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Report of Independent Auditors and
Financial Statements and
Supplemental Information for

San Diego Tourism Marketing District
(A Nonprofit Organization)

June 30, 2018 and 2017

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, 2018 and 2017, 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.

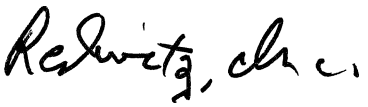
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, 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.

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
December 12, 2018

San Diego Tourism Marketing District
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash	$ 1,774,220	$ 2,522,614
Accounts receivable	1,373,253	3,318,778
City holdbacks, current	11,105,611	6,736,882
Prepaid expenses	214,060	309,966
Accrued interest income	75,679	71,315
Advances to contractors	1,322,133	806,559
Total current assets	15,864,956	13,766,114
Other assets		
Security deposits	-	1,538
City holdbacks, net of current portion	22,000,000	26,000,000
Total other assets	22,000,000	26,001,538
Total assets	$ 37,864,956	$ 39,767,652
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 4,909,197	$ 5,818,822
Deferred revenue	5,283,173	4,007,002
Indemnification reserve, current	5,000,000	3,000,000
Total current liabilities	15,192,370	12,825,824
Long-term liabilities		
Indemnification reserve, net of current portion	22,000,000	26,000,000
Total long-term liabilities	22,000,000	26,000,000
Total liabilities	37,192,370	38,825,824
Net assets		
Unrestricted	672,586	941,828
Total net assets	672,586	941,828
Total liabilities and net assets	$ 37,864,956	$ 39,767,652

See accompanying notes to financial statements

San Diego Tourism Marketing District

Statements of Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017
Revenue and support		
Tourism Marketing District revenue	$ 38,243,775	$ 33,074,241
Interest income	463,646	418,922
Other income	30,603	30,874
Total revenue and support	38,738,024	33,524,037
Expenses		
Program services		
Allocations to contractors	37,418,802	31,637,543
Total program expenses	37,418,802	31,637,543
Support services		
Management and general		
SDTMD operations	1,131,633	1,628,123
Administrative fee to the City of San Diego	456,831	529,275
Total support services expenses	1,588,464	2,157,398
Decrease in unrestricted net assets	(269,242)	(270,904)
Net assets, beginning of year	941,828	1,212,732
Net assets, end of year	$ 672,586	$ 941,828

See accompanying notes to financial statements

San Diego Tourism Marketing District

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (269,242)	$ (270,904)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Decrease (increase) in operating assets		
Accounts receivable	1,945,525	4,047,950
City holdbacks, current	(4,368,729)	(172,849)
Prepaid expenses	95,906	(215,975)
Accrued interest income	(4,364)	622,537
Security deposit	1,538	(176)
City holdbacks, net of current portion	4,000,000	(6,500,000)
Increase (decrease) in operating liabilities		
Accounts payable	(909,625)	(1,147,099)
Accrued expenses	-	(171)
Deferred revenue	1,276,171	(5,665,181)
Indemnification reserve, current	2,000,000	3,000,000
Indemnification reserve	(4,000,000)	6,500,000
Net cash (used) provided by operating activities	(232,820)	198,132
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances to contractors	(1,322,133)	(806,559)
Collection of advances to contractors	806,559	2,000,000
Net cash (used) provided by investing activities	(515,574)	1,193,441
Net (decrease) increase in cash	(748,394)	1,391,573
Cash, beginning of year	2,522,614	1,131,041
Cash, end of year	$ 1,774,220	$ 2,522,614

See accompanying notes to financial statements

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 seventy (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.

On August 2, 2016 the Council of the City of San Diego adopted Resolution Number R-310664 modifying the District Management Plan, ("Modified O-20096") 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.

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, 2018 and 2017, 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. We note that the entire TMD program described in the District Management Plan includes activities paid by assessments and other non-assessment revenue. 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, 2018 and 2017, 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.

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

Assessment and interest revenue (continued)

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, 2018 and 2017.

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.

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.

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.

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

Fair value measurements (continued)

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.

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. Management believes there are no subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2018. Subsequent events were evaluated through December 12, 2018, which is the date the financial statements were available to be issued.

