



Report of Independent Auditors and
Financial Statements and
Supplemental Information for

**San Diego Tourism Marketing District
(A Nonprofit Organization)**

June 30, 2016 and 2015

**San Diego Tourism Marketing District
(A Nonprofit Organization)**

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Independent Auditors' Report

To the Board of Directors
San Diego Tourism Marketing District
San Diego, California

We have audited the accompanying financial statements of San Diego Tourism Marketing District, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Tourism Marketing District as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Redwitz, Inc.

Orange County	5520 Trabuco Road, Irvine, California 92620	(949) 753-1514 • (949) 753-1535 fax
San Francisco Bay Area	1 Almaden Boulevard, Suite 950, San Jose, California 95113	(408) 377-3441 • (408) 377-5834 fax
San Diego County	4275 Executive Square, Suite 1000, La Jolla, California 92037	(858) 455-9000 • (858) 455-8279 fax

www.redwitz.com (800) 576-1514

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Redwitz, Inc.
La Jolla, California
January 12, 2017

San Diego Tourism Marketing District

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 1,131,041	\$ 7,434,971
Accounts receivable	13,930,761	11,301,675
Prepaid expenses	93,991	100,226
Accrued interest income	693,852	685,500
Advances to contractors	2,000,000	2,000,000
Total current assets	<u>17,849,645</u>	<u>21,522,372</u>
Other assets		
Security deposits	1,362	1,362
City holdbacks	19,500,000	12,282,177
Total other assets	<u>19,501,362</u>	<u>12,283,539</u>
Total assets	<u>\$ 37,351,007</u>	<u>\$ 33,805,911</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 6,965,921	\$ 6,953,691
Accrued expenses	171	8,856
Deferred revenue	9,672,183	13,636,075
Total current liabilities	<u>16,638,275</u>	<u>20,598,622</u>
Long-term liabilities		
Deferred revenue	-	282,177
Indemnification reserve	19,500,000	12,000,000
Total long-term liabilities	<u>19,500,000</u>	<u>12,282,177</u>
Total liabilities	<u>36,138,275</u>	<u>32,880,799</u>
Net assets		
Unrestricted	<u>1,212,732</u>	<u>925,112</u>
Total net assets	<u>1,212,732</u>	<u>925,112</u>
Total liabilities and net assets	<u>\$ 37,351,007</u>	<u>\$ 33,805,911</u>

San Diego Tourism Marketing District

Statements of Activities

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue and support		
Tourism Marketing District revenue	\$ 33,005,359	\$ 26,918,042
Interest income	279,720	151,619
Other income	<u>7,900</u>	<u>2,500</u>
Total revenue and support	<u>33,292,979</u>	<u>27,072,161</u>
Expenses		
Program services		
Allocations to contractors	<u>30,578,224</u>	<u>24,799,828</u>
Total program expenses	<u>30,578,224</u>	<u>24,799,828</u>
Support services		
Management and general		
SDTMD operations	1,999,909	1,970,912
Administrative fee to the City of San Diego	<u>427,226</u>	<u>401,101</u>
Total support services expenses	<u>2,427,135</u>	<u>2,372,013</u>
Increase (decrease) in unrestricted net assets	287,620	(99,680)
Net assets, beginning of year	<u>925,112</u>	<u>1,024,792</u>
Net assets, end of year	<u>\$ 1,212,732</u>	<u>\$ 925,112</u>

San Diego Tourism Marketing District

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 287,620	\$ (99,680)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) decrease in current assets		
Accounts receivable	(2,629,086)	(2,487,254)
Prepaid expenses	6,235	161,208
Accrued interest income	(8,352)	(5,775)
City holdbacks	(7,217,823)	(6,549,761)
Increase (decrease) in current liabilities		
Accounts payable	12,230	1,990,870
Accrued expenses	(8,685)	1,273
Indemnification reserve	7,500,000	6,500,000
Deferred revenue	(4,246,069)	366,211
Net cash used by operating activities	<u>(6,303,930)</u>	<u>(122,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances to contractors	(2,000,000)	(2,000,000)
Collection of advances to contractors	<u>2,000,000</u>	<u>2,000,000</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
Net decrease in cash	(6,303,930)	(122,908)
Cash, beginning of year	<u>7,434,971</u>	<u>7,557,879</u>
Cash, end of year	<u>\$ 1,131,041</u>	<u>\$ 7,434,971</u>

