

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

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FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

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EMERITUS

Alexander W. Berger (1916-2005)  
Griffith R. Lewis

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
San Jose Downtown Association  
(A California Nonprofit Mutual Benefit Corporation)  
San Jose, California

We have reviewed the accompanying statement of financial position of San Jose Downtown Association (a California Nonprofit Mutual Benefit Corporation) as of June 30, 2012 and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company 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 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying schedule of management and general expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.



BERGER LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
September 19, 2012

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2012

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<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash	\$ 135,276
Contracts Receivable:	
BID	159,435
RDA	14,100
City	40,780
PBID	106,585
Accounts Receivable	33,401
Prepaid Expenses	<u>67,881</u>
Total Current Assets	<u>557,458</u>
<b>PROPERTY AND EQUIPMENT, At Cost:</b>	
Ice Rink Equipment	778,279
Office Condo	370,612
Office and Computer Equipment	162,690
Transportation Equipment	<u>24,650</u>
	1,336,231
Accumulated Depreciation	<u>(995,570)</u>
Total Property and Equipment, Net	<u>340,661</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 898,119</b></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Mortgage Payable, Current Portion	\$ 4,885
Accounts Payable	83,927
Accrued Expenses	71,756
Deferred Income	<u>86,006</u>
Total Current Liabilities	<u>246,574</u>
<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION:</b>	
Mortgage Payable, Net of Current Portion	<u>224,416</u>
Total Liabilities	<u>470,990</u>
<b>NET ASSETS:</b>	
Unrestricted Net Assets	<u>427,129</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 898,119</b></u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2012

	Total All Funds	Unrestricted		
		San Jose Downtown Association	Business Improvement District	Redevelopment Agency Fund
<b>REVENUE:</b>				
Contract Reimbursement - BID	\$ 700,353	\$ -	\$ 700,353	\$ -
Contract Reimbursement - RDA	250,000	-	-	250,000
Other Contracts	436,643	436,643	-	-
Sponsorships and Sales	667,421	667,421	-	-
Concessions and Admissions	823,128	823,128	-	-
Participant Fees	36,526	36,526	-	-
Grants	60,988	60,988	-	-
Administration Income	8,850	8,850	-	-
Property Business Improvement District	214,718	214,718	-	-
Miscellaneous Income	40,220	40,220	-	-
<b>Total Revenue</b>	<b>3,238,847</b>	<b>2,288,494</b>	<b>700,353</b>	<b>250,000</b>
<b>EXPENSES:</b>				
Program and Events:				
Music in the Park 2011	407,243	314,742	50,000	42,501
Ice Rink	1,021,658	867,308	100,000	54,350
Farmers' Market	55,934	12,577	37,608	5,749
Dine Downtown	17,499	221	-	17,278
Communications/PR	77,109	-	77,109	-
Advocacy, Research and Planning	89,182	62,182	27,000	-
25th Anniversary Event	55,905	55,905	-	-
Downtown for the Holidays	177,420	177,420	-	-
Holiday and District Promotions	52,902	478	41,104	11,320
Public Space Programming	138,031	52,031	20,000	66,000
Marketing, Parking and Transportation Promotions	200,671	78,544	86,905	35,222
Foundation, Beautification and Membership	49,285	5,705	26,000	17,580
Property Business Improvement District	459,383	459,383	-	-
<b>Total Program and Events Expenses</b>	<b>2,802,222</b>	<b>2,086,496</b>	<b>465,726</b>	<b>250,000</b>
Management and General	552,280	317,653	234,627	-
<b>Total Expenses</b>	<b>3,354,502</b>	<b>2,404,149</b>	<b>700,353</b>	<b>250,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>(115,655)</b>	<b>(115,655)</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, Beginning of Year</b>	<b>542,784</b>	<b>542,784</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 427,129</b>	<b>\$ 427,129</b>	<b>\$ -</b>	<b>\$ -</b>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

