

San Diego Tourism Authority



Financial Statements

For the Years Ended June 30, 2024

With Summarized Financial Information for 2023

San Diego Tourism Authority

Contents

Independent Auditors' Report	3-5
-------------------------------------	-----

Financial Statements

Statements of Financial Position	6
Statements of Activities	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-22

Supplementary Information

Schedule of Budget and Actual Expenditures of San Diego Tourism Marketing District Funds	24
Schedule of Budget and Actual Expenditures – Indirect Costs	25



Independent Auditors' Report

To the Audit Committee
San Diego Tourism Authority

Opinion

We have audited the financial statements of San Diego Tourism Authority (the "Organization"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,



misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Budget and Actual Expenditures of San Diego Tourism Marketing District Funds and Schedule of Budget and Actual Expenditures – Indirect Costs are presented for purposes of additional analysis and are not a required part of the 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements



themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, excluding the budget amounts, is fairly stated in all material respects in relation to the financial statements as a whole.

CBIZ CPAs P.C.¹

San Diego, California
November 25, 2024

¹ In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

San Diego Tourism Authority

Statements of Financial Position

<i>June 30,</i>	2024	2023
Assets		
Current Assets		
Cash	\$ 824,348	\$ 3,080,511
Accounts receivable, net	15,766,904	9,788,049
Deposits and prepaid expenses	202,014	190,399
Total Current Assets	16,793,266	13,058,959
Right of use assets	1,224,073	1,823,096
Pension benefit asset	519,665	357,752
Property and equipment, net	251,489	403,309
Investments	225,727	179,963
Total Assets	\$ 19,014,220	\$ 15,823,079
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	\$ 9,151,823	\$ 5,805,493
Accrued expenses	1,651,290	1,458,163
Advance payable	3,000,000	3,000,000
Lease liabilities - finance leases	33,633	40,614
Lease liabilities - operating leases	773,273	793,180
Deferred income	184,652	146,067
Total Current Liabilities	14,794,671	11,243,517
Non-Current Liabilities		
Deferred compensation plan liability	225,727	179,963
Lease liabilities - finance leases, net of current portion	20,354	53,988
Lease liabilities - operating leases, net of current portion	854,193	1,569,884
Total Non-Current Liabilities	1,100,274	1,803,835
Total Liabilities	15,894,945	13,047,352
Net Assets Without Donor Restrictions	3,119,275	2,775,727
Total Liabilities and Net Assets	\$ 19,014,220	\$ 15,823,079

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

San Diego Tourism Authority

Statements of Activities For the Years Ended June 30,

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Revenue				
Public Revenue				
San Diego Tourism Marketing District	\$ 48,765,309	\$ -	\$ 48,765,309	\$ 37,418,777
Federal grants	2,853,769	-	2,853,769	294,081
Total Public Revenue	51,619,078	-	51,619,078	37,712,858
Private Revenue				
Service agreements	3,029,500	-	3,029,500	2,986,250
Membership dues	1,313,500	-	1,313,500	1,336,153
Advertising sales	1,110,689	-	1,110,689	999,291
Events	1,096,212	-	1,096,212	565,612
Sponsorships	131,250	-	131,250	37,500
Commissions	75,100	-	75,100	84,043
Miscellaneous income	12,531	-	12,531	11,732
Total Private Revenue	6,768,782	-	6,768,782	6,020,581
Total Revenue	58,387,860	-	58,387,860	43,733,439
Operating Expenses				
Salaries & Benefits				
Salaries	9,215,856	-	9,215,856	8,005,575
Benefits	1,261,884	-	1,261,884	1,001,497
Payroll taxes	622,441	-	622,441	535,892
Training & recruitment	86,164	-	86,164	119,820
Total Salaries & Benefits	11,186,345	-	11,186,345	9,662,784
Program of Work				
Advertising	34,168,359	-	34,168,359	25,248,993
Outside professional services	5,572,394	-	5,572,394	3,507,403
Promotions & events	3,267,206	-	3,267,206	1,894,708
Travel & entertainment	913,743	-	913,743	782,013
Tourism research	722,875	-	722,875	586,137
Dues & subscriptions	346,936	-	346,936	338,499
Publications	108,080	-	108,080	86,202
Promotional materials	50,645	-	50,645	33,573
Total Program of Work	45,150,238	-	45,150,238	32,477,528

