the Authority), which comprise the statements of financial position as of December 31, 2024 and 2023, the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2024 and 2023, 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). 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 Authority 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 Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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.

*Dean Dotson Allen Ford, PLLC*

Louisville, Kentucky  
May 12, 2025

**LOUISVILLE ARENA AUTHORITY, INC.**

Statements of Financial Position

December 31, 2024 and 2023

	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Assets</b>		
Assets:		
Cash and cash equivalents	\$ 9,299,454	\$ 9,919,398
Other receivables	994,060	1,304,357
Prepaid expenses	274,000	271,000
Assets limited as to use - restricted to bond indenture	86,438,294	64,931,031
Property and equipment, net	<u>280,149,697</u>	<u>288,912,576</u>
Total assets	<u><b>\$377,155,505</b></u>	<u><b>\$365,338,362</b></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 1,004,424	\$ 845,940
Accrued expenses and other	1,582,002	2,865,107
Deferred revenues	2,598,000	1,285,500
Note payable	1,000,269	1,500,269
Bonds payable	<u>330,541,062</u>	<u>335,609,257</u>
Total liabilities	<b>336,725,757</b>	342,106,073
Net assets:		
Without donor restriction	<u>40,429,748</u>	<u>23,232,289</u>
Total liabilities and net assets	<u><b>\$377,155,505</b></u>	<u><b>\$365,338,362</b></u>

*See accompanying notes.*

# LOUISVILLE ARENA AUTHORITY, INC.

## Statements of Activities

Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues and support:		
Metro Louisville guarantee	\$ 10,800,000	\$ 10,800,000
Tax increment financing payments	17,841,115	12,607,330
Naming rights revenue	1,714,000	1,691,500
University of Louisville guarantee	2,420,000	2,420,000
Sponsorship revenue	4,805,983	4,587,778
Suite and premium seating revenue	1,561,903	1,164,205
Gain from operations contract, net	1,636,828	1,845,657
Debt forgiveness	500,000	500,000
Other operating income	-	62,029
Total operating revenues and support	<u>41,279,829</u>	<u>35,678,499</u>
Operating expenses:		
Depreciation	10,096,901	9,944,561
Professional fees	292,510	231,351
Payments to University of Louisville	2,145,754	1,576,366
Other expenses	<u>449,551</u>	<u>370,617</u>
Total operating expenses	<u>12,984,716</u>	<u>12,122,895</u>
Change in net assets before other income	<u>28,295,113</u>	<u>23,555,604</u>
Other income (expense):		
Interest income	3,690,324	2,687,317
Interest expense	(15,068,833)	(15,243,795)
Unrealized gain on investments	<u>280,855</u>	<u>-</u>
Total other expense	<u>(11,097,654)</u>	<u>(12,556,478)</u>
Change in net assets	<u>17,197,459</u>	<u>10,999,126</u>
Net assets at beginning of year	<u>23,232,289</u>	<u>12,233,163</u>
Net assets at end of year	<u>\$ 40,429,748</u>	<u>\$ 23,232,289</u>

See accompanying notes.

**LOUISVILLE ARENA AUTHORITY, INC.**

Statements of Cash Flows

Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 17,197,459	\$ 10,999,126
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,253,706	10,115,567
Forgiveness of note payable	(500,000)	(500,000)
Unrealized gain on assets limited as to use	(280,855)	-
Increase (decrease) in cash due to changes in:		
Other receivables	310,297	768,652
Prepaid expenses	(3,000)	(44,000)
Accounts payable	158,484	(453,102)
Accrued expenses and other	(1,283,105)	(86,706)
Deferred revenues	<u>1,312,500</u>	<u>22,500</u>
Net cash provided by operating activities	27,165,486	20,822,037
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,334,022)	(1,627,668)
Net change in assets limited as to use - restricted to bond indenture	<u>(21,226,408)</u>	<u>(8,517,827)</u>
Net cash used in investing activities	(22,560,430)	(10,145,495)
<b>Cash flows from financing activities:</b>		
Payments on bonds payable	<u>(5,225,000)</u>	<u>(4,650,000)</u>
Net (decrease) increase	(619,944)	6,026,542
Cash and cash equivalents, beginning of year	<u>9,919,398</u>	<u>3,892,856</u>
Cash and cash equivalents, end of year	<u>\$ 9,299,454</u>	<u>\$ 9,919,398</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 14,908,765	\$ 15,064,493

See accompanying notes.

# LOUISVILLE ARENA AUTHORITY, INC.

## Notes to the Financial Statements

### 1. Description of the Organization

Louisville Arena Authority, Inc. (the Authority) is a Kentucky non-stock, non-profit corporation formed in January 2006. The Authority operates a multi-use arena in Downtown Louisville, Kentucky.

### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Authority in the preparation of its financial statements:

#### Basis of Presentation

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

Net assets without donor restrictions - include the portion of expendable funds that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - net assets subject to donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions as of or for the years ended December 31, 2024 and 2023.

When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Authority treats donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

#### Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Authority considers all highly liquid investments with a maturity, at time of purchase, of three months or less, and which are not designated for a specific purpose, to be cash equivalents.

The Authority has a concentration of credit risk in that it typically maintains cash deposits in financial institutions in excess of federally insured limits. The Authority has not experienced any losses on such accounts. Management considers it unlikely that any loss will result from the cash balances in excess of federal insurance limits.



## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 2. Summary of Significant Accounting Policies, continued

##### Investment Valuation and Income Recognition

The Authority's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 9 for further discussion of fair value measurements. Receipts of donated investments are recorded at the quoted market value of the investments at the time of receipt.

Investments are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Return on investments includes the Authority's gains and losses on investments bought and sold as well as held during the year.

##### Other receivables

Receivables from the Authority's various funding sources are recorded at their net realization value based on contractual agreements. The Authority does not charge interest on past due receivables. Management considers other receivables to be fully collectable at December 31, 2024 and 2023, accordingly, no allowance for credit losses was recorded.

Other receivables amounted to \$2,073,009 as of January 1, 2023.

##### Assets Limited as to Use

The Authority has established separate accounts to hold assets limited as to use. The senior reserve fund, senior interest fund, bond sinking fund, renovation and replacement fund, excess net cash flow fund, arena revenue fund, Tax Incentive Financing (TIF) revenue fund, and Louisville/Jefferson County Metro Government (Metro Louisville) revenue fund are to be funded and utilized as established in the Bond Trust Indenture, as discussed in Note 4.

##### Property and Equipment

Property and equipment is stated at cost at the date of acquisition or fair value at the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line basis over the estimated useful lives of the respective assets ranging from 3 to 40 years. Software is being amortized on the straight-line basis over a three-year estimated useful life. The gain or loss on the sale of property, plant and equipment is recorded in the year of disposition.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 2. Summary of Significant Accounting Policies, continued

##### Asset Impairment

The Authority reviews for the impairment of long-lived assets subject to depreciation and amortization, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable in accordance with GAAP. Specifically, this process involves comparing the Authority's asset carrying values to the estimated undiscounted future cash flows the assets are expected to generate over their remaining lives. If this process results in the conclusion that the carrying value of long-lived assets are not recoverable, then a write down of the assets is recorded in the statement of activities for the difference between the fair value of the assets and their carrying value. No impairment losses were recognized for the years ended December 31, 2024 and 2023.

##### Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method over the life of the respective bond issues. Amortization expense was \$803,688 and \$817,889 for years ended December 31, 2024 and 2023, respectively. Bond issuance costs, net of accumulated amortization is included in bonds payable in the accompanying statements of financial position. Net bond issuance costs at December 31, 2024 and 2023 were \$10,260,965 and \$11,064,653, respectively. The related accumulated amortization at December 31, 2024 and 2023 was \$6,120,068 and \$5,316,380, respectively.

Future amortization expense of bond issuance costs for the years ended December 31 is approximately:

2025	\$ 788,000
2026	771,000
2027	752,000
2028	731,000
2029	708,000
Thereafter	<u>6,511,000</u>
Total	<u>\$ 10,261,000</u>

##### Deferred Revenues

Deferred revenues represent funds received for naming rights revenue and sponsorship revenue that has yet to be recognized as revenue. Deferred revenues related to naming rights revenue and sponsorship revenue are recognized as income in the year they are considered earned.

Deferred revenues amounted to \$1,263,000 as of January 1, 2023.

## **LOUISVILLE ARENA AUTHORITY, INC.**

### **Notes to the Financial Statements, continued**

#### **2. Summary of Significant Accounting Policies, continued**

##### Revenue and Revenue Recognition

The Metro Louisville guarantee and tax increment financing payments are recognized as revenue in the year that they are received. Naming rights, sponsorships, suite and premium seating, and revenue from operations contracts are recognized on a systematic basis as earned over the term of the contracts, as discussed in Note 3.

##### Income Taxes

The Authority received a ruling from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes have been provided in the accompanying financial statements. The Kentucky Department of Revenue has granted the Authority exemption from sales tax on purchases made for its exempt purpose and has also issued the Authority an exemption from ad valorem tax as a "purely public charity." Due to its tax-exempt status, the Authority is not subject to U.S. federal income tax or state income tax, however, any income generated from activities unrelated to the Authority's exempt purpose is subject to tax under IRC Section 511. The Authority generated no material unrelated business income for the years ended December 31, 2024 and 2023.

The Authority has no material uncertain income tax positions which would result in a liability to the Authority. The Authority recognizes interest and/or penalties related to income tax matters in income tax expense. The Authority recognized no interest or penalties on income taxes in the statements of activities for the years ended December 31, 2024 and 2023.

The Authority recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Authority's open audit periods are 2021 through 2024. The Authority does not expect its unrecognized tax benefits to significantly change in the next 12 months.

##### Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through May 12, 2025, the date that the financial statements were available to be issued.

#### **3. Contractual Arrangements**

##### AEG Agreement

The Authority entered into an Operations Management Agreement (the Operations Agreement) with AEG Management Louisville, LLC (AEG) to be the sole, independent manager for the arena with complete authority over, and responsibility for, its day-to-day operations including its management. The Operations Agreement was effective on July 1, 2012 and has been amended and extended through June 30, 2027. The Operations Agreement may be terminated by either party upon 90 days prior notice.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 3. Contractual Arrangements, continued

##### AEG Agreement, continued

AEG's fees under the Operations Agreement include the following: 1) a fixed fee of \$700,000 for the year ended June 30, 2017, increased annually thereafter in accordance with the increase in the Consumer Price Index (CPI), not to exceed 1.5%; and 2) an incentive fee up to \$35,000 per year subject to operating results. The Operations Agreement also included signing bonuses for the Authority of \$1,100,000 due in July 2012, \$1,000,000 due in May 2016 and \$500,000 due in July 2022.

