Downtown San Diego Partnership

Financial Statements and Supplementary Information

Years Ended June 30, 2019 and 2018

Aldrich℠

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Aldrich CPAs + Advisors LLP
7676 Hazard Drive, #1300
San Diego, California 92108

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Downtown San Diego Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Downtown San Diego Partnership (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown San Diego Partnership as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT, continued

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, and except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, Downtown San Diego Partnership adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Aldrich CPAs + Advisors LLP

San Diego, California
July 27, 2020

DOWNTOWN SAN DIEGO PARTNERSHIP
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 437,740	$ 442,083
Accounts receivable, net	1,067,874	1,181,575
Note receivable	30,000	30,000
Prepaid expenses and other assets	286,996	157,897
Total Current Assets	1,822,610	1,811,555
Property and Equipment, net of accumulated depreciation	304,533	305,278
Total Assets	$ 2,127,143	$ 2,116,833
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 733,825	$ 825,563
Accrued expenses	257,017	255,562
Deferred rent	41,705	46,713
Deferred revenue	440,011	416,009
Total Current Liabilities	1,472,558	1,543,847
Net Assets Without Donor Restrictions	654,585	572,986
Total Liabilities and Net Assets	$ 2,127,143	$ 2,116,833

See accompanying notes to financial statements.

DOWNTOWN SAN DIEGO PARTNERSHIP
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Revenue and Other Income:		
PBID assessment and parks reimbursements	$ 8,084,177	$ 8,203,366
Special events	736,575	699,085
Membership dues and renewals	634,506	588,952
Transit pass program	262,212	368,673
Midblock lighting	260,000	220,000
PBID program management	163,506	151,140
City fee	150,000	150,000
Business Improvement District (BID) income	144,898	96,753
Banner	41,450	38,050
Interest income	753	554
Other income	-	25,195
Total Revenue and Other Income	10,478,077	10,541,768
Program and Supporting Expenses:		
Program services:		
PBID	6,319,641	6,570,827
Downtown San Diego Partnership	1,261,854	1,265,351
BID	25,345	14,876
Management and general	2,687,475	2,670,965
Fundraising	102,163	27,460
Total Program and Supporting Expenses	10,396,478	10,549,479
Change in Net Assets	81,599	(7,711)
Net Assets, beginning	572,986	580,697
Net Assets, ending	$ 654,585	$ 572,986

See accompanying notes to financial statements.

DOWNTOWN SAN DIEGO PARTNERSHIP
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Supporting Services		
	PBID	Downtown San Diego Partnership	BID	Management and General	Fundraising	Total
Salaries, wages and payroll taxes	$ 1,692,817	$ 520,415	$ 13,262	$ 1,783,860	$ 45,515	$ 4,055,869
Contractual services	2,812,467	-	-	-	-	2,812,467
Employee benefits	457,174	45,865	-	255,128	3,640	761,807
Special events	-	353,256	-	320	39,243	392,819
Midblock lighting	260,000	-	-	-	-	260,000
Transit pass program	-	257,464	-	-	-	257,464
Rent	30,901	-	-	219,672	-	250,573
Commercial Enhancement Program (CEP)	152,028	-	-	52,278	-	204,306
Insurance	161,014	26,320	2,637	2,007	314	192,292
Miscellaneous	99,249	848	-	69,043	10,951	180,091
Utilities	152,775	1,200	-	14,262	-	168,237
Cleaning and janitorial supplies	151,183	-	-	-	-	151,183
City fee	-	-	-	150,000	-	150,000
Repair and maintenance	134,374	-	-	2,902	-	137,276
Depreciation	50,070	56,486	-	-	-	106,556
Beautification and placemaking	82,397	-	-	-	-	82,397
Equipment outlay	52,438	-	-	980	-	53,418
Program management	-	-	-	36,110	-	36,110
Legal and accounting	13,147	-	-	22,213	-	35,360
Office supplies	9,138	-	-	19,012	-	28,150
Membership and corporate events	-	-	-	24,605	-	24,605
Marketing	-	-	9,446	9,549	2,500	21,495
Dues and subscriptions	-	-	-	13,276	-	13,276
Uniforms	8,469	-	-	-	-	8,469
Travel and training	-	-	-	7,191	-	7,191
Bad debt	-	-	-	5,067	-	5,067
	$ 6,319,641	$ 1,261,854	$ 25,345	$ 2,687,475	$ 102,163	$ 10,396,478

See accompanying notes to financial statements.