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

San Diego Tourism Authority

Statements of Activities For the Years Ended June 30,

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024	2023
General & Administrative				
Office and equipment rent	827,433	-	827,433	775,236
Software and equipment maintenance	326,353	-	326,353	327,310
Telecommunications	136,140	-	136,140	114,445
Depreciation & amortization	155,160	-	155,160	127,089
Outside professional services	123,415	-	123,415	84,449
Bank charges & processing fees	100,628	-	100,628	76,496
Insurance & taxes	64,810	-	64,810	68,325
Printing & postage	46,547	-	46,547	47,036
Office supplies	30,112	-	30,112	40,183
Miscellaneous expenses	43,531	-	43,531	50,485
Facility maintenance	213	-	213	-
Total General & Administrative	1,854,342	-	1,854,342	1,711,054
Total Operating Expenses	58,190,925	-	58,190,925	43,851,366
Change in Net Assets from Operating Activities	196,935	-	196,935	(117,927)
Pension Changes and Net Periodic Pension Benefit Cost	146,613	-	146,613	344,336
Change in Net Assets	343,548	-	343,548	226,409
Net Assets Without Donor Restrictions at Beginning of Year	2,775,727	-	2,775,727	2,549,318
Net Assets Without Donor Restrictions at End of Year	\$ 3,119,275	\$ -	\$ 3,119,275	\$ 2,775,727

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

San Diego Tourism Authority

Statements of Cash Flows For the Years Ended June 30,

	2024	2023
Cash Flows from Operating Activities		
Change in Net Assets	\$ 343,548	\$ 226,409
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation & amortization	155,160	127,089
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,978,855)	(4,864,585)
Deposits and prepaid expenses	(11,615)	(148,150)
Accounts payable	3,346,330	3,465,176
Accrued expenses	193,127	150,849
Accrued pension costs	(161,913)	(406,736)
Advances payable	-	1,000,000
Lease liabilities - operating leases	(136,575)	(104,798)
Deferred income	38,585	(7,000)
Net cash from operating activities	(2,212,208)	(561,746)
Cash Flows from Investing Activities		
Purchases of property and equipment	(3,340)	(98,190)
Net cash from investing activities	(3,340)	(98,190)
Cash Flows from Financing Activities		
Principal payments on lease liabilities - finance leases	(40,615)	(32,523)
Net cash from financing activities	(40,615)	(32,523)
Net Decrease in Cash	(2,256,163)	(692,459)
Cash at Beginning of Year	3,080,511	3,772,970
Cash at End of Year	\$ 824,348	\$ 3,080,511
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ 1,864	\$ 1,549
Non -cash Financing Activities:		
Property and equipment acquired under capital leases	\$ -	\$ 100,327
Right-of-use asset acquired in exchange for lease liabilities	\$ -	\$ 2,402,830

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

San Diego Tourism Authority

Notes to Financial Statements

1. Nature of Organization

The San Diego Tourism Authority (“SDTA”), formerly the San Diego Convention & Visitors Bureau, was incorporated in California in October 1954 as the San Diego Convention & Tourist Bureau, a not-for-profit mutual benefit corporation. SDTA is a community organization with the goal of developing, promoting, and maintaining the convention and visitor industry in the San Diego region. SDTA also has an office in Chicago, Illinois and employs regionally based sales professionals to promote San Diego tourism nationally.

2. Summary of Significant Accounting Policies

Liquidity and availability of financial assets

SDTA is substantially supported by revenue received from a Services Agreement with the San Diego Tourism Marketing District (“SDTMD”) as described in Note 7. Under the Agreement, SDTA is reimbursed for valid Agreement program expenditures upon submission of required documentation, including proof of payment. SDTMD reimburses SDTA within 30 days of submission of a reimbursement request. SDTMD advanced \$3.0 million to SDTA to ensure adequate funding to timely execute programs given the Agreement’s reimbursement process. The Agreement also provides for invoice payments to be issued directly from SDTMD to SDTA vendors, upon request from SDTA, for significant expenditures that may not be accommodated by the advance. SDTA can also draw upon \$1,000,000 from the available revolving line of credit as described in Note 5.

