

**Downtown San Diego Partnership**  
**Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Downtown San Diego Partnership  
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June 30, 2022 and 2021**

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## **Independent Auditor's Report**

To the Board of Directors of the  
Downtown San Diego Partnership  
San Diego, California

### **Opinion**

We have audited the accompanying consolidated financial statements of the Downtown San Diego Partnership (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Downtown San Diego Partnership as of June 30, 2022, and the related consolidated statements of activities and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Prior Period Financial Statements**

The consolidated financial statements of Downtown San Diego Partnership as of June 30, 2021, were audited by other auditors whose report dated December 20, 2021, expressed an unmodified opinion on those statements.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 18 through 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole. The information marked "unaudited" has not been subjected to auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance.

JG11 Associates, LLP

San Diego, California  
November 21, 2022

**Downtown San Diego Partnership**  
**Consolidated Statements of Financial Position**  
**June 30, 2022 and 2021**

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 2,210,468	\$ 917,561
Accounts receivable	385,866	1,858,546
Prepaid expenses and other assets	<u>75,867</u>	<u>77,017</u>
Total current assets	<u>2,672,201</u>	<u>2,853,124</u>
Property and equipment, net of accumulated depreciation	<u>472,671</u>	<u>494,141</u>
Total assets	<u>\$ 3,144,872</u>	<u>\$ 3,347,265</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 914,234	\$ 900,800
Accrued expenses	433,401	403,367
Deferred revenue	76,325	140,200
PBID advance from City	<u>637,330</u>	<u>681,935</u>
Total current liabilities	<u>2,061,290</u>	<u>2,126,302</u>
Total liabilities	<u>2,061,290</u>	<u>2,126,302</u>
Net assets		
Without donor restriction	1,057,073	1,162,610
With donor restriction	<u>26,509</u>	<u>58,353</u>
Total net assets	<u>1,083,582</u>	<u>1,220,963</u>
Total liabilities and net assets	<u>\$ 3,144,872</u>	<u>\$ 3,347,265</u>

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership  
Consolidated Statement of Activities  
Year Ended June 30, 2022**

	Without donor restriction	With donor restriction	Total 2022
Revenue and support:			
Assessment revenue	\$ 10,185,110	\$ 0	\$ 10,185,110
Contributions	143,229	35,036	178,265
Grants	756,402	0	756,402
Program management	130,737	0	130,737
Membership dues and renewals	684,536	0	684,536
Parking districts	614,141	0	614,141
Special events	709,826	0	709,826
Other operating income	107,357	0	107,357
Paycheck Protection Plan loan forgiveness	148,022	0	148,022
Net assets released from restrictions	66,880	(66,880)	0
	<u>13,546,240</u>	<u>(31,844)</u>	<u>13,514,396</u>
Total revenues and support			
Program and supporting expenses:			
Program services:			
Downtown San Diego Services	9,995,040	0	9,995,040
Downtown San Diego Partnership	1,190,008	0	1,190,008
Management and general	2,293,151	0	2,293,151
Fundraising	173,578	0	173,578
	<u>13,651,777</u>	<u>0</u>	<u>13,651,777</u>
Total program and supporting expenses			
Change in net assets	<u>(105,537)</u>	<u>(31,844)</u>	<u>(137,381)</u>
Net assets at beginning of year	<u>1,162,610</u>	<u>58,353</u>	<u>1,220,963</u>
Net assets at end of year	<u>\$ 1,057,073</u>	<u>\$ 26,509</u>	<u>\$ 1,083,582</u>

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership  
Consolidated Statement of Activities  
Year Ended June 30, 2022**

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership  
Consolidated Statement of Activities  
Year Ended June 30, 2021**