The Authority receives the net operating profit of the arena, defined in the Operations Agreement as gross operating revenues, less operating expenses (excluding certain expenses that the Authority is solely responsible for) and AEG's fees. Gross operating revenues, as defined by the Operations Agreement, excludes (a) Category A Revenues pursuant to the bond trust indenture between the Kentucky Economic Development Finance Authority and US Bank N.A., dated August 1, 2008 and (b) certain revenues generated in connection with University of Louisville events that the Authority is not entitled to retain under the lease agreement between the Authority and the University of Louisville Athletic Association, dated July 3, 2008.

In 2017, the Operations Agreement was amended. The amended Operations Agreement includes a performance expectation of \$1,500,000 for net operating profit. In the event AEG does not meet or exceed this performance expectation during each of any two consecutive operating years, upon notice from the Authority, AEG may opt, but is not contractually obligated, to cure such shortfall. In the event AEG declines or fails to cure such shortfall, the parties shall meet to negotiate a mutually agreeable reduction to AEG's fixed fee for the following operating year. In the event that the parties are not able to agree to a reduction to AEG's fixed fee, the Authority may terminate the Agreement.

A reconciliation of gain under the contract for the years ended December 31 is as follows:

	<u>2024</u>	<u>2023</u>
Operational profits	\$ 2,439,743	\$ 2,017,135
Management fee to AEG	(764,681)	(753,380)
Incentive fee to AEG	(38,234)	(37,669)
Other settlements	<u>-</u>	<u>619,571</u>
Total gain from operations contract	<u>\$ 1,636,828</u>	<u>\$ 1,845,657</u>

There were no amounts receivable from AEG at December 31, 2024. Amounts receivable from AEG at December 31, 2023 was \$619,571 and is included in other receivables in the statements of financial position.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 3. Contractual Arrangements, continued

##### Humana Agreement

As part of the Definitive Property Sale and Relocation Agreement with Humana, Inc. (Humana), the Authority conveyed to Humana the use of a suite in the Arena rent-free for a period of twenty years. Further, Humana was not charged the initial fee and suite build-out charges. At December 31, 2024 and 2023, the unamortized value related to the suite was \$362,002 and \$443,739, respectively, which is included in accrued expenses and other in the statements of financial position. The amortization period extends through 2028.

##### LASEP and Learfield Agreement

The Authority has an agreement with LASEP, LLC (LASEP) and Learfield Communications, Inc. (Learfield), to provide services in connection with marketing and sponsorship sales rights relating to the arena. The agreement has an effective date of March 31, 2008 and was extended through June 30, 2027.

Under the terms of the agreement, exclusive sponsorship rights have been granted to LASEP by the Authority and are being guaranteed by Learfield. In return for their marketing services, the agreement provides for the allocation of qualified sponsorship payments between LASEP and the Authority.

In exchange for the exclusive sponsorship rights, LASEP agreed to pay the Authority a qualified sponsorship payment (QSP) annually.

In 2017, the agreement was amended as follows: 1) The term of the agreement was amended with an effective date of July 1, 2017 through June 30, 2027; 2) The Guaranteed QSP was adjusted to start at \$3,750,000 for the year ended June 30, 2018, escalating each year up to \$5,650,000 for the year ended June 30, 2027; 3) In addition to the QSP, LASEP is also required to pay the Authority 50% of the annual Adjusted Gross Revenue (AGR) above the defined AGR share hurdle amounts stated in the agreement; and 4) LASEP shall make capital subsidy payments totaling \$1,625,000 over the life of the amended term of the agreement. No capital subsidy payments were received during the years ended December 31, 2024 and 2023.

During the year ended December 31, 2024, Learfield paid amounts related to 2025 totaling \$1,312,500, which is included in deferred revenues on the statements of net position.

##### YUM! Brands, Inc. Naming Rights Agreement

The current naming rights agreement with YUM! Brands, Inc. has an effective term from October 1, 2020 through September 30, 2031. The first two years of the contract contained a performance condition based on the number of regular-season, televised University of Louisville varsity men's basketball games in the arena. The remaining nine years of the agreement are based on contractual annual payments, increasing in year five by the CPI (not to exceed 2%). Naming rights and suite revenue from the agreement recognized in the years ended December 31, 2024 and 2023 was \$1,714,000 and \$1,691,500, respectively.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 3. Contractual Arrangements, continued

##### PARC Agreement

The Authority entered into a Garage Operating Agreement with the Parking Authority of River City (PARC), expiring September 30, 2044. Under the terms of the agreement, PARC is responsible for the operations and maintenance of the garage. In addition, the agreement specifies parking requirements for basketball games and arena events. Under this agreement, the Authority agreed to pay PARC each fiscal year beginning January 1, 2011, the first \$90,000 and 50% of amounts exceeding \$90,000 of net revenue received by the Authority related to the sale of naming rights to the garage and sponsorship signage sold in and on the garage. As of December 31, 2024 and 2023, there was no signage in or on the garage.

