



FINANCIAL STATEMENTS

State Fair of Texas  
Years Ended December 31, 2025 and 2024  
With Report of Independent Auditors



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State Fair of Texas

Financial Statements

Years Ended December 31, 2025 and 2024

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## Report of Independent Auditors

The Board of Directors  
State Fair of Texas

We have audited the financial statements of State Fair of Texas (the Fair), which comprise the statements of financial position as of December 31, 2025, and 2024, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fair at December 31, 2025, and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fair and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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



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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fair's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fair's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Ernst + Young LLP*

April 16, 2026

## State Fair of Texas

### Statements of Financial Position

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 46,963,337	\$ 47,104,087
Investments	12,057,178	10,620,241
Investments with board designations for:		
Operating reserve	23,377,046	22,013,091
Scholarship fund reserve	3,988,655	3,569,796
Future Fair Park projects	19,569,043	19,326,253
Investments with contractual restrictions for:		
Fair Park improvements	6,140,549	9,426,468
Cotton Bowl improvements	235,049	359,131
Accounts receivable	690,060	306,986
Inventories, net	201,296	249,402
Prepaid expenses	493,841	234,923
Property and leasehold improvements, net	20,775,906	21,486,781
Deferred compensation	3,655,056	3,108,107
Finance lease right-of-use assets, net	328,265	656,530
Operating lease right-of-use assets, net	14,123,980	14,895,785
Total assets	\$ 152,599,261	\$ 153,357,581
<b>Liabilities and net assets</b>		
Accounts payable and accrued liabilities	\$ 6,251,472	\$ 6,706,351
Accrued Fair Park improvements	6,140,549	9,426,468
Deferred compensation	3,655,056	3,108,107
Finance lease right-of-use liabilities	362,245	706,907
Operating lease right-of-use liabilities	21,690,549	22,736,706
Total liabilities	38,099,871	42,684,539
<b>Net assets</b>		
Without donor restrictions, including board designated		
Undesignated	67,491,978	65,703,526
Board-designated operating reserve	23,377,046	22,013,091
Board-designated future Fair Park projects	19,569,043	19,326,253
Board-designated scholarship fund reserve	3,988,655	3,569,796
Total net assets without donor restrictions	114,426,722	110,612,666
With donor restrictions	72,668	60,376
Total net assets	114,499,390	110,673,042
Total liabilities and net assets	\$ 152,599,261	\$ 153,357,581

*See accompanying notes.*

## State Fair of Texas

### Statements of Activities

	Year Ended December 31					
	2025			2024		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Revenues</b>						
Concessions and admissions	\$ 55,392,569	\$ –	\$ 55,392,569	\$ 65,076,768	\$ –	\$ 65,076,768
Exhibit space and other rental	5,758,965	–	5,758,965	5,546,280	–	5,546,280
Interest and dividend income	3,846,910	–	3,846,910	3,829,877	–	3,829,877
Other	1,066,103	–	1,066,103	888,209	–	888,209
Contributions	2,183,134	3,369,601	5,552,735	2,916,402	2,706,344	5,622,746
Donated goods and services	1,795,923	–	1,795,923	2,152,552	–	2,152,552
Net assets released from restrictions	3,357,309	(3,357,309)	–	2,707,637	(2,707,637)	–
<b>Total revenues</b>	<b>73,400,913</b>	<b>12,292</b>	<b>73,413,205</b>	<b>83,117,725</b>	<b>(1,293)</b>	<b>83,116,432</b>
<b>Expenses</b>						
Fair time experience	41,362,992	–	41,362,992	43,881,189	–	43,881,189
Agriculture	8,504,726	–	8,504,726	8,575,498	–	8,575,498
Education	3,497,950	–	3,497,950	3,438,960	–	3,438,960
Community involvement	6,148,863	–	6,148,863	8,495,448	–	8,495,448
Management and general	6,826,594	–	6,826,594	7,700,216	–	7,700,216
Fundraising	5,857,859	–	5,857,859	5,948,896	–	5,948,896
<b>Total expenses</b>	<b>72,198,984</b>	<b>–</b>	<b>72,198,984</b>	<b>78,040,207</b>	<b>–</b>	<b>78,040,207</b>
Excess (deficit) of revenues over expenses	1,201,929	12,292	1,214,221	5,077,518	(1,293)	5,076,225
Realized and unrealized investment gains	2,824,734	–	2,824,734	3,529,317	–	3,529,317
Loss on disposal of asset	(212,607)	–	(212,607)	(456,126)	–	(456,126)
<b>Change in net assets</b>	<b>3,814,056</b>	<b>12,292</b>	<b>3,826,348</b>	<b>8,150,709</b>	<b>(1,293)</b>	<b>8,149,416</b>
Net assets at beginning of year	110,612,666	60,376	110,673,042	102,461,957	61,669	102,523,626
<b>Net assets at end of year</b>	<b>\$ 114,426,722</b>	<b>\$ 72,668</b>	<b>\$ 114,499,390</b>	<b>\$ 110,612,666</b>	<b>\$ 60,376</b>	<b>\$ 110,673,042</b>

