

Downtown San Diego Partnership
Consolidated Financial Statements
June 30, 2024 and 2023

**Downtown San Diego Partnership
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June 30, 2024 and 2023**

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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, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, 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, 2024 and 2023, and the related consolidated statements of activities and changes in net assets 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 19 through 23 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.

JGID & Associates, LLP

San Diego, California
November 21, 2024

Downtown San Diego Partnership
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 693,092	\$ 593,170
Accounts receivable, net	1,818,501	1,322,602
Employee retention credit receivable	-	950,609
Other receivables	8,982	10,048
Prepaid expenses and other assets	182,264	95,981
Total current assets	<u>2,702,839</u>	<u>2,972,410</u>
Property and equipment, net of		
Accumulated depreciation	213,896	322,871
Operating right of use assets, net	<u>810,009</u>	<u>1,037,367</u>
Total assets	<u>\$ 3,726,744</u>	<u>\$ 4,332,648</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 671,236	\$ 1,586,141
Accrued expenses	432,213	321,529
Deferred revenue	182,250	43,593
Lease liability, current portion	247,105	170,254
Notes payable, current portion	186,442	-
Line of credit	400,000	370,777
Advances	215,149	335,047
Total current liabilities	<u>2,334,395</u>	<u>2,827,341</u>
Lease liability, net of current portion	670,845	874,602
Notes payable, net of current portion	<u>456,704</u>	<u>-</u>
Commitments and contingencies		
Total liabilities	<u>3,461,944</u>	<u>3,701,943</u>
Net assets		
Without donor restriction	144,125	615,402
With donor restriction	120,675	15,303
Total net assets	<u>264,800</u>	<u>630,705</u>
Total liabilities and net assets	<u>\$ 3,726,744</u>	<u>\$ 4,332,648</u>

See Notes to Consolidated Financial Statements.

Downtown San Diego Partnership
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without donor restriction	With donor restriction	Total 2024
Revenue and support:			
Assessment revenue	\$ 12,144,166	\$ -	\$ 12,144,166
Contributions	394,361	66,113	460,474
Grants and contracts	2,474,570	39,999	2,514,569
Program management	793,535	-	793,535
Membership dues and renewals	799,801	-	799,801
Parking districts	1,554,288	-	1,554,288
Special events	617,872	-	617,872
Other operating income	56,345	-	56,345
Net assets released from restrictions	740	(740)	-
Total revenues and support	<u>18,835,678</u>	<u>105,372</u>	<u>18,941,050</u>
Program and supporting expenses:			
Program services:			
Downtown San Diego Services	14,806,098	-	14,806,098
Downtown San Diego Partnership	2,521,119	-	2,521,119
Management and general	1,815,931	-	1,815,931
Fundraising	163,807	-	163,807
Total program and supporting expenses	<u>19,306,955</u>	<u>-</u>	<u>19,306,955</u>
Change in net assets	<u>(471,277)</u>	<u>105,372</u>	<u>(365,905)</u>
Net assets at beginning of year	<u>615,402</u>	<u>15,303</u>	<u>630,705</u>
Net assets at end of year	<u>\$ 144,125</u>	<u>\$ 120,675</u>	<u>\$ 264,800</u>

See Notes to Consolidated Financial Statements.

Downtown San Diego Partnership
Consolidated Statement of Activities and Changes in Net Assets
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 and contracts	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 income	79,300	-	79,300
Paycheck Protection Plan loan forgiveness	2,502	-	2,502
Net assets released from restrictions	58,829	(58,829)	-
	16,296,215	(11,206)	16,285,009
Total revenues and support			
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
	16,737,886	-	16,737,886
Total program and supporting expenses			
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 Statements.