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Organization and summary of significant accounting policies

Nature of business

San Diego Tourism Marketing District (“SDTMD”) is a nonprofit mutual benefit corporation, incorporated on November 14, 2007, and organized under the California Nonprofit Mutual Benefit Corporation Law. SDTMD began operations on April 1, 2008. SDTMD is a funding conduit for the development and implementation of effective marketing programs and services that benefit the assessed businesses within the Tourism Marketing District (“TMD”). SDTMD is responsible for the allocation and distribution of the available revenue and contracts with qualified third-party vendors to supply marketing programs and services as required and approved by the Board of Directors. All recipients of funding are required to clearly demonstrate a measurable Return on Investment for the programs or services they propose, as measured by incremental new room nights generated.

The TMD was formed pursuant to San Diego City Ordinance O-19622 N.S. The ordinance allows qualifying lodging business to create a district within which businesses pay assessments to fund programs and services that specifically benefit the assessed lodging businesses. The TMD assessment is based upon 2% of gross room revenue from transient stays for lodging business with 70 or more sleeping rooms operating within the City of San Diego (“City”) and is remitted and reported to the City. The City oversees the collection of the assessments and ensures that the expenditure of funds is consistent with the TMD Management Plan. TMD funds are released to SDTMD after SDTMD has reimbursed its contractors. The original district (“O-19622”) was established by a procedural ordinance for a five-year term that ended December 31, 2012.

The renewed TMD (“O-20096”) was formed pursuant to San Diego City Ordinance O-20096, and was approved for thirty-nine and one-half (39.5) years with collections commencing January 1, 2013. There are two benefit categories in O-20096. Each benefit category is designed so that the activities provided in connection with that category will confer exclusive privileges and a specific benefit directly to assessed businesses. Category A which includes lodging businesses in the district with thirty (30) or more rooms with an assessment rate of 1.45% and Category B which includes all lodging businesses in the district, regardless of size, with an assessment rate of .55%. SDTMD entered into an agreement with the City to operate O-20096 for a five-year period until November 25, 2017, with a provision to extend beyond the term for three 10-year terms.

Basis of accounting

SDTMD’s financial statements have been prepared on the accrual basis of accounting. SDTMD reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2016 and 2015, SDTMD had no temporarily or permanently restricted net assets.

Assessment and interest revenue

SDTMD’s sole source of income comes from TMD assessments, penalty income, and interest income. Under the provisions of SDTMD’s agreement with the City, a pooled fund was established by the City for the receipt and disbursement of TMD assessments and other City administered assets. The fund, along with any interest income earned on the City’s investment pool, is administered by the City’s auditor and comptroller. At June 30, 2016 and 2015, the estimated balance of SDTMD’s share of the pooled fund is included in accounts receivable and City holdbacks on the statements of financial position.

Revenue from assessments is recognized in the year in which the offsetting liability to contractors is incurred and operating expenses are paid. Thus, deferred assessment revenue includes assessments collected but not expended as of June 30, 2016 and 2015.

SDTMD is unable to estimate interest revenue since it lacks visibility to the City’s investment pool. Therefore, interest revenue is recognized as it is reported by the City’s comptroller. The City credits SDTMD with a portion of the interest earned from the City’s investment pool based on SDTMD’s average share of the pool.

San Diego Tourism Marketing District

Notes to Financial Statements
June 30, 2016 and 2015

Note 1 – Organization and summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from these estimates.

Interest revenue as reported by the City is subject to change given the timing of the City's year-end close and audit; it is reasonably possible that the interest income amount may change in the near term.

Income taxes

SDTMD is exempt from income taxes under Section 501(c) 6 of the Internal Revenue Code and similar provisions of the California Revenue and Taxation code. In addition, the Internal Revenue Service determined that SDTMD is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. SDTMD may be subject to income taxes on any unrelated business income over \$1,000.

Management of SDTMD considers the likelihood of taxes imposed by taxing authorities and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to SDTMD's status as a not-for-profit entity. Management believes SDTMD has met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements.