	Without donor restriction	With donor restriction	Total 2021
Revenue and support:			
Assessment revenue	\$ 8,865,342	\$ 0	\$ 8,865,342
Grants	896,093	60,518	956,611
Membership dues and renewals	668,832	0	668,832
Parking districts	570,808	0	570,808
Special events	336,067	0	336,067
PBID program management	236,348	0	236,348
Contributions	171,660	0	171,660
Other income	172,676	0	172,676
Net assets released from restrictions	31,188	(31,188)	0
Total revenues and support	<u>11,949,014</u>	<u>29,330</u>	<u>11,978,344</u>
 Program and supporting expenses:			
Program services:			
Downtown San Diego Services	8,776,116	0	8,776,116
Downtown San Diego Partnership	713,910	0	713,910
Management and general	2,125,484	0	2,125,484
Fundraising	145,683	0	145,683
Total program and supporting expenses	<u>11,761,193</u>	<u>0</u>	<u>11,761,193</u>
 Change in net assets	<u>187,821</u>	<u>29,330</u>	<u>217,151</u>
 Net assets at beginning of year	<u>870,159</u>	<u>29,023</u>	<u>899,182</u>
 Impact of change in accounting policy (Note 1)	<u>104,630</u>	<u>0</u>	<u>104,630</u>
 Net assets at end of year	<u>\$ 1,162,610</u>	<u>\$ 58,353</u>	<u>\$ 1,220,963</u>

See Notes to Consolidated Financial Statement.



**Downtown San Diego Partnership  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2022**

	Program Services		Supporting Services		Total
	Downtown San Diego Services	Downtown San Diego Partnership	Management and General	Fundraising	
Salaries, wages, and payroll taxes	\$ 3,534,112	\$ 638,465	\$ 926,407	\$ 107,958	\$ 5,206,942
Repairs and maintenance	2,486,063	0	0	0	2,486,063
Contractual services	1,942,790	534	168,965	90	2,112,379
Beautification and placemaking	751,566	0	0	0	751,566
Employee benefits	468,730	56,481	70,304	9,550	605,065
Legal and accounting	0	0	324,577	0	324,577
Insurance	0	0	297,272	0	297,272
Special events	4,625	291,215	0	0	295,840
Rent	0	89,719	163,535	15,170	268,424
Midblock lighting	250,000	0	0	0	250,000
Homeless Outreach Program	210,435	0	0	0	210,435
Depreciation and amortization	120,541	37,163	0	0	157,704
City fee	0	0	150,000	0	150,000
Office supplies	93,325	0	38,870	0	132,195
Program management	10,801	0	116,337	0	127,138
Commercial Enhancement Program (CEP)	72,738	0	0	0	72,738
Travel and training	30,556	11,196	5,642	1,893	49,287
Political Action Committee	0	37,225	0	2,072	39,297
Marketing	981	0	10	32,108	33,099
Membership and corporate events	0	15,305	6,837	2,588	24,730
Dues and subscriptions	0	12,705	6,091	2,148	20,945
Utilities	3,942	0	14,112	0	18,054
Cleaning and janitorial supplies	11,924	0	0	0	11,924
Equipment	0	0	4,194	0	4,194
Loss on disposal of equipment	1,911	0	0	0	1,911
	<u>\$ 9,995,040</u>	<u>\$ 1,190,008</u>	<u>\$ 2,293,151</u>	<u>\$ 173,578</u>	<u>\$ 13,651,777</u>

See Notes to Consolidated Financial Statement.

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	Program Services		Supporting Services		Total
	Downtown San Diego Services	Downtown San Diego Partnership	Management and General	Fundraising	
Salaries, wages, and payroll taxes	\$ 3,083,196	\$ 432,821	\$ 762,560	\$ 128,540	\$ 4,407,117
Repairs and maintenance	2,069,574	0	0	0	2,069,574
Contractual services	1,645,164	161	94,884	48	1,740,257
Beautification and placemaking	562,485	0	0	0	562,485
Employee benefits	321,470	13,358	22,706	3,967	361,501
Program management	79,650	0	241,322	0	320,972
Rent	0	0	290,389	0	290,389
Insurance	0	0	267,885	0	267,885
Homeless Outreach Program	262,074	0	0	0	262,074
Midblock lighting	250,000	0	0	0	250,000
Commercial Enhancement Program (CEP)	210,197	0	0	0	210,197
Special events	3,681	201,845	0	0	205,526
Depreciation and amortization	114,506	55,949	0	0	170,455
City fee	0	0	150,000	0	150,000
Legal and accounting	0	0	131,960	0	131,960
Bad debt	0	0	102,554	0	102,554
Political Action Committee	88,527	0	0	0	88,527
Office supplies	66,498	0	2,763	0	69,261
Utilities	11,218	5,028	29,347	1,493	47,086
Dues and subscriptions	0	2,700	14,872	0	17,572
Marketing	1,620	0	10	11,027	12,657
Travel and training	2,195	172	4,557	51	6,975
Membership and corporate events	0	1,876	4,414	557	6,847
Cleaning and janitorial supplies	4,061	0	800	0	4,861
Equipment	0	0	4,461	0	4,461
	<u>\$ 8,776,116</u>	<u>\$ 713,910</u>	<u>\$ 2,125,484</u>	<u>\$ 145,683</u>	<u>\$ 11,761,193</u>

