



Independent Auditor's Report and
Financial Statements and
Supplemental Information for

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

June 30, 2022 and 2021

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

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of San Diego Tourism Marketing District, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 San Diego Tourism Marketing District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Tourism Marketing District's ability to continue as a going concern for one year after the date that the 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 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 GAAS 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 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 financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 San Diego Tourism Marketing District'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Tourism Marketing District'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules I, II, and III 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 13, 2023

San Diego Tourism Marketing District

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash	\$ 4,188,809	\$ 3,039,520
City holdbacks	21,161,399	12,154,814
Prepaid expenses	30,283	33,394
Accrued interest income	2,921	2,980
Advances to contractors	4,561	-
	<u>25,387,973</u>	<u>15,230,708</u>
Total current assets		
	<u>25,387,973</u>	<u>15,230,708</u>
Total assets	<u>\$ 25,387,973</u>	<u>\$ 15,230,708</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 2,612,504	\$ 1,455,678
Advances from City of San Diego	419,780	-
Deferred revenue	20,083,718	11,658,210
	<u>23,116,002</u>	<u>13,113,888</u>
Total current liabilities		
	<u>23,116,002</u>	<u>13,113,888</u>
Total liabilities	<u>23,116,002</u>	<u>13,113,888</u>
Net assets		
Net assets without donor restrictions	<u>2,271,971</u>	<u>2,116,820</u>
	<u>2,271,971</u>	<u>2,116,820</u>
Total net assets	<u>2,271,971</u>	<u>2,116,820</u>
	<u>\$ 25,387,973</u>	<u>\$ 15,230,708</u>
Total liabilities and net assets	<u>\$ 25,387,973</u>	<u>\$ 15,230,708</u>

San Diego Tourism Marketing District

Statements of Activities

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Tourism Marketing District revenue	\$ 27,616,984	\$ 21,933,500
Interest income	117,964	264,530
Other income	<u>50,038</u>	<u>80,362</u>
Total revenue and support	<u>27,784,986</u>	<u>22,278,392</u>
Expenses		
Program services		
Allocations to contractors	<u>26,525,681</u>	<u>20,955,905</u>
Total program services	<u>26,525,681</u>	<u>20,955,905</u>
Support services		
Management and general		
SDTMD operations	861,979	706,064
Administrative fee to the City of San Diego	<u>242,175</u>	<u>314,673</u>
Total support services	<u>1,104,154</u>	<u>1,020,737</u>
Increase in net assets without donor restrictions	155,151	301,750
Net assets, beginning of year	<u>2,116,820</u>	<u>1,815,070</u>
Net assets, end of year	<u>\$ 2,271,971</u>	<u>\$ 2,116,820</u>

San Diego Tourism Marketing District

Statements of Functional Expenses

For the Years Ended June 30, 2022 and 2021

	2022				2021			
	Program Services	Support Services		Total	Program Services	Support Services		Total
		SDTMD Operations	Administrative fee to the City of San Diego			SDTMD Operations	Administrative fee to the City of San Diego	
Expenses:								
Advertising	\$ 15,746,317	\$ -	\$ -	\$ 15,746,317	\$ 13,399,182	\$ -	\$ -	\$ 13,399,182
Advertising agency fees	1,753,500	-	-	1,753,500	1,741,825	-	-	1,741,825
Bank service fees	-	17	-	17	-	-	-	-
Bid fees/team payouts	404,762	-	-	404,762	-	-	-	-
City administration fee	-	-	242,175	242,175	-	-	314,673	314,673
Dues/subscriptions/memberships	95,633	8,021	-	103,654	78,162	7,223	-	85,385
Event registration fees	68,258	-	-	68,258	975	-	-	975
Insurance	-	31,244	-	31,244	-	27,531	-	27,531
Insurance - workers compensation	-	1,282	-	1,282	-	1,037	-	1,037
Lead generation services	78,438	-	-	78,438	78,472	-	-	78,472
Marketing materials/promotional items	15,414	-	-	15,414	-	-	-	-
Occupancy	-	7,456	-	7,456	-	-	-	-
Office supplies	-	474	-	474	-	152	-	152
Outside contractors	1,754,150	520,290	-	2,274,440	598,809	413,995	-	1,012,804
Parking	-	42	-	42	-	27	-	27
Payroll processing	-	3,562	-	3,562	-	3,506	-	3,506
Payroll tax	-	13,265	-	13,265	-	11,753	-	11,753
Personnel benefits	428,644	18,319	-	446,963	370,411	17,308	-	387,719
Personnel salaries and wages	2,828,925	255,150	-	3,084,075	1,528,757	220,725	-	1,749,482
Postage and shipping	-	826	-	826	-	630	-	630
Printing and reproduction	-	2,031	-	2,031	-	2,177	-	2,177
Rentals - remote sales office	4,217	-	-	4,217	7,183	-	-	7,183
Research	391,978	-	-	391,978	349,049	-	-	349,049
Sales commissions	10,342	-	-	10,342	-	-	-	-
Special event production	129,613	-	-	129,613	-	-	-	-
Sponsorships	152,661	-	-	152,661	9,750	-	-	9,750
Allocated contractor overhead	2,662,829	-	-	2,662,829	2,793,330	-	-	2,793,330
Total expenses	<u>\$ 26,525,681</u>	<u>\$ 861,979</u>	<u>\$ 242,175</u>	<u>\$ 27,629,835</u>	<u>\$ 20,955,905</u>	<u>\$ 706,064</u>	<u>\$ 314,673</u>	<u>\$ 21,976,642</u>