DOWNTOWN SAN DIEGO PARTNERSHIP
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services			Supporting Services		
	PBID	Downtown San Diego Partnership	BID	Management and General	Fundraising	Total
Salaries, wages and payroll taxes	$ 1,695,400	$ 462,501	$ 11,270	$ 1,685,065	$ 6,855	$ 3,861,091
Contractual services	2,740,704	-	-	-	-	2,740,704
Employee benefits	523,115	33,426	-	271,435	-	827,976
Commercial Enhancement Program (CEP)	327,479	-	-	57,432	-	384,911
Transit pass program	-	350,692	-	-	-	350,692
Special events	-	333,505	-	5,084	9,608	348,197
Rent	33,662	-	-	227,089	-	260,751
Midblock lighting	220,000	-	-	-	-	220,000
Insurance	168,980	25,166	2,600	1,882	314	198,942
Miscellaneous	114,331	2,456	-	50,810	10,683	178,280
Utilities	162,106	-	-	10,855	-	172,961
Cleaning and janitorial supplies	159,206	-	-	-	-	159,206
City fee	-	-	656	150,000	-	150,656
Beautification and placemaking	148,822	-	-	-	-	148,822
Repair and maintenance	132,244	-	-	-	-	132,244
Depreciation	42,634	57,605	-	-	-	100,239
Program management	-	-	-	93,707	-	93,707
Equipment outlay	65,686	-	-	1,873	-	67,559
Consulting	-	-	-	43,806	-	43,806
Legal and accounting	11,920	-	-	27,820	-	39,740
Office supplies	16,021	-	-	4,885	-	20,906
Membership and corporate events	-	-	-	18,618	-	18,618
Marketing	-	-	350	9,734	-	10,084
Uniforms	8,517	-	-	-	-	8,517
Travel and training	-	-	-	5,458	-	5,458
Dues and subscriptions	-	-	-	5,412	-	5,412
	$ 6,570,827	$ 1,265,351	$ 14,876	$ 2,670,965	$ 27,460	$ 10,549,479

See accompanying notes to financial statements.

DOWNTOWN SAN DIEGO PARTNERSHIP
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ 81,599	$ (7,711)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	106,556	100,239
Deferred rent	(5,008)	8,589
Changes in operating assets and liabilities:		
Accounts receivable, net	113,701	(539,880)
Prepaid expenses and other assets	(129,099)	55,554
Accounts payable	(91,738)	346,993
Accrued expenses	1,455	(13,936)
Deferred revenue	24,002	27,462
Net Cash Flows Provided (Used) by Operating Activities	101,468	(22,690)
Cash Flows from Investing Activities:		
Purchases of equipment and leasehold improvements	(105,811)	(7,389)
Note receivable	-	(30,000)
Net Cash Flows Used by Investing Activities	(105,811)	(37,389)
Cash Flows Used by Financing Activities:		
Payment of PBID advance	-	(166,297)
Net Decrease in Cash and Cash Equivalents	(4,343)	(226,376)
Cash and cash equivalents, beginning	442,083	668,459
Cash and cash equivalents, ending	$ 437,740	$ 442,083

See accompanying notes to financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Downtown San Diego Partnership (Partnership), a not-for-profit California corporation, was formed in 1993 with the merger of two prominent business associations: San Diegans, Inc. and the Central City Association. Today, the Partnership has approximately 250 members and has emerged as the leading advocate for economic growth and revitalization of downtown San Diego.

The Partnership works closely with regional business organizations and the City of San Diego (the "City") to improve the business climate for downtown San Diego and to help shape policies on issues affecting downtown. Its mission is the advancement of downtown as the economic, cultural and governmental center of the San Diego region through leadership, advocacy and education.

