

Downtown San Diego Partnership
Consolidated Financial Statements
June 30, 2023 and 2022

**Downtown San Diego Partnership
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June 30, 2023 and 2022**

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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 statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expense, and cash flows for the years 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 and related entities as of June 30, 2023 and 2022, and the related consolidated statements of activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

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.

 JGI ASSOCIATES, LLP

San Diego, California
December 14, 2023

Downtown San Diego Partnership and Related Entities
Consolidated Statements of Financial Position
June 30, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 593,170	\$ 2,210,468
Accounts receivable	1,322,602	354,749
Employee retention credit receivable	950,609	-
Other receivables	10,048	31,117
Prepaid expenses and other assets	<u>95,981</u>	<u>75,867</u>
Total current assets	<u>2,972,410</u>	<u>2,672,201</u>
Property and equipment, net of		
Accumulated depreciation	322,871	472,671
Right of use assets and incentives	<u>1,037,367</u>	<u>-</u>
Total assets	<u>\$ 4,332,648</u>	<u>\$ 3,144,872</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 1,586,141	\$ 914,234
Accrued expenses	321,529	433,401
Deferred revenue	43,375	76,325
Lease liability, current portion	170,254	-
Line of credit	370,777	-
PBID advance from City	<u>335,265</u>	<u>637,330</u>
Total current liabilities	<u>2,827,341</u>	<u>2,061,290</u>
Lease liability, net of current portion	<u>874,602</u>	<u>-</u>
Total liabilities	<u>3,701,943</u>	<u>2,061,290</u>
Net assets		
Without donor restriction	615,402	1,057,073
With donor restriction	<u>15,303</u>	<u>26,509</u>
Total net assets	<u>630,705</u>	<u>1,083,582</u>
Total liabilities and net assets	<u>\$ 4,332,648</u>	<u>\$ 3,144,872</u>

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership
Consolidated Statement of Activities
Year Ended June 30, 2023**

	Without donor restriction	With donor restriction	Total 2023
Revenue and support:			
Assessment revenue	\$ 11,556,335	\$ -	\$ 11,556,335
Contributions	69,167	37,623	106,790
Employee retention credit	1,301,853	-	1,301,853
Grants	1,130,796	10,000	1,140,796
Program management	114,290	-	114,290
Membership dues and renewals	762,404	-	762,404
Parking districts	450,161	-	450,161
Special events	770,578	-	770,578
Other operating income	79,300	-	79,300
Other income	2,502	-	2,502
Net assets released from restrictions	58,829	(58,829)	-
Total revenues and support	16,296,215	(11,206)	16,285,009
Program and supporting expenses:			
Program services:			
Downtown San Diego Services	13,274,958	-	13,274,958
Downtown San Diego Partnership	1,819,142	-	1,819,142
Management and general	1,459,277	-	1,459,277
Fundraising	184,509	-	184,509
Total program and supporting expenses	16,737,886	-	16,737,886
Change in net assets	(441,671)	(11,206)	(452,877)
Net assets at beginning of year	1,057,073	26,509	1,083,582
Net assets at end of year	\$ 615,402	\$ 15,303	\$ 630,705

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	\$ -	\$ 10,185,110
Contributions	143,229	35,036	178,265
Grants	756,402	-	756,402
Program management	130,737	-	130,737
Membership dues and renewals	684,536	-	684,536
Parking districts	614,141	-	614,141
Special events	709,826	-	709,826
Other income	107,357	-	107,357
Paycheck Protection Plan loan forgiveness	148,022	-	148,022
Net assets released from restrictions	66,880	(66,880)	-
	<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	-	9,995,040
Downtown San Diego Partnership	1,190,008	-	1,190,008
Management and general	2,293,151	-	2,293,151
Fundraising	173,578	-	173,578
	<u>13,651,777</u>	<u>-</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 Functional Expenses
Year Ended June 30, 2023**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Downtown San Diego Services</u>	<u>Downtown San Diego Partnership</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries, wages, and payroll taxes	\$ 4,906,163	\$ 968,513	\$ 455,614	\$ 125,792	\$ 6,456,082
Repairs and maintenance	3,144,175	-	-	-	3,144,175
Contractual services	3,080,960	119,453	431,178	10,906	3,642,497
Beautification and placemaking	530,477	-	-	-	530,477
Employee benefits	768,984	106,812	50,247	13,873	939,916
Rent	123,554	80,058	50,985	10,398	264,995
Insurance	45,660	-	267,448	-	313,108
Homeless Outreach Program	372,166	-	(1,194)	-	370,972
Commercial Enhancement Program (CEP)	107,099	-	-	-	107,099
Special events	-	396,042	-	-	396,042
Depreciation and amortization	129,899	46,975	-	-	176,874
Legal and accounting	-	-	110,914	-	110,914
Political Action Committee	-	52,640	7,525	-	60,165
Office supplies	61,278	-	13,699	-	74,977
Utilities	1,889	-	44,982	-	46,871
Dues and subscriptions	300	12,214	5,846	1,586	19,946
Marketing	7,654	-	-	17,222	24,876
Travel and training	-	7,903	3,718	1,026	12,647
Membership and corporate events	-	28,532	13,422	3,706	45,660
Equipment	-	-	4,893	-	4,893
Gain/loss on sale of assets	(5,300)	-	-	-	(5,300)
	<u>\$ 13,274,958</u>	<u>\$ 1,819,142</u>	<u>\$ 1,459,277</u>	<u>\$ 184,509</u>	<u>\$ 16,737,886</u>