##### Centerplate Agreement

The Authority has a Concessions and Catering Services Agreement with Service America Corporation, d/b/a Centerplate (Centerplate). The agreement provides for Centerplate to be the sole provider of concessions and catering services in the arena. The initial term of the agreement ended December 31, 2020, with the option to be extended for two additional five-year periods at the agreement of both parties. Under the terms of the agreement, Centerplate agreed to pay annual commissions to the Authority based on varying rates of gross receipts (for concessions, catering and merchandise) received at the arena. The Operations Agreement between the Authority and AEG transferred the Centerplate revenue to AEG. The Authority recorded an accrued expense of \$1,186,370 (which was included in accrued expenses and other in the statements of financial position at December 31, 2023) to satisfy amounts earned by AEG during the period July 1, 2012 through December 31, 2012 that the Authority had received through the January 1, 2012 advance from Centerplate. Those amounts were settled and paid during the year ended December 31, 2024.

In addition, as part of this agreement, during 2009 Centerplate advanced the Authority \$1,000,000 and during 2010 advanced an additional \$6,500,000, for a total of \$7,500,000. This noninterest bearing loan was initially amortized monthly on a straight-line basis over a 15-year period ending in October 2025. For each monthly period that the agreement remains effective from the first public event, Centerplate forgave one-one hundred eightieth (1/180th) of the loan in favor of the Authority.

Effective December 31, 2020, the agreement was amended as follows: 1) The term of the agreement was extended through December 31, 2021; and 2) The amortization of the loan was suspended for a period of one year, from March 13, 2020 through March 13, 2021, due to the disruption of business from the COVID-19 Pandemic.

Effective November 15, 2021, the agreement was further amended as follows: 1) The term of the agreement was extended through June 30, 2027; 2) The amortization period over which the remaining balance of the loan is to be forgiven was updated to a 5-year period ending in October 2026; 3) New adjusted gross receipts thresholds and calculations were established for purposes of calculating commissions for the extended term of the agreement beginning in 2022; and 4) Centerplate is required to invest up to \$1,200,000 toward certain projects over the extended term of the agreement.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 3. Contractual Arrangements, continued

##### Centerplate Agreement, continued

During both the years ended December 31, 2024 and 2023, Centerplate forgave \$500,000 of the loan balance. The outstanding balance of the loan was \$1,000,269 and \$1,500,269 at December 31, 2024 and 2023, respectively, which is classified as a note payable in the statements of financial position.

##### ULAA Agreement

The Authority entered into a Lease Agreement with the University of Louisville Athletic Association, Inc. (ULAA) as of July 3, 2008. The agreement ensures the arena is designed to meet ULAA's needs as the primary tenant and established a lease term through September 2044.

In 2017, the agreement was amended as follows: 1) The term was adjusted to terminate on the earliest of (i) September 30 of the year in which the commitment of the Commonwealth of Kentucky to pay tax increments to the Authority under the Tax Increment Financing District terminates, (ii) the date of the final payment of the Authority's bonds (or any bonds which refund the bonds), or (iii) September 30, 2054; 2) ULAA may assess a ticket surcharge of up to \$8.00 per ticket sold on men's basketball games, with the Authority retaining the first \$2.00, and ULAA retaining up to \$6.00; and 3) In addition to the other obligations of ULAA to pay the Authority, ULAA shall remit an additional \$2,420,000 annually during each year of the term to the Authority. This agreement is treated by the Authority as an operating lease. There is no purchase option or residual value guarantee at the termination of the agreement.

Under this agreement, the Authority is leasing the arena to ULAA for all ULAA sponsored events. The agreement provides for rental rates regarding ULAA's use of the arena based on the type of event that is held as follows:

Type of Event	Rental Amount
Men's Basketball Games	Minimum of \$10,000 per game, or 10% of gross admissions receipts from the sale of tickets (net of taxes and ticket surcharges)
Women's Basketball Games	Minimum of \$5,000 per game, or 5% of gross admissions receipts from the sale of tickets (net of taxes and ticket surcharges)
Other University-Sponsored Events	Minimum of \$5,000 per event, or 5% of gross admissions receipts from the sale of tickets (net of taxes and ticket surcharges)
Private Suite Rentals and Premium Seating	12% of the net revenue for the year

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 3. Contractual Arrangements, continued

##### ULAA Agreement, continued

Total suite and premium seating revenues of \$1,561,903 and \$1,164,205 were recorded for the years ended December 31, 2024 and 2023, respectively. These amounts represent the pro-rata portion of total revenues for the number of men's basketball games from the 2024-2025, 2023-2024, and 2022-2023 seasons that occurred during the years ended December 31, 2024 and 2023. Amounts receivable from ULAA at December 31, 2024 and 2023 were \$694,291 and \$551,581, respectively, and are included in other receivables in the statements of financial position.