New Accounting Pronouncement

The Partnership adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designations amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The Partnership has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Financial Statement Presentation

The Partnership reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Net assets without donor restrictions represent expendable funds available for operations which are not otherwise limited by donor restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as net assets without donor restrictions in that period. Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Partnership may spend the funds, or are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for generating investment income to fund current operations. At June 30, 2019 and 2018, the Partnership did not have any net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Partnership maintains its cash accounts in several high-quality financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. At June 30, 2019, the Partnership had uninsured cash of $271,681. The Partnership has not experienced any losses in its bank deposit accounts and believes it is not exposed to any significant credit risk on cash.

The Partnership received approximately 84% and 81% of its total revenue from the City for the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, 75% and 87%, respectively, of the accounts receivable balance was due from the City.

Cash and Cash Equivalents

The Partnership considers all highly-liquid investments with an original maturity date of three months or less when acquired to be cash equivalents.

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable consist of amounts billed and unbilled for services provided through the end of the fiscal year. An allowance for estimated uncollectible accounts is based on past experience and on an analysis of current accounts receivable balances. Accounts deemed uncollectible are written off in the year deemed uncollectible.

Property and Equipment
Property and Equipment are stated at cost, if purchased, or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the remaining life of the lease or useful life of the asset, whichever is shorter. The Partnership capitalizes assets which cost or have a donated value of $1,000 or more.

Estimated useful lives, by major classification, are as follows:

Vehicles	4-5 years
Furniture and equipment	5-7 years
Computer equipment	5 years
Leasehold improvements	Shorter of useful life or term of lease

Impairment of Long-lived Assets
The Partnership evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Revenue Recognition
The City (Property and Business Improvement District ("PBID") Assessments) and other sources of revenue: Revenue from City reimbursements is recognized monthly in the period in which contracted and operating expenses are recognized, including the maintenance and repair of one public water feature.

Membership dues and renewals: Revenue from memberships is recognized using the straight-line method over the term of the membership. The unearned portion of membership revenue is reported as deferred revenue.

Transit pass program: Revenue from transit pass sales is recognized when the passes are picked up or shipped to the customer. Revenue is recorded net of any discounts or returns.

Contributed services and materials: Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the required recognition criteria were not met. Contributed materials and other assets are recorded as contributions at their estimated fair values at the date of receipt. No such contributions were received for the years ended June 30, 2019 and 2018.

Contributions: Contributions received, as well as collectible unconditional promises to give, are recognized in the period the contribution is received. Contributions receivable are recorded in the period the Partnership is notified that the receivable is valid and an estimated value is provided by the trustee. Contributions with donor-imposed restrictions are reported as revenues with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the donor restrictions are satisfied. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions in that period. Conditional promises to give are recognized when conditions are substantially met.

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Functional Allocation of Expense
The costs of providing the various programs and other activates have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes
The Partnership, a California nonprofit corporation, is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and Section 23701(e) of the California Code. Since the Partnership is exempt from federal and state income tax liability, no provision for federal or state income taxes has been included in these financial statements.

For the years ended June 30, 2019 and 2018, management of the Partnership believes there has been no activity that would jeopardize the tax position, being a tax exempt organization, and that it is more likely than not, based on the technical merits, that this position would be sustained upon examination. The Partnership recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. There were none for the years ended June 30, 2019 and 2018.

All tax exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Future Accounting Standards
The Financial Accounting Standards Board (FASB) has issued three substantial Accounting Standards Updates (ASU) which will become effective in future years.

