

Brooks Development Authority
(A component of the City of San Antonio, Texas)

Audited Financial Statements
For the Fiscal Years Ended September 30, 2020 and 2019

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Brooks Development Authority
(A Component Unit of the City of San Antonio, Texas)

Audited Financial Statements
For the Fiscal Years Ended September 30, 2020 and 2019

Prepared by:
Department of Accounting & Finance

Samantha H. Burke
Chief Operating Officer

Brooks Development Authority

San Antonio, Texas


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Financial Section



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brooks Development Authority
San Antonio, Texas

We have audited the accompanying financial statements of Brooks Development Authority (BDA), a component unit of the City of San Antonio, Texas, as of and for the year ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the BDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of BDA, as of September 30, 2020 and 2019, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

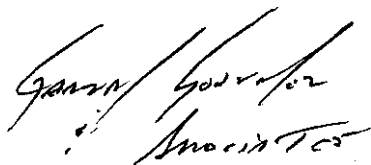
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BDA's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the BDA'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 BDA'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 BDA's internal control over financial reporting and compliance.



Gerson Goveador
Associação

March 24, 2021

Brooks Development Authority

San Antonio, Texas

Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

As management of Brooks Development Authority ("BDA"), we offer the following Management's Discussion and Analysis ("MD&A"). The MD&A serves as an introduction to the financial statements for the fiscal year ended September 30, 2020 and 2019 and provides a narrative overview and analysis of financial activities and performance. We encourage readers to read it in conjunction with BDA's financial statements including the notes to the financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflow of resources of BDA exceeded its liabilities at the close of fiscal year 2020 by \$37,748,963. Of this amount, \$6,655,789 is considered unrestricted and may be used to meet ongoing financial obligations. The balance of net position, \$31,093,174, is the net amount invested in capital assets.
- BDA's net position increased \$410,824 from \$37,338,139 to \$37,748,963 resulting from a combination of net operating loss of \$5,993,968, capital contributions of \$6,547,436, and net non-operating revenue (expenses) of (\$142,643). In 2019, net position decreased \$8,964,636 from \$46,302,775 to \$37,338,139 resulting from a combination of net operating loss of \$5,362,332, capital contributions of \$1,614,096, and net non-operating revenue (expenses) of (\$5,216,400).
- The primary sources of BDA's operating revenue of \$17,919,997 stems from its commercial leases; this year totaling \$5,516,640, or 30.8% of total operating revenue and enterprise revenue; this year totaling \$10,660,011, or 59.5% of total operating revenue. In addition, BDA realized \$1,743,346 (9.7%) from Common Area Maintenance ("CAM") fees, utility reimbursements, development fees, and other miscellaneous income. Enterprise revenue is from its three enterprises including the Aviator Apartments, the Embassy Suites Hotel, and Heritage Oaks which is comprised of 163 single-family homes and duplexes.

Basic Financial Statements

The basic financial statements are comprised of the statement of financial position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. The basic financial statements report information using accounting methods similar to those used by private sector companies. These financial statements are prepared under the accrual basis of accounting in which revenues, and assets are recognized when earned or acquired, and expenses and liabilities are recognized when incurred, regardless of when cash is received or paid. These financial statements also offer short-term and long-term financial information about its activities.

The statements of net position include all of BDA's assets, deferred outflow of resources, and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of BDA and assessing liquidity and its financial flexibility.

Brooks Development Authority

San Antonio, Texas

Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

The statement of revenues, expenses, and changes in net position present operating revenues and expenses and non-operating revenues and expenses. Operating revenues and expenses consist of revenues earned and expenses incurred related to the operation and maintenance of the Brooks property. Non-operating revenues and expenses consist of investment income, capital assets sales, and dispositions related to permanent impairments or transfers to the City of San Antonio, and a grant from Bexar County for reimbursement of capital expenditures, as well as interest expense.

The statements of cash flows report cash inflows and outflows and net changes in cash resulting from operating, capital, and financing activities and provides answers to such questions as where did cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

Financial Analysis

BDA's total fiscal year 2020 operating revenues decreased by \$3,901,616 from fiscal year 2019. Commercial lease revenue decreased by 14.5% over last year going from \$6,451,809 in fiscal year 2019 to \$5,516,640 in fiscal year 2020. Enterprise revenue decreased by 21.9% over last year going from \$13,650,096 in fiscal 2019 to \$10,660,011 in fiscal year 2020. In 2019, operating revenues decreased by \$545,695 from fiscal year 2018. Commercial lease revenue increased by 25.7% from \$5,131,530 in fiscal year 2018 to \$6,451,809 in fiscal year 2019. Enterprise revenue decreased by 12.0% from \$15,512,317 in fiscal 2018 to \$13,650,096 in fiscal year 2019.

Operating expenses, excluding depreciation, decreased from \$20,029,450 to \$15,918,186, or by 20.5% from fiscal year 2019. In fiscal year 2019, operating expenses, excluding depreciation, increased from \$19,839,883 to \$20,029,450, or by 1% from fiscal year 2018.

Non-operating activities reflect a loss of \$142,643 which is caused primarily by a gain on the sale of capital assets of \$7,692,498, interest expense of \$7,971,350, predevelopment/soft costs of \$23,770, investment and interest income totaling \$185,122, and disposal/impairment of capital assets totaling \$25,143. BDA also received capital contributions of \$6,547,436 from the City of San Antonio and Bexar County for construction costs related to various capital projects. In fiscal year 2019, non-operating activities reflect a deficit of \$5,216,400 which is caused primarily by a gain on the sale of capital assets of \$4,344,160, interest expense of \$9,585,311, predevelopment/soft costs of \$113,730, and investment and interest income totaling \$341,573. BDA also received capital contributions of \$1,614,096 from the City of San Antonio and Bexar County for construction costs related to various capital projects.

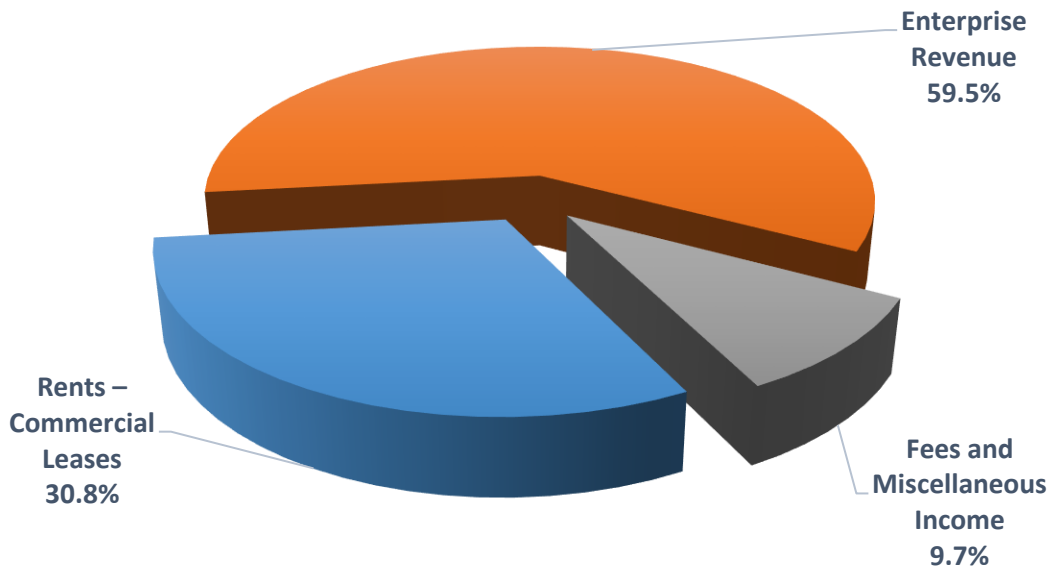
Brooks Development Authority

San Antonio, Texas

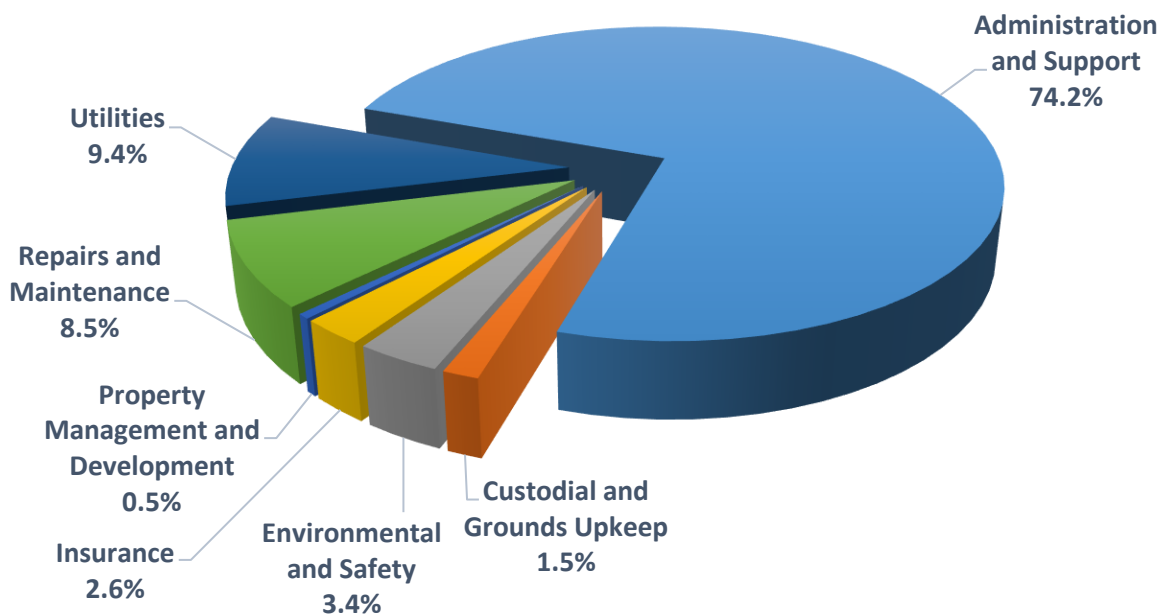
Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Fiscal Year 2020 Operating Revenues by Source



Fiscal Year 2020 Operating Expenses by Source (Excluding Depreciation Expense)



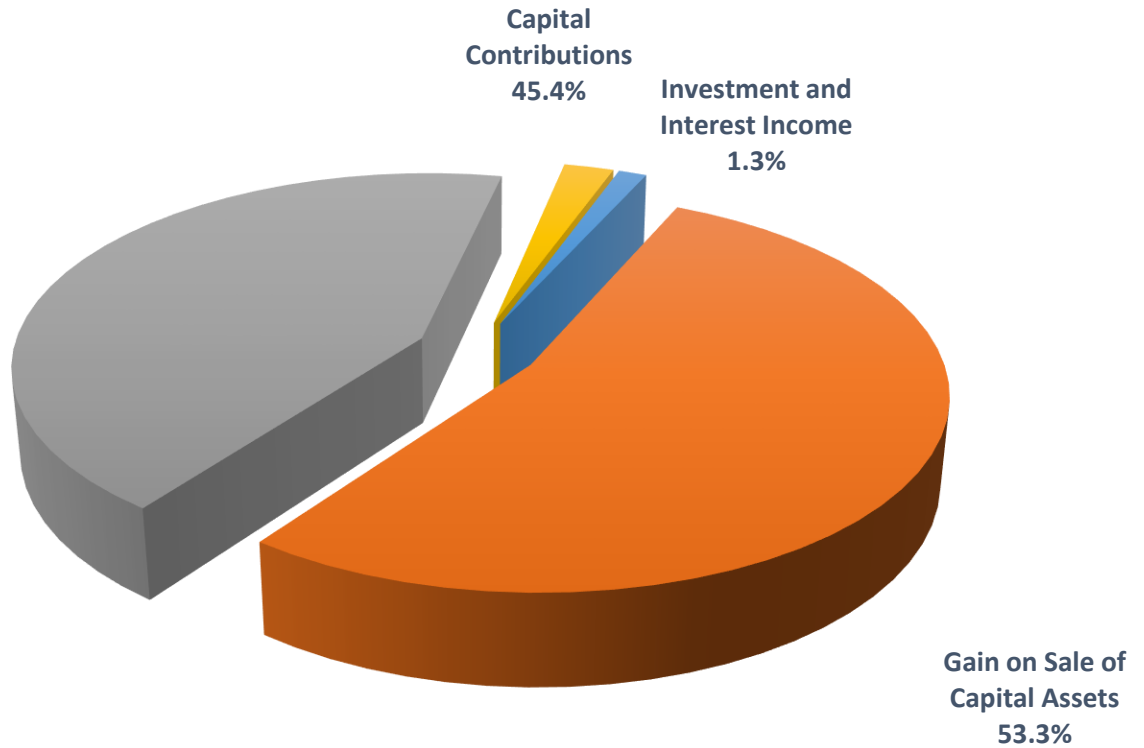
Brooks Development Authority

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Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Fiscal Year 2020 Nonoperating Revenues by Source



Brooks Development Authority

San Antonio, Texas

Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Table 1
Condensed Balance Sheet Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 13,294,570	\$ 10,111,693	\$ 17,424,620
Noncurrent assets	5,073,161	7,487,639	8,332,345
Capital assets – net	<u>143,851,844</u>	<u>155,065,146</u>	<u>149,202,850</u>
 Total Assets	 162,219,575	 172,664,478	 174,959,815
 Deferred Outflow of Resources	 <u>1,338,883</u>	 <u>1,300,926</u>	 <u>969,291</u>
 Total assets and deferred outflow of resources	 \$ <u><u>163,558,458</u></u>	 \$ <u><u>173,965,404</u></u>	 \$ <u><u>175,929,106</u></u>
 Current liabilities	 \$ 9,186,848	 \$ 17,562,843	 \$ 6,428,349
Noncurrent liabilities	<u>116,622,647</u>	<u>119,064,422</u>	<u>123,197,982</u>
 Total liabilities	 <u>125,809,495</u>	 <u>136,627,265</u>	 <u>129,626,331</u>
 Net position:			
Net investment in capital assets	31,093,174	35,916,621	37,941,220
Unrestricted	<u>6,655,789</u>	<u>1,421,518</u>	<u>8,361,555</u>
 Total net position	 <u>37,748,963</u>	 <u>37,338,139</u>	 <u>46,302,775</u>
 Total liabilities and net position	 \$ <u><u>163,558,458</u></u>	 \$ <u><u>173,965,404</u></u>	 \$ <u><u>175,929,106</u></u>

BDA's net position increased \$410,824 from \$37,338,139 to \$37,748,963 (Table 2) resulting from a combination of net operating loss of \$5,993,968, capital contributions of \$6,547,436, and net non-operating revenues (expenses) of (\$142,644). In 2019, net position decreased \$8,964,636 from \$46,302,775 to \$37,338,139 (Table 2) resulting from a combination of net operating loss of \$5,362,332, capital contributions of \$1,614,096, and net non-operating revenues (expenses) of \$5,216,400.