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership**  
**Consolidated Statements of Cash Flows**  
**June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (137,381)	\$ 217,151
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	157,704	170,455
Loss on disposal of equipment	1,911	18,373
Paycheck Protection Plan loan forgiveness	(148,022)	0
Changes in operating assets and liabilities		
Accounts receivable	1,472,680	(1,021,025)
Prepaid expenses and other assets	1,150	(52,803)
Accounts payable	13,434	820,613
Accrued expenses	178,056	101,879
Deferred revenue	(63,875)	73,475
PBID advance from City	(44,605)	549,211
	1,431,052	877,329
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(138,145)	(576,013)
Proceeds from sale of property and equipment	0	134,815
Proceeds from note receivable	0	12,000
	(138,145)	(429,198)
Net cash used in investing activities		
Net change in cash and cash equivalents	1,292,907	448,131
Cash and cash equivalents, beginning of year	917,561	469,430
Cash and cash equivalents, end of year	\$ 2,210,468	\$ 917,561

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership  
Notes to the Consolidated Financial Statements  
June 30, 2022 and 2021**

**Note 1 – Nature of the organization and summary of significant accounting policies**

**Nature of the organization**

The Downtown San Diego Partnership

The Downtown San Diego Partnership (“DSDP”) is a 501(c)(6) membership-based nonprofit California corporation. It was formed in 1993 with the merger of two prominent business associations: San Diegans, Inc., and the Central City Association. Today, the DSDP serves as the principal voice and driving force behind the economic prosperity and cultural vitality of Downtown San Diego through membership, advocacy, public services, and community investment. It also serves as the managing organization for several special districts including the Property and Business Improvement District (PBID), operating under the Downtown Partnership Clean & Safe program, and the City Center Business Improvement District (“BID”).

Through its membership and events department, the DSDP provides connections, resources, and support at varying levels depending on members’ needs. Members of the DSDP include community leaders, regional decision-makers, business leaders, industry professionals, Downtown advocates, and engaged residents who are all committed to the economic prosperity and cultural vitality of San Diego’s urban center. The DSDP provides a full calendar of public and exclusive events for its nearly 300 members focused on professional development, networking, and connections.

Formed in 2010, the Downtown Partnership Clean & Safe program works hard to keep Downtown looking its best through enhanced maintenance, safety, unhoused care, and beautification services on behalf of those who live, work, and play within the 275 blocks that make up the PBID. Residents, businesses, and property owners can have confidence in Downtown because of the best practices, continuous improvement, and recognized excellence that the Clean & Safe team brings to the responsibility of serving Downtown’s urban neighborhoods. Funded by Downtown property owners, the Clean & Safe services provided within the neighborhoods of City Center, Columbia, Cortez Hill, East Village, Gaslamp Quarter, and Marina are above and beyond those otherwise available through any existing government entity.

The City Center BID represents the 53 blocks of businesses that make up Downtown San Diego’s City Center neighborhood. The City Center BID provides the resources necessary to improve the quality of life, create a vibrant destination for shopping, dining, nightlife and tourism, and promote everything The BID has to offer potential visitors and residents. To support its activities the City Center BID receives funding from both business assessments and parking district funds. Parking district funds are used for wayfinding and mobility improvements within the district.

In 2019, the DSDP formed the Downtown San Diego Partnership Political Action Committee (PAC), a voluntary non-partisan political action committee with a focus on candidates and initiatives that further the DSDP’s mission to promote an economically prosperous and culturally vibrant urban center. Working with participating members, the PAC support ballot initiatives and legislative champions that will prioritize economic development, reduce homelessness, and market Downtown to attract, connect, and retain talent.

The Downtown San Diego Partnership Foundation

The Downtown San Diego Partnership Foundation was formed in 2001 to support the economic prosperity and cultural vitality of Downtown San Diego. The Foundation supports special projects and initiatives to benefit Downtown’s neighborhoods, community, and public spaces. This includes funding in support of an unhoused care team committed to reducing Downtown homelessness through

**Downtown San Diego Partnership**  
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connections to appropriate interventions, including the administration of their successful Family Reunification Program.