*See accompanying notes.*

State Fair of Texas  
Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
<b>Operating activities</b>		
Change in net assets	\$ 3,826,348	\$ 8,149,416
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized/unrealized gains on investments	(2,824,734)	(3,529,317)
Investment interest/dividend income	(3,846,910)	(3,829,877)
Loss on disposal of property and leasehold improvements	69,938	372,136
Depreciation	3,886,658	3,535,360
Amortization of right-of-use assets – finance leases	328,265	328,265
Interest on lease liabilities – finance leases	16,147	26,010
Decrease in operating lease assets and liabilities	(274,352)	(274,352)
(Increase) decrease in accounts receivable	(383,074)	522,625
Decrease (increase) in inventories	48,106	(51,013)
Increase in prepaid expenses	(258,918)	(88,331)
(Decrease) increase in accounts payable and accrued liabilities	(454,879)	819,878
(Decrease) increase in accrued Fair Park improvements	(3,285,919)	1,050,537
Net cash (used in) provided by operating activities	(3,153,324)	7,031,337
<b>Investing activities</b>		
Purchases of property and leasehold improvements	(3,245,721)	(6,233,878)
Sales and maturities of investments	10,081,104	6,977,503
Purchases of investments	(3,462,000)	(13,302,000)
Net cash provided by (used in) investing activities	3,373,383	(12,558,375)
<b>Financing activities</b>		
Finance lease costs	(360,809)	(353,736)
Net cash used in financing activities	(360,809)	(353,736)
Net change in cash and cash equivalents	(140,750)	(5,880,774)
Cash and cash equivalents at beginning of year	47,104,087	52,984,861
Cash and cash equivalents at end of year	\$ 46,963,337	\$ 47,104,087

*See accompanying notes.*

State Fair of Texas

Statement of Functional Expenses

Year Ended December 31, 2025

	Program				Supporting Services		Total
	Fair Time Experience	Agriculture	Education	Community Involvement	Management and General	Fundraising	
Advertising and promotion	\$ 206,596	\$ 144,371	\$ 34,787	\$ 1,122	\$ 16,020	\$ 3,196,581	\$ 3,599,477
Contract services	11,839,560	1,656,956	13,887	2,444	36,473	20,191	13,569,511
Depreciation and amortization	3,430,751	181,835	137,542	91,323	340,921	32,551	4,214,923
Fair operational costs	8,332,617	968,998	404,682	207	3,940	27,046	9,737,490
Fair Park improvements	—	—	—	3,883,722	—	—	3,883,722
Grants and other assistance	—	2,555,145	99,270	1,035,524	—	—	3,689,939
Insurance	1,494,815	87,610	66,270	44,000	164,260	15,684	1,872,639
Occupancy	2,403,295	672,126	275,156	171,557	625,895	333,075	4,481,104
Other	535,521	106,035	107,457	21,401	711,148	590,346	2,071,908
Professional fees	231,844	2,981	11,161	2,857	1,169,805	56,588	1,475,236
Repairs and maintenance	1,150,830	179,575	34,203	37,245	57,073	6,136	1,465,062
Salaries, wages, benefits, taxes	10,600,419	1,779,556	1,240,896	848,360	3,529,330	1,357,690	19,356,251
Scholarships	—	—	1,036,959	—	—	—	1,036,959
Supplies	1,136,744	169,538	35,680	9,101	171,729	221,971	1,744,763
<b>Total expenses</b>	<b>\$ 41,362,992</b>	<b>\$ 8,504,726</b>	<b>\$ 3,497,950</b>	<b>\$ 6,148,863</b>	<b>\$ 6,826,594</b>	<b>\$ 5,857,859</b>	<b>\$ 72,198,984</b>

See accompanying notes.