STATEMENT OF FUNCTIONAL REVENUE AND EXPENSES FOR PROGRAMS AND EVENTS

Year Ended June 30, 2012

	Music in the Park 2011	Ice Rink	Farmers' Market	Dine Downtown	Communica- tions / PR	Advocacy, Research and Planning	25th Anniversary Event	Downtown for the Holidays	Public Space Programming	Holiday and District Promotions	Property Business Improvement District	Marketing, Parking, & Transportation Promotions	Foundation, Beautification and Membership	Management and General	Total
<b>PROGRAM REVENUE:</b>															
BID Contract	\$ 50,000	\$ 100,000	\$ 37,608	\$ -	\$ 59,654	\$ 27,000	\$ -	\$ -	\$ 20,000	\$ 41,104	\$ -	\$ 104,360	\$ 26,000	\$ 234,627	\$ 700,353
RDA Contract	42,500	54,350	5,750	17,278	-	-	-	-	66,000	11,320	-	35,222	17,580	-	250,000
Baseline Services	-	-	-	-	-	-	-	-	-	-	361,383	-	-	-	361,383
Other Contracts	-	-	-	-	-	-	-	-	-	-	214,718	-	-	-	289,978
Sponsorships/Sales	76,550	269,138	17,000	1,000	9,550	-	46,800	182,100	11,325	-	-	16,500	16,000	-	645,963
Group Sales	-	6,896	-	-	-	-	11,933	-	14,562	-	-	-	-	-	33,391
Concessions / Admissions	229,998	569,835	241	-	-	-	9,158	-	1,963	-	-	-	-	-	811,195
Participant Fees	-	-	13,060	5,500	-	-	-	-	-	16,966	-	1,000	-	-	36,526
Grants	14,364	29,133	4,160	-	-	-	-	-	13,331	-	-	-	-	-	60,988
Miscellaneous Income	383	4,170	-	-	1,000	-	4,984	3,121	8,821	-	-	2,363	6,767	8,611	40,220
Administration Income	-	-	-	-	-	-	-	-	-	-	-	-	-	8,850	8,850
<b>Total Program Revenue</b>	<b>413,795</b>	<b>1,033,522</b>	<b>77,819</b>	<b>23,778</b>	<b>70,204</b>	<b>27,000</b>	<b>72,875</b>	<b>185,221</b>	<b>136,002</b>	<b>69,390</b>	<b>576,101</b>	<b>234,705</b>	<b>66,347</b>	<b>252,088</b>	<b>3,238,847</b>
<b>PROGRAM EXPENSES:</b>															
Personnel	55,000	80,000	20,000	5,000	50,000	88,000	-	-	46,000	40,000	98,000	110,000	31,000	363,000	986,000
Insurance	14,000	27,528	8,000	-	-	-	-	-	5,000	-	-	-	-	9,704	64,232
City Services	64,493	13,361	1,935	-	-	-	-	75	17,873	186	-	-	-	-	97,923
Marketing	13,268	49,444	8,252	12,415	26,871	-	766	3,057	3,306	2,978	-	88,729	3,285	-	212,371
Event Production	93,842	242,674	11,854	-	-	-	11,766	22,500	17,640	1,850	-	1,250	-	-	403,376
Technical Support	36,923	389,541	3,927	-	-	-	12,916	3,927	22,423	5,810	-	-	-	-	472,240
Supplies and Materials	57,749	44,903	1,898	84	238	482	19,619	-	14,214	2,078	-	684	-	8,252	150,201
Cost of Concessions	68,319	-	-	-	-	-	10,303	-	540	-	-	-	-	-	79,162
Subcontractors	3,642	74,656	-	-	-	-	-	151,049	11,000	-	361,383	-	15,000	-	616,730
Depreciation and Amortization	-	90,070	-	-	-	-	-	-	-	-	-	-	-	40,390	130,460
Other Expenses	7	9,481	68	-	-	700	535	39	35	-	-	8	-	130,934	141,807
<b>Total Program Expenses</b>	<b>407,243</b>	<b>1,021,658</b>	<b>55,934</b>	<b>17,499</b>	<b>77,109</b>	<b>89,182</b>	<b>55,905</b>	<b>177,420</b>	<b>138,031</b>	<b>52,902</b>	<b>459,383</b>	<b>200,671</b>	<b>49,285</b>	<b>552,280</b>	<b>3,354,502</b>
<b>Excess of Revenue (Expense)</b>	<b>\$ 6,552</b>	<b>\$ 11,864</b>	<b>\$ 21,885</b>	<b>\$ 6,279</b>	<b>\$ (6,905)</b>	<b>\$ (62,182)</b>	<b>\$ 16,970</b>	<b>\$ 7,801</b>	<b>\$ (2,029)</b>	<b>\$ 16,488</b>	<b>\$ 116,718</b>	<b>\$ 34,034</b>	<b>\$ 17,062</b>	<b>\$ (300,192)</b>	<b>\$ (115,655)</b>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ (115,655)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	130,460
(Increase) Decrease in Assets:	
Contracts Receivable	20,231
Accounts Receivable	186,632
Prepaid Expenses	42,241
Increase in Liabilities:	
Accounts Payable	(12,456)
Sales Tax Payable	(9,808)
Accrued Expenses	(13,717)
Deferred Revenue	<u>(144,805)</u>
Cash Provided by Operating Activities	<u>83,123</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Ice Rink Equipment	<u>(4,778)</u>
Cash Used by Investing Activities	<u>(4,778)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Payments on Mortgage Payable	(6,133)
Proceeds from Line of Credit	42,850
Payments on Line of Credit	<u>(42,850)</u>
Cash Used by Financing Activities	<u>(6,133)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	72,212
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>63,064</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 135,276</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>	
Cash Paid for Interest	<u>\$ 12,520</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - ORGANIZATION AND STATEMENT OF PURPOSES:

