San Jose Downtown Association

Financial Statements
and Supplementary Information

June 30, 2024

armanino

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
San Jose Downtown Association
San Jose, California

We have reviewed the accompanying financial statements of San Jose Downtown Association (a California Nonprofit Mutual Benefit Corporation) (the "Association"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional revenue and expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included on page 20 is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Armanino LLP

Armanino LLP
San Jose, California

September 27, 2024

San Jose Downtown Association
Statement of Financial Position
June 30, 2024

ASSETS

Current assets	
Cash and cash equivalents	$ 687,490
Contracts receivable - BID	41,177
Contracts receivable - PBID	518,615
Accounts receivable	383,770
Prepaid expenses and other current assets	45,963
Total current assets	1,677,015
Property and equipment, net	170,917
Other assets	
Operating lease, right-of-use assets	4,401
Total other assets	4,401
Total assets	$ 1,852,333

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 264,089
Accrued expenses	175,221
Deferred revenue	315,364
Mortgage payable, current portion	13,707
Operating lease liabilities, current portion	3,285
Total current liabilities	771,666
Long-term liabilities	
Mortgage payable, net of current portion	104,344
Operating lease liabilities, net of current portion	1,116
Total long-term liabilities	105,460
Total liabilities	877,126
Net assets	
Without donor restrictions	975,207
Total net assets	975,207
Total liabilities and net assets	$ 1,852,333

See accompanying notes and independent accountant's review report.

San Jose Downtown Association
Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions				
	San Jose Downtown Association Fund	Business Improvement District Fund	City of San Jose (OED) Fund	With Donor Restrictions	Total All Funds
Revenues and support					
City (OED) contract	$ -	$ -	$ 1,031,249	$ -	$ 1,031,249
Other contracts	1,240,829	-	-	-	1,240,829
BID contract	-	603,739	-	-	603,739
Grants	813,433	-	-	-	813,433
Sponsorships	120,000	-	-	-	120,000
Miscellaneous	12,554	-	-	-	12,554
Administrative income	14,588	-	-	-	14,588
In-kind contributions	2,291	-	-	-	2,291
Total revenues, gains and other support	2,203,695	603,739	1,031,249	-	3,838,683
Functional expenses					
Program services					
Ice Rink	292,369	29,759	200,000	-	522,128
Property Business Improvement District	470,238	15,311	-	-	485,549
Parking Promotions and Marketing	111,237	66,446	195,125	-	372,808
Communications	151,806	123,710	89,425	-	364,941
Downtown Lights	1,000	22,815	150,490	-	174,305
Beautiful Tableau Grant	150,373	-	-	-	150,373
Champions	101,767	2,195	37,000	-	140,962
Pop-Up Retail Program	21,052	-	90,075	-	111,127
Foundation / Membership and Miscellaneous	8,128	52,303	47,083	-	107,514
District Promotions	46,415	57,183	2,000	-	105,598
Music in the Park	70,523	30,096	-	-	100,619
Advocacy, Research, & Planning	45,014	35,014	-	-	80,028
Knight Foundation Arts & Artists Microgrant	69,000	-	-	-	69,000
Dine Downtown	5,534	22,422	40,915	-	68,871
Starlight Cinemas	10,377	12,956	37,888	-	61,221
Night Market	568	7,498	40,334	-	48,400
City Dance	448	17,024	24,563	-	42,035
SOFA Street Fair	15,612	23,773	-	-	39,385
Plaza Park Canopy	-	7,828	30,000	-	37,828
Farmers' Market	340	24,618	7,000	-	31,958
Downtown for the Holidays	-	14,504	15,000	-	29,504
Sonic Runway	256	21,273	2,500	-	24,029
Parklet Project	23,733	-	-	-	23,733
DTSJ Campaign	-	-	21,851	-	21,851
EDA Grant	17,037	-	-	-	17,037
Dia San Jose	14,231	-	-	-	14,231
Equipment Storage	3,530	7,828	-	-	11,358
Total program services	1,630,588	594,556	1,031,249	-	3,256,393
Support services					
Management and general	511,438	9,183	-	-	520,621
Total support services	511,438	9,183	-	-	520,621
Total functional expenses	2,142,026	603,739	1,031,249	-	3,777,014
Change in net assets	61,669	-	-	-	61,669
Net assets, beginning of year	913,538	-	-	-	913,538
Net assets, end of year	$ 975,207	$ -	$ -	$ -	$ 975,207

See accompanying notes and independent accountant's review report.