This program reconnects unsheltered individuals with their loved ones as a diversion from homelessness. The Foundation also provides for the management of parking district funds in Downtown for the Cortez and Marina neighborhoods. These funds are used for the management of mobility projects like creative crosswalks, pedestrian plazas, bike racks, etc. and other creative initiatives to enhance, beautify, and serve the area.

The Columbia Community Foundation

The Columbia Community Foundation was formed in 2017 to support and promote improvement within the Columbia District neighborhood of Downtown San Diego through activities which contribute to the economic prosperity and cultural vitality of its community. This includes the management of parking district funds to support neighborhood identification, wayfinding, and mobility.

The Downtown San Diego Public Spaces Foundation

The Downtown San Diego Public Spaces Foundation was formed in 2013 to improve the quality of life in our urban community through activation, art, and beautification. This includes philanthropic support of the Grow Urban initiative, which improves Downtown San Diego's urban tree canopy through the replacement of missing street trees. The foundation also supports fundraising for maintenance and improvements to Tweet Street Park, a community-support park in the Cortez neighborhood.

**Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Downtown San Diego Partnership (Partnership, Clean and Safe and BID), and Downtown San Diego Services (Downtown San Diego Partnership Foundation, Downtown San Diego Public Spaces, Columbia Community Foundation and PAC), collectively "the Organization". All material intercompany accounts, transactions, and profits have been eliminated.

**Accounting method**

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Net assets classification**

To ensure observance of certain constraints and restrictions placed on the use of resources, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

- Net assets without donor restriction represent net assets that are available for support of the Organization's operational and administrative functions, discretionary amounts that are available to support programmatic activities and endeavors at the discretion of the Organization's management, and discretionary donor-advised amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Organization.
- Net assets with donor restriction represent net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources

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be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and cash equivalents**

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounts receivable**

Accounts receivable consists of amounts billed and unbilled for services provided through the end of the fiscal year. An allowance for estimated doubtful accounts is based on past experience and on an analysis of actual balances. To ensure observance of certain constraints and restrictions placed on the use of resources, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**Property and equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from three to forty years. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. 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 lease term

**Impairment of long-lived assets**

The Organization 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 would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

**Revenue recognition**

The Organization follows current US GAAP guidance for revenue recognition, including guidance related to Accounting Standards Codification (“ASC”) Topic 606 *Revenue from Contracts with Customers*, ASC Topic 958 *Not-for-Profit Entities*, and other applicable provisions for revenue recognition. The details of the transaction are reviewed for appropriate application of the guidance. The Organization evaluates each source of revenue to determine whether the parties to the agreement have exchanged commensurate value for the transfer of resources, in which case, revenue is recognized in accordance with Topic 606. If commensurate value has not been exchanged for resources between the parties to the agreement, the transaction is determined to be a contribution and revenue is recognized in accordance with guidance related to Topic 958. For transactions determined to be contracts with customers, review includes identifying the contract and performance obligations, determining the transaction price, and allocating the price to each performance obligation, and recognizing revenue as the performance obligations are met. For transactions determined to be contributions, the transaction review includes determining whether conditions exist that create a barrier that must be fulfilled for revenue to be recognized and whether there are donor restrictions placed on the contribution related to the purpose for which the funds may be used.

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Management implemented ASC Topic 606 on a modified prospective basis, therefore, adjusting beginning net assets as of July 1, 2020. As a result of adopting ASC Topic 606, membership income previously deferred was determined to be revenue when received. Accordingly, \$104,630 of deferred membership revenue was recorded as revenue and the beginning net asset balance was adjusted.

The City Property and Business Improvement District (“PBID”) assessments and other revenue from City reimbursements are recognized monthly in the period in which contracted and operating expenses are recognized.

Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution is received are included in unrestricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity.

The portion of special event revenue that relates to the commensurate value that the attendee receives is recognized when the related events occur, and the performance obligation is met.