Brooks Development Authority

San Antonio, Texas

Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Table 2
Condensed Revenues, Expenses, and Changes in Net Position Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Rents – commercial leases	\$ 5,516,640	\$ 6,451,809	\$ 5,131,530
Enterprise Revenue	10,660,010	13,650,096	15,512,317
Fees and miscellaneous income	1,743,347	1,719,708	1,723,461
Total operating revenues	<u>17,919,997</u>	<u>21,821,613</u>	<u>22,367,308</u>
Operating expenses	15,918,184	20,029,450	19,839,883
Depreciation	7,995,781	7,154,495	6,187,596
Total operating expenses	<u>23,913,965</u>	<u>27,183,945</u>	<u>26,027,479</u>
Operating Loss	<u>(5,993,968)</u>	<u>(5,362,332)</u>	<u>(3,660,171)</u>
Nonoperating Revenues (Expenses)			
Investment and Interest income	185,122	341,573	245,665
Interest Expense	(7,971,350)	(9,585,311)	(10,581,134)
Gain on sale of capital assets	7,692,498	4,344,160	16,574,886
Disposal/Impairment of capital assets	(25,143)	(203,092)	(26,947)
Loss on Land Title Transfer	-	-	(2,250,000)
Predevelopment/Soft Costs	(23,770)	(113,730)	(234,435)
Other Grants	-	-	242,357
Income (loss) before capital contributions	<u>(142,643)</u>	<u>(5,216,400)</u>	<u>3,970,392</u>
Capital contributions	<u>6,547,436</u>	<u>1,614,096</u>	<u>549,322</u>
Change in net position	410,824	(8,964,637)	859,543
Net position at beginning of year	<u>37,338,139</u>	<u>46,302,775</u>	<u>45,443,232</u>
Net position at end of year	<u>\$ 37,748,963</u>	<u>\$ 37,338,139</u>	<u>\$ 46,302,775</u>

Brooks Development Authority

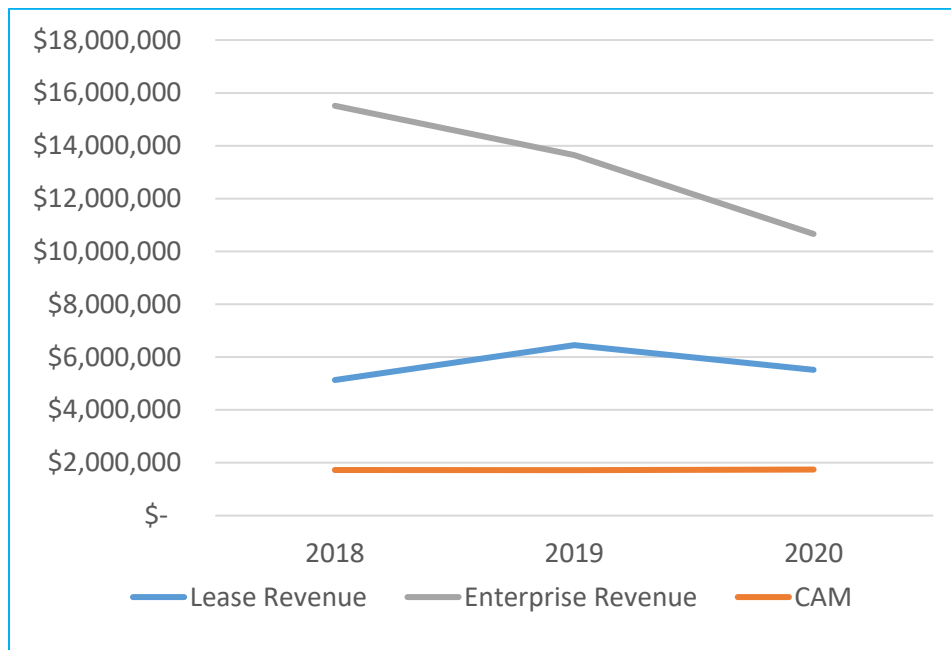
San Antonio, Texas

Management’s Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Overview of Fiscal Year 2018 – Fiscal Year 2020 Lease Revenue, Enterprise Revenue, & Common Area Maintenance Fee (CAM)

	2018	2019	2020
Lease Revenue	\$ 5,131,530	\$ 6,451,809	\$ 5,516,640
Enterprise Revenue	15,512,317	13,650,096	10,660,010
CAM	1,723,461	1,719,708	1,743,347
Total	\$ 22,367,308	\$ 21,821,613	\$ 17,919,997



Brooks Development Authority

San Antonio, Texas

Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Capital Assets

BDA's capital assets totaled \$143,851,844 (net of accumulated depreciation) as of September 30, 2020. Capital assets include land, roads, building, leasehold improvements, infrastructure and improvements, equipment and furniture and fixtures. Significant capital asset events occurring during the current fiscal year included the following:

- On December 27, 2018, BDA entered into a lease agreement with CU-SOL (VA) LLC, a Delaware limited liability company ("Tenant") for a light industrial facility of approximately 290,000 square feet on 23.697 acres located off Aviation Landing and Lyster Road. The term of the lease is 300 months starting at rent commencement which occurred in July 2020. A one-time prepaid rent in the amount of \$770,794 was paid in April 2019. Year one base annual rent is \$371,968 and annual common area maintenance (CAM) is \$70,000. There are no increases to base rent for the first five years. Year six rent is adjusted to \$431,212 and thereafter there is a 3% annual increase in base rent. CAM has a 3% annual escalation starting year two. Tenant is responsible for the funding the construct of the facility. Tenant has the right to purchase the property at any time prior to the expiration or termination of the lease for fair market value less (i) Prepaid Rent; and (ii) actual hard and soft costs of construction of the facility; and (iii) the cost of any future capital improvements provided, however the purchase price will be no less than \$4,132,973 and under no circumstance will BDA owe Tenant any amount.

The building was completed in 2020 and rent commenced in July 2020.

- The reconstruction of Lyster Road commenced in 2020 and is scheduled to be completed in 2021. This project is managed and funded by the City of San Antonio.
- On September 25, 2020, the University of the Incarnate Word exercised the purchase option in the Lease Agreement dated September 16, 2014 for 23.65 acres and seven buildings (buildings 100, 110, 125, 130, 150, 155, and 180). The purchase price was \$9,146,810 per the lease agreement.

Appraised Value:

During fiscal year 2019, an appraisal was initiated to provide an update to the book value. The appraisal was limited to certain general areas of the BDA campus. In connection with the bond issuance during fiscal year 2015, the land area used to secure the bonds was defined by Pape-Dawson Engineers, Inc. in a boundary survey, description of the property and identification of metes and bounds. The area defined was approximately 676 acres, which is called the Premise. In addition to the Premise is the remaining property of BDA. The appraised value of the Premise, plus the net value of the remaining property, totaled approximately \$357,385,000 as of January 2020.

Brooks Development Authority

San Antonio, Texas

Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Additional information on BDA's capital assets can be found in Note 4 to the financial statements.

The property under operating leases and property not under lease as of September 30, 2020 are as follows:

Table 3
Capital Assets

	Under Operating Leases	Not Under Leases	Total
Land	\$ 39,979	\$ 4,332,091	\$ 4,372,070
Construction in progress	-	15,668,214	15,668,214
Roads	-	23,548,580	23,548,580
Infrastructure and improvements	1,730,628	16,179,555	17,910,183
Facilities and other improvements	563,711	616,226	1,179,938
Land Improvements	-	10,599,124	10,599,124
Buildings	72,224,135	54,274,656	126,498,790
Furniture, fixtures, and equipment	8,444,266	2,314,430	10,758,696
Software	-	321,952	321,952
	<u>83,002,718</u>	<u>127,854,831</u>	<u>210,857,548</u>
Less accumulated depreciation	<u>(35,929,868)</u>	<u>(31,075,837)</u>	<u>(67,005,705)</u>
Net capital assets	<u>\$ 47,072,850</u>	<u>\$ 96,778,994</u>	<u>\$ 143,851,844</u>

Investments

As of September 30, 2020, BDA had \$0 in investments that consisted entirely of money market funds. BDA opened a six-month CD in 2020 that had a balance of \$1,623,084 as of the end of 2020 (\$6,670,363 in 2019). See Note 2 to the financial statements for classification of investments on the statements of net position (reported as cash and cash equivalents on the statements of net position).

Brooks Development Authority

San Antonio, Texas

Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

Debt

As of September 30, 2020, BDA had a balance of \$117,068,830 in outstanding debt. This is made up of three loans from the State Energy Conservation Office Stimulus Program totaling \$1,942,943, a loan of \$7,347,776 from JPMorgan Chase for the DPT Laboratories construction project, a loan with Inter National Bank for \$20,485,832, a loan with Lone Star National Bank for \$1,500,000 and revenue bonds Series 2015 and 2017 totaling \$85,650,000. BDA also had equipment leases with Frost Bank for \$55,829 and Balboa Capital for \$86,450. In fiscal year 2019, BDA had a balance of \$126,636,163 in outstanding debt. This is made up of three loans from the State Energy Conservation Office Stimulus Program totaling \$2,328,836, a loan of \$8,189,619 from JPMorgan Chase for the DPT Laboratories construction project, a loan with Inter National Bank for \$20,855,912, a loan with Lone Star National Bank for \$5,907,500 and revenue bonds Series 2015 and 2017 totaling \$85,650,000. BDA also had equipment leases with Frost Bank for \$99,427 and Balboa Capital for 110,889. In addition, BDA also had an amount payable to American South Real Estate Fund, LP for \$3,493,981.

Risk Factors Influencing Future Operations

BDA's mission is to promote, develop, and sustain a vibrant community and catalyst for progressive economic development and prosperity. To enhance administrative efficiency, BDA has undergone a comprehensive evaluation of its internal strengths and weaknesses and external opportunities and threats. The following are factors influencing the future operations of BDA:

- Tax Incremental Reinvestment Zone ("TIRZ") – Brooks was approved as a TIRZ, which may provide up to approximately \$105,473,105 to aid in the development of economic development and infrastructure projects on the Brooks campus. TIRZ supported debt in the amount of \$18,280,000 has been used to finance construction of South New Braunfels Avenue Road Extension Project and portions of Research Rd., Challenger Rd., and Kennedy Hill. An additional amount of \$6,000,000 has been designated to be used in financing the remodeling of two existing buildings on campus for OKIN BPS, Inc. to occupy as a tenant. Additional infrastructure projects will be financed from TIRZ revenue collections.
- Leveraging assets – Leveraging assets will continue to play a major role in securing financing for future capital development projects, as well as establishing public/private partnerships for achieving financing goals.
- Risks of Real Estate Investment: Development, ownership and operation of real estate involves certain risks, including the risk of adverse changes in general economic and local conditions, adverse use of adjacent or neighboring real estate, changes in the costs of operation, damage caused by adverse weather and delays in repairing such damage, population decreases, uninsured losses, environmental risks, failure of lessees to pay rent, operating deficits and mortgage foreclosure, adverse changes in neighborhood values, and adverse changes in federal, state, and local laws and regulations.

Brooks Development Authority

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Management's Discussion and Analysis – Unaudited

Years Ended September 30, 2020 and 2019

- **Damage, Destruction or Condemnation:** If any portion of the premises is damaged or destroyed, or is taken in a condemnation proceeding, funds derived from proceeds of insurance or any such condemnation award for the premises must be applied as provided in the bond master indenture to restore or rebuild the Premises or make payments on Bonds. There can be no assurance that the amount of funds available to restore or rebuild the Premises or to make payments on the outstanding Bonds will be sufficient for that purpose, or that any remaining portion of the Premises will generate Gross Revenues sufficient to pay the expenses of the Authority.
- **Substantial Leverage; Financing Capability:** BDA has substantial debt service requirements which are secured by project revenues, operating revenue, and assets pledged to secure the debt. The debt management plan projects that current cash balances and cash from projects and operations, will be sufficient to meet its debt service obligations. The ability of BDA to meet such obligations and requirements will depend in part on BDA's future operating performance, which is subject to financial, economic, competitive, regulatory and other factors, which may be beyond the control of the Issuer.

Request for Information

This financial report is designed to provide a general overview of BDA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Operating Officer, 3201 Sidney Brooks, San Antonio, Texas 78235.

Basic Financial Statements

Brooks Development Authority

San Antonio, Texas

Statement of Net Position

September 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	2020	2019
Current Assets		
Cash and cash equivalents – unrestricted	\$ 12,920,416	\$ 9,646,308
Accounts receivable – net of allowance for doubtful accounts	112,375	297,365
Prepaid expenses	209,920	114,255
Inventories	51,859	53,765
Total current assets	13,294,570	10,111,693
Noncurrent Assets		
Restricted cash – cash held with trustee	5,073,161	7,487,639
Capital assets – net	143,851,844	155,065,146
Total non-current assets	148,925,005	162,552,785
Total assets	162,219,575	172,664,478
Deferred Outflow of Resources		
Derivative instrument	1,338,883	1,300,926
Total assets and deferred outflow of resources	\$ 163,558,458	\$ 173,965,404
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 4,556,768	\$ 5,142,651
Accrued expenses	329,112	279,901
Accrued interest payable	843,630	855,417
Current portion of long-term liabilities	2,597,400	10,185,338
Unearned Revenues	622,758	916,823
Tenant security deposits	237,180	182,713
Total current liabilities	9,186,848	17,562,843
Long-Term Liabilities		
Unearned revenues	750,000	1,250,000
Derivative instrument liability	1,338,883	1,300,926
Long-term debt and other liabilities	114,533,764	116,513,496
Total long-term liabilities	116,622,647	119,064,422
Total liabilities	125,809,495	136,627,265
Net Position		
Net investment in capital assets	31,093,174	35,916,621
Unrestricted	6,655,789	1,421,518
Total net position	37,748,963	37,338,139
Total liabilities and net position	\$ 163,558,458	\$ 173,965,404

The accompanying notes form an integral part of these statements.