San Jose Downtown Association
Statement of Functional Revenue and Expenses
For the Year Ended June 30, 2024

	Ice Rink	Farmers' Market	Downtown for the Holidays	Music in the Park	Communications	Advocacy, Research and Planning	District Promotions	Starlight Cinemas	SoFA Street Markets	Equipment Storage	Parking Promotions and Marketing
Revenues, gains and other support											
City (OED) contract	$ 200,000	$ 7,000	$ 15,000	$ -	$ 89,425	$ -	$ 2,000	$ 37,888	$ -	$ -	$ 195,125
Other contracts	169,015	-	-	24,584	-	-	-	-	-	-	10,000
BID contract	29,757	24,618	14,504	30,096	123,710	35,014	57,183	12,956	23,773	7,828	66,446
Grants	72,680	-	-	21,201	149,948	-	40,000	20,004	8,154	-	105,000
Sponsorships	51,000	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Administrative income	-	-	-	-	-	-	-	-	-	-	-
In-kind contributions	-	-	-	-	-	-	-	-	-	-	-
Total revenues, gains and other support	522,452	31,618	29,504	75,881	363,083	35,014	99,183	70,848	31,927	7,828	376,571
Functional expenses											
Personnel expenses	79,759	30,095	2,798	30,096	347,080	35,014	62,912	30,549	23,773	7,828	266,426
Technical support	-	-	-	-	-	-	-	6,159	-	-	-
Event production	406,000	-	-	64,681	-	-	-	925	14,378	-	-
Marketing	677	1,475	25,398	-	2,475	-	834	15,608	-	-	36,203
Other expenses	13,881	4	1,308	4,770	14,737	45,014	41,491	6,073	815	3,530	30,179
Subcontractors	-	-	-	-	649	-	-	-	-	-	-
Supplies and materials	-	44	-	-	-	-	361	1,255	-	-	-
Insurance	5,560	340	-	1,072	-	-	-	652	419	-	-
Depreciation	16,251	-	-	-	-	-	-	-	-	-	-
Subgrants and awards	-	-	-	-	-	-	-	-	-	-	40,000
Total functional expenses	522,128	31,958	29,504	100,619	364,941	80,028	105,598	61,221	39,385	11,358	372,808
Change in net assets	$ 324	$ (340)	$ -	$ (24,738)	$ (1,858)	$ (45,014)	$ (6,415)	$ 9,627	$ (7,458)	$ (3,530)	$ 3,763

See accompanying notes and independent accountant's review report.

San Jose Downtown Association
Statement of Functional Revenue and Expenses
For the Year Ended June 30, 2024

	Foundation / Membership and Miscellaneous	Property Business Improvement District	Dine Downtown	Plaza Park Canopy	EDA Grant	City Dance	Sonic Runway	Beautiful Tableau	Downtown Lights
Revenues, gains and other support									
City (OED) contract	$ 47,083	$ -	$ 40,915	$ 30,000	$ -	$ 24,563	$ 2,500	$ -	$ 150,490
Other contracts	-	1,037,230	-	-	-	-	-	-	-
BID contract	52,303	15,311	22,422	7,828	-	17,024	21,273	-	22,815
Grants	-	-	-	-	21,427	-	-	150,373	-
Sponsorships	-	-	10,000	-	-	-	-	-	50,000
Miscellaneous	400	-	-	-	-	-	-	-	-
Administrative income	-	-	-	-	-	-	-	-	-
In-kind contributions	-	-	-	-	-	-	-	-	-
Total revenues, gains and other support	99,786	1,052,541	73,337	37,828	21,427	41,587	23,773	150,373	223,305
Functional expenses									
Personnel expenses	99,386	485,549	31,375	7,828	17,037	27,464	23,773	77,000	26,610
Technical support	-	-	-	-	-	-	-	-	-
Event production	-	-	-	-	-	-	-	-	-
Marketing	-	-	35,112	-	-	12,674	-	10,000	249
Other expenses	8,128	-	1,651	-	-	1,449	-	23,373	1,001
Subcontractors	-	-	-	30,000	-	-	-	-	46,445
Supplies and materials	-	-	-	-	-	-	-	-	-
Insurance	-	-	733	-	-	448	256	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Subgrants and awards	-	-	-	-	-	-	-	40,000	100,000
Total functional expenses	107,514	485,549	68,871	37,828	17,037	42,035	24,029	150,373	174,305
Change in net assets	$ (7,728)	$ 566,992	$ 4,466	$ -	$ 4,390	$ (448)	$ (256)	$ -	$ 49,000

See accompanying notes and independent accountant's review report.