SDTMD's exempt return filings for the past three years are subject to examination by tax authorities.

Subsequent events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through January 12, 2017, which is the date the financial statements were available to be issued. See Note 10 for subsequent events.

Fair value measurements

The Fair Value Measurements and Disclosure Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three general valuation techniques that may be used to measure fair value, are as follows: Market approach – which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources; Cost approach – which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and the Income approach – which uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The Fair Value Measurements and Disclosure Topic establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority.

The carrying amount reflected in the combined balance sheet for cash, receivables, and payables approximates fair values due to the relative short maturities of these instruments.

San Diego Tourism Marketing District

Notes to Financial Statements
June 30, 2016 and 2015

Note 2 – Accounts receivable

Accounts receivable at June 30, 2016 and 2015 are comprised of assessments collected by the City but unremitted to SDTMD. The balances in accounts receivable due from the City at June 30, 2016 and 2015 are as follows:

	2016	2015
Assessments receivable	\$ 5,994,488	\$ 1,704,238
City holdbacks, current	7,936,273	9,597,437
	<u>\$ 13,930,761</u>	<u>\$ 11,301,675</u>

SDTMD submissions to the City are reviewed by the City to make certain they are allocable and allowable for TMD funding.

Accounts receivable - O-19622

Under O-19622, the City remits assessments collected to SDTMD as reimbursement requests are submitted to the City by SDTMD. Reimbursements of SDTMD submissions are made within 30 days of submission, beyond which they are considered delinquent. There were no delinquent reimbursements at June 30, 2016 and 2015.

Accounts receivable - O-20096

Under O-20096, the City remits assessments to SDTMD as collected less City holdbacks of opportunity/catastrophe reserve, indemnification reserve, and City administration fees. SDTMD receives remittances from the City on a monthly basis. The monthly remittances are comprised of assessments collected during the prior period less City holdbacks. Subsequently, the SDTMD submits reimbursement requests to support prior remittances from the City.

SDTMD's receivables are deemed by management to be fully collectible. No allowance for doubtful accounts is considered necessary.

Note 3 – City holdbacks

As part of the close out of the O-19622, assessments representing funds for which reimbursement has not been requested (unspent assessments) are required to be held in reserve by the City for at least a three-year period from March 31, 2013, the date at which the contract was terminated. At June 30, 2015, unspent assessments were included in long-term City holdbacks. At the date of the audit report, management believes that the unspent assessments will be reimbursed within one year, and are included in current City holdbacks rather than long-term City holdbacks at June 30, 2016 (see Notes 2 and 5). Long-term City holdbacks (amounts held in reserve for more than one year) are comprised of the following as of June 30, 2016 and 2015:

	2016	2015
Unspent assessments - O-19622	\$ -	\$ 282,177
Indemnification reserve (see Note 6)	19,500,000	12,000,000
	<u>\$ 19,500,000</u>	<u>\$ 12,282,177</u>

Note 4 – Accounts payable

The balances in accounts payable at June 30, 2016 and 2015 consist of the following:

	2016	2015
Unpaid reimbursement requests from contractors	<u>\$ 6,965,921</u>	<u>\$ 6,953,691</u>

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2016 and 2015

Note 5 – Deferred revenue

Deferred revenue consists of unspent assessments which include opportunity/catastrophe reserve required under the provision of the City contract, unbudgeted and/or under spent variable distributions from competitive applications and under spent administrative costs. The balance in deferred revenue as of June 30, 2016 and 2015 is as follows:

	2016	2015
Unspent assessments - O-19622	\$ 300,732	\$ 282,177
Category A - O-20096	7,868,376	12,426,843
Category B - O-20096	1,503,075	1,209,232
	<u>\$ 9,672,183</u>	<u>\$ 13,918,252</u>
Less: long-term portion - O-19622	-	(282,177)
	<u>\$ 9,672,183</u>	<u>\$ 13,636,075</u>

Note 6 – Indemnification reserve

The City of San Diego required an amendment to the SDTMD contract requiring the district to reserve assessments to manage risk associated with the disbursement of assessment funds prior to the resolution of any legal challenge to the district or assessment. Under the terms of the amendment to the SDTMD contract, the indemnification reserve as of June 30, 2016 and 2015 is \$19,500,000 and \$12,000,000, respectively. Reserve funds are physically held by the City and are included in City holdbacks on the statements of financial position.