Note 2 – Accounts receivable

Accounts receivable at June 30, 2018 and 2017 are comprised of assessments collected by the City but unremitted to SDTMD. The balances in accounts receivable due from the City at June 30, 2018 and 2017 are as follows:

	2018	2017
Assessments receivable	$ 1,373,253	$ 3,318,778

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, 2018 and 2017.

Accounts receivable - O-20096 and Modified O-20096

Under O-20096 and Modified 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, penalty income collected, and interest income earned on pooled investments, during the prior period less City holdbacks. Subsequently, the SDTMD submits reconciliation reports to support expenditures against the City remittances.

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

Note 3 – City holdbacks

City holdbacks are assessments collected by the City and unremitted to SDTMD to fund the opportunity/catastrophe and indemnification reserves. Other City holdbacks consist of assessments collected and unremitted by the City in excess of the amounts held to fund the required reserves and SDTMD budgeted expenditures.

Note 3 – City holdbacks (continued)

Current City holdbacks (amounts that will be held in reserve for less than one year) are comprised of the following at June 30, 2018 and 2017:

	2018	2017
Indemnification reserve, current portion (see Note 6)	$ 5,000,000	$ 3,000,000
Opportunity/catastrophe reserve	3,140,595	1,268,801
Other City holdbacks	2,965,016	2,468,081
Total current City holdbacks	$ 11,105,611	$ 6,736,882

Long-term City holdbacks (amounts that will be held in reserve for more than one year) are comprised of the following as of June 30, 2018 and 2017:

	2018	2017
Indemnification reserve (see Note 6)	$ 27,000,000	$ 29,000,000
Less: current portion (see Note 6)	(5,000,000)	(3,000,000)
Total long-term City holdbacks	$ 22,000,000	$ 26,000,000

Note 4 – Accounts payable

The balances in accounts payable at June 30, 2018 and 2017 consist of the following:

	2018	2017
Unpaid reimbursement requests from contractors	$ 4,909,197	$ 5,818,822

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. Per agreement with the City, the remaining deferred revenue under O-20096 was transferred to the indemnification reserve upon the modification of the district (see Note 6). The balance in deferred revenue as of June 30, 2018 and 2017 is as follows:

	2018	2017
Distributable funds - O-19622	$ 3,795	$ -
Modified O-20096	5,279,378	4,007,002
	$ 5,283,173	$ 4,007,002

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 and legal challenge to the district or assessment. Under the terms of the amendment to the SDTMD contract, the indemnification reserve as of June 30, 2018 and 2017 is $27,000,000 and $29,000,000, respectively. Reserve funds are physically held by the City and are included in City holdbacks on the statement of financial position.

During June 2017, the City agreed to allow the deferred revenue in Category A and Category B to be transferred to the indemnification reserve (see Note 5). As of June 30, 2017, deferred revenues of $7,313,746 from Category A and $1,699,397 from Category B were transferred to the indemnification reserve.

During June 2018 and 2017, City Council approved release of $5,000,000 and $3,000,000, respectively, of indemnification reserve for expenditure in the SDTMD budget for the years ended June 30, 2019 and June 30, 2018, respectively (see Note 3).

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 and Modified O-20096

On November 26, 2012, SDTMD entered into an agreement with the City to operate the renewed TMD district and subsequently modified the TMD district on August 2, 2016. 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, 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, 2018 and 2017, management of SDTMD asserts that the corporation was in compliance with the terms of the City's agreement. See supplemental Schedules I and II for budget-to-actual comparisons.

Note 8 – 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, 2018, and 2017, SDTMD had uninsured cash balances of $7,751,818 and $2,682,349, respectively.

As of June 30, 2018, and 2017, 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 91% of total assets, respectively.

Note 9 – Contingencies

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 is associated assessment on hotels in the City of San Diego was invalid under the provision of Proposition 26 of the California Constitution. On September 1, 2016, the lawsuit was dismissed. Subsequently, the plaintiff filed a request for SDTMD to pay its costs and a motion for attorney fees, which was granted in the amount of $874,035. However, the decision is currently on appeal. Management intends to vigorously defend its position against this request.

