

San Jose Downtown Association

(A California Nonprofit Mutual Benefit Corporation)

Financial Statements and Supplementary Schedule

Year Ended June 30, 2016



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Accountant's Review Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Revenue and Expenses for Programs and Events	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 12
Supplemental Schedule:	
Schedule of Management and General Expenses	13

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
San Jose Downtown Association
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, 2016, and the related statements of activities and changes in net assets, functional revenue and expenses for programs and events, 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 Association 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 American Institute of Certified Public Accountants. 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.

Supplemental Schedule

The Supplemental 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. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.



Armanino^{LLP}
San Jose, California

September 23, 2016

SAN JOSE DOWNTOWN ASSOCIATION
Statement of Financial Position
June 30, 2016
(See Independent Accountant's Review Report)

ASSETS

Current assets	
Cash	\$ 360,188
Contracts receivable	
BID	64,997
City of San Jose	36,704
PBID	249,610
Accounts receivable	40,200
Prepaid expenses	21,891
Total current assets	<u>773,590</u>
Property and equipment, at cost	
Ice rink equipment	1,111,709
Office condo	370,612
Office and computer equipment	175,521
Transportation equipment	24,650
	<u>1,682,492</u>
Accumulated depreciation	<u>(1,239,463)</u>
Total property and equipment, net	<u>443,029</u>
Due from San Jose Downtown Foundation	<u>94</u>
Total assets	<u>\$ 1,216,713</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Note payable, current portion	\$ 21,475
Mortgage payable, current portion	208,234
Accounts payable	120,492
Sales tax payable	3,786
Accrued expenses	69,782
Deferred revenue	241,656
Total current liabilities	<u>665,425</u>
Long-term liabilities	
Note payable, net of current portion	<u>10,949</u>
Total long-term liabilities, net of current portion	<u>10,949</u>
Total liabilities	676,374
Net assets	
Unrestricted net assets	<u>540,339</u>
Total liabilities and net assets	<u>\$ 1,216,713</u>

The accompanying notes are an integral part of these financial statements.

SAN JOSE DOWNTOWN ASSOCIATION
Statement of Activities and Changes in Net Assets
June 30, 2016
(See Independent Accountant's Review Report)

	Total All Funds	Unrestricted		
		San Jose Downtown Association	Business Improvement District	City (OED) Fund
Revenue				
BID contract	\$ 707,000	\$ -	\$ 707,000	\$ -
City (OED) contract	350,000	-	-	350,000
Concessions / admissions	1,062,345	1,062,345	-	-
Other contracts	514,355	514,355	-	-
Grants	323,515	323,515	-	-
Sponsorships / sales	427,089	427,089	-	-
City of San Jose contracts	85,662	85,662	-	-
Participant fees	10,789	10,789	-	-
Miscellaneous income	59,470	59,470	-	-
Group sales	46,535	46,535	-	-
Administration income	(300)	(300)	-	-
Total revenue	<u>3,586,460</u>	<u>2,529,460</u>	<u>707,000</u>	<u>350,000</u>
Expenses				
Program and events				
Ice rink	1,220,856	962,656	100,000	158,200
Property business improvement district	560,541	560,541	-	-
Music in the Park	255,421	157,421	50,000	48,000
Pop Up Retail, Downtown Activation	25,500	25,500	-	-
Marketing, promotions and parking	167,758	69,232	68,526	30,000
Partner events	99,474	99,474	-	-
Communications	108,084	34,002	74,082	-
Farmers' market	81,196	23,396	45,000	12,800
Advocacy, research and planning	58,648	1,648	57,000	-
Downtown for the holidays / holiday promotions	50,000	30,000	20,000	-
World Cup viewing	12,016	16	-	12,000
Dine downtown	44,961	10,069	29,892	5,000
SoFA street markets	57,475	26,475	-	31,000
Foundation, beautification and membership, miscellaneous	77,539	42,539	10,000	25,000
Starlight Cinemas	1,738	1,738	-	-
Live and local	33,000	-	13,000	20,000
District promotions	42,716	21,216	13,500	8,000
Equipment rental	4,650	4,650	-	-
HERcity	18,422	2,422	16,000	-
Total program and events expenses	<u>2,919,995</u>	<u>2,072,995</u>	<u>497,000</u>	<u>350,000</u>
Management and general	<u>665,759</u>	<u>455,759</u>	<u>210,000</u>	<u>-</u>
Total expenses	<u>3,585,754</u>	<u>2,528,754</u>	<u>707,000</u>	<u>350,000</u>
Change in net assets	706	706	-	-
Net assets, beginning of year	<u>539,633</u>	<u>539,633</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 540,339</u>	<u>\$ 540,339</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

