

**SAN JOSE DOWNTOWN PROPERTY  
OWNERS' ASSOCIATION  
(A California Nonprofit Mutual Benefit Corporation)**

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**FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

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

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

STATEMENT OF FINANCIAL POSITION

June 30, 2009

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**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 129,560
Contracts Receivable	19,434
Accounts Receivable	12,500
Prepaid Expenses	<u>129,500</u>
Total Current Assets	<u>290,994</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 290,994</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 94,362
Accrued Expenses	<u>13,450</u>
Total Current Liabilities	<u>107,812</u>

**NET ASSETS:**

Unrestricted Net Assets	<u>183,182</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 290,994</u></b>

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

SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION  
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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2009

	2009		
	Unrestricted	Temporarily Restricted	TOTAL
<b>REVENUE:</b>			
Property Owners Assessments	\$ 1,255,696	\$ -	\$ 1,255,696
Exempt Properties Assessments	404,101	-	404,101
City Contracts - Baseline Services	340,477	-	340,477
Other Contracts	47,910	-	47,910
Grants	1,500	-	1,500
Interest Income	192	-	192
Total Revenue	2,049,876	-	2,049,876
<b>EXPENSES:</b>			
Subcontractors - Clean and Greet	1,511,088	-	1,511,088
Supporting Services:			
Image Enhancement	249,766	-	249,766
Insurance	3,722	-	3,722
Management Services	186,539	-	186,539
Office Equipment	1,202	-	1,202
Office Supplies	1,982	-	1,982
Professional Services	8,350	-	8,350
Miscellaneous	558	-	558
Total Supporting Services	452,119	-	452,119
Total Expenses	1,963,207	-	1,963,207
<b>CHANGE IN NET ASSETS</b>	86,669	-	86,669
<b>NET ASSETS, Beginning of Year</b>	96,513	-	96,513
<b>NET ASSETS, End of Year</b>	\$ 183,182	\$ -	\$ 183,182

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

SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION  
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STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ 86,669
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
(Increase) Decrease in Assets:	
Contract Receivable	(19,435)
Accounts Receivable	(12,500)
Prepaid Expenses	(129,500)
Increase (Decrease) in Liabilities:	
Accounts Payable	14,724
Accrued Expenses	<u>13,451</u>
<b>DECREASE IN CASH</b>	<b>(46,591)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>176,151</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><b>\$ 129,560</b></u>

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

SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION  
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NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - NATURE OF ACTIVITIES:

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 21, 2008. The purpose of the Association is to improve Downtown San Jose 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - Revenue and expenses are recognized on the accrual basis. Revenue consists primarily of assessments on property owners within a specified district. Expenses consist primarily of the cost of providing the services as described in Note 1.

Basis of Presentation - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Association. Under this category, the Association maintains an operating fund, plus any net assets designated by the Board for specific purposes. The Association has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period.

Temporarily restricted net assets include those assets which are subject to restriction and for which the restriction was not met as of the year end.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

Fair Value of Financial Instruments - The carrying value of the Association's financial instruments including cash and cash equivalents, receivables, and trade accounts payable approximate their fair values as of June 30, 2009 due to their short-term maturities.

SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION  
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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.

Income Taxes - 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 Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization 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.

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

Subsequent Events - Management of the Association has evaluated events and transactions subsequent to December 31, 2008 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 December 31, 2008. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 1, 2009.

Recent Accounting Pronouncements -

FIN 48 - In June 2006, the Financial Accounting Standards Boards (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48). FIN 48 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more-likely-than-not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. On December 30, 2008 FASB Staff Position (FSP) FIN 48-3 was issued and allows for the deferral of FIN 48 for fiscal years beginning after December 15, 2008.

In accordance with this provision, the Association elected to defer the application of FIN 48. Based on management's analysis of the Association's tax positions, the accounting for any uncertainty in its tax positions is not expected to have a material impact on the financial statements.



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

SFAS No. 157 - In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. However, for some entities, application of SFAS No. 157 will change current practice. In February 2008, FASB issued Staff Position No. 157-2 that defers the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis for fiscal years beginning after November 15, 2008. In addition, FASB also agreed to exclude from scope of SFAS No. 157 fair value measurements made for purposes of applying SFAS No. 13, *Accounting for Leases*, and related interpretive accounting pronouncements. The adoption of SFAS No. 157 for financial assets and liabilities did not have a significant impact on the Association's results of operations, cash flows or financial position. The Association is assessing the impact of adopting SFAS No. 157 on non-financial assets and liabilities, but do not expect it to have a material impact on its results of operations, cash flows or financial position.

SFAS No. 159 - In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for an entity's first fiscal year that begins after November 15, 2007. The Association has adopted SFAS No. 159 but did not elect to measure any eligible financial instruments at fair value under this guidance.

NOTE 3 - PROPERTY-BASED IMPROVEMENT DISTRICT:

In August 7, 2007, City of San Jose City Resolution No. 73937 established and defined the Downtown Property-Based Improvement District ("PBID"). The PBID is funded by an assessment levied on the property owners located within the District and approved through petition and mail-ballot process. By state law, the Association has a five year life. Any subsequent renewals will require a new management plan, petition and mail-ballot process.

The Association was incorporated as a California Non-profit Mutual Benefit Corporation Law 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.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 4 - SAN JOSE DOWNTOWN ASSOCIATION MANAGEMENT FEE:

The Association entered into an agreement with San Jose Downtown Association to receive 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 a fee for the management services, the Association will pay 9.1% of the total revenue received by PBID. The fee is payable semi-annually. As of June 30, 2009, the Association incurred expenses from this agreement totaling \$186,539.

As of January 14, 2008 San Jose Downtown Association (the "SJDA") entered into an agreement on behalf of the Association with Service Group Incorporated (the "SGI"). SGI provides services to allow the Association to carry out its nature of activities of maintenance of Downtown San Jose, including cleaning, safety and information services. The agreement shall terminate on January 13, 2010, unless renewed for 3 additional one year terms. Either party has the right to terminate this agreement at any time, by giving written notice at least 120 days prior to termination date.