The following represents the financial assets for the year ended:

	June 30, 2024
Financial assets	
Cash	\$ 824,348
Accounts receivable, net within one year	15,766,904
Financial assets available for general expenditures within one year	\$ 16,591,252

Basis of accounting

The financial statements and accompanying notes are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Financial statement presentation

SDTA’s financial statement presentation is in accordance with authoritative guidance for not-for-profit organizations. SDTA reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions represent expendable funds available for operations which are not otherwise limited by donor restrictions.

San Diego Tourism Authority

Notes to Financial Statements

2. Summary of Significant Accounting Policies - Continued

Financial statement presentation, cont'd

Net assets with donor restrictions consist of contributed funds, subject to specific donor-imposed restrictions, contingent upon a specific performance of a future event or a specific passage of time before SDTA may spend the funds and of irrevocable donor restrictions, requiring the assets be maintained in perpetuity. SDTA does not have net assets with donor restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30 of the prior year, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Management's estimates and assumptions include, but are not limited to, functional allocation of expenses and accrued pension costs. Management's estimates and assumptions are derived from, and are evaluated based on, available information, judgment and experience.

Accounts receivable

Accounts receivable arise primarily from contracts, membership dues, and advertising. Uncollectible accounts are charged to income when management determines the amounts are uncollectible. The allowance for credit losses accounts was \$8,836 at June 30, 2024 and 2023.

The allowance estimate is derived from a review of the SDTA's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by SDTA. SDTA believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. The expense associated with the allowance for credit losses is recognized as general and administrative expense.

Property and equipment

Property and equipment are recorded at cost. Acquisitions of property and equipment with a cost of \$1,500 or more are capitalized. Provisions for depreciation and amortization of property and equipment are made on a straight-line basis over their estimated useful lives, principally three to ten years, or, in the case of leasehold improvements, over the lesser of the useful lives of the related assets or the lease term. Maintenance and repairs are charged to expense as incurred. When equipment is sold or retired, cost and accumulated depreciation are removed from the accounts and the resultant gain or loss, if any, is credited or charged to operations.

San Diego Tourism Authority

Notes to Financial Statements

2. Summary of Significant Accounting Policies - Continued

Donated and contributed services

Donated and contributed services are not included in the accompanying financial statements, as they do not meet the requirements for recognition as contributions.

Revenue recognition

Membership dues and advertising contracts are recorded as income when earned. Amounts billed in advance are recorded as deferred income and recognized as income over the advertising contract period. Appropriations from government funding sources are recognized when earned in accordance with the contract. Revenue from SDTMD funding is recognized as services are performed and qualifying expenditures are incurred.

Grants

Grants are recognized as without donor restrictions or with donor restrictions, depending on the stipulations of the grant agreements. When a grant restriction expires, stipulated time restrictions end or purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Visit California grant

SDTA has elected to account for its participation in programs deemed to be government grants as conditional contributions under ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, which requires that all program conditions be substantially met before recognition into income. Grant income is recognized during the period that the qualifying expenses are incurred, services occur, or conditions of the grants are met.

On February 17, 2023, SDTA was awarded a sub-grant with Visit California by the California Pandemic Recovery Tourism Grant as part of the American Rescue plan provided by the U.S. Department of Commerce for a total contract amount of \$3,500,000. The performance period of the grant is from February 17, 2023, to December 31, 2024. SDTA recognized \$2,853,769 in grant income for the year ended June 30, 2024. Grant receivable under this program were \$2,007,045 and \$294,081 as of June 30, 2024 and 2023, respectively.

Fair value measurements

Financial Accounting Standards Board ("FASB") issued authoritative guidance relating to fair value measurements and disclosure which establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

San Diego Tourism Authority

Notes to Financial Statements

2. Summary of Significant Accounting Policies - Continued

Fair value measurements, cont'd

SDTA measures fair value at the price that would be received upon a sale of an asset in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

The valuation methodology SDTA uses to measure financial instruments at fair value utilize inputs derived principally from or corroborated by observable market data by correlation or other means.