The following table disaggregates the Organization’s contract revenue based on the timing of satisfaction of performance obligations for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied over time:		
City PBID assessment revenue	\$ 10,185,110	\$ 8,865,342
PBID program management	130,737	236,348
Parking districts	<u>614,141</u>	<u>570,808</u>
	10,929,988	9,672,498
Performance obligations satisfied at a point in time:		
Special events	<u>709,826</u>	<u>336,067</u>
Revenue within the scope of Topic 606	<u>\$ 11,639,814</u>	<u>\$ 10,008,565</u>

The timing of revenue recognition, invoicing, and cash collections results in billed accounts receivable and unbilled receivables (contract assets), which are classified as accounts receivable in the accompanying consolidated statement of financial position, and contract liabilities (deferred revenue and advances). Customers are invoiced in accordance with agreed-upon contractual terms, typically at periodic intervals or upon achievement of contract milestones.

The beginning and ending contract balances are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Contract assets	\$ 385,866	\$ 1,858,546
Contract liabilities	\$ 713,655	\$ 822,135



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**Notes to the Consolidated Financial Statements**  
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**Donated services and non-cash gifts**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by

donation, are recorded at fair value in the period received. For the years ended June 30, 2022, and 2021 the Organization did not record any in-kind contributions.

**Functional allocation of expenses**

The costs of providing program and supporting services have been presented on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on square footage, headcount, and management's estimates as appropriate.

**Income Taxes**

The Organization is exempt from Federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code and Section 73701(e) of the California Code. The Organization, from time to time, may receive unrelated business income, which is subject to income taxes at regular corporate tax rates. During the years ended June 30, 2022 and 2021, there was no unrelated business income for the Organization.

In addition, the Organization is subject to a proxy tax when its political expenditures are in excess of the membership dues reported to its membership as nondeductible business expenses. During the years ended June 30, 2022 and 2021, the Organization did not incur a proxy tax with respect to these expenditures.

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 Organization as a tax-exempt entity under Internal Revenue Code Section 501(c)(6) and applicable state statutes. As of June 30, 2022, the Organization has not been notified of any such audit or review.

The Foundation is a non-profit corporation organized under the laws of the State of California and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Organization does not have any unrecognized tax benefits at June 30, 2022 and 2021.

For the year ended June 30, 2022, management of the Organization believes there has been no activity which 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 Organization recognizes interest and penalties associated with tax matters as part of operating expenses and includes accrued interest and penalties with the related tax liability in the consolidated statements of financial position. No such amounts are included in the consolidated financial statements for the years ended June 30, 2022 and 2021.

**Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

**Downtown San Diego Partnership**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2022 and 2021**

contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that these estimates are adequate as of June 30, 2022, and 2021, it is possible that actual results could differ from those estimates. Significant estimates used in preparation of these consolidated statements include the valuation of investment gains and losses, the functional allocation of expenses, and the fair value of in-kind contributions.

**Litigation**

In the normal course of business, the Organization is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any pending claims will not materially affect the operation or the financial position of the Organization.

**Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-02, *Leases*. The new guidance was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Lessees and lessors 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 modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Organization is in the process of evaluating the impact of adoption on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (“Topic 326”). The amendments in this update require the use of a forward-looking expected loss impairment model for trade and other receivables, held-to-maturity debt securities, loans, and other instruments. This amendment also requires that impairments and recoveries for available-for-sale debt securities be recorded through an allowance account and revises certain disclosure requirements. The amendments in this update are effective for public entities for fiscal years beginning after December 31, 2019, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. The Organization is in the process of evaluating this standard, the method and timing of adoption, and any potential material effects to the consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and requires additional disclosures related to the contributed nonfinancial assets. This ASU must be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, early adoption is permitted. The Organization is in the process of evaluating the impact of adoption on its consolidated financial statements.

**Subsequent Events**

Subsequent events were evaluated by management through November 21, 2022, which is the date the consolidated financial statements were available for issuance.

**Downtown San Diego Partnership**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Note 2 – Liquidity**

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual obligations within one year of the consolidated statement of financial position date.

	2022
Cash and cash equivalents	\$ 2,210,468
Accounts receivable	385,866
Total cash, cash equivalents and accounts receivable	2,596,334
Less amounts not available to be used within one year:	
Donor restricted net assets	26,509
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,569,825

The Organization monitors its financial assets available within one year of balance sheet date for operating needs and contractual commitments, while striving to maximize the investment of available funds. The Organization structures its financial assets to be available as general expenditures and other obligations become due.