See Notes to Consolidated Financial Statement.

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

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

Downtown San Diego Partnership
Consolidated Statements of Cash Flows
June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (452,877)	\$ (137,381)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Amortization of operating lease and right of use assets	93,854	-
Depreciation and amortization	176,874	157,704
Employee retention credit	(1,301,853)	-
(Gain)/loss on disposal of equipment	(5,300)	1,911
Paycheck Protection Plan loan forgiveness	-	(148,022)
Changes in operating assets and liabilities		
Accounts receivable	(967,853)	1,472,680
Employee retention credit receivable	351,244	-
Other receivables	21,069	-
Prepaid expenses and other assets	(20,114)	1,150
Accounts payable	671,907	13,434
Accrued expenses	(111,872)	178,056
Deferred revenue	(32,950)	(63,875)
Operating lease liability	(86,365)	-
PBID advance from City	(302,065)	(44,605)
	(1,966,301)	1,431,052
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(27,074)	(138,145)
Proceeds from sale of property and equipment	5,300	-
	(21,774)	(138,145)
Net cash used in investing activities		
Cash flows from financing activities:		
Net draws (payments) on line of credit	370,777	-
	370,777	-
Net cash provided by financing activities		
Net change in cash and cash equivalents	(1,617,298)	1,292,907
Cash and cash equivalents, beginning of year	2,210,468	917,561
Cash and cash equivalents, end of year	\$ 593,170	\$ 2,210,468
Supplemental disclosure of non-cash financing activities		
Operating and finance lease assets and liabilities recognized upon adoption of ASC 842	\$ 1,131,221	\$ -

See Notes to Consolidated Financial Statement.

**Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022**

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.

Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
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This includes funding in support of an unhoused care team committed to reducing Downtown homelessness through 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.

Downtown San Diego Partnership
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- 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 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.

Employee Retention Credits

During fiscal year 2023, the Organization applied for and recorded as revenue \$1,301,853 in Employee Retention Credits administered by the Internal Revenue Service under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. As of the balance sheet date June 30, 2023, \$950,609 of the requested funds remain outstanding.

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.

Lessee arrangements

The Company is the lessee under non-cancelable real estate and equipment lease agreements.

Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

Beginning on July 1, 2022, the date of the Company's adoption of Accounting Standards Update ("ASU") No. 2016-02, Leases ("Topic 842"), as defined and discussed further in "Accounting Standards Issued and Adopted", below, operating lease right-of-use ("ROU") assets and liabilities are recognized at the commencement date and initially measured based on the present value of lease payments over the defined lease term. The Company's lease terms may include options to extend or terminate the lease. The Company assesses these options using a threshold of reasonably certain. For leases the Company is reasonably certain to renew, those option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreement does not contain any material residual value guarantees, restrictions or covenants.

As the Company's leases do not provide an implicit rate, the incremental borrowing rates are estimated based on the information available at the commencement date in determining the present value of lease payments. The implicit rate will be used when readily determinable. The operating lease ROU asset also includes any prepaid lease payments made and are net of lease incentives. The Company does not record an asset or liability for operating leases with a term of 12 months or less. Prior to the adoption of Topic 842 on July 1, 2022, the Company did not record an asset or liability for any of its operating leases.

The adoption of the new lease accounting guidance had a material impact to the Company's balance sheets and related disclosures and resulted in the recording of additional right-of-use assets and lease liabilities of \$1,131,221 as of the date of adoption. This guidance was applied using the optional transition method, which allowed the Company to not recast comparative financial information. Consistent with the optional transition method, the financial information in the balance sheets prior to the adoption of this new lease accounting guidance has not been adjusted and is therefore not comparable to the current period presented. For additional information, including the required disclosures, related to the impact of adopting this standard, see Note 7 — Commitments and contingencies.

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. 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.

Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
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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>2023</u>	<u>2022</u>
Performance obligations satisfied over time:		
City PBID assessment revenue	\$ 11,556,335	\$ 10,185,110
PBID program management	114,290	130,737
Parking districts	450,161	614,141
	<u>12,120,786</u>	<u>10,929,988</u>
Performance obligations satisfied at a point in time:		
Special events	<u>770,578</u>	<u>709,826</u>
Revenue within the scope of Topic 606	<u>\$ 12,891,364</u>	<u>\$ 11,639,814</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:

Contract balances	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 1,322,602	\$ 385,866
PBID advance from the City of San Diego	\$ 378,640	\$ 713,655

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, 2023 and 2022 the Organization did not record any in-kind contributions.

Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023, 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, 2023 and 2022.

For the year ended June 30, 2023, 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, 2023 and 2022.

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 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, 2023 and 2022, 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.

Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

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.

Subsequent Events

Subsequent events were evaluated by management through December 14, 2023, which is the date the consolidated financial statements were available for issuance.

Note 2 – Liquidity

The following reflects the Organization’s financial assets as of June 30, 2023, reduced by amounts not available for general use because of contractual obligations within one year of the consolidated statement of financial position date.

	2023
Cash and cash equivalents	\$ 593,170
Accounts receivable	1,322,602
Employee retention credit receivable	950,609
Other receivables	10,048
Total cash, cash equivalents and accounts receivable	2,876,429
Less amounts not available to be used within one year:	
Donor restricted net assets	15,303
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,861,126

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:

	2023	2022
City	\$ 1,231,650	\$ 90,117
Other	90,952	295,749
	\$ 1,322,602	\$ 385,866

Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

Note 4 – Property and equipment

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

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 680,210	\$ 693,005
Furniture and equipment	146,154	119,080
Computer equipment	280,211	280,211
Leasehold improvements	<u>206,956</u>	<u>206,956</u>
	1,313,531	1,299,252
Less: accumulated depreciation and amortization	<u>(990,660)</u>	<u>(826,581)</u>
	<u>\$ 322,871</u>	<u>\$ 472,671</u>

Depreciation and amortization expense totaled \$176,874 and \$157,704 for the years ended June 30, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Purpose on restrictions:		
Urban growth program	14,563	(9,588)
Business improvement district	-	36,097
Civic	<u>740</u>	<u>-</u>
	<u>\$ 14,563</u>	<u>\$ 26,509</u>

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 – 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, 2023, the Organization had approximately \$197,715 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 7 – Commitments and contingencies

Lease commitments

The Organization leases its office facilities and equipment under non-cancelable operating leases that expire on various dates through 2025.

Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

Supplemental balance sheet information related to operating leases is as follows as of June 30, 2023:

Right-of-use asset obtained in exchange for lease obligation:	
Operating leases	\$1,131,221
Weighted average remaining lease term:	
Operating leases (in months)	54
Weighted average discount rate:	
Operating leases	5.25%

Future minimum lease payments are as follows:

Years ending June 30,	
2024	\$ 198,443
2025	280,074
2026	220,140
2027	230,208
2028	261,193
Thereafter	-
Total minimum lease payments	\$ 1,190,058

During the years ended June 30, 2023 and 2022, the Organization's total rent expense was \$267,222 and \$268,424, respectively.

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, 2023

<u>Assets</u>	DSDP consolidated (DSDP, CS, <u>BID)</u>	<u>Related entities</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 496,736	\$ 96,434	\$ -	593,170
Accounts receivable	1,078,552	253,581	(9,531)	1,322,602
Employee retention credit receivable	950,609	-	-	950,609
Other receivables	233,620	255	(223,827)	10,048
Prepaid expenses and other assets	95,981	-	-	95,981
Total current assets	<u>2,855,498</u>	<u>350,270</u>	<u>(233,358)</u>	<u>2,972,410</u>
Property and equipment, net of accumulated depreciation				
	286,864	36,007	-	322,871
Right-of-use assets and incentives	<u>1,037,367</u>	<u>-</u>	<u>-</u>	<u>1,037,367</u>
Total assets	<u>\$ 4,179,729</u>	<u>\$ 386,277</u>	<u>\$ (233,358)</u>	<u>\$ 4,332,648</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 1,546,243	\$ 49,429	\$ (9,531)	1,586,141
Accrued expenses	304,113	241,243	(223,827)	321,529
Deferred revenue	43,375	-	-	43,375
Lease liability, current portion	170,254	-	-	170,254
Line of credit	370,777	-	-	370,777
PBID advance	335,047	218	-	335,265
Total current liabilities	<u>2,769,809</u>	<u>290,890</u>	<u>(233,358)</u>	<u>2,827,341</u>
Lease liability, net of current portion	<u>874,602</u>	<u>-</u>	<u>-</u>	<u>874,602</u>
Total liabilities	<u>3,644,411</u>	<u>290,890</u>	<u>(233,358)</u>	<u>3,701,943</u>
Net assets				
Without donor restriction	535,318	80,084	-	615,402
With donor restriction	-	15,303	-	15,303
Total net assets	<u>535,318</u>	<u>95,387</u>	<u>-</u>	<u>630,705</u>
Total liabilities and net assets	<u>\$ 4,179,729</u>	<u>\$ 386,277</u>	<u>\$ (233,358)</u>	<u>\$ 4,332,648</u>

