

Downtown San Diego Partnership

Financial Statements and Supplemental Information

Years Ended June 30, 2020 and 2019



DOWNTOWN SAN DIEGO PARTNERSHIP
Financial Statements and Supplementary Information
Years Ended June 30, 2020 and 2019

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplemental Information:	
Schedule of Financial Position by Fund – 2020	14
Schedule of Activities by Fund – 2020	15
Schedule of Financial Position by Fund – 2019	16
Schedule of Activities by Fund – 2019	17
Financial Statement Reconciliation to Final City Invoice (Unaudited)	18
Statement of Compliance (Unaudited)	19
Budget Versus Actual – PBID (Unaudited)	20

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, 2020 and 2019, 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, 2020 and 2019, 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.

Correction of an Error

As discussed in Note 8 to the financial statements, errors related to deferred revenue resulting in an understatement of net assets without donor restrictions as of June 30, 2019 and 2018 were discovered during the current year. Accordingly, the amount reported for net assets without donor restrictions has been restated as of June 30, 2019 to correct the errors. Our opinion is not modified with respect to these matters.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental 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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2020, Downtown San Diego Partnership adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958)*. Our opinion is not modified with respect to this matter.

COVID-19 Pandemic

As described in Note 1 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

Aldrich CPAs + Advisors LLP

San Diego, California

December 18, 2020

DOWNTOWN SAN DIEGO PARTNERSHIP
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019 (Restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 411,402	\$ 437,740
Accounts receivable, net of allowance for doubtful accounts	766,229	1,098,447
Note receivable	12,000	30,000
Prepaid expenses and other assets	24,053	286,996
Total Current Assets	1,213,684	1,853,183
Property and Equipment, net of accumulated depreciation	228,865	304,533
Total Assets	\$ 1,442,549	\$ 2,157,716
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 63,361	\$ 733,825
Accrued expenses	261,752	257,017
PBID advance from the City of San Diego	132,724	-
Deferred rent	21,158	41,705
Deferred revenue	170,479	155,683
Total Current Liabilities	649,474	1,188,230
Net Assets Without Donor Restrictions	793,075	969,486
Total Liabilities and Net Assets	\$ 1,442,549	\$ 2,157,716

DOWNTOWN SAN DIEGO PARTNERSHIP**Statements of Activities**

Years Ended June 30, 2020 and 2019

	2020	2019 (Restated)
Revenue and Other Income:		
PBID assessment and parks reimbursements	\$ 7,535,807	\$ 8,084,177
Membership dues and renewals	590,212	634,506
Special events	589,001	881,103
Midblock lighting	250,000	260,000
PBID program management	218,452	163,506
City fee	150,000	150,000
Business Improvement District (BID) income	147,923	144,898
Services revenue	50,000	-
Other income	25,200	-
Banner	11,160	41,450
Interest income	804	753
Transit pass program	-	262,212
	<u>9,568,559</u>	<u>10,622,605</u>
Total Revenue and Other Income		
Program and Supporting Expenses:		
Program services:		
PBID	7,218,672	7,798,329
Downtown San Diego Partnership	682,386	1,261,854
BID	55,857	25,345
Management and general	1,630,447	1,208,787
Fundraising	157,608	102,163
	<u>9,744,970</u>	<u>10,396,478</u>
Total Program and Supporting Expenses		
Change in Net Assets	(176,411)	226,127
Net Assets, beginning as previously stated	969,486	572,986
Restatement	-	170,373
Net Assets, beginning as restated	<u>969,486</u>	<u>743,359</u>
Net Assets, ending	<u>\$ 793,075</u>	<u>\$ 969,486</u>

See accompanying notes to financial statements.