SDTA attempts to utilize the best available information in measuring fair value. Refer to Note 7 for the fair value measurements of SDTA's defined benefit plan and deferred compensation plan.

Income taxes

SDTA is a tax exempt organization per the Internal Revenue Code and Section 23701(e) of the Revenue and Taxation Code. Income determined to be unrelated business taxable income ("UBTI") would be taxable. SDTA evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. At June 30, 2024 and 2023, management believes SDTA did not have any uncertain tax positions.

At June 30, 2024, the federal statute of limitation remains open for the fiscal years 2021 through 2023. The statute of limitation for the state income tax returns remains open for the fiscal years 2021 through 2023. As of the date of this report, the fiscal year 2024 return has not been filed.

San Diego Tourism Authority

Notes to Financial Statements

2. Summary of Significant Accounting Policies - Continued

Functional allocation of expenses

The cost of providing various programs and other activities is summarized on a functional basis below for the year ended June 30, 2024 (with comparative summarized financial information for the year ended June 30, 2023):

	June 30, 2024			June 30, 2023
	Program Services	Management and General	Total Expenses	Total Expenses
Salaries, taxes, and benefits	\$ 8,616,645	\$ 2,569,700	\$ 11,186,345	\$ 9,662,784
Program expenses				
Advertising	34,168,359	-	34,168,359	25,248,993
Outside professional services	5,309,990	262,404	5,572,394	3,507,403
Tourism research	722,875	-	722,875	586,137
Dues & subscriptions	335,772	11,164	346,936	338,499
Promotions & events	3,210,948	56,258	3,267,206	1,894,708
Other expenses	992,253	80,215	1,072,468	901,788
Total	44,740,197	410,041	45,150,238	32,477,528
General and administrative				
Office and equipment rent	637,255	190,178	827,433	775,236
Software and equipment maintenance	251,344	75,010	326,354	327,310
Depreciation & amortization	119,499	35,662	155,161	127,089
Telecommunications	104,849	31,290	136,139	114,445
Other expenses	315,191	94,064	409,255	366,974
Total	1,428,138	426,204	1,854,342	1,711,054
Pension related benefit cost	(114,298)	(32,315)	(146,613)	(344,336)
Total Expenses	\$ 54,670,682	\$ 3,373,630	\$ 58,044,312	\$ 43,507,030

Advertising expenses

SDTA expenses advertising costs ratably over the advertising contract period. Advertising expenses were \$34,168,359 and \$25,248,993 for the years ended June 30, 2024 and 2023, respectively.

San Diego Tourism Authority

Notes to Financial Statements

2. Summary of Significant Accounting Policies - Continued

Recently issued accounting pronouncements, adopted

On July 1, 2023, SDTA adopted ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including accounts receivable. Financial assets held by SDTA that are subject to this guidance were accounts receivable. SDTA adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost.

The adoption did not have a material impact on the SDTA’s financial statements or disclosures. Results for periods reporting beginning after and July 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

3. Concentrations

SDTA maintains cash balances with financial institutions and the account balances at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At various times during the year, bank account balances may have been in excess of federally insured limits. SDTA has not experienced losses in such accounts.

All receivables are unsecured and, thus, subject to credit risk.

See Note 8 for revenue concentration related to funding from The San Diego Tourism Marketing District.

4. Balance Sheet Details

Accounts receivable

Accounts receivable consisted of the following at June 30:

	2024	2023
Public revenue contracts	\$ 12,760,092	\$ 9,096,265
Federal grants	2,007,045	294,081
Advertising customers	492,612	259,142
Service agreements	302,458	75,000
Events & sponsorships	143,695	32,256
Membership dues	54,163	26,373
Other customers	15,675	13,768
	<u>15,775,740</u>	<u>9,796,885</u>
Allowance for credit losses	(8,836)	(8,836)
	<u>\$ 15,766,904</u>	<u>\$ 9,788,049</u>

San Diego Tourism Authority

Notes to Financial Statements

4. Balance Sheet Details - Continued

Property and equipment

Property and equipment consisted of the following at June 30:

	2024	2023
Leasehold improvements	\$ 414,126	\$ 414,126
Computer equipment	288,720	339,338
Furniture and fixtures	185,330	181,990
Automobiles	44,909	44,909
	933,085	980,363
Accumulated depreciation and amortization	(681,596)	(577,054)
	\$ 251,489	\$ 403,309

Depreciation and amortization expense was \$155,160 and \$127,089 for the years ended June 30, 2024 and 2023, respectively.