**Downtown San Diego Partnership
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024**

	<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	\$ 6,114,524	\$ 1,295,633	\$ 675,174	\$ 146,559	\$ 8,231,890
Repairs and maintenance	1,779,608	2,940	44,053	-	1,826,601
Contractual services	2,531,638	513,947	459,423	-	3,505,008
Beautification and placemaking	1,373,985	-	-	-	1,373,985
Employee benefits	985,711	146,495	73,922	7,724	1,213,852
Program management	26,395	35,559	66,961	-	128,915
Rent	118,543	112,282	117,631	5,920	354,376
Insurance	350,779	-	53,983	-	404,762
Homeless Outreach Program	906,137	-	-	-	906,137
Commercial Enhancement Program (CEP)	174,247	-	-	-	174,247
Special events	-	282,475	-	-	282,475
Depreciation and amortization	117,004	20,293	-	-	137,297
Legal and accounting	98,171	2,740	129,970	-	230,881
Political Action Committee	-	55,005	3,795	-	58,800
Office supplies	65,038	1,132	55,211	1,293	122,674
Utilities	122,852	-	37,669	-	160,521
Dues and subscriptions	-	1,617	9,771	-	11,388
Marketing	494	4,236	9,656	-	14,386
Travel and training	39,535	10,952	18,395	423	69,305
Membership and corporate events	1,437	35,813	24,678	1,888	63,816
Bad debt	-	-	35,639	-	35,639
	<u>\$ 14,806,098</u>	<u>\$ 2,521,119</u>	<u>\$ 1,815,931</u>	<u>\$ 163,807</u>	<u>\$ 19,306,955</u>

See Notes to Consolidated Financial Statements.

**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 Statements.

Downtown San Diego Partnership
Consolidated Statements of Cash Flows
June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (365,905)	\$ (452,877)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Amortization of operating lease and right of use assets	250,179	93,854
Depreciation and amortization	137,297	176,874
Bad debt	35,639	-
Employee retention credit	-	(1,301,853)
Gain loss on disposal of equipment	-	(5,300)
Accrued interest on notes payable	12,367	-
Changes in operating assets and liabilities		
Accounts receivable	(531,538)	(967,853)
Employee retention credit receivable	950,609	351,244
Other receivables	1,066	21,069
Prepaid expenses and other assets	(86,283)	(20,114)
Accounts payable	(914,905)	671,907
Accrued expenses	110,684	(111,872)
Deferred revenue	138,657	(32,950)
Operating lease liability	(149,727)	(86,365)
Advances	(119,898)	(302,065)
	<u>(531,758)</u>	<u>(1,966,301)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(28,322)	(27,074)
Proceeds from sale of property and equipment	-	5,300
	<u>(28,322)</u>	<u>(21,774)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Net draws on line of credit	29,223	370,777
Proceeds from notes payable	650,000	-
Payments on notes payable	(19,221)	-
	<u>660,002</u>	<u>370,777</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents	99,922	(1,617,298)
Cash and cash equivalents, beginning of year	<u>593,170</u>	<u>2,210,468</u>
Cash and cash equivalents, end of year	<u>\$ 693,092</u>	<u>\$ 593,170</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 60,923</u>	<u>\$ -</u>
Supplemental disclosure of non-cash financing activities		
Operating lease assets and liabilities recognized upon adoption of ASC 842/lease execution	<u>\$ 22,821</u>	<u>\$ 1,131,221</u>

See Notes to Consolidated Financial Statements.

**Downtown San Diego Partnership
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023**

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.

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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.

New accounting pronouncements

The Organization adopted Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments ("Topic 326") beginning on July 1, 2023 in order to conform with the updated GAAP financial instruments accounting. During the fiscal year ended June 30, 2024, the Organization did not have any expected credit losses on financial instruments to consider under Topic 326. The adoption of this standard did not have an impact on the current year consolidated financial statements.

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.

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- 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 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, net

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. The allowance for doubtful accounts was \$35,639 and \$0 at June 30, 2024 and 2023, respectively.

Employee Retention Credits

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and the subsequent extension of the CARES Act, the Company was eligible for employee retention credits subject to certain criteria. The Organization recognized \$0 and \$1,301,853, respectively, in employee retention credits during the years ended June 30, 2024 and 2023.