San Jose Downtown Association
Statement of Functional Revenue and Expenses
For the Year Ended June 30, 2024

	DTSJ Campaign	Dia San Jose	Night Market	Knight Foundation Arts & Artists Microgrant	Parklet Project	Pop-Up Retail Program	Total Program Services	Management and General	Total
Revenues, gains and other support									
City (OED) contract	$ 21,851	$ -	$ -	$ 40,334	$ -	$ 90,075	$ 1,031,249	$ -	$ 1,031,249
Other contracts	-	-	-	-	-	-	1,240,829	-	1,240,829
BID contract	-	-	-	7,498	-	-	594,554	9,185	603,739
Grants	-	13,827	10,000	-	69,000	21,052	804,433	9,000	813,433
Sponsorships	-	-	-	5,000	-	-	116,000	4,000	120,000
Miscellaneous	-	-	-	-	-	-	400	12,154	12,554
Administrative income	-	-	-	-	-	-	-	14,588	14,588
In-kind contributions	-	-	-	-	-	-	-	2,291	2,291
Total revenues, gains and other support	21,851	13,827	10,000	52,832	69,000	111,127	3,787,465	51,218	3,838,683
Functional expenses									
Personnel expenses	5,000	-	-	27,465	-	21,052	1,898,710	19,020	1,917,730
Technical support	-	-	-	-	-	-	6,159	4,750	10,909
Event production	-	12,444	-	5,000	-	-	503,428	-	503,428
Marketing	16,466	-	3,533	13,738	-	-	181,477	7,120	188,597
Other expenses	385	1,383	20,200	1,665	9,000	59,075	289,947	388,447	678,394
Subcontractors	-	-	-	-	-	-	77,094	2,598	79,692
Supplies and materials	-	-	-	16	-	-	1,927	354	2,281
Insurance	-	404	-	516	-	-	10,400	80,251	90,651
Depreciation	-	-	-	-	-	-	16,251	18,081	34,332
Subgrants and awards	-	-	-	-	60,000	31,000	271,000	-	271,000
Total functional expenses	21,851	14,231	23,733	48,400	69,000	111,127	3,256,393	520,621	3,777,014
Change in net assets	$ -	$ (404)	$ (13,733)	$ 4,432	$ -	$ -	$ 531,072	$ (469,403)	$ 61,669

See accompanying notes and independent accountant's review report.

San Jose Downtown Association
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash flows from operating activities		
Change in net assets	$	61,669
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		34,332
Reduction in carrying amount of operating lease, right-of-use assets		3,193
Changes in operating assets and liabilities		
Contracts receivable		(90,981)
Accounts receivable		185,126
Prepaid expenses and other current assets		(1,849)
Accounts payable		164,755
Accrued expenses		35,781
Deferred revenue		(14,846)
Operating lease liabilities		(3,193)
Net cash provided by operating activities		373,987
Cash flows from financing activities		
Principal payments on mortgage payable		(13,101)
Net cash used in financing activities		(13,101)
Net increase in cash and cash equivalents		360,886
Cash and cash equivalents, beginning of year		326,604
Cash and cash equivalents, end of year	$	687,490

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$	5,538

See accompanying notes and independent accountant's review report.

San Jose Downtown Association
Notes to Financial Statements
June 30, 2024

1. NATURE OF OPERATIONS

The San Jose Downtown Association (the "Association") is a corporation organized under the California Nonprofit Mutual Benefit Corporation Law. The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The primary purposes of the Association are to:

- Encourage, stimulate and improve the business conditions in downtown San Jose for retailers, restaurants, entertainment establishments, service businesses and professionals, property owners and to promote retail and other commercial activities in that area.
- Establish new and improve existing parking facilities in downtown San Jose for the benefit of the area and to encourage the formation of local parking districts.
- Seek out public and private revenues to support its objectives.
- Beautify downtown San Jose.
- Promote public events and to obtain funding and programs for seasonal decorations of public spaces in the area.
- Promote a positive identity for the area through advertising and public relations programs and the sponsorship of public events, promotions and festivals.
- Promote the preservation and renovation of historical structures in downtown San Jose and to preserve the architectural heritage and historical character of the downtown San Jose area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of presentation

In accordance with US GAAP, the Association reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. See Notes 3, 4 and 5 for descriptions of the funds.