DOWNTOWN SAN DIEGO PARTNERSHIP
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Supporting Services		Total
	PBID	Downtown San Diego Partnership	BID	Management and General	Fundraising	
Salaries, wages, and payroll taxes	\$ 2,692,769	\$ 353,673	\$ 20,388	\$ 669,966	\$ 125,262	\$ 3,862,058
Contractual services	2,542,611	-	-	-	-	2,542,611
Employee benefits	584,652	33,669	-	63,879	12,295	694,495
Rent	-	-	-	252,288	-	252,288
Midblock lighting	250,000	-	-	-	-	250,000
Miscellaneous	112,711	384	-	134,256	-	247,351
Commercial Enhancement Program (CEP)	220,315	-	-	10,051	-	230,366
Special events	-	204,820	-	402	19,232	224,454
Program management	-	-	16,000	208,168	-	224,168
Insurance	170,314	34,205	3,301	1,157	307	209,284
Cleaning and janitorial supplies	179,152	-	-	-	-	179,152
Utilities	136,829	1,446	-	13,880	512	152,667
City fee	-	-	-	150,000	-	150,000
Depreciation	45,092	54,189	-	-	-	99,281
Repairs and maintenance	95,025	-	-	2,651	-	97,676
Beautification and placemaking	87,407	-	-	-	-	87,407
Equipment outlay	70,613	-	-	578	-	71,191
Legal and accounting	13,600	-	-	25,469	-	39,069
Office supplies	9,285	-	-	18,240	-	27,525
Marketing	-	-	16,168	9,414	-	25,582
Bad debt	-	-	-	25,560	-	25,560
Membership and corporate events	-	-	-	17,417	-	17,417
Dues and subscriptions	-	-	-	16,418	-	16,418
Travel and training	-	-	-	10,653	-	10,653
Uniforms	8,297	-	-	-	-	8,297
	<u>\$ 7,218,672</u>	<u>\$ 682,386</u>	<u>\$ 55,857</u>	<u>\$ 1,630,447</u>	<u>\$ 157,608</u>	<u>\$ 9,744,970</u>

See accompanying notes to financial statements.

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

	Program Services			Supporting Services		Total
	PBID	Downtown San Diego Partnership	BID	Management and General	Fundraising	
Salaries, wages, and payroll taxes	\$ 3,171,505	\$ 520,415	\$ 13,262	\$ 305,172	\$ 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
Repairs 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
	<u>\$ 7,798,329</u>	<u>\$ 1,261,854</u>	<u>\$ 25,345</u>	<u>\$ 1,208,787</u>	<u>\$ 102,163</u>	<u>\$ 10,396,478</u>

See accompanying notes to financial statements.

DOWNTOWN SAN DIEGO PARTNERSHIP**Statements of Cash Flows**

Years Ended June 30, 2020 and 2019

	2020	2019 (Restated)
Cash Flows from Operating Activities:		
Change in net assets	\$ (176,411)	\$ 226,127
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	99,281	106,556
Deferred rent	(20,547)	(5,008)
Changes in operating assets and liabilities:		
Accounts receivable, net	332,218	113,701
Prepaid expenses and other assets	262,943	(129,099)
Accounts payable	(670,464)	(91,738)
Accrued expenses	4,735	1,455
PBID advance from the City of San Diego	132,724	-
Deferred revenue	14,796	(120,526)
Net Cash Flows Provided (Used) by Operating Activities	(20,725)	101,468
Cash Flows from Investing Activities:		
Purchases of property and equipment	(23,613)	(105,811)
Note receivable	18,000	-
Net Cash Flows Used by Investing Activities	(5,613)	(105,811)
Net Decrease in Cash and Cash Equivalents	(26,338)	(4,343)
Cash and cash equivalents, beginning	437,740	442,083
Cash and cash equivalents, ending	\$ 411,402	\$ 437,740

See accompanying notes to financial statements.

DOWNTOWN SAN DIEGO PARTNERSHIP

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958)*. This standard update clarifies and improves the scope and the accounting guidance for contributions received and contributions made under accounting principles generally accepted in the United States of America (US GAAP). During the year ended June 30, 2020, the Partnership adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958)*.

Management analyzed the provisions of ASC Topic 958 and has concluded that no changes are necessary to conform to the new standard and has implemented the new standard on a modified prospective basis.

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, 2020 and 2019, 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. The Partnership has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk for cash and cash equivalents.

The Partnership received approximately 87% and 84% of its total revenue from the City for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, 62% and 75%, 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.

DOWNTOWN SAN DIEGO PARTNERSHIP

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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, 2020 and 2019.

Contributions: Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

DOWNTOWN SAN DIEGO PARTNERSHIP

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

Revenue Recognition, continued

The Partnership recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Grants and conditional promises to give – that are, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Functional Allocation of Expense

The costs of providing the various programs and other activities 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. Salaries, wages, and payroll taxes, and employee benefits are allocated based on supportable estimates of time and effort.