SAN JOSE DOWNTOWN ASSOCIATION
Statement of Functional Revenue and Expenses for Programs and Events
Year Ended June 30, 2016
(See Independent Accountant's Review Report)

	Dine Downtown	Ice Rink	Farmers' Market	HEReiv	Live and Local	Downtown for the Holidays / Holiday Promotions	Music in the Park	Partner Events	Communica- tions	Advocacy Research & Planning	District Promotions	Starlight Cinemas	SoFA Street Markets	Equipment Rental	Marketing, Promotions and Parking	Foundation / Beautification and Membership / Miscellaneous	Property Business Improvement District	Pop Up Retail/DT Act	World Cup Viewing / St. James Park	Management and General	Total
Program revenue																					
BID contract	\$ 29,892	\$ 100,000	\$ 45,000	\$ 16,000	\$ 13,000	\$ 20,000	\$ 50,000	\$ -	\$ 74,082	\$ 57,000	\$ 13,500	\$ -	\$ -	\$ -	\$ 68,526	\$ 10,000	\$ -	\$ -	\$ -	\$ 210,000	\$ 707,000
City (OED) contract	5,000	158,200	12,800	-	20,000	-	48,000	-	-	-	8,000	-	31,000	-	30,000	25,000	-	-	12,000	-	350,000
Concessions / admissions	-	797,163	-	1,994	-	-	173,766	89,422	-	-	-	-	-	-	-	-	-	-	-	-	1,062,345
Other contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	514,355
Grants	-	41,587	-	-	-	-	17,459	13,994	-	-	-	-	16,475	-	-	-	209,000	25,000	-	-	323,515
Sponsorships / sales	8,750	304,500	22,559	-	-	30,000	18,680	3,800	-	-	21,000	-	10,000	(2,000)	-	-	10,000	-	(200)	-	427,089
City of San Jose contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,662	-	-	-	-	-	85,662
Participant fees	1,200	-	9,721	-	-	-	-	-	-	-	-	-	-	200	(332)	-	-	-	-	-	10,789
Miscellaneous income	118	30,270	7,000	-	-	-	-	7,000	-	-	-	-	-	4,000	(719)	-	-	1,500	-	10,301	59,470
Group sales	-	34,385	-	-	-	-	12,150	-	-	-	-	-	-	-	-	-	-	-	-	-	46,535
Administration income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(300)
Total program revenue	44,960	1,466,105	97,080	17,994	33,000	50,000	320,055	114,216	74,082	57,000	42,500	-	57,475	2,000	184,388	33,949	733,355	26,500	11,800	220,001	3,586,460
Program expenses																					
Personnel	22,000	80,000	33,500	15,000	27,023	21,500	41,000	-	79,000	57,000	18,500	-	14,000	-	79,500	65,000	339,962	10,000	12,000	488,261	1,403,246
Subcontractors	-	25,500	7,300	-	3,200	25,800	7,500	90,696	-	1,000	-	-	41,055	-	-	-	214,820	15,000	-	-	431,871
Technical support	-	470,424	13,285	-	-	-	20,729	-	-	-	6,278	-	(1,250)	-	-	-	-	-	-	-	509,466
Event production	-	341,019	-	586	-	-	68,938	-	-	-	4,087	-	-	-	-	-	-	-	-	-	414,630
Marketing	22,768	53,313	13,899	884	2,777	2,700	21,866	-	29,084	-	2,299	-	-	88,246	7,365	339	-	-	-	-	245,540
Supplies and materials	-	132,364	601	109	-	-	38,945	-	-	-	10,847	-	-	3,400	10	5,174	-	-	-	7,622	199,072
Depreciation and amortization	-	55,044	-	-	-	-	-	-	-	-	-	1,738	-	-	-	-	-	-	-	23,734	80,516
City services	-	16,068	4,544	-	-	-	20,017	-	-	-	407	-	2,420	-	-	-	-	-	-	-	43,456
Insurance	-	33,083	7,557	-	-	-	3,136	1,583	-	-	-	-	-	2,500	-	-	-	-	-	13,882	61,741
Cost of concessions	-	1,534	27	1,736	-	-	24,919	7,195	-	-	-	-	-	-	-	-	-	-	-	-	35,411
Other expenses	193	12,507	483	107	-	-	8,371	-	-	648	298	-	-	-	2	-	5,420	500	16	132,260	160,805
Total program expenses	44,961	1,220,856	81,196	18,422	33,000	50,000	255,421	99,474	108,084	58,648	42,716	1,738	57,475	4,650	167,758	77,539	560,541	25,500	12,016	665,759	3,585,754
Excess of revenue (expense)	\$ (1)	\$ 245,249	\$ 15,884	\$ (428)	\$ -	\$ -	\$ 64,634	\$ 14,742	\$ (34,002)	\$ (1,648)	\$ (216)	\$ (1,738)	\$ -	\$ (2,650)	\$ 16,630	\$ (43,590)	\$ 172,814	\$ 1,000	\$ (216)	\$ (445,758)	\$ 706

The accompanying notes are an integral part of these financial statements.