The revenues recorded in the statement of activities regarding the Business Improvement District ("BID") and City of San Jose ("OED") Fund are restricted as to their use per the respective contracts. Since the restrictions were met in the same period as the revenues were recorded, these revenues are classified as without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 326, *Financial Instruments - Credit Losses* ("ASC 326"), which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in ASC 326 are accounts receivable.

The Association adopted ASC 326 effective July 1, 2023 using the modified retrospective method. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Receivables

Receivables represent amount due from grants, contracts and fees that are carried at the original invoice amount less allowance for credit losses based on a review of all outstanding amounts. Receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received. No allowance for credit losses has been presented since all amounts are deemed to be collectible.

Prepaid expenses

Prepaid expenses result from advances or deposits on goods or services that will be received in the following year. Direct event expenses are recorded in the year the event takes place.

Deferred revenue

Deferred revenue results from contracts or sponsorship revenue received for a specific event scheduled in the following year. Revenue is recognized in the period that the related expenses are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated materials and services

Donated materials and services, which management estimates at $90,357 have not been recognized in the accompanying financial statements since the recognition requirements were not met. A number of volunteers have donated significant amounts of their time in the Association program services and administrative support. Also, media and service donations were received as part of event sponsorships.

Property and equipment

The Association's policy is to capitalize fixed asset purchases in excess of $3,000. Any furniture, equipment or other assets purchased under a grant or a service contract are considered the property of the granting agency and will not be capitalized. Depreciation is computed using straight-line depreciation methods based on the estimated useful lives of the assets, which range from 3 to 46 years. Depreciation expense for the year ended June 30, 2024 totaled $34,332.

Lease

The Association determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the statement of financial position. The Association does not have any finance leases.

ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Association's lease does not provide an implicit rate, the Association uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Association's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The Association has elected the short-term lease exemption for the lease terms are not exceeding 12 months.

Personal time off

Personal time off, representing vacation and sick days earned, but not taken as of June 30, 2024, is included in "accrued expenses" in the statement of financial position. The balance as of June 30, 2024 totaled $90,209.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Association recognizes revenue and support on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided. The Association follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Association satisfies a performance obligation.

Functional expenses

Costs of providing the Association's activities have been allocated between program services and management and general based upon estimates of time and costs incurred by the Association.

Income tax status

San Jose Downtown Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements.

The Association files information returns in the U.S. federal jurisdiction and state of California. The Association's federal returns for the years ended June 30, 2021 and beyond remain subject to possible examination by the Internal Revenue Service. The Association's California returns for the years ended June 30, 2020 and beyond remain subject to possible examination by the Franchise Tax Board.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and support and expenses during the period. Accordingly, actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management of the Association has evaluated events and transactions subsequent to June 30, 2024 for potential recognition or disclosure in the financial statements. The Association did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2024. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 27, 2024.

3. BID FUND - DOWNTOWN SAN JOSE BUSINESS IMPROVEMENT DISTRICT

In October 1988, San Jose City Ordinance #22960 established and defined the Downtown San Jose Business Improvement District ("BID"). BID is funded by an assessment levied on the businesses located within its boundaries and approved annually by the San Jose City Council through a public hearing process.

In 1989, the San Jose City Council appointed the Association as the Advisory Board for BID, to advise the Council on the levy of assessments of BID and the expenditure of revenues derived from those assessments.

The BID is required to be reauthorized annually by the City of San Jose through a public hearing process. For the fiscal year ending June 30, 2024, the BID was reauthorized by the City Council on June 6, 2023.

For the year ended June 30, 2024, a budget of $680,000 was approved by the City of San Jose. During the year ended June 30, 2024, the City collected $565,955 of BID assessments, $41,177 of which had not been reimbursed by the City as of June 30, 2024. During the year, $603,739 was expended by the Association.