Supplemental Information

San Diego Tourism Marketing District

Schedule I - Statements of Revenues and Expenditures - TMD Agreement with City of San Diego - Modified O-20096 and O-19622
For the Year Ended June 30, 2018

	Modified O-20096	O-19622	Total	Budget	Difference
REVENUES					
Assessments	$ 37,435,873	$ 3,795	$ 37,439,668	$ 36,855,968	$ 583,700
Prior year deferred/budgeted reserves	4,493,859	-	4,493,859	3,058,608	1,435,251
Total assessments	41,929,732	3,795	41,933,527	39,914,576	2,018,951
Less: deferred revenue/budgeted reserves	(6,279,378)	(5,157)	(6,284,535)	(3,223,512)	(3,061,023)
Assessment revenues realized	35,650,354	(1,362)	35,648,992	36,691,064	(1,042,072)
Other income	-	-	-	-	-
Penalty income	16,411	-	16,411	-	16,411
Interest income	107,770	569	108,339	160,000	(51,661)
Total revenues	35,774,535	(793)	35,773,742	36,851,064	(1,077,322)
EXPENSES					
Competitive Applications					
Targeted Marketing and Sales Programs	20,735,727	-	20,735,727	20,848,072	(112,345)
Destination Marketing	13,683,075	-	13,683,075	13,721,563	(38,488)
Total Competitive Applications	34,418,802	-	34,418,802	34,569,635	(150,833)
Administration					
Personnel	267,698	-	267,698	293,200	(25,502)
Contractual services	667,686	-	667,686	1,330,850	(663,164)
Overhead	52,437	-	52,437	57,761	(5,324)
Contingency	-	-	-	99,618	(99,618)
Administrative fee to the City of San Diego	243,731	-	243,731	500,000	(256,269)
Total SDTMD operating expenses	1,231,552	-	1,231,552	2,281,429	(1,049,877)
Total expense	35,650,354	-	35,650,354	36,851,064	(1,200,710)
Increase in unrestricted net assets	$ 124,181	$ (793)	$ 123,388	$ -	$ 123,388
DEFERRED REVENUE AND INDEMNIFICATION RESERVE					
Operations	$ 1,395,126	$ 3,795	$ 1,398,921	$ -	$ 1,398,921
Opportunity/catastrophe reserve	3,140,595	-	3,140,595	2,223,512	917,083
Distributable funds	743,657	-	743,657	-	743,657
Indemnification reserve	1,000,000	-	1,000,000	1,000,000	-
Total deferred revenue/indemnification reserv	6,279,378	3,795	6,283,173	3,223,512	3,059,661
Total expenditures	35,650,354	-	35,650,354	36,851,064	(1,200,710)
Total expenditures and reserves	$ 41,929,732	$ 3,795	$ 41,933,527	$ 40,074,576	$ 1,858,951
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS					
San Diego Tourism Authority (SDTA)	$ 32,116,435	$ -	$ 32,116,435	$ 32,157,085	$ (40,650)
SDTA - Breeders Cup	100,000	-	100,000	100,000	-
SDTA - US Australian Football	29,700	-	29,700	29,700	-
SDTA - Thanksgiving Soccer	50,000	-	50,000	50,000	-
SDTA - Surf Cup Sports (sponsorship thru SDTA)	72,500	-	72,500	120,000	(47,500)
SDTA - US Soccer	500,000		500,000	500,000	-
SDTA - Destination Care (Medical Marketing)	47,500		47,500	50,000	(2,500)
SDTA - US National Girls Tennis Championship	15,000	-	15,000	15,000	-
Total San Diego Tourism Authority	32,931,135	-	32,931,135	33,021,785	(90,650)
California Police Athletic Federation	40,639	-	40,639	50,000	(9,361)
California State Games	150,000	-	150,000	150,000	-
Century Club - Farmers Insurance Open	100,000	-	100,000	100,000	-
Extreme Sailing	400,000	-	400,000	400,000	-
San Diego Bayfair - Thunderboats	95,000		95,000	95,000	-
San Diego Bowl Game Association	300,000		300,000	300,000	-
San Diego Brewers Guild - Beer Week	73,490		73,490	74,900	(1,410)
San Diego Crew Classic	150,948		150,948	200,000	(49,052)
Destination Marketing - SDTMD Master Plan	177,590	-	177,590	177,950	(360)
	$ 34,418,802	$ -	$ 34,418,802	$ 34,569,635	$ (150,833)