Note 7 – Assessment contract

O-19622

On April 1, 2008, SDTMD entered into an agreement with the City to operate the TMD. The City collects the assessment revenue and maintains the funds in treasury. The board of directors of SDTMD contracts with local organizations to promote the San Diego lodging industry. SDTMD requests reimbursement from the City for all expended funds. SDTMD requires its contractors to provide extensive paperwork to support their expenditures in order to ensure only eligible items are being expended with TMD funds. This agreement terminated on March 31, 2013, with the expiration of the initial district.

O-20096

On November 26, 2012, SDTMD entered into an agreement with the City to operate the renewed TMD district. The board of directors of SDTMD contracts with local organizations to promote the San Diego lodging industry. The City collects the assessment revenue and advances the proceeds directly to SDTMD net of the budgeted opportunity/catastrophe reserve, currently 5% of assessments, indemnification reserve, and the City administration fees. On at least a monthly basis, SDTMD submits reconciliation reports to the City accounting for all the expended funds. SDTMD requires its contractors to provide extensive paperwork to support their expenditures in order to ensure only eligible items are being expended with TMD funds.

As of June 30, 2016 and 2015, management of SDTMD asserts that the corporation was in compliance with the terms of the City's agreement. See Schedules I and II for budget-to-actual comparisons.

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2016 and 2015

Note 8 – Lease agreements

SDTMD leases its office space for the monthly rate of \$1,553 plus common area maintenance charges. The non-cancelable lease commenced on December 20, 2013, terminated on December 31, 2014, and renewed with a lease term to June 30, 2016. During May 2016, the lease agreement was renewed for an additional twelve-month term (see Note 10). Rent for the years ended June 30, 2016, and 2015, was \$17,897 and \$16,002, respectively.

Future minimum lease payments under this lease for the year ending June 30, 2017 are \$18,636.

Note 9 – Concentrations

SDTMD maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. SDTMD has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash. At June 30, 2016, and 2015, SDTMD had uninsured cash balances of \$3,514,542 and \$7,187,440, respectively.

As of June 30, 2016 and 2015, TMD assessments and interest thereon make up 100% of the funds received by SDTMD from the City and the related accounts receivable, accrued interest income, and holdbacks make up approximately 91% and 72% of total assets, respectively.

Note 10 – Subsequent events

During May 2016, SDTMD amended and renewed its lease for office space. Effective July 1, 2016, the monthly rate remained at \$1,553 plus common area maintenance charges. The lease expires June 30, 2017.

On August 2, 2016 the Council of the City of San Diego adopted Resolution Number R-310664 modifying the District Management Plan, eliminating the A and B funding categories, and defining lodging business as those with seventy (70) or more rooms. The effective date of the modification is November 1, 2016. SDTMD entered into an agreement with the City to operate the modified district for a five-year period until October 31, 2021.

As of June 30, 2016, SDTMD was a defendant in a lawsuit in San Diego Superior Court which asserted that the November 12, 2012 renewal of the SDTMD and its associated assessment on hotels in the City of San Diego was invalid under the provisions of Proposition 26 of the California Constitution. On September 1, 2016, the lawsuit was dismissed. However, the plaintiff filed a request for SDTMD to pay its costs and filed a motion for attorneys' fees. Management intends to vigorously defend its position against this request and as of the date of the audit report, believes the amount of any potential exposure to SDTMD was not subject to reasonable estimation.