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, 2020 and 2019, 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, 2020 and 2019.

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 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, effective July 1, 2020. This assessment includes determining the effect of the new standard on the Partnership's financial statements, accounting systems, business processes, and internal controls. 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. The Partnership is evaluating the effect that the provisions of ASU 2014-09 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02 Leases. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position 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, 2021. 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.

DOWNTOWN SAN DIEGO PARTNERSHIP

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In response, the U.S. Government enacted significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Partnership. However, the financial impact and duration cannot be reasonably estimated at this time.

Subsequent events have been evaluated through December 18, 2020, which is the date the financial statements were available to be issued.

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.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 411,402	\$ 437,740
Accounts receivable, net of allowance for doubtful accounts	766,229	1,098,447
Note receivable	<u>12,000</u>	<u>30,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,189,631</u>	<u>\$ 1,566,187</u>

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, 2020 and 2019, accounts receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
City	\$ 471,280	\$ 800,559
Other	<u>286,209</u>	<u>293,014</u>
	757,489	1,093,573
Less allowance for doubtful accounts	<u>8,740</u>	<u>4,874</u>
	<u>\$ 766,229</u>	<u>\$ 1,098,447</u>

DOWNTOWN SAN DIEGO PARTNERSHIP

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Vehicles	\$ 131,357	\$ 111,857
Furniture and equipment	290,153	286,040
Computer equipment	84,621	84,621
Leasehold improvements	186,956	186,956
	<u>693,087</u>	<u>669,474</u>
Less accumulated depreciation and amortization	(464,222)	(364,941)
	<u>\$ 228,865</u>	<u>\$ 304,533</u>

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, 2021. The note receivable as of June 30, 2020 and 2019 was \$12,000 and \$30,000, respectively. The remaining balance was paid in July 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 that expire on various dates through 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, 2020 and 2019 was \$21,158 and \$41,705, respectively.

Future minimum lease commitments under this agreement for the years subsequent to June 30, 2020 and thereafter are approximately as follows:

Year Ending June 30,	
<u>2021</u>	\$ 203,292
2022	167,556
2023	131,076
2024	136,896
Thereafter	<u>-</u>
Total	<u>\$ 638,820</u>

Total rent expense for the years ended June 30, 2020 and 2019 was \$228,561 and \$229,362, respectively.

DOWNTOWN SAN DIEGO PARTNERSHIP

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 7 – Commitments and Contingencies, continued

Grants and Contracts

The Partnership has \$8,288,030 of contracts with government agencies which are subject to audit for the year ended June 30, 2020. As of June 30, 2020, 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.

Note 8 – Prior Period Adjustments

During 2020, a deferred revenue balance previously considered to not have been earned was determined to have been earned. The effect of this change increased net assets without donor restrictions by \$170,373 as of June 30, 2018.

The effect of the restatement on the balance of net assets without donor restrictions as of June 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Net assets, as previously stated	\$ 654,585	\$ -
Restatement due to:		
Deferred revenue	<u>170,373</u>	<u>-</u>
Net assets, as restated	<u>\$ 824,958</u>	<u>\$ -</u>

During 2020, a deferred revenue balance previously considered to not have been earned was determined to have been earned. The effect of this change increased net assets without donor restrictions by \$144,528 as of June 30, 2019.

The effect of the restatement on the balance of net assets without donor restrictions as of June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Net assets, as previously stated	\$ 824,958	\$ -
Restatement due to:		
Deferred revenue	<u>144,528</u>	<u>-</u>
Net assets, as restated	<u>\$ 969,486</u>	<u>\$ -</u>

Note 8 – Reclassifications

Certain amounts in the June 30, 2019 financial statements have been reclassified to conform to current year classifications. Specifically, salaries, wages, and payroll taxes, and employee benefits in the statements of functional expenses. There was no impact on net assets or the changes in net assets from the reclassifications.