There is a balance of funds remaining in the Association's BID account as of June 30, 2024 in the amount of $275,513. The deferred revenue balance will be recognized as revenue in the year ending June 30, 2024.

A budget of $680,000 has been approved by the City for the year ending June 30, 2025.

4. OED FUND - CITY OF SAN JOSE

The Association received revenues under a service contract with the City of San Jose Office of Economic Development ("OED"). The scope of services include downtown place promotion, office retention and attraction, downtown events, and parking program.

The contract with the City of San Jose (OED) provided up to $1,031,249 of reimbursements for the year ended June 30, 2024.

5. SJDA FUND - SAN JOSE DOWNTOWN ASSOCIATION

This fund accounts for resources under the discretionary control of the Association's Board of Directors for use in carrying on the general operations of the Association. The balance in this fund as of June 30, 2024 was $975,207.

6. SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION

In August 7, 2007, City of San Jose City Resolution No. 73937 established and defined the San Jose Downtown Property-Based Improvement District ("PBID"). The San Jose Downtown Property Owners' Association ("SJDPOA") was incorporated as a California Nonprofit Mutual Benefit Corporation to provide oversight of the District, to contract on behalf of the District, to review and provide leadership and guidance to the members of the District. The District was renewed by City Council on June 14, 2022 for an additional 10 years through December 31, 2032.

On January 28, 2008, the Association entered into an agreement with SJDPOA to provide management services. The agreement has been extended several times, most recently June 27, 2022, and continues through June 27, 2027. The entities have separate boards of directors and operate as separate entities. As compensation for the management services, the Association receives a fee determined by PBID. The fee is payable semi-annually. Including the management fee, the Association was reimbursed a total of $637,658 in relation to this arrangement for the year ended June 30, 2024.

The Association also has an arrangement with SJDPOA in which salaries for four and half Association employees who work directly on PBID projects are paid through the Association and reimbursed by SJDPOA. For the year ended June 30, 2024 , the Association was reimbursed $399,572 for personnel-related costs from this arrangement.

On January 15, 2013, the Association on behalf of the SJDPOA, entered into an Environmental and Maintenance and Supplemental Security Services agreement with Block by Block. The original agreement was for a period of three years and expired January 14, 2016. The amended and renewed agreement expired on January 14, 2024. The Association's contract with Block By Block was extended through January 14, 2025. In consideration of the services, the maximum annual amount of payments to Block by Block shall not exceed $3,485,054.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Office condominium	$ 370,612
Office and computer equipment	175,723
Machinery and equipment	10,942
Furniture and fixtures	5,220
Ice rink equipment	1,255,639
	1,818,136
Accumulated depreciation	(1,647,219)
	$ 170,917

For the year ended June 30, 2024, depreciation expense was $34,332.

8. DEFERRED REVENUE

Deferred revenue consisted of the following:

BID	$ 275,513
Adobe grant	18,233
Pop-up Program rent	11,952
Dine Downtown	5,000
Starlight Cinemas	4,666
	$ 315,364

9. CONCENTRATIONS AND RISKS

The Association earned $1,790,320 through contracts with and grants from the City of San Jose, including its agencies and the BID, which represented approximately 47% of the total revenues. Activities of the Association take place in and for the benefit of the downtown San Jose, California geographic area.

10. MORTGAGE PAYABLE

On April 28, 2009, the Association entered into a loan agreement with Wells Fargo Bank for $250,000. Management refinanced the mortgage payable on January 20, 2012, and then on January 20, 2017. The interest rate is fixed at 4.35% per annum for the term of the loan, 179 payments of principal and interest of $1,553 are due monthly and a final payment of $468 is due on December 20, 2031. The note is secured by a deed of trust on 28 North First Street, Suite 1000.

Total principal outstanding is $118,051 at June 30, 2024.

10. MORTGAGE PAYABLE (continued)

The future maturities of the mortgage payable are as follows:

Year ending June 30,	
2025	$ 13,707
2026	14,323
2027	14,968
2028	15,634
2029	16,345
Thereafter	43,074
	118,051
Current portion	(13,707)
	$ 104,344

11. LINE OF CREDIT

On September 18, 2020, the Association entered into agreement for an unsecured revolving line of credit with Wells Fargo Bank for a maximum amount of $100,000. Interest is computed at the Bank's prime rate plus 4.35% for cash and purchases. The line of credit will mature in December 2031, and was not accessed during the year ended June 30, 2024.