SAN JOSE DOWNTOWN ASSOCIATION
Statement of Cash Flows
Year Ended June 30, 2016
(See Independent Accountant's Review Report)

Cash flows from operating activities	
Change in net assets	\$ 706
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	80,516
Change in operating assets and liabilities	
Contracts receivable	84,126
Accounts receivable	155,842
Prepaid expenses	(765)
Due from Foundation	(94)
Accounts payable	(169,450)
Sales tax payable	3,035
Accrued expenses	(30,024)
Deferred revenue	<u>32,477</u>
Cash provided by operating activities	<u>156,369</u>
Cash flows from investing activities	
Purchase of office and computer equipment	(1,741)
Purchase of ice rink equipment	<u>(46,589)</u>
Cash used by investing activities	<u>(48,330)</u>
Cash flows from financing activities	
Payments on mortgage payable	(5,648)
Payments on note payable	<u>(20,732)</u>
Cash used by financing activities	<u>(26,380)</u>
Increase in cash and cash equivalents	81,659
Cash and cash equivalents, beginning of year	<u>278,529</u>
Cash and cash equivalents, end of year	<u>\$ 360,188</u>
 Supplemental disclosure of cash flows information	
Cash paid for interest	<u>\$ 12,170</u>

The accompanying notes are an integral part of these financial statements.

SAN JOSE DOWNTOWN ASSOCIATION
Notes to Financial Statements
June 30, 2016

1. Organization and Statement of Purposes

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:

- (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.

2. Summary of Significant Accounting Policies

Basic of accounting

The financial statements of the Association are prepared on the accrual basis of accounting 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 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 unrestricted.

SAN JOSE DOWNTOWN ASSOCIATION
Notes to Financial Statements
June 30, 2016

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 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.

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 \$1,751,706 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, 2016 is \$80,516.

SAN JOSE DOWNTOWN ASSOCIATION
Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies (continued)

Personal time off

Personal time off, representing vacation and sick days earned, but not taken as of June 30, 2016, is included in "accrued expenses" in the statement of financial position. The balance as of June 30, 2016 totaled \$57,584.

Revenue recognition

The Association recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" are recognized as revenue in the period in which the service is provided. Revenue from grants which have been classified as "contributed income" are recognized when the grantor makes a pledge to give that is, in substance, an unconditional promise. Grants are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of grantor restrictions and depending on whether the restrictions are met in the current fiscal period. If grantor restrictions were met in the same period as the revenues were recorded, these revenues are classified as unrestricted.

Conditional grants are recognized when the conditions on which they depend are substantially met. In July 2015, the Association was awarded a \$641,000 grant of which \$516,000 has not been recognized as revenue as of June 30, 2016 since the conditions have not been substantially met.

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.

Subsequent events

Management of the Association has evaluated events and transactions subsequent to June 30, 2016 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, 2016. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 23, 2016.

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.

SAN JOSE DOWNTOWN ASSOCIATION
Notes to Financial Statements
June 30, 2016

3. BID Fund - Downtown San Jose Business Improvement District (continued)

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

For the year ended June 30, 2016, a budget of \$757,000 was approved by the City of San Jose. During the year ended June 30, 2016, the City collected \$707,599 of BID assessments. During the year, \$707,000 was expended by the Association of which \$64,997 had not been reimbursed by the City as of June 30, 2016.

There is a balance of funds remaining in the separate City of San Jose BID account as of June 30, 2016 in the amount of \$178,614. The Association is reporting this amount as a current asset with a corresponding offset to deferred revenue as of June 30, 2016 and will be utilized in the year ending June 30, 2017.

A budget of \$777,000 has been approved by the City for the fiscal year ending June 30, 2017.

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 \$446,000 of reimbursements for the year ended June 30, 2016.

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, 2016 was \$540,339.

6. PBID Fund - San Jose Downtown Property Owners' Association

On January 28, 2008 the Association entered into an agreement with San Jose Downtown Property Owners' Association ("PBID") to provide management services. The agreement has been extended several times, and continues through January 31, 2022. The entities have separate boards of directors and operate as separate entities. As compensation for the management services, the Association receives 9.9% of the total revenue received by PBID. The fee is payable semi-annually. For the year ended June 30, 2016, the Association earned revenue from this agreement totaling \$314,355.