See independent auditors' report

San Diego Tourism Marketing District

Schedule I - Statement of Revenues and Expenditures - TMD Agreement with City of San Diego - Modified O-20096 and O-19622
For the Year Ended June 30, 2017

	Modified O-20096	O-19622	Total	Budget	Difference
REVENUES					
Assessments	$ 25,376,022	$ 301,732	$ 25,677,754	$ 23,242,826	$ 2,434,928
Utilization of Original District Funds	-	-	-	1,080,000	(1,080,000)
Total assessments	25,376,022	301,732	25,677,754	24,322,826	1,354,928
Less: deferred revenue/budgeted reserves	(4,493,859)	-	(4,493,859)	(1,495,393)	(2,998,466)
Assessment revenues realized	20,882,163	301,732	21,183,895	22,827,433	(1,643,538)
Other income	3,792	-	3,792	-	3,792
Penalty income	7,995	-	7,995	-	7,995
Interest income	36,565	98,163	134,728	160,000	(25,272)
Total revenues	20,930,515	399,895	21,330,410	22,987,433	(1,657,023)
EXPENSES					
Competitive Applications					
Targeted Marketing and Sales Programs	12,085,946	602,583	12,688,529	12,788,068	(99,539)
Destination Marketing	8,282,301	322,927	8,605,228	8,703,899	(98,671)
Total Competitive Applications	20,368,247	925,510	21,293,757	21,491,967	(198,210)
Administration					
Personnel	129,063	41,273	170,336	176,167	(5,831)
Contractual services	270,263	28,862	299,125	489,000	(189,875)
Overhead	20,828	4,355	25,183	44,407	(19,224)
Contingency	-	-	-	385,892	(385,892)
Administrative fee to the City of San Diego	93,762	22,432	116,194	400,000	(283,806)
Total SDTMD operating expenses	513,916	96,922	610,838	1,495,466	(884,628)
Total expenses	20,882,163	1,022,432	21,904,595	22,987,433	(1,082,838)
Increase (decrease) in unrestricted net assets	$ 48,352	$ (622,537)	$ (574,185)	$ -	$ (574,185)
DEFERRED REVENUE AND INDEMNIFICATION RESERVE					
Operations	$ 754,885	$ -	$ 754,885	$ -	$ 754,885
Opportunity/catastrophe reserve	1,268,801	-	1,268,801	1,495,393	(226,592)
Distributable funds	1,983,316	-	1,983,316	-	1,983,316
Indemnification reserve	486,857	-	486,857	-	486,857
Total deferred revenue/indemnification reserve	4,493,859	-	4,493,859	1,495,393	2,998,466
Total expenditures	20,882,163	1,022,432	21,904,595	22,987,433	(1,082,838)
Total expenditures and reserves	$ 25,376,022	$ 1,022,432	$ 26,398,454	$ 24,482,826	$ 1,915,628
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS					
San Diego Tourism Authority (SDTA)	$ 19,011,360	$ 901,318	$ 19,912,678	$ 20,016,126	$ (103,448)
SDTA - Indi Hoops West Coast	-	-	-	11,000	(11,000)
SDTA - MCUA Nike Soccer	20,000	-	20,000	20,000	-
SDTA - Surf Cup	40,000	-	40,000	40,000	-
SDTA - Quidditch National Cup	-	-	-	30,000	(30,000)
SDTA - Red Bull	400,000	-	400,000	400,000	-
Total San Diego Tourism Authority	19,471,360	901,318	20,372,678	20,517,126	(144,448)
Amgen	43,711	2,500	46,211	50,000	(3,789)
SD Bowl Game Association	450,000	-	450,000	450,000	-
SDTMD - Multiyear tourism	147,635	5,025	152,660	180,700	(28,040)
Master Games	69,000	16,667	85,667	100,000	(14,333)
San Diego Crew Classic	186,541	-	186,541	194,141	(7,600)
	$ 20,368,247	$ 925,510	$ 21,293,757	$ 21,491,967	$ (198,210)