The amendments in ASU 2014-09 *Revenue from Contracts with Customers* and subsequent updates require that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is to be applied on a full retrospective basis or modified retrospective basis. The Partnership is in the process of assessing how this new ASU and subsequent updates will affect the Partnership's reporting of revenues. This assessment includes determining the effect of the new standard on the Partnership's financial statements, accounting systems, business processes, and internal controls. Based on its assessment to date, the Partnership does not currently expect adoption to have a material effect on its revenues. Adoption of ASU 2014-09 will also require enhanced financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, ASU 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made was issued to provide guidance on the accounting and reporting of grants and contributions. This guidance will assist nonprofit Partnerships in evaluating if a transaction is an exchange transaction or a contribution. Clarification was also added to determine if a contribution is conditional or unconditional and how each of these should be recorded. This update is effective for transactions in which the entity serves as the resource recipient for fiscal years beginning after December 15, 2018. The Partnership is evaluating the effect that the provisions of ASU 2018-08 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 *Leases.* The primary change in GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the balance sheet a liability to make lease payments ("lease liability") and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Partnership is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Subsequent Events
Subsequent events have been evaluated through July 27, 2020, which is the date the financial statements were available to be issued.

Due to national and world-wide disruptions caused by COVID-19, the Partnership may be adversely impacted. The Partnership is making adjustments to its operations to compensate for disruptions on an ongoing basis. At this time, any financial impact of potential COVID-19 related disruptions are not known.

Note 2– Liquidity and Availability

The following reflects the Partnership's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual obligations within one year of the statement of financial position date.

	2019	2018
Cash and cash equivalents	$ 437,740	$ 442,083
Accounts receivable, net	1,067,874	1,181,575
Note receivable	30,000	30,000
Financial assets available to meet cash needs for general expenditures within one year	$ 1,535,614	$ 1,653,658

The Partnership regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Partnership structures its financial assets to be available as general expenditures and other obligations become due.

Note 3 – Accounts Receivable

At June 30, 2019 and 2018, accounts receivable consisted of the following:

	2019	2018
City	$ 800,559	$ 1,024,999
Other	262,441	157,730
	1,063,000	1,182,729
Less allowance for doubtful accounts	4,874	(1,154)
	$ 1,067,874	$ 1,181,575

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Vehicles	$ 111,857	$ 32,326
Furniture and equipment	286,040	261,040
Computer equipment	84,621	83,341
Leasehold improvements	186,956	186,956
	669,474	563,663
Less accumulated depreciation and amortization	(364,941)	(258,385)
	$ 304,533	$ 305,278

Note 5 – Note Receivable

During the year ended June 30, 2018, the Partnership loaned $30,000 to an organization. The note is unsecured, does not carry an interest rate, and is due in full by June 30, 2020.

Note 6 – PBID Contract

The Partnership renegotiated a new 10-year agreement with the City to run the PBID program through June 30, 2025. In connection therewith, the Partnership received a $1,950,000 non-interest bearing advance from the City. The advance will be applied against the last three to four months of expenditures for each fiscal year. The $1,950,000 is used to offset the amount of reimbursements for the City that the Partnership incurred during the year.

Note 7 – Commitments and Contingencies

Operating Leases

The Partnership leases its office facilities under non-cancelable operating leases. On September 21, 2015, the Partnership renewed its lease for its existing office facilities. This lease has an 8-year term and expires on June 30, 2023. Additionally, the Partnership renewed their office facility for PBID activities for a term of 5.5 years ending on December 31, 2020. The minimum annual rentals under these leases were being charged to expense on a straight-line basis over the lease terms. Deferred rent as of June 30, 2019 and 2018 was $41,705 and $46,713, respectively.

Future minimum lease commitments under this agreement for the years subsequent to June 30, 2019 and thereafter are approximately as follows:

Year Ending June 30,		
2020	$	195,972
2021		203,292
2022		167,556
2023		131,076
2024		136,896
Total	$	834,792

Total rent expense for the years ended June 30, 2019 and 2018 was $229,362 and $237,938, respectively.

Grants and Contracts

The Partnership has $8,802,581 of contracts with government agencies which are subject to audit for the year ended June 30, 2019. As of June 30, 2019, no such audits by granting agencies have been performed. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. The Partnership believes that any liability which may result from these audits would not be material.