**Downtown San Diego Partnership
Consolidating Statement of Activities
June 30, 2023**

	DSDP consolidated (DSDP, CS, BID)	Related entities	Eliminations	Total
Revenue and support:				
Assessment revenue	\$ 11,556,335	\$ -	\$ -	11,556,335
Contributions	12,750	94,040	-	106,790
Employee retention credit	1,301,853	-	-	1,301,853
Grants	10,000	1,130,796	-	1,140,796
Program management fee	1,144,668	95,150	(1,125,528)	114,290
Membership dues and renewals	762,404	-	-	762,404
Parking districts	155,403	294,758	-	450,161
Special events	770,578	-	-	770,578
Other operating income	79,300	-	-	79,300
Other income	2,502	-	-	2,502
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	-	-	-	-
Total revenues and support	<u>15,795,793</u>	<u>1,614,744</u>	<u>(1,125,528)</u>	<u>16,285,009</u>
Program and supporting expenses:				
Program services	13,587,944	1,506,156	-	15,094,100
Management and general	2,416,285	168,520	(1,125,528)	1,459,277
Fundraising	184,509	-	-	184,509
Total program and supporting expenses	<u>16,188,738</u>	<u>1,674,676</u>	<u>(1,125,528)</u>	<u>16,737,886</u>
Change in net assets	<u>(392,945)</u>	<u>(59,932)</u>	<u>-</u>	<u>(452,877)</u>
Net assets at beginning of year	<u>926,776</u>	<u>156,806</u>	<u>-</u>	<u>1,083,582</u>
Net assets at end of year	<u>\$ 533,831</u>	<u>\$ 96,874</u>	<u>\$ -</u>	<u>\$ 630,705</u>

Downtown San Diego Partnership
Financial Statement Reconciliation to Final City Invoice (Unaudited)
June 30, 2023

		2023
Total expenses per statement of activities - PBID	\$	12,798,584
Unallowed depreciation expense		(107,634)
Other unallowable expenses		(17,502)
Accrued salaries		(56,127)
Other accrued expenses		15,867
Equipment purchases		-
City fee, midblock lighting, and city park		-
Total expenses per final invoice to the City	\$	12,633,188

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

October 25, 2023

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

Vice President & Executive Director

Downtown San Diego Partnership Clean & Safe

**Downtown San Diego Partnership
Budget versus Actual – PBID (Unaudited)
June 30, 2023**

	<u>Budget</u>	<u>Actual Billed</u>	<u>Invoiced Difference</u>
Revenue and Other Income:			
Assessments	\$ 10,655,889	\$ 10,666,925	\$ 11,036
Midblock Lighting Income	(250,000)	(357,347)	(107,347)
City Fee Income	(150,000)	(150,000)	-
City-Park Reimbursement	20,000	20,000	-
Other City Revenue	36,000	24,965	(11,035)
Fund Balance	468,000	1,270,268	802,268
ERTC	1,046,134	1,158,378	112,244
Total Revenue and Other Income	<u>11,826,023</u>	<u>12,633,188</u>	<u>807,165</u>
Expenses:			
Personnel	5,005,564	4,845,276	(160,289)
Safety Contract Services	2,697,023	2,833,788	136,765
Powerwashing	1,538,197	2,023,494	485,297
Program Oversight	830,392	975,700	145,308
Insurance	30,793	45,660	14,867
Cleaning & Janitorial Supplies, Waste	299,775	484,512	184,737
Rents & Utilities	225,278	209,865	(15,413)
Landscape, Beautification & Placemaking	298,238	293,113	(5,125)
Leasing/ Purchasing (Equipment)	77,051	72,421	(4,630)
Vehicle Fuel, Repair & Maintenance	130,001	254,343	124,342
Office, Accounting, Data & IT Support	108,906	182,157	73,251
Legal	50,000	13,603	(36,397)
Board Meetings & Consultants	274,805	292,158	17,353
CEP-Business Marketing, Attraction & Retention	260,000	107,099	(152,901)
Total Reimbursable Expenses	<u>11,826,023</u>	<u>12,633,188</u>	<u>807,165</u>
Midblock Lighting	-	-	-
City Fee	-	-	-
Excess revenue and other income over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>