The San Jose Downtown Association (the "Association") is a nonprofit mutual benefit 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:

- (a) 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.
- (b) 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.
- (c) Seek out public and private revenues to support its objectives.
- (d) Beautify downtown San Jose.
- (e) Promote public events and to obtain funding and programs for seasonal decorations of public spaces in the area.
- (f) Promote a positive identity for the area through advertising and public relations program and the sponsorship of public events, promotions and festivals.
- (g) 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basic of Accounting - The financial statements of the Association is an accrual basis not-for-profit corporation with a fiscal year end of June 30.

Basis of Presentation - The Association follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with accounting principles generally accepted in the United States of America, the Association reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Notes 3 to 6 for descriptions of the funds, including restrictions, if any.

The revenues recorded in the statement of activities regarding the Business Improvement District and Redevelopment Agency 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 the classification of these revenues as unrestricted.



SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a 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 - No allowance for uncollectible receivables has been presented since all amounts are deemed to be collectible.

Deferred Income - Deferred income results from grants, contract 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.

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.

Donated Materials and Services - Donated materials and services, which Management estimates at approximately \$2,543,372 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.

Capitalization Policy - The Association's policy is to capitalize fixed asset purchases in excess of \$500. 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. Depreciation expense for the year ended June 30, 2012 is \$130,460.

Personal Time Off - Personal time off ("PTO") represents vacation and sick days earned, but not taken as of June 30, 2012, and is included in "accrued expenses" in the statement of financial position. The PTO balance as of June 30, 2012 totaled \$47,996.

Income Taxes - 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. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Subsequent Events - Management of the Association has evaluated events and transactions subsequent to June 30, 2012 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, 2012. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 19, 2012.

NOTE 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). The "District" is funded by an assessment levied on the businesses located within the District and approved annually by the San Jose City Council through a public hearing process.

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

In March 1989, the San Jose Downtown Association entered into an agreement with the City of San Jose to operate and administer the activities within the District. This agreement was amended and restated June 24, 1997.

For the year ended June 30, 2012, a budget of \$700,000 was approved by the City of San Jose. During the year ended June 30, 2012, the City collected \$698,927 of BID assessments. During the year, \$700,353 was expended by the Association of which \$159,435 had not been reimbursed by the City as of June 30, 2012.

There is a balance of BID funds remaining in the separate City of San Jose BID account as of June 30, 2012 in the amount of \$45,944. The Association is reporting this amount as a Current Asset with a corresponding offset to Deferred Income as of June 30, 2012 and will be utilized in the year ending June 30, 2013.

A budget of \$710,000 has been approved by the City for the fiscal year ending June 30, 2013.

NOTE 4 - RDA FUND - SAN JOSE REDEVELOPMENT AGENCY:

The Association received revenues under a service contract with the San Jose Redevelopment Agency, an Agency of the City of San Jose. The scope of services include promotional activities and management and coordination of activities.

The agreement with the San Jose Redevelopment Agency provided for up to \$250,000 of reimbursements for the year ended June 30, 2012.

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 4 - RDA FUND - SAN JOSE REDEVELOPMENT AGENCY (Continued):

During the year ended June 30, 2012, \$250,000 was expended by the Association against this budget of which \$14,100 has not been reimbursed as of June 30, 2012. During the fiscal year 2011-2012, the State of California eliminated Redevelopment Agencies. Because the San Jose Redevelopment Agency no longer exists, the \$14,100 will be paid by the San Jose Redevelopment Agency successor agency, established by the State of California and City of San Jose.

NOTE 5 - SJDA FUND:

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, 2012 was \$427,129.

NOTE 6 - PBID FUND - SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION:

As of January 28, 2008 the Association entered into an agreement with San Jose Downtown Property Owners' Association ("PBID") to provide management services. The agreement shall run from January 28, 2008 to January 31, 2013. The entities have separate boards of directors and operate as separate entities. As compensation for the management services, the Association will receive 9.1% of the total revenue received by PBID. The fee is payable semi-annually. As of June 30, 2012, the Association earned revenue from this agreement totaled \$214,718. In addition, the City of San Jose paid SJDA for baseline PBID services of \$361,383 under a separate agreement.

As of January 14, 2008 the Association entered into an agreement on behalf of San Jose Downtown Property Owners' Association ("PBID") with Service Group Incorporated ("SGI"). SGI provides services to allow PBID to carry out its nature of activities of maintenance of Downtown San Jose, including cleaning, safety and information, and enhancing the image of Downtown San Jose. The original agreement ran through January 13, 2011, and allowed for 3 additional one year term renewals. Either party has the right to terminate this agreement at any time, by giving written notice at least 120 days prior to termination date.