SUPPLEMENTARY INFORMATION

DOWNTOWN SAN DIEGO PARTNERSHIP
Consolidating Schedule of Financial Position
June 30, 2019

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2019 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 437,740	$ -	$ -	$ 437,740
Accounts receivables, net	307,301	804,243	(43,670)	1,067,874
Note receivable	30,000	-	-	30,000
Prepaid expenses and other assets	25,609	261,387	-	286,996
Total Current Assets	800,650	1,065,630	(43,670)	1,822,610
Property and Equipment, net of accumulated depreciation	179,598	124,935	-	304,533
Total Assets	$ 980,248	$ 1,190,565	$ (43,670)	$ 2,127,143
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	$ 89,496	$ 687,999	$ (43,670)	$ 733,825
Accrued expenses	42,093	214,924	-	257,017
Deferred rent	34,878	6,827	-	41,705
Deferred revenue	434,683	5,328	-	440,011
Total Current Liabilities	601,150	915,078	(43,670)	1,472,558
Net Assets Without Donor Restrictions	379,098	275,487	-	654,585
Total Liabilities and Net Assets	$ 980,248	$ 1,190,565	$ (43,670)	$ 2,127,143

DOWNTOWN SAN DIEGO PARTNERSHIP
Consolidating Schedule of Activities
Year Ended June 30, 2019

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2019 Total
Revenue and Other Income:				
PBID assessment and parks reimbursements	$ -	$ 8,084,177	$ -	$ 8,084,177
Special events	736,575	-	-	736,575
Membership dues and renewals	634,506	-	-	634,506
Transit pass program	262,212	-	-	262,212
Midblock lighting	-	260,000	-	260,000
PBID program management	163,506	-	-	163,506
City fee	-	150,000	-	150,000
Business Improvement District (BID) income	144,898	-	-	144,898
Banner	41,450	-	-	41,450
Interest income	700	53	-	753
Total Revenue and Other Income	1,983,847	8,494,230	-	10,478,077
Program and Supporting Expenses:				
Program services:				
PBID	-	6,319,641	-	6,319,641
Downtown San Diego Partnership	1,261,854	-	-	1,261,854
BID	25,345	-	-	25,345
Management and general	640,857	2,046,618	-	2,687,475
Fundraising	91,212	10,951	-	102,163
Total Program and Supporting Expenses	2,019,268	8,377,210	-	10,396,478
Change in Net Assets	(35,421)	117,020	-	81,599
Net Assets, beginning	414,519	158,467	-	572,986
Net Assets, ending	$ 379,098	$ 275,487	$ -	$ 654,585

DOWNTOWN SAN DIEGO PARTNERSHIP
Consolidating Schedule of Financial Position
June 30, 2018

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2018 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 442,083	$ -	$ -	$ 442,083
Accounts receivables, net	255,294	1,024,291	(98,010)	1,181,575
Note receivable	30,000			30,000
Prepaid expenses and other assets	51,910	105,987	-	157,897
Total Current Assets	779,287	1,130,278	(98,010)	1,811,555
Property and Equipment, net of accumulated depreciation	236,084	69,194	-	305,278
Total Assets	$ 1,015,371	$ 1,199,472	$ (98,010)	$ 2,116,833
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	$ 88,578	$ 834,995	$ (98,010)	$ 825,563
Accrued expenses	61,556	194,006	-	255,562
Deferred rent	38,135	8,578	-	46,713
Deferred revenue	412,583	3,426	-	416,009
Total Current Liabilities	600,852	1,041,005	(98,010)	1,543,847
Net Assets Without Donor Restrictions	414,519	158,467	-	572,986
Total Liabilities and Net Assets	$ 1,015,371	$ 1,199,472	$ (98,010)	$ 2,116,833

DOWNTOWN SAN DIEGO PARTNERSHIP
Consolidating Schedule of Activities
Year Ended June 30, 2018