Deferred income

Deferred income consisted of the following at June 30:

	2024	2023
Advertising	\$ 80,290	\$ 62,158
Research	60,000	-
Events and sponsorships	15,890	42,750
Membership dues	28,472	41,159
	\$ 184,652	\$ 146,067

5. Debt

Line of Credit

SDTA has a revolving line of credit with Bank of America for \$350,000. Interest is payable monthly at a rate equal to the Bank's prime rate plus 0.50%. The line of credit expired on April 30, 2024.

On June 21, 2024, SDTA entered a revolving line of credit with Bank of America for \$1,000,000. Interest is payable monthly at a rate equal to the Bank's prime rate plus 0.50%. The line of credit expires on April 30, 2025.

There were no drawdowns on the line of credits during the years ended June 30, 2024 and 2023.

6. Finance Leases

SDTA periodically enters into finance leases, which are report as assets, property and equipment, and lease obligations in the accompanying financial statements.

San Diego Tourism Authority

Notes to Financial Statements

6. Finance Leases - Continued

Property and equipment under finance leases include computer and telecommunication equipment, which totaled \$142,465 and \$193,085 as of June 30, 2024 and 2023, respectively. Depreciation expense related to these property and equipment, under finance lease, was \$2,787 and \$30,172 for the years ended June 30, 2024 and 2023, respectively.

Future minimum lease payments under finance leases together with the present value of the lease payments are as follows:

<i>Year Ending June 30,</i>	
2025	\$ 34,165
2026	20,571
Total minimum lease payments	54,736
Amount representing interest	(749)
Present value of minimum lease payments	53,987
Less current portion	(33,633)
Long-term portion	\$ 20,354

As of June 30, 2024 and 2023, the weighted-average remaining lease term for SDTA's finance leases was 1.62 and 2.45 years, respectively. As of June 30, 2024 and 2023, the weighted-average discount rate for SDTA's operating leases was 2.14% and 2.84%, respectively.

7. Employee Benefit Plans

Defined benefit plan

SDTA has a non-contributory defined benefit plan covering substantially all of its employees who completed one year of service by June 30, 2005. The plan is frozen, and employees hired after June 30, 2005 are not eligible.

The change in plan assets and the related change in benefit obligation are as follows for the years ended June 30:

	2024	2023
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 4,443,578	\$ 4,862,233
Interest cost	226,632	212,411
Disbursements	(265,055)	(258,237)
Lump sum benefits paid	-	(100,532)
Actuarial gain	71,238	(272,297)
Projected benefit obligation at end of year	\$ 4,476,393	\$ 4,443,578
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 4,801,330	\$ 4,813,249
Employer contributions	15,300	62,400
Periodic benefits paid	(265,055)	(258,237)
Lump sum benefits paid	-	(100,532)
Actual return on plan assets	444,483	284,450
Fair value of plan assets at year end	\$ 4,996,058	\$ 4,801,330

San Diego Tourism Authority

Notes to Financial Statements

7. Employee Benefit Plans - Continued

Defined benefit plan, cont'd

Amounts recognized in the statement of financial position as of June 30:

	2024	2023
Assets		
Noncurrent portion	\$ 519,665	\$ 357,752
Funded Status	\$ 519,665	\$ 357,752

The accumulated benefit obligation for the plan was \$4,476,393 and \$4,443,578 at June 30, 2024 and 2023, respectively.