Brooks Development Authority

San Antonio, Texas

Statement of Revenue, Expenses and Changes in Net Position

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Rents – commercial leases	\$ 5,516,640	\$ 6,451,809
Enterprise revenue	10,660,011	13,650,096
Fees and miscellaneous income	<u>1,743,346</u>	<u>1,719,708</u>
Total operating revenues	<u>17,919,997</u>	<u>21,821,613</u>
Operating Expenses		
Administration and support	11,806,606	15,295,447
Custodial and grounds upkeep	234,326	528,577
Environmental and safety	542,198	593,252
Repairs and maintenance	1,352,079	1,700,833
Utilities	1,493,857	1,510,364
Insurance	408,248	360,384
Property management and development	80,870	40,593
Depreciation	<u>7,995,781</u>	<u>7,154,495</u>
Total operating expenses	<u>23,913,965</u>	<u>27,183,945</u>
Operating loss	<u>(5,993,968)</u>	<u>(5,362,332)</u>
Nonoperating Revenues (Expenses)		
Investment income	58,771	167,309
Interest income	126,351	174,264
Interest expense	(7,971,350)	(9,585,311)
Gain on sale of capital assets	7,692,498	4,344,160
Loss disposal of capital assets	(25,143)	(203,092)
Predevelopment/ Soft Costs	<u>(23,770)</u>	<u>(113,730)</u>
Total nonoperating revenues (expenses) – net	<u>(142,643)</u>	<u>(5,216,400)</u>
Income (loss) before capital contributions	(6,136,612)	(10,578,732)
Capital contributions	<u>6,547,436</u>	<u>1,614,096</u>
Change in net position	410,824	(8,964,636)
Net position at beginning of year	<u>37,338,139</u>	<u>46,302,775</u>
Net position at end of year	<u>\$ 37,748,963</u>	<u>\$ 37,338,139</u>

The accompanying notes form an integral part of these statement

Brooks Development Authority

San Antonio, Texas

Statement of Cash Flows

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Receipts from tenants and others	\$ 18,043,445	\$ 20,876,359
Payments to employees	(7,400,182)	(7,100,609)
Payments to suppliers for goods and services	(9,337,715)	(10,423,838)
Net cash provided in operating activities	<u>1,305,548</u>	<u>3,351,912</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of assets	(4,031,689)	(13,130,520)
Sale of capital assets	10,835,739	4,324,160
DPT land purchase option fee	20,000	20,000
Proceeds from INB loan	-	156,000
Proceeds from Lone Star Loan	-	5,907,500
Proceeds from Notes Payable	-	3,493,980
Predevelopment Costs	(23,770)	-
Payments on loans	(6,088,496)	(2,528,907)
Interest payments	(7,890,259)	(9,798,954)
Contributions from government entities	6,547,436	1,614,096
Net cash used by capital and related financing activities	<u>(631,039)</u>	<u>(9,942,645)</u>
Cash Flows From Investing Activities		
Investment income	58,771	167,309
Interest income	126,352	174,264
Net cash provided by investing activities	<u>185,123</u>	<u>341,573</u>
Net increase in cash and cash equivalents	<u>859,632</u>	<u>(6,249,160)</u>
Cash and cash equivalents at beginning of year	<u>17,133,945</u>	<u>23,383,105</u>
Cash and cash equivalents at end of year	<u>\$ 17,993,577</u>	<u>\$ 17,133,945</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (5,993,968)	\$ (5,362,332)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,995,781	7,154,495
Changes in operating assets and liabilities:		
Accounts receivable	363,046	125,569
Other Receivables	-	1,790,316
Prepaid expenses	(95,665)	(46,637)
Inventories	1,907	39,227
Accounts payable	(775,163)	2,164,111
Accrued expenses	49,211	(15,075)
Unearned revenues	(294,065)	(2,544,713)
Tenant Deposits	54,467	46,951
Net cash used in operating activities	<u>\$ 1,305,548</u>	<u>\$ 3,351,912</u>
Non-cash Transactions:		
American South Industrial Building	3,493,981	-
INB Closing Costs	15,143	-

The accompanying notes form an integral part of these statements.

Brooks Development Authority

San Antonio, Texas

Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The Brooks Development Authority (“BDA”) is a Defense Base Development Authority, which is a special purpose political subdivision under Section 379B of the Local Government Code of Texas. BDA was created by a Resolution of the City Council of the City of San Antonio, approved on September 27, 2001. This resolution became effective on the tenth day after its passage, October 7, 2001.

Under the provisions of Section 379B of the Local Government Code of Texas, the City of San Antonio was empowered to create a Defense Base Development Authority to accept title to Brooks Air Force Base (“Brooks AFB”) and engage in economic development of Brooks AFB, a military installation located within the City of San Antonio. Brooks AFB was sold and transferred to the community by the Secretary of the Air Force, pursuant to authority conferred by the Military Construction Act, Public Law No. 106-246, and is now known as Brooks.

BDA’s governing board consists of 11 members appointed by the City Council of the City of San Antonio. BDA is considered a discretely presented component unit of the City of San Antonio for purposes of financial reporting, in accordance with the provisions of Governmental Accounting Standards Board (“GASB”) Codification *Defining Financial Reporting Entity*.

Component Units Included

The financial statements of BDA include three blended component units, Brooks Gives Back, Inc. (the “Foundation”), Aviator Apartments, LLLP (the “Aviator”), and the Brooks Property Owners Association (the “POA”).

The Foundation is a nonprofit organization whose purpose is to benefit BDA exclusively. The Foundation meets the criteria of GASB Codification *Defining Financial Reporting Entity*; therefore, the financial statements of the Foundation are blended with those of BDA. As of September 30, 2020, the Foundation’s net position had a balance of \$165,669 (\$175,495 in 2019).

The following are condensed financial statements of the Foundation:

Condensed Statement of Net Position

	September 30,	
	2020	2019
Total assets	\$ <u>165,669</u>	\$ <u>175,495</u>
Total liabilities	\$ -	\$ -
Total net position	<u>165,669</u>	<u>175,495</u>
Total liabilities and net position	\$ <u>165,669</u>	\$ <u>175,495</u>

Brooks Development Authority

San Antonio, Texas

Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	September 30,	
	2020	2019
Operating revenues	\$ 48,687	\$ 19,312
Operating expenses	82,923	237
Operating income (loss)	(34,236)	19,075
Non-operating revenues (expenses) – net	24,410	12,380
Change in net position	(9,826)	31,455
Net position (deficit) at beginning of year	175,495	144,040
Net position at end of year	\$ 165,669	\$ 175,495

Condensed Statement of Cash Flows

	September 30,	
	2020	2019
Cash Flows from Operating Activities	\$ (34,236)	\$ 19,075
Cash Flows from Capital and Related Financing Activities	-	10,887
Cash Flows from Investing Activities	1,543	1,493
Net increase (decrease) in cash and cash equivalents	(32,692)	31,455
Cash and cash equivalents at beginning of year	175,495	144,040
Cash and cash equivalents at end of year	\$ 142,802	\$ 175,495

The Aviator, formed on November 25, 2014, is a Limited Liability Limited Partnership whose sole purpose is to operate as an investment partnership under the EB-5 Immigrant Investor Program and therefore benefit BDA exclusively. The Aviator meets the criteria of GASB Codification *Defining Financial Reporting Entity*; therefore, the financial statements of the Aviator are blended with those of BDA. BDA has the ability to impose its' will on the Aviator and meets the financial benefit/burden criteria. The Aviator's financial statements can be requested from BDA's Accounting & Finance department. As of September 30, 2020, the Aviator's net position had a balance of \$0 (\$36,000 in 2019).

Brooks Development Authority

San Antonio, Texas

Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

The following are condensed financial statement of the Aviator:

Condensed Statement of Net Position

	September 30,	
	2020	2019
Total assets	\$ <u>-</u>	\$ <u>36,000</u>
Total liabilities	\$ -	\$ -
Total net position	<u>-</u>	<u>36,000</u>
Total liabilities and net position	\$ <u>-</u>	\$ <u>36,000</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended September 30,	
	2020	2019
Operating revenues	\$ 25,000	\$ -
Operating expenses	<u>61,000</u>	<u>34,000</u>
Operating income (loss)	(36,000)	(34,000)
Non-operating revenues (expenses) – net	<u>-</u>	<u>-</u>
Change in net position	(36,000)	-
Net position at beginning of year	<u>36,000</u>	<u>70,000</u>
Net position at end of year	\$ <u>-</u>	\$ <u>36,000</u>

Brooks Development Authority

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

Condensed Statement of Cash Flows

	Years Ended September 30,	
	2020	2019
Cash Flows used in Operating activities	\$ (36,000)	\$ (34,000)
Net decrease in cash and cash equivalents	(36,000)	(34,000)
Cash and cash equivalents at beginning of year	36,000	70,000
Cash and cash equivalents at end of year	\$ -	\$ 36,000

The Brooks Property Owner's Association (the POA), formed on November 2, 2017, is a nonprofit organization whose purpose is to manage the planned development and maintain the common areas of the real property of the Brooks campus. The POA meets the criteria of GASB Codification *Defining Financial Reporting Entity*; therefore, the financial statements of the POA are blended with those of BDA. As of September 30, 2020, the POA's net position had a balance of \$2,267,423 (\$1,095,074 in 2019).

The following are condensed financial statements for the POA:

	Years Ended September 30,	
	2020	2019
Total asset	\$ 2,267,423	\$ 1,095,074
Total liabilities	\$ -	\$ -
Total net position	2,267,423	1,095,074
Total liabilities and net position	\$ 2,267,423	\$ 1,095,074

Brooks Development Authority

San Antonio, Texas

Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

	Years Ended September 30,	
	2020	2019
Operating revenues	\$ 2,591,651	\$ 4,606,505
Operating expenses	<u>1,405,481</u>	<u>2,246,698</u>
Operating income (loss)	1,186,170	2,359,807
Non-operating revenues (expenses) – net	<u>(13,821)</u>	<u>(18,622)</u>
Change in net position	1,172,349	2,341,185
Net position (deficit) at beginning of year	<u>1,095,074</u>	<u>(1,246,111)</u>
Net position at end of year	\$ <u><u>2,267,423</u></u>	\$ <u><u>1,095,074</u></u>

	Years Ended September 30,	
	2020	2019
Cash Flows from Operating Activities	\$ 1,157,752	\$ 2,333,693
Cash Flows from Non-Capital and Related Financing Activities	(719,009)	(1,985,959)
Cash Flows from Capital and Related Financing Activities	<u>(13,821)</u>	<u>(18,622)</u>
Net increase (decrease) in cash and cash equivalents	424,922	329,112
Cash and cash equivalents at beginning of year	<u>329,112</u>	<u>-</u>
Cash and cash equivalents at end of year	\$ <u><u>754,034</u></u>	\$ <u><u>329,112</u></u>

B. Basis of Accounting

All BDA's activities are reported in a single proprietary (enterprise) fund and are prepared on the accrual basis of accounting and the economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures have been incurred. In preparing the single column Business Type Activity financial statements internal activity representing reciprocal revenues and expenses between the various operating units have been eliminated.

Brooks Development Authority

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, noninterest-bearing demand deposit accounts and cash in interest-bearing demand accounts with commercial banks and certificates of deposit are considered cash equivalents. Short-term, highly liquid investments that are both readily convertible and invested in money market funds with original maturities of three months or less are “cash equivalents.” Certificates of deposit are not subject to classification under GASB 72 and are not subject to fair value measurement.

D. Restricted Cash Held with Trustee

In accordance with the Senior Lien Master Trust Indenture, Deed of trust, and Security Agreement dated July 1, 2015 between BDA and UMB Bank, N.A., a national banking association (the “Trustee”), the Senior Lien Revenue bond proceeds are deposited and administered by the Trustee and are considered restricted cash for the purpose of financing the economic development of Brooks’ property and areas around the property.

E. Accounts Receivable

Tenant, other receivables, and the allowance for doubtful accounts are shown separately on the financial statements. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the receivable to be uncollectable. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

F. Capital Assets and Depreciation

Property and equipment consist of the appraised fair market value of Brooks AFB property transferred to BDA by the United States Air Force (the “Air Force”) on July 22, 2002. All other capital assets built or purchased by BDA are recorded on the basis of cost.

Depreciation of BDA’s property that was transferred by the Air Force began July 22, 2002 and was computed on the remaining estimated useful life of property, as established by independent appraisers. This remaining life ranged from 3 to 45 years. Depreciation on newly purchased assets was based upon the below established depreciation lives as follows:

Buildings	10-30 years
Improvements	10-30 years
Roads	20 years
Furniture, fixtures, and equipment	5-10 years

BDA has a policy to capitalize costs for renewals and betterments in excess of \$10,000.

Brooks Development Authority

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

BDA accounts for public infrastructure construction costs funded by grants and other revenue sources as construction in progress. Infrastructure assets (e.g., roads, sidewalks), which are completed and accepted by the City of San Antonio are recorded as non-operating expenses in the year the infrastructure is accepted and transferred. BDA provides for depreciation on assets using the straight-line method in order to amortize costs of assets over their estimated useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For fiscal year 2020 and 2019, BDA capitalized interest of \$51,294 and \$58,163, respectively.