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2018 Total
Revenue and Other Income:				
PBID assessment and parks reimbursements	$ -	$ 8,203,366	$ -	$ 8,203,366
Special events	699,085	-	-	699,085
Membership dues and renewals	588,952	-	-	588,952
Transit pass program	368,673	-	-	368,673
Midblock lighting	-	220,000	-	220,000
City fee	-	150,000	-	150,000
PBID program management	151,140	-	-	151,140
Business Improvement District (BID) income	96,753	-	-	96,753
Banner	38,050	-	-	38,050
Other income	29,214	(4,019)	-	25,195
Interest income	461	93	-	554
Total Revenue and Support	1,972,328	8,569,440	-	10,541,768
Program and Supporting Expenses:				
Program services:				
PBID	-	6,570,827	-	6,570,827
Downtown San Diego Partnership	1,265,351	-	-	1,265,351
BID	14,876	-	-	14,876
Management and general	634,622	2,036,343	-	2,670,965
Fundraising	16,777	10,683	-	27,460
Total Program and Supporting Expenses	1,931,626	8,617,853	-	10,549,479
Change in Net Assets	40,702	(48,413)	-	(7,711)
Net Assets, beginning	373,817	206,880	-	580,697
Net Assets, ending	$ 414,519	$ 158,467	$ -	$ 572,986

DOWNTOWN SAN DIEGO PARTNERSHIP
Financial Statement Reconciliation to Final City Invoice (Unaudited)
Year Ended June 30, 2019

Total expenses per statement of activities - PBID	$	8,379,764
Unallowed depreciation expense		(56,486)
Adjustment to record accrued salaries		(93,247)
Adjustment to record deferred rent		(6,827)
Equipment purchases		50,070
Total expenses per final invoice to the City	$	8,273,274

November 21, 2019

To Whom It May Concern,

The Downtown San Diego Partnership Clean and Safe Program is in compliance with all City of San Diego requirements, such as general requirements, compensation and reimbursement, record keeping, and insurance as set forth in the agreements between the City of San Diego and the Downtown San Diego Partnership Clean and Safe Program.

Respectfully,

Alonso Vivas

Executive Director, Downtown San Diego Partnership Clean & Safe

DOWNTOWN SAN DIEGO PARTNERSHIP
Budget Versus Actual - PBID (Unaudited)
Year Ended June 30, 2019

	Budget billed	Actual billed	Invoiced difference
Revenue and Other Income:			
Assessments	$ 8,222,646	$ 8,026,653	$ (195,993)
Parks	36,000	34,063	(1,937)
Interest income	180	53	(127)
Total Revenue and Other Income	8,258,826	8,060,769	(198,057)
Expenses:			
Salaries and wages	5,575,699	5,548,980	(26,719)
Powerwashing	870,389	870,715	326
Fidelity and general liability insurance	158,000	147,149	(10,851)
Program oversight	151,362	142,472	(8,890)
Cleaning/janitorial supplies	150,000	140,086	(9,914)
Leasing/purchasing (equipment)	80,000	131,969	51,969
Rents/leases	116,201	113,120	(3,081)
Streetscape	100,020	97,437	(2,583)
Tree trimming	143,206	90,676	(52,530)
Beautification/placemaking	85,000	82,397	(2,603)
Waste removal	85,000	80,468	(4,532)
Property Marketing	100,790	75,965	(24,825)
Business attraction and retention	100,790	75,850	(24,940)
Other repairs/maintenance	70,000	72,798	2,798
Vehicle fuel	70,000	64,478	(5,522)
Workorder system	67,000	54,757	(12,243)
Payroll services/parking/misc	42,000	49,770	7,770
Electric services	39,000	48,384	9,384
Water services	33,000	31,072	(1,928)
Water feature	31,000	30,660	(340)
Office supplies	22,500	22,629	129
Tree light maintenance	30,472	19,989	(10,483)
Vehicle insurance	18,000	14,000	(4,000)
Landscaping supplies	19,116	11,097	(8,019)
Audit services	13,000	10,566	(2,434)
Dry goods/uniforms	10,000	8,469	(1,531)
IT support	8,000	6,119	(1,881)
Training	10,000	5,331	(4,669)
District mailings/web services	10,500	4,832	(5,668)
Telephones	3,200	4,112	912
Legal	5,500	2,581	(2,919)
Travel	2,000	1,859	(141)
Postage/mailing	500	60	(440)
Wayfinding sign maintenance	5,000	-	(5,000)
Total reimbursable expenses	8,226,245	8,060,847	(165,398)
Excess revenue and other income over expenses	$ 32,581	$ (78)	$ (32,659)

