San Jose Downtown Property Owners' Association

Financial Statements

June 30, 2024

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
San Jose Downtown Property Owners' Association
San Jose, California

We have reviewed the accompanying financial statements of San Jose Downtown Property Owners' 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 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.

We are required to be independent of San Jose Downtown Property Owners' Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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.

Armanino LLP

Armanino LLP
San Jose, California

October 7, 2024

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

ASSETS

Current assets	
Cash and cash equivalents	$ 1,025,529
Accounts receivable	7,172
Due from related parties	152,630
Prepaid expenses	287,788
Total current assets	1,473,119
Total assets	$ 1,473,119

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 96,955
Due to related parties	518,615
Other liabilities	1,000
Total current liabilities	616,570
Net assets without donor restrictions	856,549
Total liabilities and net assets	$ 1,473,119

See accompanying notes and independent accountant's review report.

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

Revenues and support	
Property owners' assessments	$ 3,689,921
Exempt properties assessments	932,580
City of San Jose contracts - baseline services	500,818
Grants	40,000
Other contracts	409,567
Other revenue	3,563
Total revenues and support	5,576,449
Functional expenses	
Program services	
Clean and Safety Teams	3,362,896
District Enhancements	953,619
Street Life	345,354
Image Enhancement	28,856
Total program services	4,690,725
Support services	
Management and general	845,293
Total support services	845,293
Total functional expenses	5,536,018
Change in net assets	40,431
Net assets without donor restrictions, beginning of year	816,118
Net assets without donor restrictions, end of year	$ 856,549

See accompanying notes and independent accountant's review report.

San Jose Downtown Property Owners' Association
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Image Enhancement	Street Life	District Enhancements	Clean and Safety Teams	Total Program Services	Management and General	Total
Functional expenses							
Subcontractors - Groundwerx	$ -	$ -	$ 411,130	$ 3,351,968	$ 3,763,098	$ -	$ 3,763,098
Management services	-	100,000	150,000	-	250,000	787,230	1,037,230
Security	-	-	102,975	1,200	104,175	-	104,175
Tree maintenance	1,223	8,868	133,532	-	143,623	-	143,623
Landscape maintenance	24,449	48,255	149,719	-	222,423	-	222,423
Supplies and materials	3,027	48,715	2,877	8,177	62,796	-	62,796
Other expenses	-	111,533	1,364	1,551	114,448	43,785	158,233
Professional services	-	4,400	-	-	4,400	10,328	14,728
Other services	157	11,793	2,022	-	13,972	2,116	16,088
Insurance	-	11,790	-	-	11,790	1,834	13,624
	$ 28,856	$ 345,354	$ 953,619	$ 3,362,896	$ 4,690,725	$ 845,293	$ 5,536,018

See accompanying notes and independent accountant's review report.

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

Cash flows from operating activities		
Change in net assets	$	40,431
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt		20,421
Changes in operating assets and liabilities		
Accounts receivable		680,603
Due from related parties		(152,630)
Prepaid expenses		(8,586)
Accounts payable		(685,962)
Accrued expenses		(19,000)
Due to related parties		518,615
Net cash provided by operating activities		393,892
Net increase in cash and cash equivalents		393,892
Cash and cash equivalents, beginning of year		631,637
Cash and cash equivalents, end of year	$	1,025,529

See accompanying notes and independent accountant's review report.

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

1. NATURE OF OPERATIONS

The San Jose Downtown Property Owners' 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 Association's operation commenced on January 28, 2008. The purpose of the Association is to improve downtown San Jose, California with enhanced services including:

(a) Clean teams that will sweep, scrub, power wash sidewalks, remove litter and graffiti, and increase the frequency of trash removal and maintenance of public spaces within downtown.

(b) Information and safety ambassadors to provide information on downtown activities and establishments, prevent crime and work productively with social service providers.

(c) Image enhancement and cosmetic improvements to visually improve downtown.

(d) Tree maintenance to maintain the street trees and palms within the downtown San Jose Property-based Business Improvement District ("PBID") boundary.

(e) Enhanced security services to provide a visible uniformed presence at the properties and parcels within the downtown San Jose PBID boundary.

(f) Business development program designed to keep and attract jobs, investment and new businesses to downtown San Jose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America, 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. There are currently no net assets with donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policy

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 for the outstanding receivable balance 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

The Association's policy is to capitalize property and equipment 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 over the asset's estimated useful lives. As of June 30, 2024, all property and equipment has been fully depreciated and is still being used by the Association. Accordingly, the property and equipment has been reported at a zero book value on the statement of financial position. Depreciation expense for the year ended June 30, 2024 was $0.

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.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with or without donor restrictions, depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions. Restricted contributions, where restrictions are met in the same period as the donation is made, is shown as additions to contributions without donor restrictions.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are substantially met, at which time, the gift is recognized as either grants and contributions revenue with or without restriction.

Advertising costs

The Association's policy is to expense advertising costs as the costs are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Property Owners' 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 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 expenses during the period. Accordingly, actual results could differ from those estimates.

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, October 7, 2024.

3. PROPERTY-BASED IMPROVEMENT DISTRICT

In August 7, 2007, City of San Jose City Resolution No. 73937 established and defined the San Jose Downtown Property-Based Improvement District ("PBID" or "District"). The PBID is funded by an assessment levied on the property owners located within the District and approved through a petition and mail-ballot process. On June 14, 2022, the renewed District was approved at City Council extending the term for an additional ten years through December 31, 2032.

3. PROPERTY-BASED IMPROVEMENT DISTRICT (continued)

The Association was incorporated as a California Nonprofit Mutual Benefit Corporation to provide oversight of the District, to contract on behalf of the District, and to review and provide leadership and guidance to the members of the District.

4. SAN JOSE DOWNTOWN ASSOCIATION

On January 28, 2008, the Association entered into an agreement with San Jose Downtown Association ("SJDA") to receive management services. The agreement has been extended several times and continues through June 27, 2027. The entities have separate boards of directors and operate as separate entities. The Association pays SJDA a fee for the management services, and the amount is determined by PBID. The fee is payable semi-annually. For the year ended June 30, 2024, the Association incurred expenses from this agreement totaling $637,658.

The Association also has an arrangement with SJDA in which salaries for four and half SJDA employees who work on the PBID projects are paid through SJDA and reimbursed by the Association. For the year ended June 30, 2024, the Association paid a total of $399,572 towards salaries of a Business Development Program Manager, a Street Life Program Project Manager, a Community Engagement Manager and a PBID coordinator under this arrangement.

The management fee and the salaries are presented as management services in the statement of functional expenses, totaling $1,037,230.

On January 15, 2013, SJDA on behalf of the Association 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 on 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.

5. ASSESSMENTS ON SARA PARCELS

There are certain parcels of Federal and State SARA (Successor Agency to the Redevelopment Agency of the City of San Jose) properties where assessments continue to be made on an annual basis although management of the Association believes collectability to be uncertain. Assessments are recognized in revenue upon the sale of each parcel. There were no SARA parcels sold during the year ended June 30, 2024. There are other assessments related to SARA transfers to the City of San Jose that have not been included in accounts receivable or recognized in revenue, and collectability is entirely dependent on sufficient proceeds being available at the time of any potential sale of each parcel.

6. 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	$ 1,025,529
Accounts receivable	7,172
Due from related parties	152,630
	$ 1,185,331

The Association had $1,185,331 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.

The Association expects that receivables from program and contracts will be collected and available within 60 days of the fiscal year end.