The Association also has an arrangement with San Jose Downtown Property Owners' Association in which salaries for two SJDA employees who work directly on PBID projects are paid through SJDA and reimbursed by PBID. For the year ended June 30, 2016, the Association was reimbursed \$200,000 from this arrangement.

SAN JOSE DOWNTOWN ASSOCIATION
Notes to Financial Statements
June 30, 2016

6. PBID Fund - San Jose Downtown Property Owners' Association (continued)

Further, the Association has an arrangement with San Jose Downtown Property Owners' Association in which grant money received by SJDA is paid to PBID to operate programs specified in the grant via an exchange transaction. These costs are classified as subcontractor costs in SJDA. For the year ended June 30, 2016, the Association made expenditures to PBID under this arrangement totaling \$214,820.

On January 15, 2013, SJDA on behalf of the PBID, entered into an agreement with Block by Block. The agreement was for a period of three years and expired January 14, 2016 at which time it was renewed for one year. It may be renewed for one subsequent term of one year upon SJDA's written notification and one final year upon the mutual written agreement of the parties.

7. Deferred Revenue

Deferred revenue consists of the following as of June 30, 2016:

BID	\$ 178,614
Other	<u>63,042</u>
	<u>\$ 241,656</u>

8. Concentration of Activities

Approximately \$1,466,177 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.

9. Note Payable

On December 3, 2012, the Association entered into a loan agreement with Wells Fargo Bank for \$102,000. The interest rate is a fixed rate loan at 3.450% per annum for the term of the loan, 60 monthly payments are made for \$1,855.59. The note was secured by personal property of the Association.

Total principal outstanding is \$32,424 at June 30, 2016.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 21,475
2018	<u>10,949</u>
	<u>\$ 32,424</u>

SAN JOSE DOWNTOWN ASSOCIATION
Notes to Financial Statements
June 30, 2016

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. 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. The note is secured by a deed of trust on 28 North First Street, Suite 1000.

Total principal outstanding is \$208,234 at June 30, 2016.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ <u>208,234</u>
	\$ <u>208,234</u>

11. Line of Credit ("LOC")

	<u>Amount Available</u>
<p>Wells Fargo Bank, revolving line of credit for a maximum amount of \$150,000. Interest is computed at the Bank's prime rate plus 1.5% with a floor rate of 4.5%, secured by certain assets of the Association. Maturity date of June 18, 2017.</p>	\$ <u>150,000</u>

The LOC was not accessed during the year ended June 30, 2016.

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. Association's management has the right to terminate the Plan at anytime.

The Association's matching contribution for the year ended June 30, 2016 was \$29,429.

SAN JOSE DOWNTOWN ASSOCIATION
Notes to Financial Statements
June 30, 2016

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. There were no special assessments during the year ended June 30, 2016. The SJDA Executive Director is a member of the CBOA board.

14. Operating Lease Commitments

The Association leased a copier under a noncancelable operating lease which expired in January 2016. The Association also leases a mailing system and modem under a noncancelable operating lease which expired in June 2016. In November, the Association entered into a noncancelable operating lease for a copier which expires in November 2020. Total lease payments related to the operating leases for the year ending June 30, 2016 were \$5,818.

Future minimum lease payments as of June 30, 2016 under the noncancelable operating lease are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 4,260
2018	4,260
2019	4,260
2020	4,260
2021	<u>1,420</u>
Total future minimum lease payments	<u>\$ 18,460</u>

SUPPLEMENTAL SCHEDULE

SAN JOSE DOWNTOWN ASSOCIATION
Schedule of Management and General Expenses
Year Ended June 30, 2016

	Total All Funds	SJDA Fund	BID Fund	City (OED) Fund
Salaries and payroll taxes	\$ 375,661	\$ 195,661	\$ 180,000	\$ -
Employee benefits	112,600	82,600	30,000	-
Building expenses	74,365	74,365	-	-
Professional services	27,710	27,710	-	-
Insurance	13,882	13,882	-	-
Utilities	13,651	13,651	-	-
Miscellaneous expenses	10,801	10,801	-	-
Dues and conferences	10,124	10,124	-	-
Office equipment	9,423	9,423	-	-
Meetings and hospitality	8,628	8,628	-	-
Office supplies	7,622	7,622	-	-
Postage/mailing services	1,292	1,292	-	-
	<u>\$ 665,759</u>	<u>\$ 455,759</u>	<u>\$ 210,000</u>	<u>\$ -</u>
Total expenses	<u>\$ 665,759</u>	<u>\$ 455,759</u>	<u>\$ 210,000</u>	<u>\$ -</u>