On June 16, 2010, SJDA on behalf of PBID, extended the agreement with SGI for one additional year of service. The agreement was extended to January 13, 2011, and was renewed again for an additional year through January 13, 2013.

SAN JOSE DOWNTOWN ASSOCIATION  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 7 - DEFERRED INCOME:

Deferred income consists of the following as of June 30, 2012:

BID	\$ 45,944
Blues Festival	19,518
Beautification	7,500
Outdoor Cinema	6,775
Dash Shuttle	5,000
Other	<u>1,269</u>
	<u>\$ 86,006</u>

NOTE 8 - CONCENTRATION OF ACTIVITIES:

Approximately \$1,447,984 was earned through contracts with and grants from the City of San Jose, including its agencies and the BID and the PBID. Activities of the Association take place in and for the benefit of the downtown San Jose, California geographic area.

NOTE 9 - MORTGAGE PAYABLE:

On April 28, 2009, the Association entered into a loan agreement with Wells Fargo Bank for \$250,000. The interest rate was a fixed rate loan at 5.50% per annum for the term of the loan, 35 monthly payments were made for \$1,731 and a final payment of \$230,506 was due on May 20, 2012, plus any unpaid principal and interest. The note was secured by Deed of Trust on 28 North First Street, Suite 1000. Management refinanced the mortgage payable on January 20, 2012. The interest rate is a fixed rate loan at 4.95% per annum for the term of the loan, 60 monthly payments are made for \$1,356.88 and a final payment of \$206,175.39 is due on January 20, 2017, plus any unpaid principal and interest.

Total principal outstanding is \$229,301 at June 30, 2012.

Scheduled estimated maturities for the above mortgage payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 4,885
2014	5,136
2015	5,400
2016	5,648
2017	<u>208,232</u>
	<u>\$ 229,301</u>

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SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 10 - LINE OF CREDIT ("LOC"):

	<u>Amount Available</u>
Wells Fargo Bank, revolving line of credit for a maximum amount of \$150,000. Interest is computed at the Bank's prime rate plus 1.750% with a floor rate of 5%, secured by certain assets of the Association. Maturity date of May 18, 2013.	<u>\$ 150,000</u>

The LOC was accessed for \$42,850 during fiscal year 2012 for a period of 6 days and all funds were repaid during the fiscal year.

NOTE 11 - EMPLOYEE BENEFIT PLAN:

The Association established a defined contribution 401(k) pension plan effective January 1, 2010. All employees who are at least twenty-one 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 and contributions based on profit sharing. Expense to maintain the plan are paid by plan's assets and allocated to participants based on participants' assets. Association's management has the right to terminate the plan at anytime.

The Association's matching contribution for the year ended June 30, 2012 was \$21,528.

NOTE 12 - OFFICE CONDOMINIUM:

The Association, through its ownership of its office condominium Suite 1000 and Suite 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. There were no special assessments during the year ended June 30, 2012. The SJDA Executive Director is a member of the CBOA board.

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 13 - OPERATING LEASE COMMITMENTS:

The Association leases a copier under a noncancelable operating lease which expire in February 2014. The Association also leases a mailing system and modem under a noncancelable operating lease which expire in May 2016. Total lease payments related to the operating leases for the year ending June 30, 2012 is \$4,143.

Future minimum lease payments as of June 30, 2012 under these noncancelable operating leases is:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 4,143
2014	3,211
2015	1,347
2016	<u>1,123</u>
Total Future Minimum Lease Payments	<u>\$ 9,824</u>

**SUPPLEMENTARY INFORMATION**

SAN JOSE DOWNTOWN ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)

SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES

Year Ended June 30, 2012

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	Total All Funds	SJDA Fund	BID Fund	RDA Fund
Salaries and Payroll Taxes	\$ 273,443	\$ 109,755	\$ 163,688	\$ -
Employee Benefits	89,557	18,618	70,939	-
Building Expenses	93,418	93,418	-	-
Office Equipment	17,662	17,662	-	-
Utilities	14,171	14,171	-	-
Office Supplies	8,296	8,296	-	-
Insurance	9,704	9,704	-	-
Professional Services	20,397	20,397	-	-
Dues and Conferences	8,285	8,285	-	-
Meetings and Hospitality	6,535	6,535	-	-
Postage/Mailing Services	2,761	2,761	-	-
Miscellaneous Expenses	8,051	8,051	-	-
Total Expenses	<u>\$ 552,280</u>	<u>\$ 317,653</u>	<u>\$ 234,627</u>	<u>\$ -</u>

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