SUPPLEMENTAL INFORMATION

DOWNTOWN SAN DIEGO PARTNERSHIP
Schedule of Financial Position by Fund
June 30, 2020

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2020 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 411,402	\$ -	\$ -	\$ 411,402
Accounts receivables, net	267,856	517,010	(18,637)	766,229
Note receivable	12,000	-	-	12,000
Prepaid expenses and other assets	(9,645)	33,698	-	24,053
	<u>681,613</u>	<u>550,708</u>	<u>(18,637)</u>	<u>1,213,684</u>
Total Current Assets	681,613	550,708	(18,637)	1,213,684
Property and Equipment, net of accumulated depreciation	<u>125,409</u>	<u>103,456</u>	<u>-</u>	<u>228,865</u>
Total Assets	<u>\$ 807,022</u>	<u>\$ 654,164</u>	<u>\$ (18,637)</u>	<u>\$ 1,442,549</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 47,845	\$ 34,153	\$ (18,637)	\$ 63,361
Accrued expenses	57,793	203,959	-	261,752
PBID advance from the City of San Diego	-	132,724	-	132,724
Deferred rent	18,482	2,676	-	21,158
Deferred revenue	163,706	6,773	-	170,479
	<u>287,826</u>	<u>380,285</u>	<u>(18,637)</u>	<u>649,474</u>
Total Current Liabilities	287,826	380,285	(18,637)	649,474
Net Assets Without Donor Restrictions	<u>519,196</u>	<u>273,879</u>	<u>-</u>	<u>793,075</u>
Total Liabilities and Net Assets	<u>\$ 807,022</u>	<u>\$ 654,164</u>	<u>\$ (18,637)</u>	<u>\$ 1,442,549</u>

DOWNTOWN SAN DIEGO PARTNERSHIP
Schedule of Activities by Fund
Year Ended June 30, 2020

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2020 Total
Revenue and Other Income:				
PBID assessment and parks reimbursements	\$ -	\$ 7,535,807	\$ -	\$ 7,535,807
Membership dues and renewals	590,212	-	-	590,212
Special events	589,001	-	-	589,001
Midblock lighting	-	250,000	-	250,000
PBID program management	218,452	-	-	218,452
City fee	-	150,000	-	150,000
Business Improvement District (BID) income	147,923	-	-	147,923
Services revenue	50,000	-	-	50,000
Other income	25,200	-	-	25,200
Banner	11,160	-	-	11,160
Interest income	666	138	-	804
	<u>1,632,614</u>	<u>7,935,945</u>	<u>-</u>	<u>9,568,559</u>
Total Revenue and Other Income				
Program and Supporting Expenses:				
Program services:				
PBID	-	7,218,672	-	7,218,672
Downtown San Diego Partnership	682,386	-	-	682,386
BID	55,857	-	-	55,857
Management and general	911,566	718,881	-	1,630,447
Fundraising	157,608	-	-	157,608
	<u>1,807,417</u>	<u>7,937,553</u>	<u>-</u>	<u>9,744,970</u>
Total Program and Supporting Expenses				
Change in Net Assets	(174,803)	(1,608)	-	(176,411)
Net Assets, beginning	<u>693,999</u>	<u>275,487</u>	<u>-</u>	<u>969,486</u>
Net Assets, ending	<u>\$ 519,196</u>	<u>\$ 273,879</u>	<u>\$ -</u>	<u>\$ 793,075</u>

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

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2019 Total Restated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 437,740	\$ -	\$ -	\$ 437,740
Accounts receivables, net	337,874	804,243	(43,670)	1,098,447
Note receivable	30,000			30,000
Prepaid expenses and other assets	25,609	261,387	-	286,996
	<u>831,223</u>	<u>1,065,630</u>	<u>(43,670)</u>	<u>1,853,183</u>
Total Current Assets				
Property and Equipment, net of accumulated depreciation	179,598	124,935	-	304,533
	<u>1,010,821</u>	<u>1,190,565</u>	<u>(43,670)</u>	<u>2,157,716</u>
Total Assets				
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	150,355	5,328	-	155,683
	<u>316,822</u>	<u>915,078</u>	<u>(43,670)</u>	<u>1,188,230</u>
Total Current Liabilities				
Net Assets Without Donor Restrictions	693,999	275,487	-	969,486
	<u>1,010,821</u>	<u>1,190,565</u>	<u>(43,670)</u>	<u>2,157,716</u>
Total Liabilities and Net Assets				