Supplemental Information

San Diego Tourism Marketing District

Schedule I - Statements of Revenues and Expenditures - TMD Agreement with City of San Diego - O-20096
For the Year Ended June 30, 2016

	Actual	Budget	Difference
REVENUES			
Assessments	\$ 36,235,558	\$ 34,517,026	\$ 1,718,532
Prior year deferred revenue/budgeted reserves	25,636,075	22,982,589	2,653,486
Total assessments	61,871,633	57,499,615	4,372,018
Less: deferred revenue/budgeted reserves	(28,871,451)	(23,098,723)	(5,772,728)
Assessment revenues realized	33,000,182	34,400,892	(1,400,710)
Other income	7,900	-	7,900
Penalty income	30,059	-	30,059
Interest income	241,310	30,000	211,310
Total revenues	33,279,451	34,430,892	(1,151,441)
EXPENSES			
Category A			
A1 - Variable distributions from competitive applications	-	-	-
A1.1 - Hotel meeting sales	3,604,979	3,488,621	116,358
A1.2 - Event management and group sales development	2,426,908	2,485,337	(58,429)
A1.3 - Tourism development including travel and trade	1,620,477	1,794,727	(174,250)
A1.4 - Group meeting direct marketing	891,252	940,061	(48,809)
A1.5 - Consumer direct sales and marketing program	9,574,883	10,053,368	(478,485)
A1.6 - Multi-year tourism development (SDTMD)	700,000	700,000	-
A2 - Sub-regional targeting	2,493,326	2,768,188	(274,862)
A3 - Competitive targeting	1,838,245	1,954,900	(116,655)
Total A1 - A3 expenses	23,150,070	24,185,202	(1,035,132)
SDTMD operating expenses			
Personnel	186,549	205,723	(19,174)
Contractual services	1,229,090	1,291,116	(62,026)
Overhead	34,295	55,095	(20,800)
Contingency	-	1,219	(1,219)
Administrative fee to the City of San Diego	233,797	435,000	(201,203)
Total SDTMD operating expenses	1,683,731	1,988,153	(304,422)
Total category A	24,833,801	26,173,355	(1,339,554)
Category B			
SDTMD operating expenses			
Personnel	70,760	78,032	(7,272)
Contractual services	466,207	489,734	(23,527)
Overhead	13,008	20,899	(7,891)
Contingency	-	462	(462)
Administrative fee to the City of San Diego	188,252	165,000	23,252
Total SDTMD operating expenses	738,227	754,127	(15,900)
Destination marketing with a specific call to action	7,428,154	7,503,410	(75,256)
Total category B	8,166,381	8,257,537	(91,156)
Total expenses	33,000,182	34,430,892	(1,430,710)
Increase in unrestricted net assets	\$ 279,269	\$ -	\$ 279,269
DEFERRED REVENUE AND INDEMNIFICATION RESERVE			
Category A			
Operations	\$ 432,312	\$ -	\$ 432,312
Opportunity/catastrophe reserve	4,001,766	3,313,380	688,386
Distributable funds	3,434,297	-	3,434,297
Indemnification reserve	14,137,500	14,137,500	-
Total category A	22,005,875	17,450,880	4,554,995
Category B			
Operations	-	-	-
Opportunity/catastrophe reserve	1,400,471	285,343	1,115,128
Distributable funds	102,605	-	102,605
Indemnification reserve	5,362,500	5,362,500	-
Total category B	6,865,576	5,647,843	1,217,733
Total deferred revenue/indemnification reserve	28,871,451	23,098,723	5,772,728
Total expenditures and reserves	\$ 61,871,633	\$ 57,529,615	\$ 4,342,018
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS			
San Diego Tourism Authority (SDTA)	\$ 27,526,119	\$ 28,513,712	\$ (987,593)
SDTA - Amgen	100,000	100,000	-
SDTA - World Beach Games	393,860	400,000	(6,140)
SDTA - Nike	20,000	20,000	-
California State Games	150,000	150,000	-
California Police Athletic Federation	53,785	60,000	(6,215)
Competitor Group - Rock'n'Roll Marathon	253,184	300,000	(46,816)
Craft Brewers Guild - San Diego Beer Week	73,168	74,900	(1,732)
Farmers Open	190,299	200,000	(9,701)
Gaslamp Quarter Historical Foundation	5,000	5,000	-
KOZ Events	29,195	30,000	(805)
LGBT Pride	17,114	25,000	(7,886)
Padres	400,000	400,000	-
San Diego Bayfair	95,000	95,000	-
San Diego Bowl Game Association	450,000	450,000	-
San Diego Crew Classic	121,500	165,000	(43,500)
	\$ 29,878,224	\$ 30,988,612	\$ (1,110,388)