In addition, this agreement also provides for the allocation of certain revenues between the Authority and ULAA as follows:

Type of Revenue	Allocation of Revenues
Program Sales and Program Advertisements	All proceeds are retained by ULAA
Concessions and Catering	Payments received from third-party concession and catering sales are allocated 50% to the Authority and 50% to ULAA for all University of Louisville sponsored events
Gift Shop	Payments received from gift shop sales are allocated 50% to the Authority and 50% to ULAA for all events
Signage	Effective 2013, ULAA and the Authority agreed to fixed annual payments for permanent signage sales based on a gross revenue sharing calculation as defined in the agreement for 2016, which includes signage (noted above)
Video Boards	Effective 2013, ULAA and the Authority agreed to fixed annual payments for permanent signage sales based on a gross revenue sharing calculation as defined in the agreement for 2016, which includes signage (noted above)



## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 3. Contractual Arrangements, continued

##### ULAA Agreement, continued

For the years ended December 31, 2024 and 2023, the Authority recorded expenses totaling \$2,145,754 and \$1,576,366, respectively, related to concessions and catering revenues owed to ULAA, signage and video revenues owed to ULAA, and the value of suites utilized under the sponsorship agreements. For the year ended December 31, 2024, \$1,555,073 was recorded for signage and video revenues owed to ULAA and \$590,681 was recorded for concessions and catering revenues and the value of suites utilized. For the year ended December 31, 2023, \$1,109,436 was recorded for signage and video revenues owed to ULAA and \$466,930 was recorded for concessions and catering revenues and the value of suites utilized. Amounts payable to ULAA at December 31, 2024 and 2023 were \$1,004,424 and \$845,940, respectively, and are included in accounts payable in the statements of financial position.

Under the ULAA agreement, all of the previously listed transactions are to be remitted on a net basis, settled April 1 of each year. At December 31, 2024 and 2023, the Authority had a net payable to ULAA of \$310,133 and \$294,359, respectively.

##### TPI Agreement

The Authority has an agreement with Telecommunication Properties, Inc. (TPI) to provide consulting and management services of the Distributed Antenna System (DAS) project within the arena. Under the terms of the agreement, TPI will solicit license proposals and negotiate licenses with fiber and wireless carriers to utilize the Authority's DAS, provide project support for the installation of the DAS, maintain the accounting related to the project and assist with the monitoring and collection of the license fees. For these services, TPI receives a 20% commission of the gross license revenues, as defined in the agreement.

As of December 31, 2024 and 2023, three wireless carriers are participating in the DAS program, and based upon the license terms, these agreements are accounted for as operating leases in accordance with GAAP. Under the terms of the agreements, the wireless carriers paid fees of \$1,634,016, net of the 20% commission. These fees were recognized as revenue on a straight-line basis over the 10-year period of the agreements through December 31, 2021.

##### Commonwealth of Kentucky and Metro Funding Agreements

The Authority received a grant commitment from the Commonwealth of Kentucky (the Commonwealth) that was amended in 2017. With the passage of House Bill 330 during the 2017 legislative session, the Commonwealth's original pledge of tax increment financing for which payments began in 2010 was changed. The new law extended the tax increment financing through the earliest of (1) the date no bonds are outstanding; (2) December 31, 2054; or (3) upon election of the state to terminate the TIF contract, which cannot occur without the consent of the trustee. The new law eliminated the \$265,000,000 limitation on the aggregate increment paid by the Commonwealth on a cumulative basis and also included several reporting and compliance provisions.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 3. Contractual Arrangements, continued

##### Commonwealth of Kentucky and Metro Funding Agreements, continued

The Authority entered into an Amended and Restated Memorandum of Agreement with Metro Louisville. Metro Louisville subsequently passed Ordinance No. 143, Series 2007, which provides guaranteed payments from Metro Louisville to the Authority, not to exceed \$309,000,000, to pay a portion of the cost of acquisition, construction and installation of the arena project. The payments, scheduled to commence in November 2010 and continue until November 2039, include minimum annual guaranteed payments ranging from \$6,533,333 to \$7,200,000 plus potential additional annual payments ranging from \$3,266,667 to \$3,600,000, should the required debt service exceed revenue from all sources. The Metro Louisville agreement required the Authority to reduce such guaranteed payment by any excess net cash flow (as defined in the agreement) generated by the Authority.

During 2017, a Second Amended and Restated Memorandum of Agreement was entered into concurrent with the delivery date of the bonds, modifying the Metro Louisville agreement. Under the 2017 agreement, Metro Louisville has agreed to pay an annual payment of \$10,800,000 on or before November 1 of each year starting in 2018 and continuing to the earliest of: (1) September 30 of the year in which associated TIF payments cease; (2) the final payment of the bonds; or (3) September 30, 2054. The 2017 agreement with Metro Louisville eliminates the concept of minimum and maximum payments contained in the original Metro Louisville agreement.

#### 4. Contractual Agreement of Bonds

Pursuant to the issue of Kentucky Economic Development Finance Authority Louisville Arena Project Revenue Bonds (see Note 8) and the Bond Trust Indenture dated December 1, 2017, Regions Bank (the Trustee), holds investments, conducts transactions as directed by the Authority, and maintains appropriate books and records to account for all funds established under the Trust Indenture.

The 2017 Bond Trust Indenture provides for the issuance of the bonds and the establishment of the following accounts to be held by the Trustee:

Senior Reserve Fund: This fund is to be maintained while the bonds remain outstanding and is to be used to satisfy the Senior Interest Fund obligations (the Senior Funds), if such amounts in the Senior Funds are insufficient. At December 31, 2024 and 2023, the balance was \$15,755,927 and \$15,593,883, respectively.

Senior Interest Fund: This fund is used to hold deposits used solely to pay interest on the Senior Bonds and to pay any reimbursement obligations to the bond issuer (the Senior Interest Funds). At December 31, 2024 and 2023, the balance was \$691,756 and \$771,485, respectively.