State Fair of Texas

Statement of Functional Expenses

Year Ended December 31, 2024

	Program				Supporting Services		Total
	Fair Time Experience	Agriculture	Education	Community Involvement	Management and General	Fundraising	
Advertising and promotion	\$ 227,415	\$ 194,128	\$ 44,295	\$ 11,992	\$ 18,428	\$ 3,280,962	\$ 3,777,220
Contract services	11,817,612	1,546,949	20,159	1,521	33,408	13,074	13,432,723
Depreciation and amortization	3,293,860	179,468	77,457	55,699	241,613	15,528	3,863,625
Fair operational costs	10,144,171	1,005,240	347,863	270	2,286	4,936	11,504,766
Fair Park improvements	—	—	—	6,442,485	—	—	6,442,485
Grants and other assistance	—	2,408,969	75,148	1,047,976	350	—	3,532,443
Insurance	1,426,827	86,347	37,266	26,798	116,247	7,471	1,700,956
Occupancy	2,710,272	742,853	194,192	113,417	642,084	372,598	4,775,416
Other	614,613	83,197	81,684	10,861	600,839	555,387	1,946,581
Professional fees	297,000	9,129	3,411	11,414	1,783,900	48,766	2,153,620
Repairs and maintenance	1,344,693	189,394	43,764	79,916	71,796	7,471	1,737,034
Salaries, wages, benefits, taxes	10,793,899	1,908,905	1,521,546	680,155	4,034,102	1,279,226	20,217,833
Scholarships	—	—	952,200	—	—	—	952,200
Supplies	1,210,827	220,919	39,975	12,944	155,163	363,477	2,003,305
<b>Total expenses</b>	<b>\$ 43,881,189</b>	<b>\$ 8,575,498</b>	<b>\$ 3,438,960</b>	<b>\$ 8,495,448</b>	<b>\$ 7,700,216</b>	<b>\$ 5,948,896</b>	<b>\$ 78,040,207</b>

See accompanying notes.

# State Fair of Texas

## Notes to Financial Statements

December 31, 2025

### 1. Nature of Operations

State Fair of Texas (the Fair) is a not-for-profit Texas corporation organized to conduct an annual fair. The Fair's mission is to celebrate all things Texan by promoting agriculture, education, and community involvement through quality entertainment in a family-friendly environment.

### 2. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements under U.S. generally accepted accounting principles (U.S. GAAP) is as follows:

#### Net Assets

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

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions which result from the operation of the annual fair, non-fair time events, and general operations of the organization. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets without donor restrictions have been designated for the purposes noted on the statement of financial position. See Note 4 for additional information on Board-designated funds.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions that will be met either by satisfying the purpose restriction or the passage of time. Items that affect this net asset category are gifts that will be awarded as scholarships and youth livestock premiums or gifts intended to support the Fair's community outreach programs in future years. When the donor-imposed restriction is met, the Fair reports these as net assets released from restrictions. Also included in this category is a gift subject to a donor-imposed restriction that the corpus be held in perpetuity by the Fair. The interest received from this endowment is restricted by the donor for purposes of livestock auction premiums at the annual youth livestock auction.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Beginning balances	\$ 60,376	\$ 61,669
Additions	3,369,601	2,706,344
Released from restrictions	(3,357,309)	(2,707,637)
Ending balances	<u>\$ 72,668</u>	<u>\$ 60,376</u>

While the Fair spent \$3,582,420 and \$3,341,404 in 2025 and 2024, respectively, on scholarship and youth livestock auction premiums, the excess amount spent on scholarship and youth livestock auction premiums of \$237,918 and \$650,060 in 2025 and 2024, respectively, was supplied from net assets without donor restrictions.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased. Cash represents funds on hand for current operations. Cash equivalents include investments in highly liquid securities with original maturities of approximately three months or less that are available to use for current operations. As of December 31, 2025 and 2024, the Fair held money market funds in the amount of \$46,002,999 and \$45,551,449, respectively, that qualify as cash equivalents and are classified as Level 1 within the fair value hierarchy due to their observable, quoted market prices.

#### Investments

Accounting Standards Codification 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability. The Financial Accounting Standards Board establishes a valuation hierarchy for disclosure of inputs used in measuring fair value. The hierarchy is defined as follows:

Level 1 – Inputs are unadjusted quoted prices that are available in active markets for identical assets or liabilities.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets and quoted prices in non-active markets, inputs other than quoted prices that are observable, and inputs that are not directly observable but are corroborated by observable market data.

Level 3 – Inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. In determining fair value, the Fair used valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Fair also considered the counterparty and its own nonperformance risk in its assessment of fair value.

#### **Accounts Receivable**

Accounts receivable consist of amounts due from the operation of the annual fair, accrued pledges receivable for donor-restricted contributions, sponsorships, and refunds from vendors.

#### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average-cost method. For the years ended December 31, 2025 and 2024, the Fair required no inventory valuation reserve.

#### **Property and Leasehold Improvements**

Property and leasehold improvements are stated at cost. Depreciation and amortization are recorded using the straight-line method using the lesser of the estimated useful lives or the lease term of the respective assets, ranging from 3 to 20 years. Management regularly considers whether facts or circumstances exist which would indicate that the carrying values of the property and leasehold improvements are impaired. The Fair has not recorded an impairment loss in 2025 or 2024 as a result of such consideration.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

##### Revenue Recognition

The Fair recognizes revenue when all five of the following revenue recognition criteria have been satisfied:

- Contract(s) with customers have been identified.
- Performance obligations have been identified.
- Transaction prices have been determined.
- Transaction prices have been allocated to the performance obligations.
- The performance obligations have been fulfilled by transferring control over the promised goods or services to the customer.

Generally, these criteria are met upon the receipt of cash for admission tickets, games, parking, and concessions. The Fair recognizes revenue for concessions, net of commissions paid to operators, in accordance with Accounting Standards Update No. (ASU) 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. Commissions paid to operators were \$50.3 million and \$61.6 million for the years ended December 31, 2025 and 2024, respectively. The Fair also receives rental revenues for exhibit space during fair time, which are recognized ratably over the term of the contract as the services are provided. The Fair recognizes revenue for contributions in accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

##### Donated Goods and Services

The Fair receives various forms of donated goods and services, including advertising and promotion, fair time equipment, and other smaller miscellaneous items. Donated goods and services are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. These values are based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. The Fair did not monetize any contributed nonfinancial assets and, unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Advertising Costs**

Advertising costs, which are expensed as incurred, were approximately \$2.3 million for both years ended December 31, 2025 and 2024, and are included as part of advertising and promotion expenses on the statements of functional expenses.

##### **Income Taxes**

The Fair is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3). The Fair receives certain contributions to partially offset the costs of various events at the annual fair. The Fair believes such contributions are related to its tax-exempt purpose and, accordingly, excludes such amounts from its unrelated business income computation.

##### **Risk Concentration**

Financial instruments that potentially subject the Fair to concentrations of credit risk are primarily marketable securities (including cash equivalents) and accounts receivable. The Fair holds its investments in common stocks and bonds issued by publicly traded corporations and fixed-income securities issued by federal agencies. The Fair maintains an allowance for losses based upon the expected collectability of all accounts receivable. Certain deposit amounts exceed current Federal Deposit Insurance Corporation insurance limitations as of December 31, 2025 and 2024.

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### **3. Relationship With the City of Dallas**

##### **Fair Park Agreement**

The annual fair is held on the premises owned by the City of Dallas (the City) known as Fair Park.

In 2003, the Fair entered into the Fair Park Agreement (the Agreement) with the City, which gives possession and occupancy of Fair Park to the Fair for 24 days in September and October for the operation of the annual fair, the Grambling University vs. Prairie View A&M University football game in the Cotton Bowl Stadium (Cotton Bowl), and the University of Texas–University of Oklahoma football game in the Cotton Bowl, and for a period not to exceed 60 days prior to the annual fair and 30 days after the annual fair for setup and takedown, respectively. The Fair is also responsible for the operation of the midway area of Fair Park throughout the year.

In 2017, the Fair and the City clarified terms of the Agreement in a memorandum of understanding (the MOU) with a commencement date of June 28, 2017. The MOU confirms both parties' understanding and application of certain provisions and terms of the Fair Park contract between the City and the Fair and does not modify, alter, or amend the original Fair Park contract.

In 2018, the Fair and the City executed an amendment to the 2003 Agreement, which codified the provisions within the MOU and extended the initial term of the Agreement to expire on December 31, 2038. The extension became effective on January 1, 2019.

In 2025, the Fair and the City executed an amendment to the 2003 Agreement, which authorizes the Fair to design, develop, construct, operate, and maintain a new administration building in Fair Park. The amendment also updates the defined term "State Fair Permanent Area" to include the new administration building. Construction of the administration building began during the year ended December 31, 2025, with an anticipated completion date in the 2026 calendar year. Accumulated costs of \$2.2 million are included as construction-in-progress at year-end (see Note 7).