Downtown San Diego Partnership

Report to the Audit Committee

Year Ended June 30, 2019

TABLE OF CONTENTS

To assist you in your responsibilities as a member of the Audit Committee, this section summarizes the most significant conclusions reached and issues addressed during our audit of Downtown San Diego Partnership (Partnership) for the year ended June 30, 2019.

Significant Conclusions and Issues

We are in the concluding stage of our audit and will issue our report once completed. Based on our work performed:

- Our audit scope was in accordance with that communicated in our engagement letter dated September 12, 2017.
- We will render an unmodified opinion on the June 30, 2019 financial statements.
- We did not identify conditions which we consider to be material weaknesses in internal controls.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Audit Committee.

Aldrich CPAs + Advisors LLP
7676 Hazard Drive, #1300
San Diego, California 92108

July 27, 2020

To the Audit Committee
of Downtown San Diego Partnership

In planning and performing our audit of the financial statements of Downtown San Diego Partnership (Partnership) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Partnership's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in Downtown San Diego Partnership's internal control to be a significant deficiency:

> Financial Close and Reconciliations – Annual and Monthly
> Each month and at the end of each fiscal year, a financial close and reconciliation should be performed so that there are no changes once the month or fiscal year has been closed. Significant accounts should be reconciled monthly so that they agree to and support the financial statement accounts.

This communication is intended solely for the information and use of management, the Audit Committee, the Board of Directors, and others within the Partnership, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

Aldrich CPAs + Advisors LLP

Aldrich CPAs + Advisors LLP
7676 Hazard Drive, #1300
San Diego, California 92108

July 27, 2020

To the Audit Committee
Downtown San Diego Partnership

We have audited the financial statements of Downtown San Diego Partnership (Partnership) for the year ended June 30, 2019, and have issued our report thereon dated July 27, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 1 to the financial statements. As described in Note 1, the Partnership changed accounting policies related to financial statement presentation and functional expense allocations by adopting FASB Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* for the year June 30, 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the allocation of functional expenses is based on the policy approved by management. We evaluated the key factors and assumptions used to develop the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. A copy of those adjustments begin on page 6.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management, the Audit Committee, the Board of Directors, and others within the Partnership, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

Aldrich CPAs + Advisors LLP

The following is a recommendation resulting from our observations made in connection with our audit of Downtown San Diego Partnership for the year ended June 30, 2019.

Journal Entries

We noted that journal entries that were a result of the audit in the prior year were not posted. We recommend implementing a policy for posting these journal entries at the conclusion of the audit.

Clean & Safe

Account	Description	Debit	Credit
Adjusting Journal Entry #1			
To record adjustments not posted from the FY18 audit.			
1006	Reversing JE's	58,841	-
1610	Computer Equipment	6,094	-
1690	Accumulated Depreciation	240,962	-
3000	Opening Balance Equity	9,625	-
1000	Wells Fargo Checking Acct	-	58,841
1600	Furniture and Fixtures	-	2,615
1620	Automobiles	-	184,258
1630	PowerWashers	-	12,765
1640	Equipment	-	57,043
Total		**315,522**	**315,522**
Adjusting Journal Entry #2			
To true up net assets to prior year issued financial statements.			
540002	Office Supplies	2	-
3001	Retained Earnings	-	2
Total		**2**	**2**
Adjusting Journal Entry #3			
To repost entry that was accidentally deleted in FY19.			
1200	Accounts Receivable	743,315	-
3001	Retained Earnings	-	743,315
Total		**743,315**	**743,315**
Adjusting Journal Entry #4			
To increase cash for checks held at YE for reimbursment from the city that were not sent out to vendors.			
1000	Wells Fargo Checking Acct	698,775	-
2000	Accounts Payable	-	698,775
Total		**698,775**	**698,775**
Adjusting Journal Entry #5			
To true up intercompany balances between C&S and DSDP.			
2000	Accounts Payable	54,083	-
540210	Program Management	-	54,083
Total		**54,083**	**54,083**