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

	Downtown San Diego Partnership	Clean and Safe	Eliminations	2019 Total (Restated)
Revenue and Other Income:				
PBID assessment and parks reimbursements	\$ -	\$ 8,084,177	\$ -	\$ 8,084,177
Special events	881,103	-	-	881,103
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
	<u>2,128,375</u>	<u>8,494,230</u>	<u>-</u>	<u>10,622,605</u>
Total Revenue and Support				
Program and Supporting Expenses:				
Program services:				
PBID	-	7,798,329	-	7,798,329
Downtown San Diego Partnership	1,261,854	-	-	1,261,854
BID	25,345	-	-	25,345
Management and general	640,857	567,930	-	1,208,787
Fundraising	91,212	10,951	-	102,163
	<u>2,019,268</u>	<u>8,377,210</u>	<u>-</u>	<u>10,396,478</u>
Total Program and Supporting Expenses				
Change in Net Assets	109,107	117,020	-	226,127
Net Assets, beginning as previously stated	414,519	158,467	-	572,986
Restatement	170,373	-	-	170,373
	<u>584,892</u>	<u>158,467</u>	<u>-</u>	<u>743,359</u>
Net Assets, beginning as restated				
Net Assets, ending	<u>\$ 693,999</u>	<u>\$ 275,487</u>	<u>\$ -</u>	<u>\$ 969,486</u>

DOWNTOWN SAN DIEGO PARTNERSHIP
Financial Statement Reconciliation to Final City Invoice (Unaudited)
Year Ended June 30, 2020

Total expenses per statement of activities - PBID	\$	7,937,553
Unallowed depreciation expense		(54,189)
Adjustment to record accrued salaries		(79,589)
Adjustment to record deferred rent		(2,676)
Equipment purchases		<u>45,092</u>
Total expenses per final invoice to the City	\$	<u><u>7,846,191</u></u>

D O W N T O W N
SAN DIEGO
P A R T N E R S H I P

December 8th, 2020

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

Vice President & Executive Director

Downtown San Diego Partnership Clean & Safe

DOWNTOWN SAN DIEGO PARTNERSHIP
Budget Versus Actual - PBID (Unaudited)
Year Ended June 30, 2020

	Budget billed	Actual billed	Invoiced difference
Revenue and Other Income:			
Assessments	\$ 8,277,666	\$ 7,510,015	\$ (767,651)
Parks	40,000	25,792	(14,208)
Interest income	180	138	(42)
Total Revenue and Other Income	8,317,846	7,535,945	(781,901)
Expenses:			
Salaries and wages	5,374,677	4,805,270	(569,407)
Powerwashing	843,083	845,668	2,585
Beautification/placemaking	301,758	547,655	245,897
Program oversight	218,150	218,219	69
Cleaning/janitorial supplies	160,000	169,412	9,412
Fidelity and general liability insurance	151,932	144,817	(7,115)
Business attraction and retention	170,000	133,985	(36,015)
Rents/leases	113,000	109,698	(3,302)
Tree trimming	117,635	106,037	(11,598)
Leasing/purchasing (equipment)	85,000	90,113	5,113
Property Marketing	150,000	86,646	(63,354)
Waste removal	85,000	83,360	(1,640)
Other repairs/maintenance	70,000	52,413	(17,587)
Payroll services/parking/misc	48,000	50,827	2,827
Vehicle fuel	60,000	42,612	(17,388)
Electric services	47,000	41,240	(5,760)
Phone services	36,000	33,939	(2,061)
Water feature	15,000	31,055	16,055
Data tracking	35,000	27,039	(7,961)
Vehicle insurance	20,000	25,516	5,516
IT support	10,000	19,418	9,418
Water services	35,000	18,356	(16,644)
Copier	10,000	16,451	6,451
Audit services	13,000	13,600	600
Streetscape	30,000	13,439	(16,561)
Legal	5,000	9,825	4,825
Landscaping supplies	27,992	9,740	(18,252)
Office supplies	8,000	9,230	1,230
Dry goods/uniforms	12,000	8,297	(3,703)
Training	10,078	8,171	(1,907)
District mailings/web services	8,530	7,072	(1,458)
Telephones	4,000	3,896	(104)
Travel	2,500	2,482	(18)
Postage/mailing	380	361	(19)
Total reimbursable expenses	8,277,715	7,785,859	(491,856)
City fee	150,000	150,000	-
Excess revenue and other income over expenses	\$ 40,131	\$ (249,914)	\$ (290,045)

See independent auditors' report.