G. Impairment of Long-Lived Assets

BDA reviews the carrying value of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and effects of obsolescence, demand, competition, and other economic factors. In fiscal year 2020 and 2019, BDA recorded no impairment losses on vacated buildings that are no longer suitable to lease to commercial tenants.

H. Deferred Outflow of Resources

In addition to assets, the statements of net position will sometime report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow or resources (expense) until then. BDA reports deferred outflows on the derivative instrument described in note 3.

I. Inventories

All inventories are valued at cost using the first-in, first-out method. Inventories are recorded as an expense when consumed rather than when purchased.

J. Personal Time Off, (PTO)

Prior to April 1, 2015, BDA employees accrued vacation of 5-10 days on an annual basis and unused vacation days were payable at termination. Effective April 1, 2015 BDA adopted a new PTO policy which allows employees to earn between 20 to 30 days of PTO depending on their years of employment. PTO hours are front loaded on October 1 and must be used by September 30. Any unused PTO as of (September 30) is forfeited. Employees are allowed to use vested PTO earned as of April 1, 2015. The amount of unused and vested PTO accrued as of September 30, 2020 and 2019 totaled \$62,335 and \$62,671, respectively.

K. Unearned Revenues

BDA receives rental income in advance from customers. The balance in the unearned revenue represents these advances.

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San Antonio, Texas

Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

L. Risk Management

BDA is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. BDA carries commercial insurance for risk of loss that may arise from such losses. This insurance is for property, casualty, general liability, workers' compensation, and employee health. Settled claims resulting from other risks of loss have not exceeded commercial insurance coverage in any of the past three years.

M. In-Kind Revenues/Expenses

In-kind revenues/expenses are comprised of donated services, which are measured and recorded at their fair value.

N. Operating Revenues and Expenses

BDA's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its Brooks property. All other revenues and expenses are reported as non-operating revenues and expenses.

O. Capital Contributions

Capital contributions consist of funds received through various grants to assist in the acquisition or construction of capital assets.

P. Comparative Data

Comparative data for the prior year has been presented to provide an understanding of the changes in financial position and operations.

Q. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. Restricted and Unrestricted Resources

When both restricted and unrestricted net position are available for use, it is BDA's policy to use restricted net position first, and then unrestricted net position as needed.

Brooks Development Authority

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

T. Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to BDA, but which will only be resolved when one or more future events occur or fail to occur. BDA's management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against BDA or unasserted claims that may result in such proceedings, BDA's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in BDA's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	September 30,	
	2020	2019
Cash in bank	\$ 11,297,332	\$ 2,975,945
Certificate of deposit	1,623,084	6,670,363
Restricted cash held with trustee	5,073,161	7,487,639
Total cash and cash equivalents	\$ <u>17,993,577</u>	\$ <u>17,133,947</u>

Deposits – At September 30, 2020, the carrying amount of BDA's bank deposits totaled \$12,920,416 (\$9,646,308 in 2019), and the bank balance totaled \$13,040,031 (\$9,617,860 in 2019). BDA's cash deposits at September 30, 2020 and 2019 were covered by the Federal Deposit Insurance Corporation and by pledged collateral held by BDA's agent bank in BDA's name.

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

Investments – State statutes govern BDA’s investment policies. State authorized investments include Obligations of the United States Treasury and United States Government agencies, certificates of deposit, commercial paper, and repurchase agreements. BDA complies with applicable provisions of the State of Texas Public Funds Investment Act.

3. Derivative Instrument

Interest Rate Swap

Objective of the Interest Rate – To reduce the risk associated with possible projected interest rate increases, BDA entered into an interest rate swap agreement in connection with an adjustable rate promissory note in the amount of \$14,270,451. This note served as the permanent financing of construction costs associated with build-to-suit buildings for a BDA lessee. This loan is scheduled to mature on April 5, 2027.

Terms – The interest rate swap agreement and the related loan are scheduled to mature on April 5, 2027 and have been extended to match the lease agreement. The interest rate swap’s notional amount of \$14,851,837 matches the maximum principal amount of the permanent adjustable rate note that will be used to pay-off the interim construction loan. In 2008, the lease agreement was extended to a 20-year term and, accordingly, the permanent note was extended to a 20-year term, and the principal amount was increased to \$15,000,000.

During 2008, the original adjustable rate promissory note was revised to become a principal plus interest note. The interest rate is a floating rate, which is based on LIBOR plus 1.50%. As of September 30, 2020, LIBOR was 0.078% (1.82% in 2019) plus 1.50%, resulting in an overall rate of 1.578% (3.32% in 2019).

Fair Value – The interest rate swap had a negative fair value of \$1,338,883 and \$1,300,926 as of September 30, 2020 and 2019, respectively. The fair value was estimated using a proprietary valuation model developed by a counterparty.

The interest rate swap has been deemed an effective hedge and, therefore, qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a noncurrent liability. Changes in the interest rate swap’s fair value are recorded as a deferred outflow and included in deferred outflow of resources.

Credit Risk – BDA was not exposed to credit risk on its outstanding interest rate swap at September 30, 2020 and 2019 because the interest rate swap had a negative fair value. However, should interest rates change and the interest rate swap becomes positive, BDA would be exposed to credit risk in the amount of the interest rate swap’s fair value. The interest rate swap’s counterparty has guaranteed all payments and is rated AAA by Standard & Poor’s. The interest rate swap agreement provides no collateral by the counterparty.

Interest Rate Risk – The interest rate swap decreases BDA’s exposure to interest rate risk.

Termination Risk – The interest rate swap was issued pursuant to the International Swap Dealers Association (“ISDA”) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. BDA or the counterparty may terminate the interest rate swap if the other party fails to perform under the terms of the contract. If the interest rate swap is terminated, the related variable rate promissory note would no longer carry a synthetic interest rate.

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

Also, if at the time of termination, the interest rate swap has a negative fair value, BDA would be liable to the counterparty for a payment equal to the swap's fair value. As of September 30, 2020, and 2019, the interest rate swap had negative fair values of \$1,338,883 and \$1,300,926 respectively.

Swap Payments and Associated Debt – Adjustable rate promissory note and related interest rate swap payments are effective July 11, 2006. Debt associated with the interest rate swap at September 30, 2020 and 2019 totaled \$7,347,776 and \$8,189,619 respectively.

BDA Collateral – Under the terms of the ISDA Master Agreement, BDA is required to provide credit support (collateral) for the interest rate swap in the form of cash collateral deposited with the counterparty. The completed buildings serve as collateral.

4. Accounts Receivable

The allowance for doubtful accounts was based upon management's evaluation of the accounts receivable collectability. Accounts receivable consist of the following:

	September 30,	
	2020	2019
Accounts receivable – tenants	\$ 10,000	\$ 182,642
Less allowance for doubtful accounts	<u>(10,000)</u>	<u>(10,000)</u>
Total accounts receivable – tenants	-	172,642
Other	<u>112,375</u>	<u>124,723</u>
Total accounts receivable – net	<u>\$ 112,375</u>	<u>\$ 297,365</u>

Brooks Development Authority

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

5. Capital Assets

Changes in BDA's capital assets for the year ended September 30, 2020 consist of the following:

	<u>October 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>September 30, 2020</u>
Land	\$ 4,449,181	\$ -	\$ (77,110)	\$ -	\$ 4,372,071
Construction in progress	<u>20,056,883</u>	<u>1,422,900</u>	<u>(3,525,151)</u>	<u>(2,286,418)</u>	<u>15,668,214</u>
Capital assets not subject to depreciation	<u>24,506,064</u>	<u>1,422,900</u>	<u>(3,602,261)</u>	<u>(2,286,418)</u>	<u>20,040,285</u>
Roads	23,511,575	37,005	-	-	23,548,580
Infrastructure and improvements	16,102,654	1,807,529	-	-	17,910,183
Facilities and other improvements	1,179,938	-	-	-	1,179,938
Land improvements	10,599,124	-	-	-	10,559,124
Buildings	136,045,404	501,026	(12,334,058)	2,286,418	126,498,790
Furniture, fixtures, and equipment	10,455,302	303,398	(4)	-	10,758,696
Software	321,953	-	-	-	321,953
Total depreciable assets	<u>198,215,950</u>	<u>2,648,961</u>	<u>(12,334,062)</u>	<u>2,286,418</u>	<u>190,817,264</u>
Total capital assets	<u>222,722,014</u>	<u>4,071,861</u>	<u>(15,936,323)</u>	<u>-</u>	<u>210,857,549</u>
Accumulated depreciation:					
Roads	(7,413,195)	(889,707)	-	-	(8,302,902)
Infrastructure and Improvements	(7,325,555)	(877,160)	-	-	(8,202,715)
Facilities and other Improvements	(766,163)	(41,050)	-	-	(807,213)
Land improvements	(117,768)	(706,608)	-	-	(824,375)
Buildings	(46,320,279)	(4,662,314)	8,646,938	-	(42,335,655)
Furniture, fixtures, and equipment	(5,391,955)	(818,936)	-	-	(6,210,891)
Software	<u>(321,953)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(321,953)</u>
Total accumulated depreciation	<u>(67,656,868)</u>	<u>(7,995,775)</u>	<u>8,646,938</u>	<u>-</u>	<u>(67,005,705)</u>
Net capital assets	<u>\$ 155,065,146</u>	<u>\$ (3,923,914)</u>	<u>\$ (7,289,385)</u>	<u>\$ -</u>	<u>\$ 143,851,844</u>

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Years Ended September 30, 2020 and 2019

As part of BDAs' annual review of vacated buildings, management has determined no buildings were considered permanently impaired and not suitable to lease to commercial tenants.

Changes in BDA's capital assets for the year ended September 30, 2019 consist of the following:

	<u>October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>September 30, 2019</u>
Land	\$ 4,479,659	\$ -	\$ (30,478)	\$ -	\$ 4,449,181
Construction in progress	<u>26,909,805</u>	<u>13,269,966</u>	<u>(384,839)</u>	<u>(19,738,049)</u>	<u>20,056,883</u>
Capital assets not subject to depreciation	<u>31,389,464</u>	<u>13,269,966</u>	<u>(415,317)</u>	<u>(19,738,049)</u>	<u>24,506,064</u>
Roads	15,093,089	-	-	8,418,486	23,511,575
Infrastructure and improvements	15,472,266	-	-	630,388	16,102,654
Facilities and other improvements	1,160,824	11,050	-	8,064	1,179,938
Land Improvements	-	-	-	10,599,124	10,599,124
Buildings	135,898,860	85,065	(20,508)	81,987	136,045,404
Furniture, fixtures, and equipment	10,389,026	86,535	(20,259)	-	10,455,302
Software	<u>321,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,953</u>
Total depreciable assets	<u>178,336,018</u>	<u>182,650</u>	<u>(40,767)</u>	<u>19,738,049</u>	<u>198,215,950</u>
Total capital assets	<u>209,725,482</u>	<u>13,452,616</u>	<u>(456,084)</u>	<u>-</u>	<u>222,722,014</u>
Accumulated depreciation:					
Roads	(6,801,282)	(611,913)	-	-	(7,413,195)
Infrastructure and improvements	(6,482,662)	(842,893)	-	-	(7,325,555)
Facilities and other improvements	(726,408)	(39,755)	-	-	(766,163)
Land Improvements	-	(117,768)	-	-	(117,768)
Buildings	(41,887,405)	(4,442,741)	9,867	-	(46,320,279)
Furniture, fixtures, and equipment	(4,302,922)	(1,109,292)	20,259	-	(5,391,955)
Software	<u>(321,953)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(321,953)</u>
Total accumulated depreciation	<u>(60,522,632)</u>	<u>(7,164,362)</u>	<u>30,126</u>	<u>-</u>	<u>(67,656,868)</u>
Net capital assets	<u>\$ 149,202,850</u>	<u>\$ 6,288,254</u>	<u>\$ (425,958)</u>	<u>\$ -</u>	<u>\$ 155,065,146</u>

Brooks Development Authority

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Years Ended September 30, 2020 and 2019

6. Accounts Payable

Accounts Payable consist of the following:

	September 30,	
	2020	2019
Accounts payable trade	\$ 3,243,133	\$ 3,698,316
Construction payable	1,289,911	1,268,244
Retainage payable	28,724	176,091
	<hr/>	<hr/>
Total accounts payable	\$ 4,561,768	\$ 5,142,651

7. State Energy Conservation Office (“SECO”) Stimulus Program

During fiscal year September 30, 2011, BDA became a participant in two loan programs from the SECO Stimulus Program totaling \$1,657,000 and \$3,780,000. The \$1,657,000 loan is for energy utilization improvements to portions of two existing buildings (Buildings 160 and 170), and the replacement of the heating, ventilation, and air conditioning (“HVAC”) systems associated with the buildings. The \$3,780,000 loan is for upgrades to Buildings 150, 532, 570, and 775 for the installation of roof top solar panels and the replacement of the HVAC system. In May 2012, BDA was awarded a third loan from SECO in the amount of \$2,400,000, which was subsequently reduced to \$1,662,230 for energy savings upgrades to Buildings 155, 502, 704, 754, and 940 and to 163 residential housing units. In December 2012, the third loan was increased to \$1,952,932. BDA received the first two loans at 2% interest with a term of ten years and the third note at 3% interest and a term of eight years utilizing the energy savings realized from the upgrades. Projects funded by the loans were completed in prior years and BDA continues repayment. As of September 30, 2020, and 2019, the combined outstanding balance of these three loans totaled \$1,942,943 and \$2,328,836, respectively. As of September 30, 2020, BDA has accrued \$25,836 (\$4,209 in 2019) of accrued interest payable.

On May 4, 2020, BDA was granted a deferral of loan payments for all SECO loans due on May 31, 2020, August 31, 2020, and November 30, 2020. This deferral was requested by BDA to help offset anticipated revenue disturbance due to the COVID-19 pandemic. Interest continued to accrue on all outstanding loan principals but there was no penalty for the deferral. The term for repayment was extended by one year. BDA resumed quarterly debt service payments in February 2021.