San Diego Tourism Marketing District

Schedule I - Statements of Revenues and Expenditures - TMD Agreement with City of San Diego - O-20096

For the Year Ended June 30, 2015

	Actual	Budget	Difference
REVENUES			
Assessments	\$ 33,728,106	\$ 31,294,040	\$ 2,434,066
Prior year deferred revenue/budgeted reserves	18,334,684	14,887,871	3,446,813
Total assessments	52,062,790	46,181,911	5,880,879
Less: deferred revenue/budgeted reserves	(25,636,075)	(15,309,591)	(10,326,484)
Assessment revenues realized	26,426,715	30,872,320	(4,445,605)
Other income	2,500	-	2,500
Penalty income	25,901	-	25,901
Interest income	119,912	30,000	89,912
Total revenues	26,575,028	30,902,320	(4,327,292)
EXPENSES			
Category A			
A1 - Variable distributions from competitive applications	-	-	-
A1.1 - Hotel meeting sales	3,297,674	3,624,995	(327,321)
A1.2 - Event management and group sales development	1,172,571	1,244,164	(71,593)
A1.3 - Tourism development including travel and trade	1,431,530	1,550,446	(118,916)
A1.4 - Group meeting direct marketing	760,555	760,793	(238)
A1.5 - Consumer direct sales and marketing program	6,092,591	6,521,883	(429,292)
A1.6 - Multi-year tourism development (SDTMD)	500,000	500,000	-
A2 - Sub-regional targeting	2,299,227	3,000,000	(700,773)
A3 - Competitive targeting	1,699,432	3,727,414	(2,027,982)
Total A1 - A3 expenses	17,253,580	20,929,695	(3,676,115)
SDTMD operating expenses			
Personnel	165,774	169,915	(4,141)
Contractual services	856,963	1,045,450	(188,487)
Overhead	35,069	60,442	(25,373)
Contingency	-	258,520	(258,520)
Administrative fee to the City of San Diego	206,787	435,000	(228,213)
Total SDTMD operating expenses	1,264,593	1,969,327	(704,734)
Total category A	18,518,173	22,899,022	(4,380,849)
Category B			
SDTMD operating expenses			
Personnel	62,880	64,449	(1,569)
Contractual services	388,184	396,550	(8,366)
Overhead	13,302	22,928	(9,626)
Contingency	-	98,059	(98,059)
Administrative fee to the City of San Diego	187,929	165,000	22,929
Total SDTMD operating expenses	652,295	746,986	(94,691)
Destination marketing with a specific call to action	7,256,248	7,256,312	(64)
Total category B	7,908,543	8,003,298	(94,755)
Total expenses	26,426,716	30,902,320	(4,475,604)
Increase in unrestricted net assets	\$ 148,312	\$ -	\$ 148,312
DEFERRED REVENUE AND INDEMNIFICATION RESERVE			
Category A			
Operations	\$ 830,401	\$ 47,272	\$ 783,129
Opportunity/catastrophe reserve	2,716,125	2,614,375	101,750
Distributable funds	8,880,317	-	8,880,317
Indemnification reserve	8,700,000	8,323,938	376,062
Total category A	21,126,843	10,985,585	10,141,258
Category B			
Operations	7,975	-	7,975
Opportunity/catastrophe reserve	1,078,450	647,944	430,506
Distributable funds	122,807	-	122,807
Indemnification reserve	3,300,000	3,676,062	(376,062)
Total category B	4,509,232	4,324,006	185,226
Total deferred revenue/indemnification reserve	25,636,075	15,309,591	10,326,484
Total expenditures and reserves	\$ 52,062,791	\$ 46,211,911	\$ 5,850,880
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS			
San Diego Tourism Authority (SDTA)	\$ 22,310,396	\$ 23,958,593	\$ (1,648,197)
SDTA - Balboa Park Centennial carryover	200,000	2,000,000	(1,800,000)
California State Games	150,000	150,000	-
Competitor Group - Rock'n'Roll Marathon	177,148	300,000	(122,852)
Craft Brewers Guild - San Diego Beer Week	57,130	74,900	(17,770)
Farmers Open	197,702	200,000	(2,298)
La Jolla Playhouse - "The Hunchback of Notre Dame"	18,114	18,114	-
San Diego Bayfair	85,000	85,000	-
San Diego Bowl Game Association	450,000	450,000	-
San Diego Crew Classic	120,500	120,500	-
San Diego Sports Commission	243,838	328,900	(85,062)
	\$ 24,009,828	\$ 27,686,007	\$ (3,676,179)