Bond Sinking Fund: This fund is used to hold deposits used solely to pay principal on the Bonds. At December 31, 2024 and 2023, the balance was \$3,263 and \$2,016, respectively.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 4. Contractual Agreement of Bonds, continued

Renovation Replacement Fund: This fund is used to hold deposits for potential future repairs, renovations, and replacements. At December 31, 2024 and 2023, the balance was \$21,110,379 and \$4,291,448, respectively.

Excess Net Cash Flow Fund: This fund is available for transfer to the Renovation Replacement Fund, and Operation and Maintenance account on the Senior Reserve Fund. At December 31, 2024 and 2023, the balance was \$28,972,001 and \$30,716,743, respectively.

Arena Revenue Fund: This fund is used to hold deposits from arena revenues. At December 31, 2024 and 2023, the balance was \$3,776,895 and \$2,214,628, respectively.

TIF Revenue Fund: This fund is used to hold deposits from TIF revenues. At December 31, 2024 and 2023, the balance was \$5,230,177 and \$469,398, respectively.

Metro Revenue Fund: This fund is used to hold deposits from Metro Louisville revenues. At December 31, 2024 and 2023, the balance was \$10,890,659 and \$10,864,554, respectively.

Cash Redemption Fund: This fund is used for prepaying the series 2017 bonds. At December 31, 2024 and 2023, the balance was \$7,237 and \$6,876, respectively.

#### 5. Other Receivables

Other receivables as of December 31 consists of the following:

	<u>2024</u>	<u>2023</u>
ULAA lease receivable	\$ 694,291	\$ 551,581
AEG operational receivable	-	619,571
Interest receivable	195,769	-
Other	<u>104,000</u>	<u>133,205</u>
Total other receivables	<u>\$ 994,060</u>	<u>\$ 1,304,357</u>

#### 6. Assets Limited as to Use

Investments are stated at estimated fair value and include the funds established by the Bond Trust Indenture. As of December 31, investments consist of the following:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 51,211,783	\$ 64,931,031
U.S. Treasury notes	<u>35,226,511</u>	<u>-</u>
	<u>\$ 86,438,294</u>	<u>\$ 64,931,031</u>

# LOUISVILLE ARENA AUTHORITY, INC.

## Notes to the Financial Statements, continued

### 7. Property and Equipment

Property and equipment as of December 31 consists of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 91,605,539	\$ 91,605,539
Building and improvements	284,209,605	284,209,605
Equipment	35,202,687	33,868,665
Furniture and fixtures	<u>6,288,641</u>	<u>6,288,641</u>
	417,306,472	415,972,450
Accumulated depreciation and amortization	<u>(137,156,775)</u>	<u>(127,059,874)</u>
Property and equipment, net	<u>\$ 280,149,697</u>	<u>\$ 288,912,576</u>

Depreciation expense during the years ended December 31, 2024 and 2023 was \$10,096,901 and \$9,944,561, respectively.

### 8. Bonds Payable

On December 1, 2017, the Authority issued \$202,125,000 Series 2017A Bonds and \$175,640,000 Taxable Series 2017B Bonds, in order to a) refund the outstanding Series 2008A, 2008B and 2008C Series Bonds; b) fund a debt service reserve; c) provide certain working capital funds; d) fund a renovation and replacement fund; and e) pay expenses and costs incurred in connection with the issuance of the Bonds. \$365,458,292 has been deposited into escrow and held in cash or used to purchase permitted investments and will provide for all future debt service on the Series 2008 Bonds. Should amounts in escrow be insufficient to service debt, the Authority would be responsible for any shortfall. As of December 31, 2024, no shortfall is projected, and no liability is accrued. The Authority has removed the Series 2008 Bonds from its accounts, in the amount of \$345,113,246, net of debt issuance costs and discounts including accreted interest. The legally defeased principal amount outstanding as of December 31, 2024 and 2023 was \$0 and \$2,206,257, respectively.

The Series 2017 bonds were issued at a premium. The amount of the original premium for the Series 2017 bonds was \$16,677,163. This premium is being amortized using the effective interest method over the life of the respective bonds. There was no amortization (interest expense) recognized during 2017 related to this bond issue. Total amortization of \$646,883 was recognized for both the years ended December 31, 2024 and 2023.

Bonds payable, including unamortized discount and debt issuance costs, as of December 31 consist of the following:

	<u>2024</u>	<u>2023</u>
Series 2017A Bonds	\$176,143,323	\$176,415,671
Series 2017B Bonds	<u>154,397,739</u>	<u>159,193,586</u>
Total bonds payable	<u>\$330,541,062</u>	<u>\$335,609,257</u>

# LOUISVILLE ARENA AUTHORITY, INC.

## Notes to the Financial Statements, continued

### 8. Bonds Payable, continued

The bonds are insured by a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. (the Bond Insurer), which guarantees the scheduled payments of principal and interest on the bonds when due. The Bond Insurer also issued a municipal bond debt service reserve insurance policy in the amount of \$15,593,882, and a \$10,000,000 liquidity reserve policy to make cash available to the Authority under certain circumstances through December 1, 2024. The liquidity reserve insurance policy was not renewed when it expired on December 1, 2024.