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.

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Lessee arrangements

The Organization is the lessee under non-cancelable real estate and equipment agreements. In accordance with ASU No. 2016-02, Leases (“Topic 842”), 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 Organization’s lease terms may include options to extend or terminate the lease. The Organization assesses these options using a threshold of reasonably certain. For leases the Organization 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 Organization’s lease agreements do not contain any material residual value guarantees, restrictions or covenants.

As the Organization’s leases do not provide an implicit rate, the incremental borrowing rate is 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 Organization does not record an asset or liability for operating leases with a term of 12 months or less.

For additional information, including the required disclosures, related to this standard, see Note 8 – 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.

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.

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Notes to Consolidated Financial Statements
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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>2024</u>	<u>2023</u>
Performance obligations satisfied over time:		
Assessment revenue	\$ 12,144,166	\$ 11,556,335
Program management	793,535	114,290
Parking districts	<u>1,554,288</u>	<u>450,161</u>
	14,491,989	12,120,786
Performance obligations satisfied at a point in time:		
Special events	<u>617,872</u>	<u>770,578</u>
Revenue within the scope of Topic 606	<u>\$ 15,109,861</u>	<u>\$ 12,891,364</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 contract balances are as follows as of June 30:

Contract balances	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 1,818,501	\$ 1,322,602
Advances and deferred revenue	\$ 397,399	\$ 378,640

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, 2024 and 2023 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.

Downtown San Diego Partnership
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024, 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, 2024 and 2023.

For the year ended June 30, 2024, 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, 2024 and 2023.

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.

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.

Downtown San Diego Partnership
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Subsequent Events

Subsequent events were evaluated by management through November 21, 2024, 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, 2024, reduced by amounts not available for general use because of contractual obligations within one year of the consolidated statement of financial position date.

	2024
Cash and cash equivalents	\$ 693,092
Accounts receivable	1,818,501
Other receivables	8,982
 Total cash, cash equivalents and accounts receivable	 2,520,575
Less amounts not available to be used within one year:	
Donor restricted net assets	120,675
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 2,399,900

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:

	2024	2023
City	\$ 1,492,120	\$ 1,231,650
Other	326,381	90,952
	\$ 1,818,501	\$ 1,322,602

Downtown San Diego Partnership
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 4 – Property and equipment

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

	2024	2023
Vehicles	\$ 680,210	\$ 680,210
Furniture and equipment	173,228	146,154
Computer equipment	271,597	280,211
Leasehold improvements	206,956	206,956
	1,331,991	1,313,531
Less: accumulated depreciation and amortization	(1,118,095)	(990,660)
	\$ 213,896	\$ 322,871

Depreciation and amortization expense totaled \$137,297 and \$176,874 for the years ended June 30, 2024 and 2023, respectively.

Note 5 – Notes Payable

Notes payable consist of the following at June 30, 2024 and 2023:

	2024	2023
<p>Note payable – Civic Community Partners, Inc, was entered into on August 9, 2023 with the original principal totaling \$400,000. The note payable bears interest at 7% and matures in August 2025. Interest payments begin in February 2024 and principal payments begin in August 2024. As of June 30, 2024, no principal balance was repaid and accrued interest totaling \$12,367 is included in the notes payable balance.</p>	\$ 412,367	-
<p>Note payable – Civic Community Partners, Inc, was entered into on April 25, 2024 with the original principal totaling \$250,000. The note payable bears interest at 9% and matures in May 2026. Monthly installment payments of \$11,421 including principal and interest begin in May 2024.</p>	230,779	-
Total notes payable	643,146	-
Less current portion	(186,442)	-
Long-term portion	\$ 456,704	-

Downtown San Diego Partnership
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

The following table summarized the scheduled principal payments on the notes subsequent to June 30, 2024:

June 30,	Total
2024	\$ 186,442
2025	456,704
Total notes payable	\$ 643,146

Note 6 – 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:

	2024	2023
Purpose on restrictions:		
Urban Growth	\$ 33,309	\$ 14,563
Civic	-	740
Bay To Park Paseo	25,879	-
San Diego Civic Center	21,388	-
Organizational Development	20,000	-
Unhoused Care	20,000	-
Others	99	-
	\$ 120,675	\$ 15,303

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 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, 2024, the Organization had \$243,065 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.