The actuarially computed net periodic benefit cost includes the following components for the years ended June 30:

	2024	2023
Interest cost	\$ 226,632	\$ 212,411
Recognition of net gain	(170,263)	(391,107)
Expected return on plan assets	(202,982)	(165,640)
Net periodic benefit income	\$ (146,613)	\$ (344,336)

The plan's assumptions used to determine the net periodic benefit cost and the benefit obligation for the years ended June 30:

	2024	2023
Discount rate for net periodic pension cost	5.25%	4.50%
Expected long term return on plan assets	5.00%	5.00%
Discount rate for benefit obligation	5.50%	5.25%

The Plan's expected future benefit payments at June 30, 2024, were as follows:

<i>Years Ending June 30,</i>	
2025	\$ 298,700
2026	619,310
2027	503,441
2028	255,919
2029	670,286
2030-2034	\$ 1,745,457

The basis used to determine the plan's overall expected long-term rate of return on assets has been the historical return of the investment portfolio.

San Diego Tourism Authority

Notes to Financial Statements

7. Employee Benefit Plans - Continued

Defined benefit plan, cont'd

The plan's assets by category were as follows as of June 30:

Investment Class – Percentage of Assets	2024	2023
Debt	35%	33%
Equity	53%	51%
Other	12%	16%
	100%	100%

The investment allocation of the assets in the non-contributory defined benefit plan shall be determined by the Finance Committee of SDTA.

The plan's assets include cash and investments. At June 30, 2024 and 2023, cash balances held were \$41,414 and \$88,251, respectively. The description of the valuation methodologies used for the plan's investments measured at fair value, are as follows.

Closed end funds and Exchange traded products: Valued based on the net asset value of units held by the plan at the respective year end.

Mutual funds: Value based on quoted prices that are observable for the asset.

Money market funds: Valued based on the net asset value of units held by the plan at the respective year end.

There have been no changes in the methodologies used at June 30, 2024 and 2023.

The table below sets forth by level, within the fair value hierarchy, the plan's investments at fair value as of:

	June 30, 2024		
	Level 2	Level 3	Total
Closed end funds and exchange traded products	\$ 1,369,603	\$ -	\$ 1,369,603
Mutual funds	3,071,245	-	3,071,245
Money market funds	513,795	-	513,795
Total investments	\$ 4,954,643	\$ -	\$ 4,954,643

	June 30, 2023		
	Level 2	Level 3	Total
Closed end funds and exchange traded products	\$ 1,272,073	\$ -	\$ 1,272,073
Mutual funds	2,736,790	-	2,736,790
Money market funds	704,216	-	704,216
Total investments	\$ 4,713,079	\$ -	\$ 4,713,079

SDTA does not expect to contribute any funds to the plan for the year ending June 30, 2025.

San Diego Tourism Authority

Notes to Financial Statements

7. Employee Benefit Plans - Continued

Defined benefit plan, cont'd

SDTA expects that pension plan funding contributions will increase over the medium and long term, with changes in general economic and capital market conditions. Changes in the discount rate and investment returns can have a significant effect on the funded status of the pension plans and net assets. These discount rates or investment returns cannot be predicted with certainty and, therefore, SDTA cannot determine whether adjustments to net assets for minimum pension liability in subsequent years will be significant.

401(k) plan

SDTA is the sponsor of a savings and retirement plan covering substantially all of its employees. Under the provisions of this plan, SDTA has no funding obligation, but may make discretionary contributions from time to time.

SDTA contributed \$333,636 and \$252,665 to the plan for the years ended June 30, 2024 and 2023, respectively.

Deferred compensation plan

SDTA has a 457 Top Hat Plan ("457 Plan"), effective August 1, 2020, that permits a select group of management and highly compensated employees the opportunity to defer a percentage of their cash compensation.

The 457 Plan is funded by salary deferral contributions from participants with no employer contributions and or employer matching contributions. In accordance with authoritative guidance, SDTA has established and maintains a deferred compensation plan liability.

The 457 Plan is funded by salary deferral contributions from participants with no employer contributions and or employer matching contributions. In accordance with authoritative guidance, SDTA has established and maintains a deferred compensation plan liability.

Participant deferrals are invested in various securities and are included in non-current assets as investments.