San Diego Tourism Marketing District

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 155,151	\$ 301,750
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in current assets		
Accounts receivable	-	4,247
City holdbacks	(9,006,585)	6,763,445
Prepaid expenses	3,111	41,675
Accrued interest income	59	(18)
Increase (decrease) in current liabilities		
Accounts payable	1,156,826	1,455,431
Advances from City of San Diego	419,780	-
Deferred revenue	8,425,508	8,755,493
Indemnification reserve	-	(16,861,540)
Net cash provided by operating activities	<u>1,153,850</u>	<u>460,483</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances to contractors	(2,096,000)	(2,000,000)
Collection of advances to contractors	<u>2,091,439</u>	<u>2,172,136</u>
Net cash (used) provided by investing activities	<u>(4,561)</u>	<u>172,136</u>
Net increase in cash	1,149,289	632,619
Cash, beginning of year	<u>3,039,520</u>	<u>2,406,901</u>
Cash, end of year	<u>\$ 4,188,809</u>	<u>\$ 3,039,520</u>

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2022 and 2021

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 businesses 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 businesses 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 businesses 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. Effective July 1, 2020, the agreement with the City to operate the modified district was extended for a ten-year term expiring June 30, 2030.

Basis of presentation

SDTMD’s financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require SDTMD to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SDTMD. These net assets may be used at the discretion of SDTMD’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SDTMD or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

At June 30, 2022 and 2021, SDTMD had no net assets with donor restrictions.

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2022 and 2021

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

Basis of accounting

SDTMD's financial statements have been prepared on the accrual basis of accounting.

Assessment and interest revenue

SDTMD's sources of income come from TMD assessments, penalty income, and interest income. 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, 2022 and 2021, the estimated balance of SDTMD's share of the pooled fund is included in City holdbacks on the statements of financial position.

Revenue from assessments is recognized at a point in time in the year in which the performance obligation is met, which is the time that 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, 2022 and 2021.

SDTMD is unable to estimate interest revenue since it lacks visibility to the City's investment pool. Therefore, interest revenue is recognized at a point in time 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.

Functional expenses

The costs of providing the program and administrative activities have been summarized on a functional basis in the statement of activities. By contract agreement with the City of San Diego, administrative expenses incurred by SDTMD are not allocated to program expenses as they are costs related to corporate governance.

The cost allocation methodology approved by SDTMD for contractors is modeled on 2CFR Part 230. SDTMD requires general and administrative costs and other indirect costs to be pooled for allocation for contractors requesting assessment funds to support indirect costs. The basis of allocation is on the modified total direct cost basis. This methodology requires overhead costs to be pooled and allocated to program costs based on total program direct costs modified by removing certain direct costs from the denominator such as subcontractor and media buys, that if not removed would result in an inequitable allocation of overhead to programs. The overhead pool includes costs associated with contractor facility and corporate governance such as professional services, executive and administrative compensation, depreciation, corporate compliance, office supplies, liability insurance, hospitality supplies, employee morale, training, supervision, and recruitment. Contractor overhead allocations are approved in the budget process.

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.

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2022 and 2021

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

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.

The carrying amount reflected in the statements of financial position for cash, City holdbacks, prepaids, payables, and deferred revenue approximates fair values due to the relative short maturities of these instruments.