**Note 3 – Accounts receivable**

Accounts receivable is comprised of the following as of June 30:

	2022	2021
City	\$ 90,117	\$ 1,300,674
Other	295,749	557,872
	\$ 385,866	\$ 1,858,546

**Downtown San Diego Partnership**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Note 4 – Property and equipment**

Property and equipment is comprised of the following as of June 30:

	2022	2021
Vehicles	\$ 693,005	\$ 574,843
Furniture and equipment	119,080	404,947
Computer equipment	280,211	11,725
Leasehold improvements	206,956	206,956
	1,299,252	1,198,471
Less: accumulated depreciation and amortization	(826,581)	(704,330)
	\$ 472,671	\$ 494,141

Depreciation and amortization expense totaled \$157,704 and \$170,455 for the years ended June 30, 2022 and 2021, respectively.

**Note 5 – Net assets with donor restrictions**

The Organization’s net assets with donor restrictions consist of the following and are available for the purposes indicated as of June 30:

	2022	2021
Purpose on restrictions:		
Urban growth program	(9,588)	56,586
Business improvement district	36,097	1,767
	\$ 26,509	\$ 58,353

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors.

**Note 6 – Note payable – PPP loan**

On March 27, 2020, the “Coronavirus Aid, Relief and Economic Security (CARES) Act” was put into law. The CARES Act appropriated funds for the SBA Payroll Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Organization applied for and received funding on February 16, 2021, in the amount of \$146,645 under this program. The loan had an

**Downtown San Diego Partnership**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2022 and 2021**

interest rate of 1.0% per annum. The loan and accrued interest totaling \$148,022 were forgiven in full on February 2, 2022.

**Note 7 – Concentrations of credit risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Organization places its cash, cash equivalents and investments with high credit quality financial institutions. At times, such amounts may exceed federally insured limits. As of June 30, 2022, the Organization had approximately \$1,632,552 in excess of federally

insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash, cash equivalents and investments.

**Note 8 – Commitments and contingencies**

**Operating leases**

The Organization leases its office facilities under non-cancelable operating leases that expire on various dates through 2025. Total rent expense for the years ended June 30, 2022 and 2021 was \$268,424 and \$290,389, respectively. Future minimum lease commitments under these agreements for the years subsequent to June 30, 2022, and thereafter are as follows:

Year ending June 30,		
2023	\$	224,688
2024		90,425
2025		69,334
Total	\$	<u>384,447</u>

**Grants and contracts**

The Organization receives grants from various organizations and, from time to time, municipal and quasi-government agencies that are subject to audit. Such audits could result in claims against the resources of the Organization. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined.

## **Supplementary Information**

**Downtown San Diego Partnership**  
**Consolidating Statement of Financial Position**  
**June 30, 2022**

	<u>DSDP consolidated (DSDP, CS, BID)</u>	<u>Related entities</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 2,101,512	\$ 108,956	\$ 0	\$ 2,210,468
Accounts receivable	321,315	213,747	(119,885)	415,177
Prepaid expenses and other assets	73,147	2,720	0	75,867
Total current assets	<u>2,495,974</u>	<u>325,423</u>	<u>(119,885)</u>	<u>2,701,512</u>
Property and equipment, net of accumulated depreciation	<u>414,399</u>	<u>58,272</u>	<u>0</u>	<u>472,671</u>
Total assets	<u>\$ 2,910,373</u>	<u>\$ 383,695</u>	<u>\$ (119,885)</u>	<u>\$ 3,174,183</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 862,190	\$ 201,240	\$ (119,885)	\$ 943,545
Accrued expenses	407,752	25,649	0	433,401
Deferred revenue	76,325	0	0	76,325
PBID advance	637,330	0	0	637,330
Total current liabilities	<u>1,983,597</u>	<u>226,889</u>	<u>(119,885)</u>	<u>2,090,601</u>
Total liabilities	<u>1,983,597</u>	<u>226,889</u>	<u>(119,885)</u>	<u>2,090,601</u>
Net assets				
Without donor restriction	926,776	130,297	0	1,057,073
With donor restriction	0	26,509	0	26,509
Total net assets	<u>926,776</u>	<u>156,806</u>	<u>0</u>	<u>1,083,582</u>
Total liabilities and net assets	<u>\$ 2,910,373</u>	<u>\$ 383,695</u>	<u>\$ (119,885)</u>	<u>\$ 3,174,183</u>