The 457 Plan's assets include cash and investments. At June 30, 2024 and 2023, cash balances held were \$12,250 and \$2,159, respectively. The table below sets forth by level, within the fair value hierarchy, the 457 Plan's investments at fair value as of:

	June 30, 2024		
	Level 2	Level 3	Total
Mutual funds	\$ 213,477	\$ -	\$ 213,477

	June 30, 2023		
	Level 2	Level 3	Total
Mutual funds	\$ 177,804	\$ -	\$ 177,804

San Diego Tourism Authority

Notes to Financial Statements

8. Economic Dependency

The San Diego Tourism Marketing District (“SDTMD”), modeled after a traditional business improvement district, is the governing body for the City’s Tourism Marketing District (“TMD”), which was established in 2007 by the San Diego City Council to generate increased tourism marketing funds to promote San Diego as a premier meetings and leisure travel destination. The SDTMD district management plan does not provide guaranteed minimum base funding to SDTMD contractors. Per the plan, all SDTMD funding is allocated to contractors through a competitive application process.

SDTA received \$48,765,309 and \$37,418,777 in total SDTMD funding for the years ended June 30, 2024 and 2023, respectively. SDTMD funding constituted approximately 88% and 86% of total revenues in 2024 and 2023, respectively.

SDTA reported a cash advance liability from SDTMD of \$3,000,000 as of June 30, 2024 and 2023, for on-going programs. Repayments occur in subsequent year.

9. Contingencies

SDTA may be subject to claims and legal proceedings that arise in the ordinary course of business. SDTA does have one such pending claim and legal proceeding. SDTA accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. As of June 30, 2024 and 2023, no accruals have been made related to contingencies.

SDTA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; job-related illnesses or injuries to employees; and natural disasters. SDTA purchases commercial insurance to cover the risk of loss for property, business liabilities, and medical payments.

10. Commitments

Contracts

SDTA executed a sales and marketing services contract agreement with San Diego Convention Center Corporation (“SDCCC”). This contract shall be in effect for an initial term of five years, commencing July 1, 2022, and terminating June 30, 2027. Under the contract SDTA is responsible for marketing, advertising, and promoting SDCCC for conventions, trade shows, and conferences. The purpose of these activities is maximizing hotel room night generation and producing economic benefit for the region and maximizing operation revenue for SDCCC.

For the performance of these services, SDCCC is required to pay SDTA \$220,833 monthly or \$2,650,000 annually, with increases of at least 3% per year during the term of the contract.

San Diego Tourism Authority

Notes to Financial Statements

10. Commitments - Continued

Operating leases

SDTA leases office space and equipment under operating leases, which are accounted in accordance ASC 842, *Lease*. Right-of-use assets represent SDTA's right to use an underlying asset for the lease term and lease liabilities represent SDTA's obligation to make lease payments arising from the lease.

Right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. SDTA uses the risk-free rate based on the information available at commencement date in determining the present value of lease payments. SDTA's lease terms may include options to extend or terminate the lease when it is reasonably certain that SDTA will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In addition to rent payments, certain of SDTA's lease agreements contain payments for common area maintenance and usage charges that are not fixed. SDTA accounts for these costs as variable payments and does not include such costs as a lease component. SDTA has also elected the practical expedient of not recognizing a right-of-use asset or lease liability for short-term leases, which are leases with a term of twelve months or less. Lease payments on short-term leases are expensed as incurred.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

<i>Year Ending June 30,</i>	
2025	\$ 773,557
2026	776,278
2027	130,330
Total minimum lease payments	1,680,165
Amount representing interest	(52,699)
Present value of minimum lease payments	1,627,466
Less current portion	(773,273)
Long-term portion	\$ 854,193

As of June 30, 2024 and 2023, the weighted-average remaining lease term for SDTA's operating leases was 2.14 and 3.09 years, respectively. As of June 30, 2024 and 2023, the weighted-average discount rate for SDTA's operating leases was 2.86% and 2.86%, respectively.

Amortization of SDTA's operating lease right-of-use assets was \$597,137 and \$579,734 during the years ended June 30, 2024 and 2023, respectively. SDTA's total operating lease expense was approximately \$827,432 and \$775,236 for the years ended June 30, 2024 and 2023, respectively.