New accounting standard not yet adopted

The FASB issued Accounting Standards Update 2016-02, Leases (Topic 842) which requires lessees to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for financial statement recognition purposes: operating leases and financial leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The standard will be applied using a modified retrospective approach with optional expedients and other special transition provisions. The new standard is effective for SDTMD's fiscal year which begins on July 1, 2022. Management does not expect the adoption of this new accounting standard to have a material impact on the financial statements.

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. The SDTMD had no subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2022. Subsequent events were evaluated through January 13, 2023, which is the date the financial statements were available to be issued.

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2022 and 2021

Note 2 – Accounts receivable

Accounts receivable at June 30, 2022 and 2021 were \$0.

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, 2022 and 2021.

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.

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.

City holdbacks (amounts that will be held in reserve for less than one year) are comprised of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Opportunity/catastrophe reserve	\$ 13,640,414	\$ 11,118,098
Other City holdbacks	<u>7,520,985</u>	<u>1,036,716</u>
Total City holdbacks	<u>\$ 21,161,399</u>	<u>\$ 12,154,814</u>

Note 4 – Accounts payable

The balances in accounts payable at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Unpaid reimbursement requests from contractors	\$ 2,606,340	\$ 1,448,964
Unpaid administrative invoices	<u>6,164</u>	<u>6,714</u>
	<u>\$ 2,612,504</u>	<u>\$ 1,455,678</u>

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2022 and 2021

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 unspent variable distributions from competitive applications, and under spent administrative costs. The balance in deferred revenue as of June 30, 2022 and 2021 is as follows:

	2022	2021
Modified O-20096	\$ 12,158,269	\$ 3,734,170
O-20096	7,924,040	7,924,040
O-19622	1,409	-
Total deferred revenue	<u>\$ 20,083,718</u>	<u>\$ 11,658,210</u>

Note 6 – 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 detailed documentation 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 detailed documentation to support their expenditures in order to ensure only eligible items are being expended with TMD funds.

As of June 30, 2022 and 2021, 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 7 – 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, 2022 and 2021, SDTMD had uninsured cash balances of \$4,170,312 and \$2,842,364, respectively.

As of June 30, 2022 and 2021, TMD assessments and interest thereon make up 100% of the funds received by SDTMD from the City and the related accrued interest income, and City holdbacks make up approximately 83% and 80% of total assets, respectively.

San Diego Tourism Marketing District

Notes to Financial Statements

June 30, 2022 and 2021

Note 8 – Liquidity and availability of financial assets

The following table reflects SDTMD's financial assets as of June 30, 2022 and 2021 available for general expenditures within one year:

	2022	2021
Financial assets at year end:		
Cash	\$ 4,188,809	\$ 3,039,520
City holdbacks	21,161,399	12,154,814
Advances to contractors	4,561	-
Accrued interest income	2,291	2,980
Total financial assets available to meet general expenditures within one year:	<u>\$ 25,357,690</u>	<u>\$ 15,197,314</u>

At June 30, 2022 and 2021, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

Supplementary Information

San Diego Tourism Marketing District

Schedule I - Statement of Revenues and Expenditures - TMD Agreement with City of San Diego - Modified O-20096, O-20096, and O-19622