In accordance with the Agreement, the Fair funds and maintains a minimum of \$4.5 million as part of its reasonable and prudent reserves in order to provide a sound financial basis for the future economic integrity of the Fair. As stated within the MOU, the reserve fund is subject to adjustment by the Fair's Board of Directors in accordance with best practices for nonprofit organizations. Currently, the reserve fund is calculated as approximately 35% of the average total expense for the five preceding years as stated within the audited financial statements and is noted as Board-designated operating reserve on the statements of financial position. The reserve fund may be used

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 3. Relationship With the City of Dallas (continued)

only upon authorization by the Board of Directors of the Fair to fund the future operation of the annual fair. If the Fair elects to utilize the reserve fund, the fund must be restored to a minimum of \$4.5 million as soon thereafter as reasonably possible. The reserve fund is classified as a Board-designated fund within assets and net assets without donor restrictions on the statements of financial position (see Notes 2 and 4).

#### Major Maintenance and Capital Expenditures

The Agreement provides that the Fair applies the excess of its revenues, less its expenses and after all reasonable and prudent reserves are funded, to major maintenance and capital expenditures for development and enhancement of Fair Park and the Fair. Major maintenance projects are improvements to City-owned Fair Park real property and are classified as Fair Park improvements expenses on the statements of functional expenses. Per the Agreement, the net revenues, as defined, allocated by the Fair and the City for major maintenance projects are deposited into a Fair-restricted account known as the Fair Park Improvement Fund.

For the years ended December 31, major maintenance expense and capital expenditures consisted of:

	<u>2025</u>	<u>2024</u>
Capital expenditures	\$ 1,696,282	\$ 5,728,983
Construction-in-progress at year-end	1,549,439	679,772
Major maintenance projects allocated to the City	2,630,000	4,160,000
Major maintenance projects completed by the Fair	1,253,722	2,282,485
Total major maintenance and capital expenditures	<u>\$ 7,129,443</u>	<u>\$ 12,851,240</u>

The capital expenditures are recognized as assets on the statements of financial position, and the major maintenance projects are recognized as an expense noted as Fair Park improvements on the statements of functional expenses.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 3. Relationship With the City of Dallas (continued)

Major maintenance expense accrued and classified as a liability on the statement of financial position to reflect several major maintenance projects that were not yet completed by the City as of December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
2017 projects	\$ 472,000	\$ 472,000
2018 projects	116,603	116,603
2020 projects	9,840	9,840
2022 projects	3,107,232	3,374,761
2023 projects	–	1,293,264
2024 projects	–	4,160,000
2025 projects	2,434,874	–
Total liability	<u>\$ 6,140,549</u>	<u>\$ 9,426,468</u>

See Note 4 for additional information on the Fair Park Improvement Fund.

#### Contractual Payments

In addition to the provisions of the Agreement noted above, the Fair pays the City an annual escalating rental fee, which the City is required to place in a special account to be used only for the operation, maintenance, development, and improvement of Fair Park. Additionally, the Fair pays an annual \$50 thousand marketing fee to the City and is required to spend at least \$150 thousand annually on community outreach programs and cultural facilities within Fair Park. The rent fee is reflected as an expense in the occupancy category, and the marketing fee and cultural facility payments are reflected as an expense in the grants and other assistance category on the statements of functional expenses.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 3. Relationship With the City of Dallas (continued)

Contractual payments made by the Fair in accordance with the terms of the Agreement for the years ended December 31 consisted of the following:

	2025	2024
Community outreach and Fair Park cultural facilities contributions	\$ 867,500	\$ 898,900
Annual rent	1,750,000	1,750,000
Marketing fee	50,000	50,000
Major maintenance allocations to the City	2,630,000	4,160,000
Total payments per the Agreement	\$ 5,297,500	\$ 6,858,900

#### 4. Investments

Investments are recorded at fair value. In addition to investments used for operations, the Fair has investment accounts that are restricted from use in current operations. These investment accounts are labeled on the statement of financial position and their purposes are as follows:

*Investments with Board designations for operating reserve* – the account designated by the Board of Directors, restricted for use for the Fair’s reasonable and prudent reserves in accordance with the Agreement (see Note 3).

*Investments with Board designations for scholarship fund reserve* – the account designated by the Board of Directors, restricted for use to ensure full contingency funding of remaining commitments to all scholarship recipients.

*Investments with Board designations for future Fair Park projects* – the account designated by the Board of Directors, restricted for use to ensure funding for future strategic initiatives and capital projects as directed by the Board.

*Investments with contractual restrictions for Fair Park improvements* – the account designated for net revenues allocated by the Fair and the City to be used for major maintenance projects as defined by the Agreement (see Note 3).