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Notes to the Financial Statements

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8. Note Payable – JPMorgan Chase

The purpose of this loan was to provide funding for the construction of a built-to-suit facility for a lessee of BDA. In 2008, the promissory note, dated November 28, 2006, was revised to become a principal plus interest note. The interest portion of the note will vary monthly between the interest rate swap (Note 3) settlement payment and the floating interest portion of the note. This revision will assure that principal plus interest payments on the note plus the interest rate swap settlement payments will total approximately \$115,500. As interest rates fell during 2008, the interest rate swap settlement payments increased significantly and, when combined with fixed monthly note payment of \$115,544, the total payment amounts exceeded the monthly lease payment. The original interest rate swap agreement was designed to hedge against rising interest rates. This revised note will ensure that such funding deficits will not occur going forward by assuring the note payment and the interest rate swap settlement payments will total approximately \$115,500 monthly. As of September 30, 2020, and 2019, BDA owed \$7,347,776 and \$8,189,619, respectively, to JPMorgan Chase. As of September 30, 2020, BDA has accrued \$27,746 (\$41,725 in 2019) of accrued interest payable.

9. Aviator Apartments (the “Project”)

Inter National Bank Loan: On October 31, 2014 BDA entered into a loan agreement for first lien note with the Inter National Bank, McAllen, Texas, in the amount of \$21,500,000. This note provides a portion of the funds that when combined with a bridge loan in the amount of \$5,000,000, the BDA contribution of land valued at \$4,275,000 and cash in the amount of \$1,000,000 is being used to pay the development, construction, soft costs and transaction costs of the Aviator Apartment Project. For the first three (3) year term of this loan, the interest rate is at 4.35%, with interest only payments beginning on November 30, 2014 through October 31, 2017; thereafter principal and interest payments will be due monthly with the note bearing interest at a fluctuating rate of interest equal to the prime rate, plus 1.10% per annum. The minimum interest rate is 4.35%. Effective with the end of the fixed interest rate at October 31, 2017, the amount of the monthly payments will be calculated on a 25-year amortization schedule with the final balloon payment of principal plus interest due on October 31, 2021. As of September 30, 2020, the balance of the note is \$20,470,689 (\$20,855,912 in 2019). As of September 30, 2020, BDA has accrued \$72,907 (\$91,649 in 2019) of accrued interest payable.

Supplemental Funding - Equity: As part of the construction of the Project, BDA entered into a development agreement with a developer. Effective September 24, 2015 Amendment Number 2 to the development agreement was signed. The amendment calls for a \$1,000,000 cash advance to be used for construction costs of the Project. According to the amendment, the cash advance will be part of BDA’s equity contribution into the Project. The amendment also adds a new term – Preferred Return on BDA Cash Advance defined to mean: an annual rate of return on the Cash Advance at a rate of 11% per annum, simple interest, calculated from the date of the BDA Cash Advance. In accordance with the amendment, BDA expects a return of this supplemental funding in accordance with Section 2.7 Distributions of the development agreement. As September 30, 2015 the \$1,000,000 had been spent as part of the Project construction costs and, accordingly, is recorded as a component of capital assets in the statement of net position.

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Notes to the Financial Statements

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Supplemental Funding – Vantage Loan: On September 03, 2020, BDA executed a loan agreement with Vantage Bank, formerly Inter National Bank, for a \$600,000 line of credit to repair 21 down units at the Aviator Apartments. The term is 5 years with an interest only period for 12 months. The interest rate is 4.75%. As of September 30, 2020, the balance of the credit is \$15,143, which represents closing costs for the line of credit.

10. Embassy Suites Hotel

Supplemental Funding: The BDA provided cash to pay for predevelopment costs totaling \$1,612,542 plus an additional cash contribution of \$2,666,406 at closing on June 26, 2015 for a total cash investment of \$4,278,948.

Special Facilities Bonds: On June 13, 2017, BDA closed on the issuance of \$32,650,000 in Special Facilities Hotel Revenue Refunding Bonds. The funds were used to pay off two previously outstanding notes related to the construction of the Embassy Suites with IBC Bank and Brevet Capital. The bonds were sold as a term bond with an interest rate of 6.50% and a maturity date of August 15, 2052. Interest on the bonds is payable on February 15 and August 15 of each year through the maturity date. The bonds are subject to a mandatory sinking fund redemption prior to maturity with principal amounts scheduled to be redeemed beginning August 15, 2022 continuing every August through the maturity date. The bonds are pledged by the gross revenues and assets of the Embassy Suites. As of September 30, 2020, \$265,281 (\$265,281 in 2019) in interest has been accrued as bond interest payable.

11. Industrial Building 1

Texas Capital Loan: On April 30, 2018, BDA entered into an agreement with Texas Capital Bank to construct a 350,000 square foot light industrial building. The construction loan in the amount of \$13,657,848 was to provide a portion of the funds to complete the building using land and the related improvements, owned by BDA, as collateral. The project was started during 2018 and the first draw was completed right at year end. As of September 30, 2018, the total balance of this note is \$620,923 with no interest paid during 2018. During 2019, the project was put on hold pending a lease of the project to a new investor. The outstanding construction loan amount with Texas Capital was paid in full in September 2019 after execution of a lease to BOZ Investment I, LLC.

American South Investment Note Payable: In conjunction with the Industrial Building 1 project, American South Real Estate Fund, LP (American South) was an original equity investor. The investment of American South was paid in full in October 2019 in the amount of \$3,493,981 after the execution of a lease to BOZ Investment I, LLC.

12. Buildings 167 and 176

Lone Star National Bank Loan: On April 30, 2019, BDA entered into an agreement with Lone Star National Bank to remodel two existing buildings for a new tenant. The tenant, Okin BPS, Inc. signed a 10-year lease to begin once the building renovations were completed. The loan in the amount of \$6,000,000 was to provide bridge funding to complete the renovations until funds from the TIRZ were received to pay down this bridge loan to \$1,500,000 that will be termed out over the life of the lease. The funding from the TIRZ was received in October 2019. As of September 30, 2020 and 2019, the loan balance was \$1,500,000 and \$5,907,500, respectively, and \$0 has been accrued as interest payable in fiscal year 2020 and 2019.

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Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

13. Brooks Development Authority Revenue Bonds

Series 2015 A-1 Bonds (Preston Hollow Capital, sole bondholder): On August 3, 2015, BDA closed on the issuance of \$36,100,000 Brooks Development Authority Senior Lien Revenue Bonds, Series 2015A-1 (the "Series 2015A-1 Bonds"). The funds will be used to provide funds to (i) finance the costs of (1) street improvements, (2) linear park improvements to approximately 42 acres of land located in flood prone areas, (3) drainage and detention pond improvements, (4) restoration of Hangar 9, which is listed in the National Register of Historic Places, (5) public building improvements, (6) landfill mitigation, (7) infrastructure to support a town center, and (8) engineering and design work for major road improvements; (ii) fund capitalized interest; (iii) fund a deposit into the debt service reserve fund; and (iv) pay the costs of issuance of the Series 2015A-1. The bonds are sold as a term bond with an interest rate of 6.50% and maturity date of August 15, 2050. Interest on the bonds is payable on February 15 and August 15 of each year through and including August 15, 2050 with the first interest payment being February 15, 2016. The bonds are subject to a mandatory sinking fund redemption prior to maturity with principal amounts scheduled to be redeemed on August 15, 2021 through and including August 15, 2050. Additionally, the bonds are pledged by gross revenues derived from the operations of BDA. As of September 30, 2020, \$2,346,500 of interest (\$2,346,500 in 2019) has been paid and \$293,313 had been accrued (\$293,313 in 2019) as bond interest payable.

Series 2015 B-1 Bonds (Preston Hollow Capital, sole bondholder): On August 3, 2015, BDA closed on the issuance of \$7,200,000 Brooks Development Authority Senior Lien Revenue Bonds, Series 2015B-1 (the "Series 2015B-1 Bonds"). The funds will be used to provide funds to (i) finance the costs of (1) street improvements, (2) linear park improvements to approximately 42 acres of land located in flood prone areas, (3) drainage and detention pond improvements, (4) restoration of Hangar 9, which is listed in the National Register of Historic Places, (5) public building improvements, (6) landfill mitigation, (7) infrastructure to support a town center, and (8) engineering and design work for major road improvements; (ii) fund capitalized interest; (iii) fund a deposit into the debt service reserve fund; and (iv) pay the costs of issuance of the Series 2015B-1. The bonds are sold as a term bond with an interest rate of 7.00% and maturity date of August 15, 2050. Interest on the bonds is payable on February 15 and August 15 of each year through and including August 15, 2050 with the first interest payment being February 15, 2016. The bonds are subject to a mandatory sinking fund redemption prior to maturity with principal amounts scheduled to be redeemed on August 15, 2029 through and including August 15, 2050. Additionally, the bonds are pledged by gross revenues derived from the operations of BDA. As of September 30, 2020, \$504,000 of interest (\$504,000 in 2019) has been paid and \$63,000 has been accrued (\$63,000 in 2019) as bond interest payable.

Series 2015 B-2 Bonds (Preston Hollow Capital, sole bondholder): On August 3, 2015, BDA closed on the issuance of \$11,600,000 Brooks Development Authority Senior Lien Revenue Bonds, Taxable Series 2015B-2 (the "Series 2015B-2 Bonds"). The funds will be used to provide funds to (i) finance the costs of construction of public improvements to the Landings II Apartments, the Aviator Apartments and the Embassy Suites Hotel; (ii) fund capitalized interest; (iii) fund a deposit into the debt service reserve fund; and (iv) pay costs of issuance of the Series 2015B-2. The bonds are sold as a term bond with an interest rate of 8.750% and maturity date of August 15, 2050. Interest on the bonds is payable on February 15 and August 15 of each year through and including August 15, 2050 with the first interest payment being February 15, 2016. The bonds are subject to a mandatory sinking fund redemption prior to maturity with principal amounts scheduled to be redeemed on August 15, 2033 through and including August 15, 2050. Additionally, the bonds are pledged by gross revenues derived from the operations of BDA.

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In March 2018, BDA entered into a Tender and Redemption agreement whereby it redeemed a portion (\$5,650,000) of the amount outstanding for the Series 2015 B-2 Bonds. As of September 30, 2020, \$5,950,000 remains outstanding. As of September 30, 2020, \$520,625 of interest (\$520,625 in 2019) has been paid and \$65,078 has been accrued (\$65,078 in 2019) as bond interest payable.

Series 2017 A-1 Bonds (Preston Hollow Capital, sole bondholder): On June 22, 2017, Brooks Development Authority closed on the issuance of \$3,750,000 Brooks Development Authority Senior Lien Revenue Refunding Bonds, Taxable Series 2017 A-1. The Funds will be used to refinance a senior loan with IBC and an interim loan with Preston Hollow related to the construction of the Embassy Suites Hotel. The bonds were sold as a term bond with an interest rate of 6.5% and a maturity date of August 15, 2052. Interest on the bonds is payable on February 15 and August 15 each year beginning February 15, 2018 through the maturity date. As of September 30, 2020, \$243,750 of interest has been paid (\$243,750 in 2019) and BDA has accrued \$30,469 (\$30,469 in 2019) in bond interest payable.

14. Preston Hollow Subordinate Loan

Per the Senior Lien Master Trust Indenture, Deed of Trust, and Security Agreement dated July 1, 2015 between BDA and UMB Bank, N.A., BDA must maintain a liquidity requirement of \$6,500,000. BDA was in jeopardy of dropping below this liquidity requirement due to a delay in deal closings as a result of the COVID-19 pandemic. In order to ensure that BDA did not drop below this liquidity requirement a subordinate loan with Preston Hollow Capital, LLC was entered into on July 1, 2020. The loan is a draw down loan with a not to exceed amount of \$5,000,000. The interest rate on the loan is 5% of any outstanding principal balance. Interest payments are due every February 15 and August 15 with outstanding principal due on the maturity date of the loan which is June 30, 2025. Any undrawn principal will apply towards the liquidity requirement for BDA. As of September 30, 2020, BDA has not drawn upon the loan, however, BDA is using the full \$5,000,000 to meet liquidity requirement.