For the Year Ended June 30, 2022

	Modified O-20096	O-20096	O-19622	Total	Budget	Difference
REVENUES						
Assessments	\$ 36,033,099	\$ 7,984	\$ 1,409	\$ 36,042,492	\$ 26,668,897	\$ 9,373,595
Prior year deferred/budgeted reserves	3,734,170	7,924,040	-	11,658,210	12,588,954	(930,744)
Total assessments	39,767,269	7,932,024	1,409	47,700,702	39,257,851	8,442,851
Less: deferred revenue/budgeted reserves	(12,158,269)	(7,924,040)	(1,409)	(20,083,718)	(9,668,602)	(10,415,116)
Assessment revenues realized	27,609,000	7,984	-	27,616,984	29,589,249	(1,972,265)
Penalty income	48,171	1,867	-	50,038	-	50,038
Interest income	49,589	68,434	(59)	117,964	50,000	67,964
Total revenues	27,706,760	78,285	(59)	27,784,986	29,639,249	(1,854,263)
EXPENSES						
Competitive Applications						
Targeted Marketing and Sales Programs	11,635,249	-	-	11,635,249	12,408,805	(773,556)
Destination Marketing	14,890,432	-	-	14,890,432	15,107,412	(216,980)
Total Competitive Applications	26,525,681	-	-	26,525,681	27,516,217	(990,536)
Administration						
Personnel	288,016	-	-	288,016	299,929	(11,913)
Contractual services	520,290	-	-	520,290	783,378	(263,088)
Overhead	53,673	-	-	53,673	61,161	(7,488)
Contingency	-	-	-	-	715,264	(715,264)
Administrative fee to the City of San Diego	221,340	20,835	-	242,175	263,300	(21,125)
Total SDTMD operating expenses	1,083,319	20,835	-	1,104,154	2,123,032	(1,018,878)
Total expense	27,609,000	20,835	-	27,629,835	29,639,249	(2,009,414)
Increase in net assets without donor restrictions	\$ 97,760	\$ 57,450	\$ (59)	\$ 155,151	\$ -	\$ 155,151
DEFERRED REVENUE						
Operations	\$ 537,787	\$ -	\$ 1,409	\$ 539,196	\$ -	\$ 539,196
Opportunity/catastrophe reserve	11,620,482	7,924,040	-	19,544,522	9,668,602	9,875,920
Total deferred revenue	12,158,269	7,924,040	1,409	20,083,718	9,668,602	10,415,116
Total expenditures	27,609,000	20,835	-	27,629,835	29,639,249	(2,009,414)
Total expenditures and reserves	\$ 39,767,269	\$ 7,944,875	\$ 1,409	\$ 47,713,553	\$ 39,307,851	\$ 8,405,702
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS						
San Diego Tourism Authority (SDTA)	\$ 25,462,611	\$ -	\$ -	\$ 25,462,611	\$ 26,034,617	\$ (572,006)
Best Coast Beer	-	-	-	-	70,000	(70,000)
California Police Athlete Federation	42,618	-	-	42,618	51,500	(8,882)
California State Games - Summer 2021	80,000	-	-	80,000	80,000	-
California State Games - Winter 2022	50,000	-	-	50,000	50,000	-
La Jolla Historical Society - Concours D'Elegance	44,350	-	-	44,350	60,000	(15,650)
San Diego Bayfair/Thunderboats	95,000	-	-	95,000	95,000	-
San Diego Bowl Game Association - Holiday Bowl	230,000	-	-	230,000	435,000	(205,000)
San Diego Crew Classic	94,374	-	-	94,374	116,500	(22,126)
San Diego Bay Wine & Food Festival	48,074	-	-	48,074	74,500	(26,426)
ECNL - ECNL Girls Fall Showcase	74,500	-	-	74,500	74,500	-
ECNL - Boys - ECNL Boys Fall Showcase	74,500	-	-	74,500	74,500	-
Maverick Sports - December Youngers	45,000	-	-	45,000	45,000	-
San Diego Bowl Game Association - Sports San Diego	184,654	-	-	184,654	255,100	(70,446)
	\$ 26,525,681	\$ -	\$ -	\$ 26,525,681	\$ 27,516,217	\$ (990,536)

San Diego Tourism Marketing District

Schedule II - Statement of Revenues and Expenditures - TMD Agreement with City of San Diego - Modified O-20096, O-20096, and O-19622