San Diego Tourism Marketing District
Schedule II - Statements of Revenues and Expenditures - TMD Agreement with City of San Diego - O-20096
For the Year Ended June 30, 2018

	Actual	Budget	Difference
REVENUES			
Assessments	$ 81,640	$ -	$ 81,640
Prior year deferred revenue/budgeted reserves	28,513,143	28,637,882	(124,739)
Total assessments	28,594,783	28,637,882	(43,099)
Less: deferred revenue/budgeted reserves	(26,000,000)	(25,637,882)	(362,118)
Assessment revenues realized	2,594,783	3,000,000	(405,217)
Other income	-	-	-
Penalty income	14,192	-	14,192
Interest income	355,307	-	355,307
Total revenues	2,964,282	3,000,000	(35,718)
EXPENSES			
Category A			
A3 - Competitive targeting	2,200,000	2,200,000	-
Total A1 - A3 expenses	2,200,000	2,200,000	-
SDTMD operating expenses			
Contractual services	117,258	-	117,258
Overhead	7	-	7
Administrative fee to the City of San Diego	137,758	-	137,758
Total SDTMD operating expenses	255,023	-	255,023
Total category A	2,455,023	2,200,000	255,023
Category B			
SDTMD operating expenses			
Contractual services	26,544	-	26,544
Overhead	3	-	3
Administrative fee to the City of San Diego	75,342	-	75,342
Total SDTMD operating expenses	101,889	-	101,889
Destination marketing with a specific call to action	800,000	800,000	-
Total category B	901,889	800,000	101,889
Total expenses	3,356,912	3,000,000	356,912
Decrease in unrestricted net assets	$ (392,630)	$ -	$ (392,630)
DEFERRED REVENUE AND INDEMNIFICATION RESERVE			
Category A			
Indemnification reserve	$ 19,604,217	$ 19,284,158	$ 320,059
Total category A	19,604,217	19,284,158	320,059
Category B			
Operations	-	-	-
Opportunity/catastrophe reserve	-	-	-
Distributable funds	-	-	-
Indemnification reserve	6,395,783	6,353,724	42,059
Total category B	6,395,783	6,353,724	42,059
Total deferred revenue/indemnification reserve	26,000,000	25,637,882	362,118
Total expenditures	3,356,912	3,000,000	356,912
Total expenditures and reserves	$ 29,356,912	$ 28,637,882	$ 719,030
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS			
San Diego Tourism Authority (SDTA)	$ 3,000,000	$ 3,000,000	$ -
	$ 3,000,000	$ 3,000,000	$ -

See independent auditors' report

San Diego Tourism Marketing District

Schedule II - Statements of Revenues and Expenditures - TMD Agreement with City of San Diego - O-20096
For the Year Ended June 30, 2017