*Investments with contractual restrictions for Cotton Bowl improvements* – the account designated by a 2019 agreement between the Fair and a concessionaire, requiring portions of concessions sales from the 2019 fair and 2020 event to be deposited into a fund intended for purchases and projects at the Cotton Bowl as mutually agreed upon by the Fair and the concessionaire.

State Fair of Texas

Notes to Financial Statements (continued)

**4. Investments (continued)**

The Fair measures its assets and liabilities at fair value on a recurring basis as required; the fair value of the Fair’s available-for-sale securities was estimated by using market quotes as of the last day of the period.

The following table sets forth by level, within the fair value hierarchy, the Fair’s investments at fair value as of December 31:

	2025				
	Level 1			Level 2	
	Money Market Accounts	U.S. Short-Term Government Bond Fund	Domestic Common Stocks	Domestic Corporate Bonds	Total
Investments	\$ –	\$ 1,155,520	\$ –	\$ 10,901,658	\$ 12,057,178
Board designated:					
Operating reserve	–	830,070	21,874,788	672,188	23,377,046
Scholarship fund reserve	105,031	132,186	3,582,795	168,643	3,988,655
Future Fair Park projects	5,616,077	500,235	–	13,452,731	19,569,043
Contractual restrictions:					
Fair Park improvements	–	642,628	–	5,497,921	6,140,549
Cotton Bowl improvements	235,049	–	–	–	235,049
	<b>\$ 5,956,157</b>	<b>\$ 3,260,639</b>	<b>\$ 25,457,583</b>	<b>\$ 30,693,141</b>	<b>\$ 65,367,520</b>
	2024				
	Level 1			Level 2	
	Money Market Accounts	U.S. Short-Term Government Bond Fund	Domestic Common Stocks	Domestic Corporate Bonds	Total
Investments	\$ –	\$ –	\$ –	\$ 10,620,241	\$ 10,620,241
Board designated:					
Operating reserve	–	–	20,466,906	1,546,185	22,013,091
Scholarship fund reserve	43,155	49,734	3,086,972	389,935	3,569,796
Future Fair Park projects	10,952,874	–	–	8,373,379	19,326,253
Contractual restrictions:					
Fair Park improvements	2,236,963	–	–	7,189,505	9,426,468
Cotton Bowl improvements	359,131	–	–	–	359,131
	<b>\$ 13,592,123</b>	<b>\$ 49,734</b>	<b>\$ 23,553,878</b>	<b>\$ 28,119,245</b>	<b>\$ 65,314,980</b>

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 4. Investments (continued)

The amortized cost of these investments as of December 31, 2025 and 2024, was \$63,619,121 and \$57,089,134, respectively.

Investment return activity for the years ended December 31 consists of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 4,016,845	\$ 4,040,937
Less investment expenses	<u>(169,935)</u>	<u>(211,060)</u>
Interest and dividend income, net	<u>\$ 3,846,910</u>	<u>\$ 3,829,877</u>
Realized gains on investments, net	\$ 9,153,792	\$ 2,241,184
Unrealized (losses) gains on investments, net	<u>(6,329,058)</u>	<u>1,288,133</u>
Realized and unrealized investment gains	<u>\$ 2,824,734</u>	<u>\$ 3,529,317</u>

#### 5. Line of Credit

To help manage unanticipated expenses, the Fair is party to an agreement with a bank for a \$3 million revolving line of credit to fund seasonal working capital requirements in 2025 and 2024. The line of credit has a maturity date for any borrowings of one year from closing with interest at the Bloomberg Short-Term Bank Yield Index daily floating rate plus 2% in 2025 and 2024. Interest is payable monthly, with all unpaid principal and interest payable on the maturity date. The revolving line of credit must maintain a zero balance for a minimum of 30 consecutive days during any 12-month period. The Fair pledged certain cash and investment accounts as security for any borrowings under the revolving line of credit. In 2025 and 2024, no borrowings were made under the line-of-credit arrangement.

State Fair of Texas

Notes to Financial Statements (continued)

**6. Financial Assets and Liquidity Resources**

As of December 31, financial assets and liquidity resources available within one year are as follows:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 46,963,337	\$ 47,104,087
Investments	12,057,178	10,620,241
Total financial assets available within one year	<u>59,020,515</u>	<u>57,724,328</u>
Liquidity resources:		
Bank line of credit	<u>3,000,000</u>	3,000,000
Total financial assets and liquidity resources available within one year	<u>\$ 62,020,515</u>	<u>\$ 60,724,328</u>

The Fair's cash flows have seasonal variations during the year attributable to vendor billing, setup and execution of the annual 24-day fair, and contributions received during the year. As part of the Fair's management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Fair invests cash in excess of daily requirements in short-term investments. Financial assets available within one year are used for general expenditures, such as operating expenses, Fair Park improvements, and capital expenditures, in addition to allocations to the Fair Park Improvement Fund (see Notes 3 and 4) and to the Board-designated operating reserve (see Notes 3 and 4).