The sources and uses of the funds from the issue are as follows:

	Series 2017A Bonds	Series 2017B Bonds	Total
Sources:			
Par amount	\$202,125,000	\$175,640,000	<b>\$377,765,000</b>
Net original issue premiums	16,677,163	-	<b>16,677,163</b>
Existing debt service reserve fund	<u>8,703,297</u>	<u>7,209,658</u>	<b><u>15,912,955</u></b>
Total sources	<b><u>\$227,505,460</u></b>	<b><u>\$182,849,658</u></b>	<b><u>\$410,355,118</u></b>
Uses:			
Deposit to escrow fund	\$209,506,475	\$155,951,817	<b>\$365,458,292</b>
Deposit to operation and maintenance account	-	921,910	<b>921,910</b>
Deposit to renovation and replacement fund	-	12,000,000	<b>12,000,000</b>
Deposit to debt service reserve fund	8,343,583	7,250,299	<b>15,593,882</b>
Cost of issuance*	<u>9,655,402</u>	<u>6,725,632</u>	<b><u>16,381,034</u></b>
Total uses	<b><u>\$227,505,460</u></b>	<b><u>\$182,849,658</u></b>	<b><u>\$410,355,118</u></b>

\*Includes costs of issuance, Underwriter's discount, bond issuance premium, cost of debt service reserve surety and cost of liquidity reserve policy.

Information regarding the Series 2017 bonds totaling \$330,541,062 and \$335,609,257 outstanding at December 31, 2024 and 2023, respectively, are below:

# LOUISVILLE ARENA AUTHORITY, INC.

## Notes to the Financial Statements, continued

### 8. Bonds Payable, continued

The Series 2017A bonds accrue interest based on varying rates and maturity dates as follows:

Matures December 1,	2024 Principal Balance	2023 Principal Balance	Interest Rate
2041	\$ 47,340,000	\$ 47,340,000	4.00%
2045	96,015,000	96,015,000	5.00%
2047	<u>27,870,000</u>	<u>27,870,000</u>	5.00%
	171,225,000	171,225,000	
Issuance premium	11,682,027	12,328,910	
Debt issuance costs	<u>(6,763,704)</u>	<u>(7,138,239)</u>	
Total	<u>\$176,143,323</u>	<u>\$176,415,671</u>	

The Series 2017A bonds require semi-annual interest only payments due June and December 1, beginning June 1, 2018. Issuance premiums and debt issuance costs are amortized or accreted over the contractual terms of the bonds. The Series A Bonds maturing in 2041 and 2045 are subject to redemption at the option of the Authority on or after December 1, 2027. The Series 2017A Bonds maturing in 2047 are subject to redemption at the option of the Authority on or after December 1, 2022. Optional redemptions may be in whole or in part at a redemption price equal to the principal amount plus accrued interest without premium.

On December 1, 2022, the Authority, using excess net cash flow funds, redeemed \$30,900,000 of the series 2017A bonds, reducing future bond payments by \$1.2 million annually.

# LOUISVILLE ARENA AUTHORITY, INC.

## Notes to the Financial Statements, continued

### 8. Bonds Payable, continued

The Series 2017B bonds accrue interest based on varying rates and maturity dates as follows:

Matures December 1,	2024 Principal Balance	2023 Principal Balance	Interest Rate
2024	\$ -	\$ 5,225,000	3.549%
2025	5,765,000	5,765,000	3.621%
2026	6,335,000	6,335,000	3.721%
2027	6,985,000	6,985,000	3.821%
2028	7,640,000	7,640,000	3.921%
2029	8,330,000	8,330,000	4.021%
2030	9,065,000	9,065,000	4.121%
2031	9,840,000	9,840,000	4.171%
2032	10,665,000	10,665,000	4.191%
2033	11,470,000	11,470,000	4.225%
2034	12,380,000	12,380,000	4.255%
2035	13,345,000	13,345,000	4.305%
2036	14,360,000	14,360,000	4.355%
2037	15,435,000	15,435,000	4.405%
2038	16,575,000	16,575,000	4.435%
2039	<u>9,705,000</u>	<u>9,705,000</u>	4.445%
	157,895,000	163,120,000	
Debt issuance costs	<u>(3,497,261)</u>	<u>(3,926,414)</u>	
Total	<u>\$154,397,739</u>	<u>\$159,193,586</u>	

The Series 2017B bonds require semi-annual interest payments due June and December 1, beginning June 1, 2018. Debt issuance costs are amortized over the contractual terms of the bonds. The Series B Bonds maturing in 2027 are subject to redemption at the option of the Authority on any date at a redemption price equal to the greater of: a) 100% of the principal amount of the Series 2017B Bonds to be redeemed; or b) the sum of the present values of the remaining scheduled principal and interest payments on the Series 2017B Bonds to be redeemed, exclusive of interest accrued to the date fixed for redemption, discounted to the date of redemption on a semi-annual basis at a discount rate as defined.

The Series 2017B Bonds maturing on or after 2028 are subject to redemption at the option of the Authority on or after December 1, 2027, at a redemption price equal to the principal amount plus accrued interest without premium.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 8. Bonds Payable, continued

Aggregate maturities of bonds payable (at their repayment value) at December 31, 2024 are as follows:

Matures December 1,	Principal	Interest
2025	\$ 5,765,000	\$ 14,723,329
2026	6,335,000	14,514,579
2027	6,985,000	14,278,853
2028	7,640,000	14,011,956
2029	8,330,000	13,712,392
Thereafter	<u>294,065,000</u>	<u>146,344,249</u>
Total aggregate maturities	<u>\$329,120,000</u>	<u>\$217,585,358</u>

The fair value of the bonds at December 31, 2024 and 2023 was approximately \$322,477,000 and \$335,070,000, respectively. The fair value of long-term bonds payable are primarily based on the prices at which similar bonds have recently traded in the market and also considering the overall market conditions on the date of valuation.