Downtown San Diego Partnership

Account	Description	Debit	Credit
Adjusting Journal Entry #1			
To record adjustments from the FY18 audit.			
3900	Retained Earnings	60,331	-
4001	Renewed Members	-	16,667
6115	Transit Pass Program Expense	-	43,664
Total		**60,331**	**60,331**
Adjusting Journal Entry #2			
To true up beginning net assets to prior year audited financial statements.			
6056	Office Expense	4,999	-
3900	Retained Earnings	-	4,999
Total		**4,999**	**4,999**
Adjusting Journal Entry #3			
PBC - To true up accounts payable.			
2000	Accounts Payable	26,474	-
1310	Prepaid Expenses	-	26,474
Total		**26,474**	**26,474**
Adjusting Journal Entry #4			
PBC - To write off uncollectible receivable.			
1210	Allowance for Bad Debt	1,414	-
1200	Accounts Receivable	-	1,414
Total		**1,414**	**1,414**
Adjusting Journal Entry #5			
PBC - To true up prepaid expenses.			
Aldrich-1	Value of Barter Expense	8,600	-
1313	Value of Barter Revenue/Expense	-	8,600
Total		**8,600**	**8,600**
Reclassifying Journal Entry #101			
FY18 - To correct depreciation expense.			
1410	Computer Equipment	11,524	-
1420	Equipment	8,524	-
1430	Furniture & Fixtures	47,303	-
1440	Leasehold Improvements	46,740	-
1400	Accumulated Depreciation	-	114,091
Total		**114,091**	**114,091**

Clean and Safe

Account	Description	Debit	Credit
Proposed Journal Entry #1001			
To accrue the liability for legal matters that existed at 6/30/19.			
6037	Accounting & Legal	10,000	-
2000	Accounts Payable	-	10,000
Total		**10,000**	**10,000**

July 27, 2020

Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, Suite 1300
San Diego, CA 92108

This representation letter is provided in connection with your audit of the financial statements of Downtown San Diego Partnership (Partnership), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 27, 2020, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 12, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8) The effect of the uncorrected misstatement is immaterial to the financial statements as a whole. The uncorrected misstatement is included below:

Proposed Journal Entry #1001		**Debit**	**Credit**
To accrue the liability for legal matters that existed at 6/30/19.			
6037	Accounting & Legal	10,000	
2000	Accounts Payable		10,000
Total		10,000	10,000

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

11) Guarantees, whether written or oral, under which the Partnership is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

12) In regard to the nonattest services performed by you, we have –

a) Assumed all management responsibilities.

b) Designated Alicia Kostick, Vice President of Finance and Administration, who has suitable skill, knowledge, and experience to oversee the services.

c) Evaluated the adequacy and results of the services performed.

d) Accept responsibility for the results of the services.

Information Provided

13) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the Partnership from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

16) We have no knowledge of any fraud or suspected fraud that affects the Partnership and involves:

a) Management,

b) Employees who have significant roles in internal control, or

c) Others where the fraud could have a material effect on the financial statements.

17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Partnership's financial statements communicated by employees, former employees, grantors, regulators, or others.

18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

19) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

20) We have disclosed to you the identity of the Partnership's related parties and all the related-party relationships and transactions of which we are aware.

21) The Partnership has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

23) Downtown San Diego Partnership is an exempt organization under Section 501(c)(6) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Partnership's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

24) The Partnership adopted ASU 2016-14 and the financial statements have been updated accordingly in adherence to this standard.

25) We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signature: Betsy Brennan

Name: Elizabeth Brennan

Title: President and CEO

Signature: Alicia Kostick

Name: Alicia Kostick

Title: Senior Financial Advisor