	Actual	Budget	Difference
REVENUES			
Assessments	$ 11,532,038	$ 11,604,667	$ (72,629)
Prior year deferred revenue/budgeted reserves	28,871,451	29,362,603	(491,152)
Total assessments	40,403,489	40,967,270	(563,781)
Less: deferred revenue/budgeted reserves	(28,513,143)	(29,190,025)	676,882
Assessment revenues realized	11,890,346	11,777,245	113,101
Other income	-	-	-
Penalty income	19,087	-	19,087
Interest income	284,194	80,000	204,194
Total revenues	12,193,627	11,857,245	336,382
EXPENSES			
Category A			
A1 - Variable distributions from competitive applications			
A1.1 - Hotel meeting sales	1,119,769	1,177,649	(57,880)
A1.2 - Event management and group sales development	478,916	477,362	1,554
A1.3 - Tourism development including travel and trade	504,072	511,444	(7,372)
A1.4 - Group meeting direct marketing	239,446	239,737	(291)
A1.5 - Consumer direct sales and marketing program	4,119,244	4,140,865	(21,621)
A1.6 - Multi-year tourism development (SDTMD)	29,900	59,900	(30,000)
A2 - Sub-regional targeting	656,359	630,248	26,111
A3 - Competitive targeting	268,015	280,759	(12,744)
Total A1 - A3 expenses	7,415,721	7,517,964	(102,243)
SDTMD operating expenses			
Personnel	61,812	63,861	(2,049)
Contractual services	884,161	943,906	(59,745)
Overhead	18,515	20,998	(2,483)
Contingency	-	-	-
Administrative fee to the City of San Diego	251,297	100,000	151,297
Total SDTMD operating expenses	1,215,785	1,128,765	87,020
Total category A	8,631,506	8,646,729	(15,223)
Category B			
SDTMD operating expenses			
Personnel	23,446	24,223	(777)
Contractual services	138,523	144,865	(6,342)
Overhead	7,022	7,968	(946)
Contingency	-	-	-
Administrative fee to the City of San Diego	161,784	100,000	61,784
Total SDTMD operating expenses	330,775	277,056	53,719
Destination marketing with a specific call to action	2,928,065	2,933,460	(5,395)
Total category B	3,258,840	3,210,516	48,324
Total expenses	11,890,346	11,857,245	33,101
Increase in unrestricted net assets	$ 303,281	$ -	$ 303,281
DEFERRED REVENUE AND INDEMNIFICATION RESERVE			
Category A			
Operations	$ -	$ -	$ -
Opportunity/catastrophe reserve	-	190,025	(190,025)
Distributable funds	-	-	-
Indemnification reserve	21,451,246	22,008,746	(557,500)
Total category A	21,451,246	22,198,771	(747,525)
Category B			
Operations	-	-	-
Opportunity/catastrophe reserve	-	-	-
Distributable funds	-	-	-
Indemnification reserve	7,061,897	6,991,254	70,643
Total category B	7,061,897	6,991,254	70,643
Total deferred revenue/indemnification reserve	28,513,143	29,190,025	(676,882)
Total expenditures	11,890,346	11,857,245	33,101
Total expenditures and reserves	$ 40,403,489	$ 41,047,270	$ (643,781)
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS			
San Diego Tourism Authority (SDTA)	$ 10,045,871	$ 10,051,365	$ (5,494)
SDTA - US Australia Football	-	29,700	(29,700)
SDTA - Frisbee World Championship	-	29,700	(29,700)
California State Games	150,000	150,000	-
Craft Brewers Guild - San Diego Beer Week	63,586	74,900	(11,314)
Master Games	50,000	50,000	-
San Diego Crew Classic	4,429	5,859	(1,430)
	$ 10,313,886	$ 10,391,524	$ (77,638)

San Diego Tourism Marketing District

Schedule III - Statements of Activities by District - Modified O-20096, O-20096, and O-19622
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Modified O-20096	O-20096	O-19622	Total	Modified O-20096	O-20096	O-19622	Total
Revenue and support								
Tourism Marketing District revenue	$ 35,650,354	$ 2,594,783	$ (1,362)	$ 38,243,775	$ 20,882,163	$ 11,890,346	$ 301,732	$ 33,074,241
Interest income	107,770	355,307	569	463,646	36,565	284,194	98,163	418,922
Other income	16,411	14,192	-	30,603	11,787	19,087	-	30,874
Total revenue and support	35,774,535	2,964,282	(793)	38,738,024	20,930,515	12,193,627	399,895	33,524,037
Expenses								
Program services								
Allocations to contractors	34,418,802	3,000,000	-	37,418,802	20,368,247	10,343,786	925,510	31,637,543
Total program expenses	34,418,802	3,000,000	-	37,418,802	20,368,247	10,343,786	925,510	31,637,543
Support services								
Management and general								
SDTMD operations	987,821	143,812	-	1,131,633	420,154	1,133,479	74,490	1,628,123
Administrative fee to the City of San Diego	243,731	213,100	-	456,831	93,762	413,081	22,432	529,275
Total support services expense	1,231,552	356,912	-	1,588,464	513,916	1,546,560	96,922	2,157,398
Increase (decrease) in unrestricted net assets	124,181	(392,630)	(793)	(269,242)	48,352	303,281	(622,537)	(270,904)
Net assets, beginning of year	48,352	820,800	72,676	941,828	-	517,519	695,213	1,212,732
Net assets, end of year	$ 172,533	$ 428,170	$ 71,883	$ 672,586	$ 48,352	$ 820,800	$ 72,676	$ 941,828