The bonds are collateralized by funds held by the Trustee, assignment of agreements related to the operations of the Authority, TIF and Metro Louisville guarantee, along with a mortgage on the arena property and equipment.

#### 9. Fair Value Measurements

The fair values of cash and cash equivalents, other receivables, and accounts payable approximate the carrying amounts due to the short maturities of these instruments.

The Authority reports investments at fair value in the financial statements. The Authority classifies its assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities at fair value. There have been no changes in the methodologies used to determine fair value at December 31, 2024 and 2023.

Money market funds: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Treasury notes: Valued at the closing price reported on the active market on which the individual securities are traded.



## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 9. Fair Value Measurements, continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of the Authority's investments are based on third-party pricing information without adjustment. As permitted under the accounting guidance for fair value disclosures, the Authority has not provided quantitative information about the significant unobservable inputs used in the fair value measurements of these securities.

The following table presents assets and liabilities measured at fair value on a recurring basis, at December 31, 2024 and 2023:

	<u>2024</u> (Level 1)	<u>2023</u> (Level 1)
Assets limited as to use:		
Money market funds	\$ 51,211,783	\$ 64,931,031
U.S. Treasury notes	<u>35,226,511</u>	<u>-</u>
	<u>\$ 86,438,294</u>	<u>\$ 64,931,031</u>

To assess the appropriate classification of assets and liabilities within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of assets and liabilities from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Organization's management evaluates the significance of transfers between levels based upon the nature of the assets and liabilities and size of the transfer relative to total net assets. For both the years ended December 31, 2024 and 2023, there were no significant transfers in or out of Level 3.

#### 10. Contingencies and Commitments

During the ordinary course of business, the Authority has been named as a defendant in certain legal actions. The ultimate resolution of these matters is not ascertainable at this time. Management anticipates that the resolution of these claims will not have a material adverse effect on the Authority's operating results or financial position. Consequently, no provisions have been made in the financial statements related to these claims.

## LOUISVILLE ARENA AUTHORITY, INC.

### Notes to the Financial Statements, continued

#### 11. Liquidity and Availability of Resources

Financial assets available for general expenditure (professional fees, sponsorships, signage and other expenses), that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 9,299,454	\$ 9,919,398
Other receivables	<u>994,060</u>	<u>1,304,357</u>
	<u>\$ 10,293,514</u>	<u>\$ 11,223,755</u>

Assets limited as to use are a series of funds that were established by the Bond Trust Indenture and are not available for general expenditure (See Note 4 and Note 6). These funds are designed whereby balances will be sufficient to cover annual debt service in addition to funding renovation and replacement and operations and maintenance accounts to be used for those purposes. The funds could be made available if necessary, to make interest and principal payments on the bonds as they come due.

The bonds are insured by a municipal bond insurance policy issued by the Bond Insurer, which guarantees the scheduled payments of principal and interest on the bonds when due (see Note 8). The Policy was issued by the Bond insurer to be used solely to pay scheduled payments of principal and interest, if necessary.

All future debt service on the Series 2008 Bonds will be funded by funds placed in escrow as described in Note 4, Note 6 and Note 8.

As part of the Authority's liquidity management plan and the structure of the contractual arrangements described in Note 3, liquid financial assets are expected to be available as the general expenditures, liabilities and other obligations become due.

On or before November 15th of each year, the Authority is required to file with the Trustee and Bond Insurer a written budget describing in reasonable detail the anticipated revenues and expenditures of the arena.

# LOUISVILLE ARENA AUTHORITY, INC.

## Notes to the Financial Statements, continued

### 12. Functional Expenses

Expenses categorized by their functional classification for the year ended December 31, 2024 are as follows:

	Management and General	Program Services	Total
Depreciation	\$ 135,179	\$ 9,961,722	\$ 10,096,901
Professional fees	292,510	-	292,510
Sponsorships	-	590,681	590,681
Signage	-	1,555,073	1,555,073
Other expenses	449,551	-	449,551
Interest expense	<u>201,743</u>	<u>14,867,090</u>	<u>15,068,833</u>
	<u>\$ 1,078,983</u>	<u>\$ 26,974,566</u>	<u>\$ 28,053,549</u>

Expenses categorized by their functional classification for the year ended December 31, 2023 are as follows:

	Management and General	Program Services	Total
Depreciation	\$ 133,139	\$ 9,811,422	\$ 9,944,561
Professional fees	231,351	-	231,351
Sponsorships	-	466,930	466,930
Signage	-	1,109,436	1,109,436
Other expenses	370,617	-	370,617
Interest expense	<u>204,085</u>	<u>15,039,710</u>	<u>15,243,795</u>
	<u>\$ 939,192</u>	<u>\$ 26,427,498</u>	<u>\$ 27,366,690</u>

Depreciation and interest expense are allocated based on square footage of the Arena related to management and general, and programmatic purposes. Professional fees, sponsorships, signage, and other expenses are directly charged to the functional category to which they relate.