Downtown San Diego Partnership
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 8 – Commitments and contingencies

Lease commitments

The Organization leases its office facilities and equipment under non-cancelable operating leases that expire on various dates through 2028.

Supplemental balance sheet information related to operating leases is as follows as of June 30, 2024:

	<u>2024</u>	<u>2023</u>
Right of use asset obtained in exchange for lease obligation:		
Operating leases	\$ 810,009	1,037,367
Weighted average remaining lease term		
Operating leases (in months)	38	54
Weighted average discount rate		
Operating leases	5.25%	5.25%

Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	
2025	\$ 287,694
2026	227,760
2027	236,353
2028	240,615
2029	20,918
Thereafter	<u>-</u>
Total minimum lease payments	1,013,340
Amount of interest	(95,390)
Present value of lease liability	<u>\$ 917,950</u>

During the years ended June 30, 2024 and 2023, the Organization's total rent expense was \$354,376 and \$264,995, 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, 2024

<u>Assets</u>	DSDP consolidated (DSDP, CS, BID)	Related entities	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 293,621	\$ 399,471	\$ -	\$ 693,092
Accounts receivable, net	569,889	1,295,780	(47,168)	1,818,501
Other receivables	8,593	1,848	(1,459)	8,982
Prepaid expenses and other assets	181,765	1,999	(1,500)	182,264
Intercompany funds	646,243	-	(646,243)	-
Total current assets	<u>1,700,111</u>	<u>1,699,098</u>	<u>(696,370)</u>	<u>2,702,839</u>
Property and equipment, net of accumulated depreciation	197,665	16,231	-	213,896
Operating right of use assets, net	<u>810,009</u>	<u>-</u>	<u>-</u>	<u>810,009</u>
Total assets	<u>\$ 2,707,785</u>	<u>\$ 1,715,329</u>	<u>\$ (696,370)</u>	<u>\$ 3,726,744</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 469,883	\$ 248,511	\$ (47,158)	\$ 671,236
Accrued expenses	369,334	62,879	-	432,213
Deferred revenue	30,750	151,500	-	182,250
Lease liability, current portion	247,105	-	-	247,105
Notes payable, current portion	-	186,442	-	186,442
Line of credit	400,000	-	-	400,000
Advances	215,149	-	-	215,149
Intercompany funds	181,562	466,140	(647,702)	-
Total current liabilities	<u>1,913,783</u>	<u>1,115,472</u>	<u>(694,860)</u>	<u>2,334,395</u>
Lease liability, net of current portion	670,845	-	-	670,845
Notes payable, net of current portion	<u>-</u>	<u>456,704</u>	<u>-</u>	<u>456,704</u>
Total liabilities	<u>2,584,628</u>	<u>1,572,176</u>	<u>(694,860)</u>	<u>3,461,944</u>
Net assets				
Without donor restriction	123,157	22,478	(1,510)	144,125
With donor restriction	-	120,675	-	120,675
Total net assets	<u>123,157</u>	<u>143,153</u>	<u>(1,510)</u>	<u>264,800</u>
Total liabilities and net assets	<u>\$ 2,707,785</u>	<u>\$ 1,715,329</u>	<u>\$ (696,370)</u>	<u>\$ 3,726,744</u>

Downtown San Diego Partnership
Consolidating Statement of Activities and Changes in Net Assets
June 30, 2024