For the Year Ended June 30, 2021

	Modified O-20096	O-20096	O-19622	Total	Budget	Difference
REVENUES						
Assessments	\$ 13,817,543	\$ 9,910	\$ -	\$ 13,827,453	\$ 14,000,000	\$ (172,547)
Prior year deferred/budgeted reserves	3,902,717	15,861,540	-	19,764,257	18,908,985	855,272
Total assessments	17,720,260	15,871,450	-	33,591,710	32,908,985	682,725
Less: deferred revenue/budgeted reserves	(3,734,170)	(7,924,040)	-	(11,658,210)	(10,595,001)	(1,063,209)
Assessment revenues realized	13,986,090	7,947,410	-	21,933,500	22,313,984	(380,484)
Other income	10	-	-	10	-	10
Penalty income	77,666	2,686	-	80,352	-	80,352
Interest income	46,138	218,374	18	264,530	50,000	214,530
Total revenues	14,109,904	8,168,470	18	22,278,392	22,363,984	(85,592)
EXPENSES						
Competitive Applications						
Targeted Marketing and Sales Programs	2,093,417	7,937,500	-	10,030,917	10,046,170	(15,253)
Destination Marketing	10,924,988	-	-	10,924,988	10,926,302	(1,314)
Total Competitive Applications	13,018,405	7,937,500	-	20,955,905	20,972,472	(16,567)
Administration						
Personnel	250,823	-	-	250,823	251,973	(1,150)
Contractual services	413,995	-	-	413,995	394,742	19,253
Overhead	41,246	-	-	41,246	55,742	(14,496)
Contingency	-	-	-	-	381,055	(381,055)
Administrative fee to the City of San Diego	261,620	53,053	-	314,673	308,000	6,673
Total SDTMD operating expenses	967,684	53,053	-	1,020,737	1,391,512	(370,775)
Total expense	13,986,089	7,990,553	-	21,976,642	22,363,984	(387,342)
Increase in net assets without donor restrictions	\$ 123,815	\$ 177,917	\$ 18	\$ 301,750	\$ -	\$ 301,750
DEFERRED REVENUE						
Operations	\$ 540,113	\$ -	\$ -	\$ 540,113	\$ -	\$ 540,113
Opportunity/catastrophe reserve	3,194,057	7,924,040	-	11,118,097	10,595,001	523,096
Total deferred revenue	3,734,170	7,924,040	-	11,658,210	10,595,001	1,063,209
Total expenditures	13,986,089	7,990,553	-	21,976,642	22,363,984	(387,342)
Total expenditures and reserves	\$ 17,720,259	\$ 15,914,593	\$ -	\$ 33,634,852	\$ 32,958,985	\$ 675,867
BUDGET-TO-ACTUAL FOR COMPETITIVE APPLICATIONS						
San Diego Tourism Authority (SDTA)	\$ 13,018,405	\$ 7,937,500	\$ -	\$ 20,955,905	\$ 20,972,472	\$ (16,567)
	\$ 13,018,405	\$ 7,937,500	\$ -	\$ 20,955,905	\$ 20,972,472	\$ (16,567)

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, 2022 and 2021

	2022				2021			
	Modified O-20096	O-20096	O-19622	Total	Modified O-20096	O-20096	O-19622	Total
Revenue and support								
Tourism Marketing District revenue	\$ 27,609,000	\$ 7,984	\$ -	\$ 27,616,984	\$ 13,986,090	\$ 7,947,410	\$ -	\$ 21,933,500
Interest income	49,589	68,434	(59)	117,964	46,138	218,374	18	264,530
Other income	48,171	1,867	-	50,038	77,676	2,686	-	80,362
Total revenue and support	<u>27,706,760</u>	<u>78,285</u>	<u>(59)</u>	<u>27,784,986</u>	<u>14,109,904</u>	<u>8,168,470</u>	<u>18</u>	<u>22,278,392</u>
Expenses								
Program services								
Direct expenses to contractors	23,862,852	-	-	23,862,852	10,505,973	7,656,602	-	18,162,575
Indirect expenses to contractors	2,662,829	-	-	2,662,829	2,512,432	280,898	-	2,793,330
Total program expenses	<u>26,525,681</u>	<u>-</u>	<u>-</u>	<u>26,525,681</u>	<u>13,018,405</u>	<u>7,937,500</u>	<u>-</u>	<u>20,955,905</u>
Support services								
Management and general								
SDTMD operations	861,979	-	-	861,979	706,064	-	-	706,064
Administrative fee to the City of San Diego	221,340	20,835	-	242,175	261,620	53,053	-	314,673
Total support services expense	<u>1,083,319</u>	<u>20,835</u>	<u>-</u>	<u>1,104,154</u>	<u>967,684</u>	<u>53,053</u>	<u>-</u>	<u>1,020,737</u>
Increase (decrease) in net assets without donor restrictions	97,760	177,917	(59)	155,151	123,815	177,917	18	301,750
Net assets, beginning of year	<u>734,393</u>	<u>1,379,447</u>	<u>2,980</u>	<u>2,116,820</u>	<u>610,578</u>	<u>1,201,530</u>	<u>2,962</u>	<u>1,815,070</u>
Net assets, end of year	<u>\$ 832,153</u>	<u>\$ 1,557,364</u>	<u>\$ 2,921</u>	<u>\$ 2,271,971</u>	<u>\$ 734,393</u>	<u>\$ 1,379,447</u>	<u>\$ 2,980</u>	<u>\$ 2,116,820</u>