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 7. Property and Leasehold Improvements

Property and leasehold improvements as of December 31 consist of the following:

	<u>2025</u>	<u>2024</u>
Midway improvements	\$ 15,492,246	\$ 15,772,549
Amusement rides	20,139,275	20,970,285
Building improvements	31,045,374	30,243,725
Furniture, fixtures, and equipment	12,676,186	11,850,942
Construction-in-progress	2,229,211	679,772
Land	4,754,089	4,754,089
	<u>86,336,381</u>	<u>84,271,362</u>
Less accumulated depreciation	<u>(65,560,475)</u>	<u>(62,784,581)</u>
Property and leasehold improvements, net	<u>\$ 20,775,906</u>	<u>\$ 21,486,781</u>

Depreciation expense totaled \$3,886,658 and \$3,535,360 for the years ended December 31, 2025 and 2024, respectively.

#### 8. Commitments and Contingencies

The Fair is involved in various legal proceedings arising from its operation of the annual fair. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, from such legal proceedings will not have a material impact on the Fair's financial position or results of operations.

The Fair recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases which contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Fair's ROU assets and lease liabilities primarily relate to facilities and equipment. Currently, none of the Fair's facility and equipment leases include options to renew. The exercise of lease renewal options is at the Fair's discretion. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised by the Fair. Certain leases also include options to purchase the leased property. None of the Fair's lease agreements contain material residual value guarantees or material restrictions or covenants.

State Fair of Texas

Notes to Financial Statements (continued)

**8. Commitments and Contingencies (continued)**

Long-term leases (leases with terms greater than 12 months) are recorded as liabilities at the present value of the minimum lease payments not yet paid. The Fair uses the risk-free rate to determine the present value of the lease when the rate implicit in the lease is not readily determinable. Certain lease contracts contain non-lease components, such as services. The Fair recognizes both the lease component and non-lease components as a single lease component for all of its ROU assets. From time to time, certain service or purchase contracts may contain an embedded lease.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. The majority of the Fair's short-term leases relate to fair time equipment. These leases are entered into at periodic rental rates for an unspecified duration and typically have a termination for convenience provision.

Lease expense consisted of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 1,485,680	\$ 1,485,680
Finance lease cost:		
Amortization of ROU assets	328,265	328,265
Interest on lease liabilities	16,147	26,010
Total finance lease cost	<u>344,412</u>	<u>354,275</u>
Total lease cost	<u>\$ 1,830,092</u>	<u>\$ 1,839,955</u>

State Fair of Texas

Notes to Financial Statements (continued)

**8. Commitments and Contingencies (continued)**

The Fair's ROU assets and lease liabilities consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
<b>Operating leases</b>		
ROU assets – operating leases	\$ 17,012,486	\$ 17,012,486
Accumulated amortization	<u>(2,888,506)</u>	<u>(2,116,701)</u>
Net ROU assets – operating leases	<u>\$ 14,123,980</u>	<u>\$ 14,895,785</u>
Lease liability – operating leases – current	\$ (1,076,401)	\$ (1,046,156)
Lease liability – operating leases – net of current portion	<u>(20,614,148)</u>	<u>(21,690,550)</u>
Total lease liability – operating leases	<u>\$ (21,690,549)</u>	<u>\$ (22,736,706)</u>
	<u>2025</u>	<u>2024</u>
<b>Finance leases</b>		
ROU assets – finance leases	\$ 1,641,325	\$ 1,641,325
Accumulated amortization	<u>(1,313,060)</u>	<u>(984,795)</u>
Net ROU assets – finance leases	<u>\$ 328,265</u>	<u>\$ 656,530</u>
Lease liability – finance leases – current	\$ (362,245)	\$ (344,662)
Lease liability – finance leases – net of current portion	–	(362,245)
Total lease liability – finance leases	<u>\$ (362,245)</u>	<u>\$ (706,907)</u>

The remaining lease payments, including rental escalations, required under the Fair's operating and finance leases consist of the following for the years ending December 31:

	<u>Operating</u>	<u>Finance</u>
2026	\$ 1,755,852	\$ 368,023
2027	1,750,000	–
2028	1,950,000	–
2029	1,950,000	–
2030	1,950,000	–
Thereafter	<u>17,400,000</u>	<u>–</u>
Total future undiscounted lease payments	26,755,852	368,023
Less interest	<u>(5,065,303)</u>	<u>(5,778)</u>
Present value of lease liabilities	<u>\$ 21,690,549</u>	<u>\$ 362,245</u>

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 8. Commitments and Contingencies (continued)

Rent expense, which is calculated on a straight-line basis per U.S. GAAP, of approximately \$1.5 million was incurred during each of the years ended December 31, 2025 and 2024.