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Notes to the Financial Statements

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15. Long-Term Debt and Other Liabilities

Long-term debt and other liabilities activity for the year ended September 30, 2020 is as follows:

	<u>Balance October 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2020</u>	<u>Due in One Year</u>
Notes payable:					
JPMorgan Chase	\$ 8,189,618	\$ -	\$ 841,843	\$ 7,347,776	\$ 904,209
SECO I and II	1,712,376	-	269,712	1,442,665	576,857
SECO III	616,459	-	116,181	500,278	249,802
INB Aviator	20,855,912	-	385,224	20,470,689	550,687
Vantage/INB Aviator Renovations	-	15,143	-	15,143	-
Lone Star	5,907,500	-	4,407,500	1,500,000	154,278
Revenue Bonds					
Series 2015 A-1	36,100,000	-	-	36,100,000	100,000
Series 2015 B-1	7,200,000	-	-	7,200,000	-
Series 2015 B-2	5,950,000	-	-	5,950,000	-
Series 2017 Special	32,650,000	-	-	32,650,000	-
Series 2017 A-1	3,750,000	-	-	3,750,000	-
Total notes payable	122,931,865	15,143	6,020,459	116,926,551	2,535,834
Other long-term liabilities:					
Frost Bank Equipment Lease	64,577	-	25,741	38,835	16,743
Frost Bank Landscape Equipment Lease	34,851	-	17,857	16,994	16,994
Balboa Capital Equipment Lease	110,889	-	24,439	86,450	27,829
PTO	62,671	-	336	62,335	-
American South Investment	3,493,981	-	3,493,981	-	-
	3,766,969	-	3,562,354	204,613	61,566
Total long-term liabilities	\$ <u>126,698,834</u>	\$ <u>15,143</u>	\$ <u>9,582,814</u>	\$ <u>117,131,164</u>	\$ <u>2,597,400</u>

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Long-term debt and other liabilities activity for the year ended September 30, 2019 is as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due in One Year
Notes payable:					
JPMorgan Chase	\$ 8,976,182	\$ -	\$ 786,564	\$ 8,189,618	\$ 853,566
SECO I and II	2,272,134	-	559,758	1,712,376	569,787
SECO III	858,141	-	241,682	616,459	248,157
INB Aviator	20,942,195	156,000	242,283	20,855,912	496,199
Lone Star	-	5,907,500	-	5,907,500	4,440,732
Texas Capital	620,923	-	620,923	-	-
Revenue Bonds (direct placement, Preston Hollow Capital)					
Series 2015 A-1	36,100,000	-	-	36,100,000	-
Series 2015 B-1	7,200,000	-	-	7,200,000	-
Series 2015 B-2	5,950,000	-	-	5,950,000	-
Series 2017 Special	32,650,000	-	-	32,650,000	-
Series 2017 A-1	3,750,000	-	-	3,750,000	-
Total notes payable	119,319,575	6,063,500	2,451,210	122,931,865	6,608,441
Other long-term liabilities:					
Frost Bank Equipment Lease	89,966	-	25,389	64,576	25,741
Frost Bank Landscape Equipment Lease	52,022	-	17,171	34,851	17,857
Balboa Capital Equipment Lease	132,412	-	21,523	110,889	24,439
PTO	76,285	-	13,614	62,671	14,879
American South Investment	-	3,493,981	-	3,493,981	3,493,981
	350,684	3,493,981	77,698	3,766,969	3,576,897
Total long-term liabilities	\$ 119,670,260	\$ 9,557,481	\$ 2,528,907	\$ 126,698,834	\$ 10,185,338

The principal and interest payments on the notes payable and revenue bonds payable for the next five years and in five-year increments thereafter are summarized below:

Years Ending September 30,	Principal	Interest	Total
2021	\$ 2,597,400	\$ 7,514,688	\$ 10,112,088
2022	22,160,883	6,404,732	28,565,615
2023	1,810,060	6,108,848	7,918,908
2024	1,625,441	6,005,680	7,631,121
2025	1,773,305	5,895,716	7,669,021
2026-2030	6,391,741	28,045,885	34,437,626
2031-2035	8,235,000	26,154,613	34,389,613
2036-2040	14,740,000	22,456,688	37,196,688
2041-2045	20,425,000	16,765,963	37,190,963
2046-2050	30,900,000	8,615,900	39,515,900
2051-2055	6,410,000	633,100	7,043,100
	\$ 117,068,829	\$ 134,601,813	\$ 251,670,642

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16. Funding Agreements with the City of San Antonio

BDA has entered into funding agreements with the City of San Antonio, Texas, to provide money to reimburse BDA for design, engineering, planning, environmental studies and right of ways costs for three City developed and managed road improvement projects.

\$2,000,000 South New Braunfels, Lyster to Loop 410: On June 29, 2017 BDA and the City of San Antonio entered into a funding agreement to provide partial funding for the design related to extension of New Braunfels from Lyster south to Loop 410. The funds for construction are expected to come from the FY 2019 – 2022 Transportation Improvement Program with the State of Texas. As of September 30, 2020, BDA has incurred and submitted \$253,478 against this funding agreement and has been reimbursed for the full amount.

\$438,605 Inner Circle Road: On November 15, 2018 BDA and the City of San Antonio entered into a funding agreement to provide reimbursement for the design and additional costs related to improvement of Inner Circle road (Louis Bauer to Research Plaza). The funds for the reimbursement are expected to come from the FY 2017 – 2022 Bond Projects.

\$1,134,718 South New Braunfels Avenue: On November 15, 2018 BDA and the City of San Antonio entered into a funding agreement to provide reimbursement for the design and additional costs related to extend South New Braunfels to Lyster to Aviation Landing. The funds for the reimbursement are expected to come from the FY 2017 – 2022 Bond Projects.

\$1,091,625 Research Plaza: On November 15, 2018 BDA and the City of San Antonio entered into a funding agreement to provide reimbursement for the design and additional costs related to the new roadway alignment of Research Plaza and South Presa. The funds for the reimbursement are expected to come from the FY 2017 – 2022 Bond Projects.

17. Funding Agreements with Bexar County

In 2008, BDA entered into an agreement with Bexar County (the “County”) where the County will reimburse BDA for certain capital expenses. The reimbursement will be made from certain ad valorem taxes collected from a defined area exceeding the base year (January 1, 2008) value in the defined area. Based on the agreement, the County will pay BDA the lesser of \$220,000 or the actual amount of ad valorem taxes received by the County for qualifying capital expenses made for a period of 15 years not to exceed \$3,300,000 starting in 2012. BDA has incurred up to \$3,300,000 in what management believes to be qualifying expenses. This amount has not been recognized as revenue in the financial statements since the County is not under any obligation to pay this grant until the related ad valorem taxes have been collected. Revenue will be recognized in future years equal to the amount of qualifying expenses and ad valorem taxes collected not to exceed \$3,300,000. During the years ended September 30, 2020 and 2019, BDA received \$220,000 annually from the County.

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18. Operating Leases

BDA leases Brooks' property to commercial tenants under cancellable leases ranging from 1 to 50 years. Leased property consists of commercial rental realty and ground leases. For the years ended September 30, 2020 and 2019, BDA received \$5,516,641 and \$6,451,809, respectively, from rents under its operating leases. Commercial lease revenue for 2020 and 2019 comprised 31% and 30% of total revenue, respectively.

The carrying value of BDA property held for the above operating leases is as follows:

	September 30,	
	2020	2019
Buildings and other facilities	\$ 74,558,452	\$ 78,642,636
Furniture, fixtures, and equipment	8,444,266	8,444,266
	<u>83,022,718</u>	<u>87,086,902</u>
Less accumulated depreciation	35,929,868	41,962,959
Total	<u>\$ 47,072,850</u>	<u>\$ 45,123,943</u>

At September 30, 2020, future lease revenues from non-cancellable leases for each of the five succeeding fiscal years and five-year increments thereafter are as follows:

Year Ending September 30,	Amount
2021	\$ 7,691,161
2022	8,063,940
2023	6,820,044
2024	7,715,725
2025	7,500,630
2026-2030	18,139,454
2031-2035	20,060,047
2036-2040	18,384,085
2041-2045	11,653,204
2046-2105	18,859,499
	<u>\$ 124,887,789</u>

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19. Commitments and Contingencies

A. Funding Agreements

BDA participated in various state, city, and county programs that are governed by various rules and regulations of the agencies. Costs charged to the respective programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent BDA has not complied with the rules and regulations governing the funding agreements, refunds of money received may be required. The amount, if any, of expenditures which may be disallowed by the funding agencies cannot be determined at this time, although BDA's management expects such amounts, if any, to be immaterial to the financial statements.

B. Pending Lawsuits and Claims

From time to time, BDA is a defendant in lawsuits or claims filed against it. It is the opinion of management that the outcome of these lawsuits or claims will not have a material adverse effect on BDA's financial position or operations.

C. Construction Contracts

BDA is committed under various construction contracts or acquisition of capital assets. Changes in commitments occurred as follows:

		<u>Beginning Balance</u>		<u>New Contracts</u>		<u>Payments</u>		<u>Ending Balance</u>
2020	\$	26,890,507	\$	1,993,614	\$	640,927	\$	28,243,194
2019	\$	27,462,275	\$	6,466,330	\$	7,038,098	\$	26,890,507

D. Environmental Remediation

BDA is aware of various existing conditions that will require environmental remediation to facilitate development. The Air Force remains responsible for the remediation of any environmental contamination resulting from its past activities, whether it is known to exist or is currently undiscovered. Since the Air Force remains responsible for these matters, it is the opinion of management the effect, if any, would be immaterial to the financial statements.

20. Unearned Revenues (Current and Long Term)

Current term unearned revenues

Unearned Current Revenues consist of the following:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Unearned tenant rent	\$ <u>622,757</u>	\$ <u>916,823</u>

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Years Ended September 30, 2020 and 2019

Long term unearned revenues

Mission Solar Energy, LLC - In February 2013, BDA received \$5,000,000 from Mission Solar Energy, LLC, formerly known as Nexolon America, LLC, as a one-time prepayment for a lease with option to purchase 85.86 acres of land upon which Mission Solar will construct a photovoltaic solar panel manufacturing facility. Mission Solar will invest more than \$115,000,000 in real and personal property to construct and establish the facility made up of several buildings. Mission Solar will conduct the design, engineering, and construction of the facility and anticipates completing construction of the manufacturing facility in the second quarter of 2014. BDA has designated this project as a redevelopment project under Section 379B.009 of the Texas Local Government Code. The lease agreement with BDA is for a term of ten years. Upon completion of the construction, the facility will become the property of BDA, and BDA will continue to own the land and facility during the term of the lease until title is transferred. Upon substantial completion of the facility, Mission Solar will commence making additional annual rent payments of \$275,000 to BDA, plus an annual consumer price index increase not to exceed 2%, to be paid during the entire term of the lease. BDA agrees to provide Mission Solar the option to request transfer of title to the land and improvements at any time during, or at the end of the ten-year lease term, with the understanding that such real property, once owned by Mission Solar, will then be subject to full taxation.

On September 16, 2016 Mission Solar exercised its' option to take title of the 85.86 acres of land. As of September 30, 2016 BDA, recognized as earned lease revenue \$3,250,000 and reflected non-operating revenue in the Statement of Revenues, Expenses, and Change in Net Position.

On December 8, 2017, Mission Solar Energy, LLC, formerly known as Nexolon America, LLC agreed to reinstate the original lease agreement transferring title back to BDA the 85.86 acres of land upon which the lessee constructed a photovoltaic solar panel manufacturing facility. The lease agreement is reinstated for additional rent for the calendar year 2017 of \$19,189 at the per diem rate of \$799 per day through December 31, 2017. Additional rent for calendar year 2018 will be increased in accordance with the terms of the lease agreement as amended on February 22, 2013 to \$275,000 annually plus an annual consumer price index not to exceed 2% per year. As of September 30, 2020, BDA recognized as total unearned lease revenue \$1,250,000 (\$500,000 as current).

Unearned Long-Term Revenues consist of the following:

	September 30,	
	2020	2019
Unearned tenant rent	\$ 750,000	\$ 1,250,000

Brooks Development Authority

San Antonio, Texas

Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

21. Deferred Compensation Plan

BDA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all regular BDA employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. BDA makes a two-for-one matching contribution in an amount equal to 200% of the employee's deferred salary reduction, up to a maximum of 6% participant contribution. BDA's contributions are fully vested after five years of continuous service. Employees' contributions vest immediately. Employees receive credit for their contribution, as well as BDAs, and benefits are based on the total assets owned in the employee's individual accounts.

All employees may defer amounts up to the maximum allowed by the Internal Revenue Service each year. All assets and liabilities are in a trust for the exclusive benefit of the participants and their beneficiaries.

The plan is not included in BDA's financial statements. BDA and employees' contributions for the fiscal years ended September 30, 2020 and 2019 totaled \$613,719 and \$426,302 respectively.

22. NRP Management Agreement

On July 19, 2010, BDA signed an agreement with NRP, in which NRP will serve as manager of the 163 single-family homes and duplexes, which comprise the Heritage Oaks, formerly military residential housing. The initial term is through September 30, 2011 with four one-year renewable options. Effective October 1, 2011, the contract was amended to allow BDA, at the end of every month, to sweep all collected funds in excess of \$50,000 into BDA's general operating account. On May 10, 2016 BDA renegotiated its contract with NRP Management for a term commencing June 1, 2016 and terminating May 31, 2019 with two one-year renewal options. BDA has recognized all assets, liabilities, equity and the results of operations. Operating lease revenues of \$2,200,403 and \$2,190,636 were recognized for fiscal years 2020 and 2019, respectively. In addition, fees and miscellaneous income of \$51,278 and \$63,411 were recognized for fiscal years 2020 and 2019, respectively. For fiscal year 2019, the performance bonus payable to NRP was \$15,502 and is to be paid from the Heritage Oaks operating budget.

For fiscal year 2020, the performance bonus payable to NRP is pending final review of survey and is to be paid from the Heritage Oaks operating budget.

23. Reclassification

The following reclassification was made to the beginning balances of certain assets and liabilities to reflect the ending balances of the Industrial One as part of BDA as of October 1, 2019. The reclassifications were made for transactions to initiate the change in developers and the related long-term lease/sale during the fiscal year ended September 30, 2020. There was no net effect to the beginning net assets of BDA or the Industrial One Building:

Brooks Development Authority

San Antonio, Texas

Notes to the Financial Statements

Years Ended September 30, 2020 and 2019

BDA Assets and Deferred Outflow of Resources at beginning of year	\$ 170,319,534
Add: Industrial One Building – Capital Assets	5,182,910
Less: Industrial One Building – Intercompany	<u>(1,688,929)</u>
BDA Assets and Deferred Outflow of Resources at beginning of year (restated)	<u>\$ 173,813,515</u>
BDA Liabilities at beginning of year	\$ 129,444,734
Add: Industrial One Building Liability	<u>3,493,981</u>
BDA Liability Balance at beginning of year (restated)	<u>\$ 132,938,715</u>
Industrial One Building Ending Balance Net Assets as of September 30, 2019	\$ 5,745
Reclassification of Assets to BDA	3,493,981
Reclassification of Liabilities to BDA	<u>(3,493,981)</u>
Industrial One Building Net Assets at beginning of year	<u>\$ 5,745</u>

24. Subsequent Events

On January 10, 2020, BDA entered into a Real Estate Sales Agreement with K/T TX Holdings, LLC ("Buyer") for approximately 5.155 acres, to including building 186, located off Sidney Brooks and Kennedy Hill Drive. A first and second amendment to the Real Estate Sales Contract was executed on May 13, 2020 and December 17, 2020 respectively. The amendments adjusted the acreage, closing date, and purchase price. Final acreage was 4.981 acres for a total purchase price \$1,844,375 to be paid in five installments. The deal closed on January 15, 2021. Buyer paid \$368,875 of the purchase price and a note between BDA and Buyer was executed for the remaining \$1,475,498 to be paid in full by April 18, 2022.