San Diego Tourism Marketing District

Schedule II - Statements of Revenues and Expenditures - TMD Agreement with City of San Diego - O-19622
 For the Years Ended June 30, 2016, 2015, 2014 and 2013

	2016	2015	2014	2013	Combined	Budget	Difference
	Actual	Actual	Actual	Actual	Actual		
REVENUES							
Assessment revenues	\$ 5,177	\$ 491,327	\$ 354,575	\$ 16,832,506	\$ 17,683,585	\$ 19,436,209	\$(1,752,624)
Interest income	8,351	5,806	4,487	27,022	45,666	50,000	(4,334)
Total revenues	<u>13,528</u>	<u>497,133</u>	<u>359,062</u>	<u>16,859,528</u>	<u>17,729,251</u>	<u>19,486,209</u>	<u>(1,756,958)</u>
EXPENSES							
SDTMD operating expenses							
Personnel	-	-	-	152,001	152,001	183,566	(31,565)
Contractual services	-	448,740	502,347	534,757	1,485,844	1,921,640	(435,796)
Overhead	-	-	-	21,835	21,835	28,429	(6,594)
Recertification costs	-	-	60,000	306,422	366,422	329,924	36,498
Administrative fee to the City of San Diego	5,177	6,385	41,575	190,286	243,423	186,930	56,493
Total SDTMD operating expenses	<u>5,177</u>	<u>455,125</u>	<u>603,922</u>	<u>1,205,301</u>	<u>2,269,525</u>	<u>2,650,489</u>	<u>(380,964)</u>
Fixed allocations:							
SD Convention and Visitors Bureau	-	-	-	8,034,615	8,034,615	9,011,237	(976,622)
SD North Convention and Visitors Bureau	-	-	-	1,804,608	1,804,608	2,181,291	(376,683)
Total fixed allocations	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,839,223</u>	<u>9,839,223</u>	<u>11,192,528</u>	<u>(1,353,305)</u>
Incremental allocations							
Balboa Park 2015	-	-	-	-	-	72,594	(72,594)
SDCVB - Integrated Incremental	-	290,000	-	3,685,327	3,975,327	3,931,048	44,279
SDCVB - Asia	-	-	-	152,922	152,922	250,000	(97,078)
SDCVB - SD Film Commission	-	-	-	99,495	99,495	100,000	(505)
BTB - Art, Inc.	-	-	-	25,000	25,000	25,000	-
California State Games	-	-	-	100,000	100,000	100,000	-
San Diego Bay Wine & Food Festival	-	-	-	65,800	65,800	65,800	-
San Diego Bayfair Thunderboats	-	-	-	80,600	80,600	80,600	-
San Diego Bowl Games Association	-	-	-	450,000	450,000	450,000	-
San Diego Crew Classic	-	-	-	106,083	106,083	113,000	(6,917)
San Diego Sports Commission	-	-	-	338,299	338,299	355,250	(16,951)
San Diego Brewers Guild - Beer Week	-	-	-	68,936	68,936	74,900	(5,964)
San Diego Spirits Festival	-	-	-	25,000	25,000	25,000	-
Total incremental allocations	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>5,197,462</u>	<u>5,487,462</u>	<u>5,643,192</u>	<u>(155,730)</u>
Opportunity/catastrophe reserve	-	-	-	87,899	87,899	-	87,899
Total expenses	<u>5,177</u>	<u>745,125</u>	<u>603,922</u>	<u>16,329,885</u>	<u>17,684,109</u>	<u>19,486,209</u>	<u>(1,802,100)</u>
(Decrease) increase in unrestricted net assets	<u>\$ 8,351</u>	<u>\$ (247,992)</u>	<u>\$ (244,860)</u>	<u>\$ 529,643</u>	<u>\$ 45,142</u>	<u>\$ -</u>	<u>\$ 45,142</u>