

KPMG LLP Suite 1400 55 Second Street San Francisco, CA 94105

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
Santa Clara Stadium Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Santa Clara Stadium Authority (the Stadium Authority), which comprise the Stadium Authority's statement of net position as of March 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Stadium Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stadium Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stadium Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stadium Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Stadium Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Stadium Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Stadium Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

San Francisco, California September 29, 2025

Finding 2025-001 – Accounting Treatment for Stadium Builder Licenses Defaults

Criteria

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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.

Management is required to determine whether the entity maintained, in all material respects, effective internal controls over financial reporting based on the criteria established by a suitable framework, which is typically the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

The organization should select and develop control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Conditions Found

The Stadium Authority sells Stadium Builder Licenses (SBLs) for a fee, which holders can pay upfront or through financing arrangements. When collected, these fees are recognized as unearned revenue and amortized into revenue over the life of the stadium. Under the terms of the SBL agreement, when a default occurs, the customer loses their rights to any services under the agreement. As such, at the time of the default, the associated unearned revenue related to the SBL fees should be recognized as revenue.

The Stadium Authority's accounting treatment related to the SBL defaults was to continue to amortize the fee over the remaining life of the stadium rather than recognize the remaining amount at the time of default. Stadium Authority management did not sufficiently identify and evaluate the accounting impact of the defaults of SBL revenue agreements. The Stadium Authority had not historically assessed the SBL defaults to determine whether the impact of the accounting treatment would be clearly inconsequential.

During the testing of the fiscal year 2025 SBL revenue, the engagement team identified the error in accounting for SBL defaults has accumulated over time, since the inception of the entity and SBLs, to a consequential amount.

Cause

The deficiency was caused by the lack of a proper accounting policy and an effective process to identify and assess the impact of the SBL defaults on financial reporting.

The Stadium Authority did not design or implement a review process for monitoring SBL defaults to ensure accurate financial reporting.

Effect

The misstatement resulted in an overstatement of unearned revenue, and an understatement of net position. The correction resulted in a cumulative impact on net position of \$23.1M at March 31, 2024.

Management determined the error was not material to the March 31, 2024 financial statements. To correct the prior year error, Management adjusted the 2024 amounts reported in the March 31, 2025 financial statements, and included note disclosure 2(m) in the March 31, 2025 financial statements to summarize the adjustments and effects of the correction.

Recommendation

We recommend that Management develop a process to ensure SBL defaults are properly assessed and appropriately recorded.

Management Response

Management agrees with the recommendation and will work with its management company to obtain a complete and accurate SBL default report. This report will be used to perform an annual assessment of the SBL default revenue recognition in conformity with US generally accepted accounting principles.