On September 30, 2020, Brooks entered into an Amended and Restate Lease with BOZ Investment I, LLC ("BOZ I") (see Note 11). The lease is for a 350,000 square foot light industrial facility that sits on approximately 43.653 acres of land. The term of the lease is 372 months after the Rent Commencement Date. Base Rental is \$309,780 per year with annual escalations of 3% thereafter. A Common Area Maintenance Charge ("CAM") commenced October 1, 2010. The CAM rate was \$8,050 per month through December 31, 2020. Commencing on January 1, 2021 the CAM charge is \$114,000. BOZ I has the right to exercise a purchase option at any point during the lease. The Purchase Price is the fair market value of the property less (i) \$3,700,000 paid at the commencement of the original lease to assume development rights and purchase the asset under construction, (ii) the actual hard and soft costs of the construction of the facility, as increased by an annual rate of 7%, (iii) the costs of any future capital improvements to the property, and (iv) rent credit identified in the Appendix C-2 of the agreement. However, under no circumstance will BOZ I owe BDA any amount after applying the above formula. The facility was completed January 1, 2021 and rent commenced January 1, 2021.

Combining Financial Statements

Brooks Development Authority

San Antonio, Texas

Combining Statement of Net Position

September 30, 2020

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	Component Units				Enterprise Segments				Eliminations	Combined
	Brooks	Foundation	Aviator LLLP	POA	Aviator	Heritage Oaks	Embassy Suites	Industrial 1		
Current Assets										
Cash and cash equivalents – unrestricted	\$ 11,363,374	\$ 142,802	\$ -	\$ 754,035	\$ 74,640	\$ 178,459	\$ 407,106	\$ -	\$ -	\$ 12,920,416
Accounts receivable – net of allowance for doubtful accounts	3,508,450	22,867	-	54,531	-	8,101	59,265	-	(3,540,839)	112,375
Intercompany	(3,556,022)	-	-	1,458,857	1,377,497	-	970,000	5,745	(256,077)	-
Prepaid expenses	166,567	-	-	-	8,212	1,072	34,068	-	-	209,920
Inventories	-	-	-	-	-	-	51,859	-	-	51,859
Total current assets	11,482,369	165,669	-	2,267,423	1,460,349	187,632	1,522,299	5,745	(3,796,916)	13,294,570
Noncurrent Assets										
Restricted cash – cash held with trustee	5,073,161	-	-	-	-	-	-	-	-	5,073,161
Capital assets – net	143,088,843	-	-	-	509,959	253,043	-	-	-	143,851,844
	148,162,004	-	-	-	509,959	253,043	-	-	-	148,925,005
Total assets	159,644,373	165,669	-	2,267,423	1,970,308	440,675	1,522,299	5,745	(3,796,916)	162,219,575
Deferred Outflow of Resources										
Derivative instrument	1,338,883	-	-	-	-	-	-	-	-	1,338,883
Total assets and deferred outflow of resources	\$ 160,983,256	\$ 165,669	\$ -	\$ 2,267,423	\$ 1,970,308	\$ 440,675	\$ 1,522,299	\$ 5,745	\$ (3,796,916)	\$ 163,558,458
LIABILITIES AND NET POSITION										
Current Liabilities										
Accounts payable	\$ 1,124,281	\$ -	\$ -	\$ -	\$ 247,242	\$ 161,569	\$ 443,247	\$ -	\$ 2,580,429	\$ 4,556,768
Accrued expenses	329,112	-	-	-	-	-	-	-	-	329,112
Accrued interest payable	843,630	-	-	-	-	-	-	-	-	843,630
Current portion of long-term liabilities	2,597,400	-	-	-	-	-	-	-	-	2,597,400
Unearned revenues	540,147	-	-	-	68,484	14,127	-	-	-	622,758
Tenant security deposits	170,842	-	-	-	1,425	54,915	9,998	-	-	237,180
Total current liabilities	5,605,412	-	-	-	317,151	230,611	453,245	-	2,580,429	9,186,848
Long-Term Liabilities										
Unearned revenues	750,000	-	-	-	-	-	-	-	-	750,000
Derivative instrument liability	1,338,883	-	-	-	-	-	-	-	-	1,338,883
Long-term debt and other liabilities	114,556,631	-	-	-	-	-	-	-	(22,867)	114,533,764
Total long-term liabilities	116,645,514	-	-	-	-	-	-	-	(22,867)	116,622,647
Total liabilities	122,250,927	-	-	-	317,151	230,611	453,245	-	2,557,562	125,809,495
Net Position										
Net investment in capital assets	31,093,174	-	-	-	-	-	-	-	-	31,093,174
Unrestricted	7,639,155	165,669	-	2,267,423	1,653,157	210,064	1,069,054	5,745	(6,354,478)	6,655,789
Total net position	38,732,330	165,669	-	2,267,423	1,653,157	210,064	1,069,054	5,745	(6,354,478)	37,748,963
Total liabilities and net position	\$ 160,983,256	\$ 165,669	\$ -	\$ 2,267,423	\$ 1,970,308	\$ 440,675	\$ 1,522,299	\$ 5,745	\$ (3,796,916)	\$ 163,558,458

Brooks Development Authority

San Antonio, Texas

Combining Statement of Revenue, Expenses and Net Position

Year Ended September 30, 2020

	Component Units				Enterprise Segments				Eliminations	Combined
	Brooks	Foundation	Aviator LLLP	POA	Aviator	Heritage Oaks	Embassy Suites	Industrial 1		
Operating Revenues										
Rents – commercial leases	\$ 5,516,640	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,516,640
Enterprise revenue	1,389,262	-	-	-	2,918,319	2,251,683	5,450,821	-	(1,350,074)	10,660,011
Fees and miscellaneous income	1,368,976	48,687	25,000	2,591,651	-	-	-	-	(2,290,968)	1,743,346
Total operating revenues	8,274,879	48,687	25,000	2,591,651	2,918,319	2,251,683	5,450,821	-	(3,641,042)	17,919,997
Operating Expenses										
Administration and support	8,383,040	82,923	61,000	570,474	664,154	1,519,051	3,892,760	-	(3,366,795)	11,806,606
Custodial and grounds upkeep	85,576	-	-	148,750	-	-	-	-	-	234,326
Environmental and safety	46,751	-	-	495,447	-	-	-	-	-	542,198
Repairs and maintenance	322,729	-	-	70,143	213,506	404,574	341,128	-	-	1,352,079
Utilities	798,196	-	-	81,397	267,957	34,854	311,453	-	-	1,493,857
Insurance	174,896	-	-	27,282	94,716	-	111,355	-	-	408,248
Property management and development	68,881	-	-	11,989	-	-	-	-	-	80,870
Depreciation	7,884,234	-	-	-	-	111,547	-	-	-	7,995,781
Total operating expenses	17,764,303	82,923	61,000	1,405,481	1,240,332	2,070,025	4,656,696	-	(3,366,795)	23,913,965
Operating gain (loss)	(9,489,424)	(34,236)	(36,000)	1,186,169	1,677,987	181,657	794,125	-	(274,247)	(5,993,968)
Nonoperating Revenues (Expenses)										
Investment income	761,521	-	-	-	-	-	-	-	(702,750)	58,771
Interest income	124,809	1,542	-	-	-	-	-	-	-	126,351
Interest expense	(7,707,529)	-	-	(13,821)	-	-	-	-	(250,000)	(7,971,350)
Gain on sale of capital assets	7,669,631	22,867	-	-	-	-	-	-	-	7,692,498
Disposal/impairment of capital assets	(25,143)	-	-	-	-	-	-	-	-	(25,143)
Predevelopment/ Soft Costs	(23,770)	-	-	-	-	-	-	-	-	(23,770)
Total nonoperating revenues (expenses) – net	799,518	24,409	-	(13,821)	-	-	-	-	(952,750)	(142,643)
Income (loss) before capital contributions	(8,689,906)	(9,826)	(36,000)	1,172,348	1,677,987	181,657	794,125	-	(1,226,997)	(6,136,612)
Capital contributions	6,547,436	-	-	-	-	-	-	-	-	6,547,436
Change in net position	(2,142,470)	(9,826)	(36,000)	1,172,348	1,677,987	181,657	794,125	-	(1,226,997)	410,824
Net position at beginning of year	40,874,800	175,495	36,000	1,095,075	(24,830)	28,407	274,929	5,745	(5,127,481)	37,338,139
Net position at end of year	\$ 38,732,330	\$ 165,669	\$ -	2,267,423	\$ 1,653,157	\$ 210,064	\$ 1,069,054	\$ 5,745	\$ (6,354,478)	\$ 37,748,963

Brooks Development Authority

San Antonio, Texas

Combining Statement of Cash Flows

September 30, 2020

	Component Units				Enterprise Segments				Eliminations	Combined
	Brooks	Foundation	Aviator LLLP	POA	Aviator	Heritage Oaks	Embassy Suites	Industrial 1		
Cash Flows From Operating Activities										
Receipts from tenants and others	\$ 7,215,824	\$ 48,687	\$ 25,000	2,563,234	\$ 2,933,726	\$ 2,234,256	\$ 5,573,225	\$ -	\$ (2,550,507)	\$ 18,043,445
Payments to employees	(3,834,932)	-	-	(531,044)	(299,190)	(196,273)	(2,538,743)	-	-	(7,400,182)
Payments to suppliers for goods and services	(6,580,602)	(82,923)	(61,000)	(874,438)	(1,244,421)	(1,839,099)	(2,141,642)	-	3,486,410	(9,337,715)
Net cash used in operating activities	(3,199,710)	(34,236)	(36,000)	1,157,752	1,390,115	198,883	892,840	-	935,903	1,305,548
Cash Flows From Noncapital Financing Activities										
Intercompany Borrowing/ Repayments	4,749,940	-	-	(719,009)	(1,377,496)	-	(970,000)	(1,688,929)	5,493	-
Net cash provided by noncapital financing activities	4,749,940	-	-	(719,009)	(1,377,496)	-	(970,000)	(1,688,929)	5,493	-
Cash Flows From Capital and Related Financing Activities										
Acquisition and construction of assets	(3,794,380)	-	-	-	-	(237,309)	-	-	-	(4,031,689)
Sale of Capital Assets	9,146,810	-	-	-	-	-	1,688,929	-	-	10,835,739
DPT land purchase option fee	20,000	-	-	-	-	-	-	-	-	20,000
Predevelopment Costs	(23,770)	-	-	-	-	-	-	-	-	(23,770)
Payments on loans	(6,088,496)	-	-	-	-	-	-	-	-	(6,088,496)
Interest payments	(7,637,792)	-	-	(13,821)	-	-	-	-	(238,646)	(7,890,259)
Contributions from government entities	6,547,436	-	-	-	-	-	-	-	-	6,547,436
Net cash provided by capital and related financing activities	(1,830,192)	-	-	(13,821)	-	(237,309)	-	1,688,929	(238,646)	(631,039)
Cash Flows From Investing Activities										
Investment income	761,521	-	-	-	-	-	-	-	(702,750)	58,771
Interest income	124,809	1,543	-	-	-	-	-	-	-	126,352
Net cash provided by investing activities	886,330	1,543	-	-	-	-	-	-	(702,750)	185,123
Net increase in cash and cash equivalents	606,368	(32,692)	(36,000)	424,922	12,619	(38,426)	(77,160)	-	-	859,632
Cash and cash equivalents at beginning of year	15,830,168	175,495	36,000	329,112	62,021	216,885	484,266	-	-	17,133,945
Cash and cash equivalents at end of year	\$ 16,436,536	\$ 142,802	\$ -	\$ 754,035	\$ 74,640	\$ 178,459	\$ 407,106	\$ -	\$ -	\$ 17,993,577
Reconciliation of Operating Loss to Net Cash Used In Operating Activities										
Operating income (loss)	\$ (9,489,424)	\$ (34,236)	\$ (36,000)	1,186,169	\$ 1,677,987	\$ 181,657	\$ 794,125	\$ -	\$ (274,247)	\$ (5,993,968)
Adjustments to reconcile operating loss to net cash used in operating activities:										
Depreciation	7,884,234	-	-	-	-	111,547	-	-	-	7,995,781
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:										
Accounts receivable	(811,159)	-	-	(28,417)	3,891	(4,210)	112,406	-	1,090,535	363,046
Other Receivables	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	(114,204)	-	-	-	22,542	695	(4,699)	-	-	(95,665)
Inventories	-	-	-	-	-	-	1,907	-	-	1,907
Accounts payable	(470,472)	-	-	-	(325,821)	(77,589)	(20,896)	-	119,615	(775,163)
Accrued expenses	49,211	-	-	-	-	-	-	-	-	49,211
Unearned revenues	(292,447)	-	-	-	12,817	(14,426)	-	-	-	(294,065)
Tenant Deposits	44,552	-	-	-	(1,301)	1,218	9,998	-	-	54,467
Net cash used in operating activities	\$ (3,199,710)	\$ (34,236)	\$ (36,000)	1,157,752	1,390,115	198,893	892,840	\$ -	935,903	1,305,548