	DSDP consolidated (DSDP, CS, BID)	Related entities	Eliminations	Total
Revenue and support:				
Assessment revenue	\$ 12,144,166	\$ -	\$ -	12,144,166
Contributions	16,250	444,224	-	460,474
Grants and contracts		2,514,569	-	2,514,569
Program management fee	2,053,620	-	(1,260,085)	793,535
Membership dues and renewals	799,801	-	-	799,801
Parking districts	421,704	1,132,584	-	1,554,288
Special events	617,872	-	-	617,872
Other income	55,876	469	-	56,345
Total revenues and support	16,109,289	4,091,846	(1,260,085)	18,941,050
Program and supporting expenses:				
Program services	13,683,979	3,643,238	-	17,327,217
Management and general	2,672,177	402,329	(1,258,575)	1,815,931
Fundraising	163,807	-	-	163,807
Total program and supporting expenses	16,519,963	4,045,567	(1,258,575)	19,306,955
Change in net assets	(410,674)	46,279	(1,510)	(365,905)
Net assets at beginning of year	533,831	96,874	-	630,705
Net assets at end of year	\$ 123,157	\$ 143,153	\$ (1,510)	\$ 264,800

**Downtown San Diego Partnership
 Financial Statement Reconciliation to Final City Invoice (Unaudited)
 June 30, 2024**

		2024
Total expenses per statement of activities - PBID	\$	12,230,479
Unallowed depreciation expense		(97,228)
Other unallowable expenses		2,331
Accrued salaries		(60,378)
Other accrued expenses		(1,772)
Prior year fund balance		(146,898)
Parks water feature		(19,478)
Total expenses per final invoice to the City	\$	11,907,056

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

October 1, 2024

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, 2024**

	<u>Budget</u>	<u>Actual Billed</u>	<u>Invoiced Difference</u>
Revenue and other Income:			
Assessments	\$ 11,410,958	\$ 11,950,958	\$ 540,000
Midblock lighting income	(250,000)	(470,000)	(220,000)
City fee income	(150,000)	(150,000)	-
Grants	50,000	-	(50,000)
Other city revenue	20,000	-	(20,000)
Fund balance	500,000	576,098	76,098
ERTC	960,996	-	(960,996)
Total revenue and other income	<u>12,541,954</u>	<u>11,907,056</u>	<u>(634,898)</u>
Expenses:			
Salaries and wages	5,277,822	5,570,007	292,185
Safety contract services	2,891,674	2,224,272	(667,402)
Powerwashing	1,579,697	1,089,578	(490,119)
Program oversight	1,026,357	952,564	(73,793)
Business attraction and retention	150,000	101,659	(48,341)
Property marketing	150,000	72,588	(77,412)
Fidelity and general liability insurance	148,009	289,279	141,270
Cleaning/janitorial supplies	225,000	263,039	38,039
Rents/leases	158,936	220,404	61,468
Beautification/placemaking	95,000	58,620	(36,380)
Leasing/purchasing (equipment)	46,815	53,218	6,403
Tree trimming	8,880	7,182	(1,698)
Waste removal	115,000	129,955	14,955
Vehicle fuel	80,000	56,613	(23,387)
Streetscape	30,000	27,553	(2,447)
Other repairs/maintenance	60,000	105,858	45,858
Phone services	71,280	74,651	3,371
Data tracking	58,200	52,336	(5,864)
Water services	26,460	12,560	(13,900)
Vehicle insurance	50,226	46,807	(3,419)
IT support	18,000	96,585	78,585
Office supplies	13,200	16,331	3,131
Water feature	40,000	19,478	(20,522)
Consultants	135,898	273,788	137,890
Payroll/webservices	36,000	28,822	(7,178)
Legal	20,000	39,200	19,200
Community/board meetings	5,000	1,315	(3,685)
Conference and educational fees	24,500	22,794	(1,706)
Total reimbursable expenses	<u>12,541,954</u>	<u>11,907,056</u>	<u>(634,898)</u>
Excess revenue and other income over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>