11. Subsequent Events

SDTA has evaluated subsequent events through November 25, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

San Diego Tourism Authority

Schedule of Budget and Actual Expenditures of San Diego Tourism Marketing District Funds For the Year Ended June 30, 2024

Direct Expenses	TMD Activities						
	TMD Funding			Non-TMD	Total TMD	Non-TMD	Total
	Budget	Actual	Variance	Funds	Activities	Activities	Costs
Advertising	\$ 29,650,000	\$ 29,565,236	\$ (84,764)	\$ 2,328,721	\$ 31,893,957	\$ -	\$ 31,893,957
Advertising Agency Fees	3,136,000	2,855,720	(280,280)	63,159	2,918,879	-	2,918,879
Dues/Subscriptions	325,999	322,837	(3,162)	12,335	335,172	600	335,772
Events Registration Fees	353,218	253,124	(100,094)	85,035	338,159	9,929	348,088
Lead Generation Services	267,698	69,274	(198,424)	1,414	70,688	-	70,688
Marketing Materials/Promo Items	1,960	2,254	294	68,861	71,115	602	71,717
Outside Contractors	4,101,425	3,715,944	(385,481)	888,483	4,604,427	76,682	4,681,109
Personnel Benefits	1,040,581	959,198	(81,383)	860,904	1,820,102	145,996	1,966,098
Personnel Salaries and Wages	5,148,785	4,995,393	(153,392)	1,117,097	6,112,490	503,688	6,616,178
Rentals - remote office	17,317	17,292	(25)	24,099	41,391	-	41,391
Research	646,820	642,254	(4,566)	80,621	722,875	-	722,875
Sales Commissions	-	-	-	-	-	34,370	34,370
Special Event Production	260,672	200,760	(59,912)	701,792	902,552	169,139	1,071,691
Sponsorships	2,081,640	1,432,497	(649,143)	322,342	1,754,839	36,198	1,791,037
Travel	295,251	295,824	573	494,225	790,049	44,336	834,385
Allocation of Indirect Costs	3,437,702	3,437,702	-	1,324,259	4,761,961	30,729	4,792,690
	\$ 50,765,068	\$ 48,765,309	\$ (1,999,759)	\$ 8,373,347	\$ 57,138,656	\$ 1,052,269	\$ 58,190,925

The Funding Allocation Budget represents total funds allocated to SDTA by the San Diego Tourism Marketing District (SDTMD) for programs and services based upon the SDTMD projected assessment collections available for distribution to contractors and expected return on investment of allocated funding.

San Diego Tourism Authority

Schedule of Budget and Actual Expenditures - Indirect Costs For the Year Ended June 30, 2024

Indirect Costs	Total Organization		
	Budget	Actual	Variance
Personnel Salaries & Wages - Admin	\$ 1,981,141	\$ 2,076,320	\$ 95,179
Personnel Benefits - Admin	357,505	407,216	49,711
Recruitment	10,000	1,435	(8,565)
Employee Morale and Training	91,000	84,729	(6,271)
Subtotal - Indirect Personnel Costs	2,439,646	2,569,700	130,054
Outside services	400,700	262,404	(138,296)
Travel	54,600	79,502	24,902
Sponsorships and Events	38,000	56,970	18,970
Dues / Subscriptions / Memberships	7,275	11,164	3,889
Subtotal - Indirect Program Costs	500,575	410,040	(90,535)
IT Support Services	242,600	217,222	(25,378)
Facility Rental	684,278	670,797	(13,481)
Insurance	81,800	59,851	(21,949)
Office Supplies	62,013	65,834	3,821
Telephone	119,272	136,140	16,868
Interest Expense	267	1,864	1,597
Tangible Property	14,150	7,513	(6,637)
Depreciation	147,876	155,160	7,284
Repairs and Maintenance	325	213	(112)
Licenses and Fees	243,381	214,718	(28,663)
Professional Services	87,600	123,415	35,815
Board Meetings	9,250	32,655	23,405
Parking	102,840	101,807	(1,033)
Equipment Rent	55,441	54,828	(613)
Postage	12,130	10,825	(1,305)
Donations	13,550	1,500	(12,050)
Subtotal - General and Administrative	1,876,773	1,854,342	(22,431)
Total Indirect Costs	4,816,994	4,834,082	17,088
Less: Remote Sales Office Rent (Direct Expense)	(41,408)	(41,392)	16
Indirect Costs	\$ 4,775,586	\$ 4,792,690	\$ 17,104