Brooks Development Authority

San Antonio, Texas

Combining Statement of Net Position

September 30, 2019

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	Component Units				Enterprise Segments					Eliminations	Combined
	Brooks	Foundation	Aviator LLLP	POA	Aviator	Heritage Oaks	Embassy Suites	Kennedy	Industrial 1		
Current Assets											
Cash and cash equivalents – unrestricted	\$ 8,342,529	\$ 175,495	\$ 36,000	\$ 329,112	\$ 62,021	\$ 216,885	\$ 484,266	\$ -	\$ -	\$ -	\$ 9,646,308
Accounts receivable – net of allowance for doubtful accounts	2,697,291	-	-	26,114	3,891	3,764	171,672	-	-	(2,605,366)	297,365
Intercompany	1,193,918	-	-	739,848	-	-	-	-	(1,683,184)	(250,582)	-
Prepaid expenses	52,363	-	-	-	30,755	1,768	29,369	-	-	-	114,255
Inventories	-	-	-	-	-	-	53,765	-	-	-	53,765
Total current assets	12,286,101	175,495	36,000	1,095,074	96,667	222,417	739,072	-	(1,683,184)	(2,855,948)	10,111,693
Noncurrent Assets											
Restricted cash – cash held with trustee	7,487,639	-	-	-	-	-	-	-	-	-	7,487,639
Capital assets – net	149,244,868	-	-	-	509,959	127,409	-	-	5,182,910	-	155,065,146
	156,732,507	-	-	-	509,959	127,409	-	-	5,182,910	-	162,552,785
Total assets	169,018,608	175,495	36,000	1,095,074	606,626	349,825	739,072	-	3,499,726	(2,855,948)	172,664,478
Deferred Outflow of Resources											
Derivative instrument	1,300,926	-	-	-	-	-	-	-	-	-	1,300,926
Total assets and deferred outflow of resources	\$ 170,319,534	\$ 175,495	\$ 36,000	\$ 1,095,074	\$ 606,626	\$ 349,825	\$ 739,072	\$ -	\$ 3,499,726	\$ (2,855,948)	\$ 173,965,404
LIABILITIES AND NET POSITION											
Current Liabilities											
Accounts payable	\$ 1,594,753	\$ -	\$ -	\$ -	\$ 573,063	\$ 239,159	\$ 464,143	\$ -	\$ -	\$ 2,271,533	\$ 5,142,651
Accrued expenses	279,901	-	-	-	-	-	-	-	-	-	279,901
Accrued interest payable	855,417	-	-	-	-	-	-	-	-	-	855,417
Current portion of long-term liabilities	6,691,357	-	-	-	-	-	-	-	3,493,981	-	10,185,338
Unearned revenues	832,593	-	-	-	55,667	28,563	-	-	-	-	916,823
Tenant security deposits	126,291	-	-	-	2,726	53,696	-	-	-	-	182,713
Total current liabilities	10,380,313	-	-	-	631,456	321,418	464,143	-	3,493,981	2,271,533	17,562,843
Long-Term Liabilities											
Unearned revenues	1,250,000	-	-	-	-	-	-	-	-	-	1,250,000
Derivative instrument liability	1,300,926	-	-	-	-	-	-	-	-	-	1,300,926
Long-term debt and other liabilities	116,513,495	-	-	-	-	-	-	-	-	-	116,513,496
Total long-term liabilities	119,064,421	-	-	-	-	-	-	-	-	-	119,064,422
Total liabilities	129,444,734	-	-	-	631,456	321,418	464,143	-	3,493,981	2,271,533	136,627,265
Net Position											
Net investment in capital assets	34,427,828	-	-	1,095,074	-	-	-	-	393,719	-	35,916,621
Unrestricted	6,446,972	175,495	36,000	-	(24,830)	28,407	274,929	-	(387,974)	(5,127,481)	1,421,518
Total net position	40,874,800	175,495	36,000	1,095,074	(24,830)	28,407	274,929	-	5,745	(5,127,481)	37,338,139
Total liabilities and net position	\$ 170,319,534	\$ 175,495	\$ 36,000	\$ 1,095,074	\$ 606,626	\$ 349,825	\$ 739,072	\$ -	\$ 3,499,726	\$ (2,855,948)	\$ 173,965,404

Brooks Development Authority

San Antonio, Texas

Combining Statement of Revenues, Expenses and Net Position

Year Ended September 30, 2019

	Component Units				Enterprise Segments				Eliminations	Combined	
	Brooks	Foundation	Aviator LLLP	POA	Aviator	Heritage Oaks	Embassy Suites	Industrial 1			
Operating Revenues											
Rents - commercial leases	\$ 6,451,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,451,809
Enterprise revenue	4,512,254	-	-	-	2,808,428	2,254,472	8,715,336	-	(4,640,394)	-	13,650,096
Fees and miscellaneous income	1,349,814	19,312	-	4,606,505	-	-	-	-	(4,255,923)	-	1,719,708
Total operating revenues	<u>12,313,877</u>	<u>19,312</u>	<u>-</u>	<u>4,606,505</u>	<u>2,808,428</u>	<u>2,254,472</u>	<u>8,715,336</u>	<u>-</u>	<u>(8,896,317)</u>	<u>-</u>	<u>21,821,613</u>
Operating Expenses											
Administration and support	11,016,330	237	34,000	998,611	1,189,579	1,745,821	6,056,619	922	(5,746,672)	-	15,295,447
Custodial and grounds upkeep	116,200	-	-	412,377	-	-	-	-	-	-	528,577
Environmental and safety	58,605	-	-	534,647	-	-	-	-	-	-	593,252
Repairs and maintenance	334,664	-	-	184,133	267,657	521,465	392,914	-	-	-	1,700,833
Utilities	776,601	-	-	95,876	232,950	103,697	301,240	-	-	-	1,510,364
Insurance	175,308	-	-	21,054	57,664	-	106,358	-	-	-	360,384
Property management and development	40,593	-	-	-	-	-	-	-	-	-	40,593
Depreciation	7,004,450	-	-	-	-	150,045	-	-	-	-	7,154,495
Total operating expenses	<u>19,522,751</u>	<u>237</u>	<u>34,000</u>	<u>2,246,698</u>	<u>1,747,850</u>	<u>2,521,028</u>	<u>6,857,131</u>	<u>922</u>	<u>(5,746,672)</u>	<u>-</u>	<u>27,183,945</u>
Operating loss	<u>(7,208,874)</u>	<u>19,075</u>	<u>(34,000)</u>	<u>2,359,807</u>	<u>1,060,578</u>	<u>(266,556)</u>	<u>1,858,205</u>	<u>(922)</u>	<u>(3,149,645)</u>	<u>-</u>	<u>(5,362,332)</u>
Nonoperating Revenues (Expenses)											
Investment income	870,059	-	-	-	-	-	-	-	(702,750)	-	167,309
Interest income	166,187	1,493	-	-	-	-	-	6,584	-	-	174,264
Interest expense	(7,836,506)	-	-	(18,622)	(1,277,393)	-	(1,650,000)	-	1,197,210	-	(9,585,311)
Gain on sale of capital assets	4,333,273	10,887	-	-	-	-	-	-	-	-	4,344,160
Disposal/impairment of capital assets	(203,092)	-	-	-	-	-	-	-	-	-	(203,092)
Predevelopment/ Soft Costs	(113,730)	-	-	-	-	-	-	-	-	-	(113,730)
Total nonoperating revenues (expenses) - net	<u>(2,783,809)</u>	<u>12,380</u>	<u>-</u>	<u>(18,622)</u>	<u>(1,277,393)</u>	<u>-</u>	<u>(1,650,000)</u>	<u>6,584</u>	<u>494,460</u>	<u>-</u>	<u>(5,216,400)</u>
Income (loss) before capital contributions	<u>(9,992,683)</u>	<u>31,455</u>	<u>(34,000)</u>	<u>2,341,185</u>	<u>(216,815)</u>	<u>(266,556)</u>	<u>208,205</u>	<u>5,662</u>	<u>(2,655,185)</u>	<u>-</u>	<u>(10,578,732)</u>
Capital contributions	1,614,096	-	-	-	-	-	-	-	-	-	1,614,096
Change in net position	<u>(8,378,587)</u>	<u>31,455</u>	<u>(34,000)</u>	<u>2,341,185</u>	<u>(216,815)</u>	<u>(266,556)</u>	<u>208,205</u>	<u>5,662</u>	<u>(2,655,185)</u>	<u>-</u>	<u>(8,964,636)</u>
Net position at beginning of year	49,253,387	144,040	70,000	(1,246,111)	191,985	294,963	66,724	83	(2,472,296)	-	46,302,775
Net position at end of year	<u>\$ 40,874,800</u>	<u>\$ 175,495</u>	<u>\$ 36,000</u>	<u>\$ 1,095,074</u>	<u>\$ (24,830)</u>	<u>\$ 28,407</u>	<u>\$ 274,929</u>	<u>\$ 5,745</u>	<u>\$ (5,127,481)</u>	<u>\$</u>	<u>\$ 37,338,139</u>

Brooks Development Authority

San Antonio, Texas

Combining Statement of Cash Flows

Year Ended September 30, 2019

	Component Units				Enterprise Segments				Eliminations	Combined	
	Brooks	Foundation	Aviator LLLP	POA	Aviator	Heritage Oaks	Embassy Suites	Kennedy			Industrial 1
Cash Flows From Operating Activities											
Receipts from tenants and others	\$ 6,785,836	\$ 19,312	\$ -	\$ 4,580,391	\$ 2,852,494	\$ 2,297,933	\$ 8,543,665	\$ -	\$ -	\$ (4,203,272)	\$ 20,876,359
Payments to employees	(2,827,198)	-	-	(499,674)	(351,575)	(1,556,689)	(1,865,473)	-	-	-	(7,100,609)
Payments to suppliers for goods and services	(5,088,065)	(237)	(34,000)	(1,747,023)	(1,307,068)	(739,268)	(4,864,751)	-	(922)	3,357,495	(10,423,837)
Net cash used in operating activities	(1,129,427)	19,075	(34,000)	2,333,693	1,193,852	1,978	1,813,441	-	(922)	(845,778)	3,351,912
Cash Flows From Noncapital Financing Activities											
Intercompany Borrowing/ Repayments	1,382,632	-	-	(1,985,959)	-	-	-	-	-	603,327	-
Net cash provided by noncapital financing activities	1,382,632	-	-	(1,985,959)	-	-	-	-	-	603,327	-
Cash Flows From Capital and Related Financing Activities											
Acquisition and construction of assets	(9,117,870)	-	-	-	422,067	(10,581)	-	-	(3,878,802)	(545,334)	(13,130,520)
Proceeds from the Sale of Capital Assets	4,313,273	10,887	-	-	-	-	-	-	-	-	4,324,160
DPT land purchase option fee	20,000	-	-	-	-	-	-	-	-	-	20,000
Proceeds from INB loan	156,000	-	-	-	-	-	-	-	-	-	156,000
Proceeds from Comerica Loan	5,907,500	-	-	-	-	-	-	-	-	-	5,907,500
Notes Payable	-	-	-	-	-	-	-	-	3,493,980	-	3,493,980
Payments on loans	(1,907,985)	-	-	-	(496,415)	-	-	-	(620,923)	496,416	(2,528,907)
Interest payments	(7,847,058)	-	-	(18,622)	(1,277,393)	-	(1,650,000)	-	-	994,119	(9,798,954)
Contributions from government entities	1,614,096	-	-	-	-	-	-	-	-	-	1,614,096
Net cash provided by capital and related financing activities	(6,862,044)	10,887	-	(18,622)	(1,351,741)	(10,581)	(1,650,000)	-	(1,005,745)	945,201	(3,942,645)
Cash Flows From Investing Activities											
Investment income	870,059	-	-	-	-	-	-	-	-	(702,750)	167,309
Interest income	166,187	1,493	-	-	-	-	-	-	6,584	-	174,264
Net cash provided by investing activities	1,036,246	1,493	-	-	-	-	-	-	6,584	(702,750)	341,573
Net increase in cash and cash equivalents	(5,572,593)	31,454	(34,000)	329,112	(157,889)	(8,603)	163,441	-	(1,000,083)	-	(6,249,160)
Cash and cash equivalents at beginning of year	21,402,759	144,040	70,000	-	219,310	225,488	320,825	-	1,000,083	-	23,383,105
Cash and cash equivalents at end of year	\$ 15,830,166	\$ 175,495	\$ 36,000	\$ 329,112	\$ 62,021	\$ 216,885	\$ 484,266	\$ -	\$ -	\$ -	\$ 17,133,945
Reconciliation of Operating Loss to Net Cash Used In Operating Activities											
Operating income (loss)	\$ (7,208,874)	\$ 19,075	\$ (34,000)	\$ 2,359,807	\$ 1,060,578	\$ (266,556)	\$ 1,858,205	\$ -	\$ (922)	\$ (3,149,645)	\$ (5,362,332)
Adjustments to reconcile operating loss to net cash used in operating activities:											
Depreciation	7,004,450	-	-	-	-	150,045	-	-	-	-	7,154,495
Changes in operating assets and liabilities:											
Accounts receivable	(195,990)	-	-	(26,114)	(1,886)	(3,763)	(171,672)	-	-	524,994	125,569
Other Receivables	1,790,316	-	-	-	-	-	-	-	-	-	1,790,316
Prepaid expenses	(15,262)	-	-	-	(11,309)	966	(21,031)	-	-	-	(46,637)
Inventories	13,464	-	-	-	-	-	25,763	-	-	-	39,227
Accounts payable	114,175	-	-	-	100,517	48,370	122,176	-	-	1,778,873	2,164,111
Accrued expenses	(15,075)	-	-	-	-	-	-	-	-	-	(15,075)
Unearned revenues	(2,616,631)	-	-	-	46,227	25,691	-	-	-	-	(2,544,713)
Tenant Deposits	-	-	-	-	(274)	47,225	-	-	-	-	46,951
Net cash used in operating activities	\$ (1,129,427)	\$ 19,075	\$ (34,000)	\$ 2,333,693	\$ 1,193,852	\$ 1,978	\$ 1,813,441	\$ -	\$ (922)	\$ (845,778)	\$ 3,351,912

INDEPENDENT AUDITOR'S 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

To the Board of Directors
Brooks Development Authority
San Antonio, Texas

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 the business-type activities of Brooks Development Authority (BDA), a component unit of the City of San Antonio, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise BDA's basic financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BDA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the BDA's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

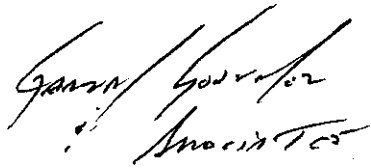
Compliance and Other Matters

As part of obtaining reasonable assurance about whether BDA'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*.

We noted certain matters that we reported to BDA's management in a separate letter dated March 24, 2021.

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.



Gordon Gouvalier
March 24, 2021

March 24, 2021



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