**Downtown San Diego Partnership  
Consolidating Statement of Activities  
June 30, 2022**

	DSDP consolidated (DSDP, CS, BID)	Related entities	Eliminations	Total
Revenue and support:				
Assessment revenue	\$ 10,185,110	\$ 0	\$ 0	\$ 10,185,110
Contributions	31,667	146,598	0	178,265
Grants	0	756,402	0	756,402
Program management fee	329,888	130,737	(329,888)	130,737
Membership dues and renewals	684,536	0	0	684,536
Parking districts	179,050	435,091	0	614,141
Special events	709,826	0	0	709,826
Other operating income	107,357	0	0	107,357
PPP loan forgiveness	148,022	0	0	148,022
Net assets released from restrictions	0	0	0	0
Total revenues and support	<u>12,375,456</u>	<u>1,468,828</u>	<u>(329,888)</u>	<u>13,514,396</u>
Program and supporting expenses:				
Program services	9,834,226	1,350,822		11,185,048
Management and general	2,214,961	408,078	(329,888)	2,293,151
Fundraising	171,506	2,072	0	173,578
Total program and supporting expenses	<u>12,220,693</u>	<u>1,760,972</u>	<u>(329,888)</u>	<u>13,651,777</u>
Change in net assets	<u>154,763</u>	<u>(292,144)</u>	<u>0</u>	<u>(137,381)</u>
Net assets at beginning of year	<u>772,013</u>	<u>448,950</u>	<u>0</u>	<u>1,220,963</u>
Net assets at end of year	<u>\$ 926,776</u>	<u>\$ 156,806</u>	<u>\$ 0</u>	<u>\$ 1,083,582</u>



**Downtown San Diego Partnership**  
**Financial Statement Reconciliation to Final City Invoice (Unaudited)**  
**June 30, 2022**

Total expenses per statement of activities - PBID	\$ 10,000,766
Unallowed depreciation expense	(97,704)
Other unallowable expenses	(12,674)
Adjustment to record accrued salaries	90,432
Adjustment to record deferred rent	(8,531)
Equipment purchases	138,146
City fee, midblock lighting, and city park	<u>(400,000)</u>
 Total expenses per final invoice to the City	 \$ <u><u>9,710,435</u></u>

**Downtown San Diego Partnership  
Statement of Compliance (Unaudited)  
June 30, 2022**



October 26, 2022

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*

Alonso Vivas

Senior Vice President & Executive Director

Downtown San Diego Partnership Clean & Safe

Downtown San Diego Partnership • 401 B St Suite 100 San Diego, CA 92101 • (619) 234-0201

**Downtown San Diego Partnership  
Budget versus Actual – PBID (Unaudited)  
June 30, 2022**

	<u>Budget</u>	<u>Actual Billed</u>	<u>Invoiced Difference</u>
Revenue and Other Income:			
Assessments	\$ 10,005,982	\$ 9,710,435	\$ (295,547)
Midblock lighting income	250,000	250,000	0
City fee income	150,000	150,000	0
Total revenue and other income	<u>10,405,982</u>	<u>10,110,435</u>	<u>(295,547)</u>
Expenses:			
Personnel	4,604,989	4,241,746	(363,243)
Safety contract services	2,290,728	1,710,071	(580,657)
Powerwashing	1,116,231	1,436,610	320,379
Program oversight	133,848	111,757	(22,091)
Insurance	193,000	217,848	24,848
Cleaning, janitorial supplies and waste	298,000	323,539	25,539
Rents and utilities	260,249	227,291	(32,958)
Landscape, beautification and placemaking	293,831	363,561	69,730
Leasing/ purchasing (equipment)	95,000	350,647	255,647
Vehicle fuel, repair and maintenance	154,771	194,574	39,803
Office, accounting, data and IT support	119,698	164,949	45,251
Legal	220,000	241,291	21,291
Board meetings and consultants	999	49,234	48,235
CEP-business marketing, attraction and retention	224,638	77,317	(147,321)
Total reimbursable expenses	<u>10,005,982</u>	<u>9,710,435</u>	<u>(295,547)</u>
Midblock lighting	250,000	250,000	0
City fee	150,000	150,000	0
Excess revenue and other income over expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>