Supplemental information related to the Fair's leases for the years ended December 31 is as follows:

	<u>2025</u>	<u>2024</u>
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows from operating leases	\$ 1,759,912	\$ 1,759,912
Operating cash flows from finance leases	16,147	26,010
Financing cash flows from finance leases	344,662	327,726
Weighted average remaining lease term – operating leases	13 years	14 years
Weighted average remaining lease term – finance leases	1 year	2 years
Weighted average discount rate – operating leases	3.25%	3.25%
Weighted average discount rate – finance leases	2.94%	2.94%

#### 9. Donated Goods and Services

##### Advertising and Promotion

The Fair receives free advertising and promotion through billboards, magazines, and print advertisements that serve as platforms to market and brand its mission. These donated advertisements are recognized as in-kind contributions at fair value, with a corresponding expense allocated to the programs benefited, as they are delivered to the public. The valuation of these advertisements and promotions is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is displayed.

##### Fair Time Equipment

The Fair receives donated equipment, including vehicles and tractors, which are used to defray program costs. These items are recognized as in-kind contributions at fair value when the item is donated, with a corresponding expense as they are used. The fair value of these items is at fair value on the date received.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### 9. Donated Goods and Services (continued)

##### Other

Other in-kind contributions consist primarily of uniforms, cell phones, and professional services that are used to defray program costs, or as part of fundraising events. These items are recognized as in-kind contributions at fair value, with a corresponding expense as they are used. The Fair values these items at either face value or fair value on the date received, depending on the nature of the item.

Donated goods and services for the fiscal years ended December 31, included in the financial statements, are as follows:

	<u>2025</u>	<u>2024</u>
Advertising and promotion	\$ 1,227,284	\$ 1,347,875
Fair time equipment	284,645	408,902
Other	283,994	395,775
Total donated goods and services	<u>\$ 1,795,923</u>	<u>\$ 2,152,552</u>

#### 10. Related-Party Transactions

The Fair may occasionally conduct business with entities affiliated with members of the Board of Directors. With respect to the Fair and these entities, such transactions are conducted in the normal course of business and in conformance with the Fair's Conflicts of Interest and Ethics Policy.

#### 11. Retirement Plans

##### 401(k) Retirement Plan

The Fair adopted the State Fair of Texas Employees' 401(k) Retirement Plan (the 401(k) Plan) on behalf of its employees, effective January 1, 1999. Employees may contribute a percentage of annual compensation to the 401(k) Plan, subject to statutory maximums. The Fair provides a contribution of 4% of each participant's annual salary. In addition, the Fair matches 50% of the first 4% of employee deferrals under the 401(k) Plan. For the years ended December 31, 2025 and 2024, the Fair's contribution and plan administration expense totaled approximately \$412 thousand and \$479 thousand, respectively.

## State Fair of Texas

### Notes to Financial Statements (continued)

#### **11. Retirement Plans (continued)**

##### **Executive Deferred Compensation Plan**

Effective January 1, 2007, the Fair established the State Fair of Texas 457(b) Executive Deferred Compensation Plan (the 457(b) Plan) for all eligible employees to defer a portion of their salary and incentive payment, if any. Eligible employees include any officer of the Fair with a title of vice president or above. Eligible employees are given the option to defer up to 50% of salary and up to 100% of incentive payment. The Fair matches 100% of the employee's deferral up to 6% of the employee's base salary. Under IRC Section 457(b), annual employee deferrals and employer matching contributions combined are limited to \$23.5 thousand and \$23.0 thousand in 2025 and 2024, respectively. All contributions under the 457(b) Plan are vested immediately. For the years ended December 31, 2025 and 2024, the Fair made matching contributions to the 457(b) Plan of approximately \$102 thousand and \$106 thousand, respectively. Employee and employer contributions are invested at the direction of the employee. The fair market value of the deferred compensation funds is included as an asset on the statements of financial position, with an offsetting deferred compensation liability.

#### **12. Subsequent Events**

The Fair evaluated all material events occurring subsequent to the date of the financial statements up to April 16, 2026, the date the accompanying financial statements were available to be issued.

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