12. EMPLOYEE BENEFIT PLAN

The Association established a defined contribution 401(k) pension plan (the "Plan") effective January 1, 2010. All employees who are at least eighteen years old and have completed one year of service and at least one thousand hours of service are eligible to participate in the Plan. Employees participating in the Plan may elect to defer a percentage of their annual compensation to the Plan subject to applicable limits. The Association matches employee contributions at the rate of 100% not to exceed 3% of compensation plus 50% of salary deferrals between 3% and 5% of employee compensation. The match is 100% vested upon contribution. In addition, the Association may make discretionary matching contributions. Administrative expenses for the Plan are paid by the Association; however there are some management and expense fees based on Plan assets that are deducted from participant assets proportionately. The Association's management has the right to terminate the Plan at anytime.

The Association's matching contribution for the year ended June 30, 2024 totaled $44,523.

13. OFFICE CONDOMINIUM

The Association, through its ownership of its office condominiums located at 28 North First Street, Suites 1000 and 200, is a member of the Commercial Building Owners' Association ("CBOA"). Members pay monthly dues to CBOA to cover the property management and common area expenses (such as elevator, security, utilities and janitorial expenses). CBOA, on an as needed basis, can request special assessments from members for major improvements or renovations to common areas of the property. No special assessments for the year ending June 30, 2024 were assessed.

14. LEASES

In July 2022, the Association leases one equipment, and it will expire in October 2025. Upon adoption of ASC 842, this lease has been recognized as right-of-use asset ("ROU") on the accompanying the statement of financial potion, and it resulted in the recognition of ROU assets and operating lease liabilities of $10,697. For the year ended June 30, 2024 , the total lease expense was $3,360.

The equipment lease information as of June 30, 2024 is detailed as follows:

Right-of-use assets	$ 4,401
Operating lease liabilities as of June 30, 2024:	
Operating lease liabilities, current portion	$ 3,285
Operating lease liabilities, net of current portion	1,116
	$ 4,401
Weighted-average discount rate - operating lease	2.86 %
Weighted average remaining lease term	1.33 years

14. LEASES (continued)

The following table sets forth the future minimum lease payments under operating lease liabilities as of June 30, 2024:

Year ending June 30,	
2025	$ 3,360
2026	1,120
	4,480
Less: imputed interest	(79)
Lease liability, net of imputed interest	4,401
Current portion	(3,285)
	$ 1,116

15. LITIGATION DISCLOSURE

In the normal course of operations, the Association is involved in various legal discussions. The Association's management does not expect any of these discussions to lead to legal proceedings resulting in material adverse effect on the Association's financial statements.

16. LIQUIDITY

The following is a quantitative disclosure describing financial assets that are available within one year of June 30, 2024 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	$ 687,490
Contracts receivable - BID	41,177
Contracts receivable - PBID	518,615
Accounts receivable	383,770
Financial assets available to meet cash needs for general expenditures within one year	$ 1,631,052

The Association had $1,631,052 of financial assets available at June 30, 2024 to meet the needs for general expenditures in the next 12 months and none of them are subject to donor or other contractual restrictions. The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

As part of the Association's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

16. LIQUIDITY (continued)

The Association expects that receivables from program revenue and City contracts will be collected and available within 60 days of the fiscal year end. As disclosed in Note 11, the Association could also draw upon its available line of credit of $100,000 in the event of an unanticipated liquidity need.

SUPPLEMENTARY INFORMATION

San Jose Downtown Association
Schedule of Management and General Expenses
For the Year Ended June 30, 2024

	Total	San Jose Downtown Association Fund	Business Improvement District Fund
Salaries and payroll taxes	$ 9,183	$ -	$ 9,183
Employee benefits	21,660	21,660	-
Professional services	191,464	191,464	-
Subcontractors/interns	12,417	12,417	-
Building expense	63,484	63,484	-
Office equipment	23,188	23,188	-
Meeting/hospitality	30,311	30,311	-
Depreciation	18,081	18,081	-
Dues and conferences	22,040	22,040	-
Utilities	29,633	29,633	-
Office supplies	5,850	5,850	-
Insurance	80,251	80,251	-
Miscellaneous	12,600	12,600	-
Postage/mailing service	459	459	-
	$ 520,621	$ 511,438	$ 9,183