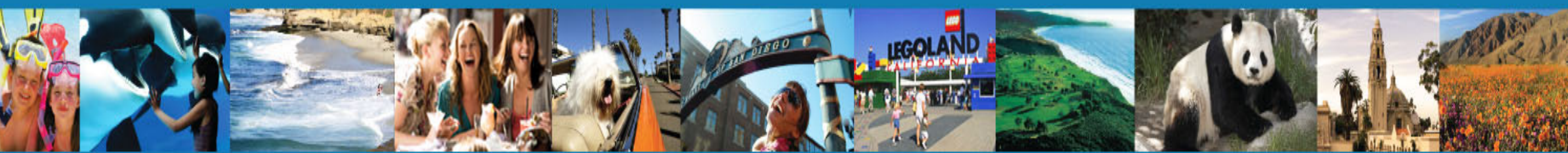
San Diego Tourism Authority



Financial Statements

For the Years Ended June 30, 2021

With Summarized Financial Information for 2020

Contents

Mayer Hoffman McCann P.C.
13500 Evening Creek Drive North ■ Suite 450 ■ San Diego, CA 92128
Main: 858.795.2000 ■ Fax: 858.795.2001 ■ www.mhmcpa.com

Independent Auditors' Report

To the Audit Committee
San Diego Tourism Authority
San Diego, California

We have audited the accompanying financial statements of the **San Diego Tourism Authority** ("Organization"), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **San Diego Tourism Authority** as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental Schedule of Budget and Actual Expenditures of San Diego Tourism Marketing District Funds is presented for purposes of additional analysis and is 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.

Mayer Hoffman McCann P.C.

San Diego, California
October 5, 2021

San Diego Tourism Authority

Statements of Financial Position

June 30,	2021	2020
Assets		
Current Assets		
Cash	**$ 5,632,236**	$ 2,383,795
Accounts receivable:		
Public revenue contracts	**3,448,964**	3,075,111
Service agreements	**-**	303,752
Advertising	**153,838**	210,914
Membership dues	**28,091**	40,461
Events & sponsorships	**-**	23,310
Federal tax credits	**354,110**	-
Allowance for doubtful accounts	**(8,836)**	(40,322)
Total accounts receivable, net	**3,976,167**	3,613,226
Deposits and prepaid expenses	**62,367**	11,398
Total Current Assets	**9,670,770**	6,008,419
Investments	**188,391**	-
Property and equipment, net	**388,974**	516,523
Total Assets	**$ 10,248,135**	$ 6,524,942
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Current portion of accrued pension costs	**$ 72,000**	$ 86,340
Current portion of capital lease obligations	**29,539**	49,037
Deferred revenue - Paycheck Protection Program loan	**1,258,362**	-
Accounts payable	**2,276,361**	323,047
Accrued expenses	**585,681**	617,884
Advance payable	**2,000,000**	3,000,000
Deferred income:		
Advertising	**17,023**	84,575
Events and sponsorships	**82,960**	102,910
Membership dues	**4,933**	7,500
Service agreements	**200,000**	400,000
Total deferred income	**304,916**	594,985
Total Current Liabilities	**6,526,859**	4,671,293
Non-Current Liabilities		
Accrued pension costs, less current portion	**338,555**	1,544,655
Capital lease obligations, less current portion	**26,799**	56,337
Deferred compensation plan liability	**188,391**	-
Deferred rent	**719,837**	700,288
Total Non-Current Liabilities	**1,273,582**	2,301,280
Total Liabilities	**7,800,441**	6,972,573
Net Assets (Deficit) Without Donor Restrictions	**2,447,694**	(447,631)
Total Liabilities and Net Assets	**$ 10,248,135**	$ 6,524,942

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 Financial Information for 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenue				
Public Revenue				
San Diego Tourism Marketing District	$ 20,955,905	$ -	**$ 20,955,905**	$ 35,614,335
City of San Diego grants	-	-	**-**	10,000
Federal tax credits	649,127	-	**649,127**	-
Federal grants	1,932,718	-	**1,932,718**	-
Total Public Revenue	23,537,750	-	**23,537,750**	35,624,335
Private Revenue				
Service agreements	1,536,667	200,000	**1,736,667**	2,603,525
Membership dues	1,200,333	-	**1,200,333**	1,336,471
Advertising sales	558,443	-	**558,443**	1,013,965
Events	58,653	-	**58,653**	399,591
Commissions	16,824	-	**16,824**	66,458
Sponsorships	-	-	**-**	158,500
Net assets released from restrictions	200,000	(200,000)	**-**	-
Total Private Revenue	3,570,920	-	**3,570,920**	5,578,510
Total Revenue	27,108,670	-	**27,108,670**	41,202,845
Operating Expenses				
Salaries & Benefits				
Salaries	5,251,419	-	**5,251,419**	7,822,307
Benefits	966,849	-	**966,849**	1,373,265
Payroll taxes	388,162	-	**388,162**	600,153
Training & recruitment	60,749	-	**60,749**	154,111
Total Salaries & Benefits	6,667,179	-	**6,667,179**	9,949,836
Program of Work				
Advertising	14,324,404	-	**14,324,404**	22,239,656
Outside professional services	2,117,198	-	**2,117,198**	3,872,647
Tourism research	357,999	-	**357,999**	474,420
Dues & subscriptions	214,903	-	**214,903**	196,560
Publications	77,528	-	**77,528**	116,447
Promotions & events	69,028	-	**69,028**	1,016,974
Travel & entertainment	27,032	-	**27,032**	495,480
Promotional materials	2,199	-	**2,199**	27,963
Total Program of Work	17,190,291	-	**17,190,291**	28,440,147

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

Statements of Activities
For the Years Ended June 30,
With Summarized Financial Information for 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
General & Administrative				
Office and equipment rent	693,197	-	**693,197**	894,191
Software and equipment maintenance	306,088	-	**306,088**	294,415
Depreciation & amortization	127,549	-	**127,549**	113,918
Telecommunications	111,017	-	**111,017**	116,936
Outside professional services	92,633	-	**92,633**	76,544
Insurance & taxes	52,084	-	**52,084**	52,506
Bank charges & processing fees	50,020	-	**50,020**	76,287
Bad debt expense	20,000	-	**20,000**	31,000
Printing & postage	44,139	-	**44,139**	68,077
Office supplies	11,702	-	**11,702**	46,449
Miscellaneous expenses	4,179	-	**4,179**	9,161
Facility maintenance	832	-	**832**	789
Total General & Administrative	1,513,440	-	**1,513,440**	1,780,273
Total Operating Expenses	25,370,910	-	**25,370,910**	40,170,256
Change in Net Assets from Operating Activities	1,737,760	-	**1,737,760**	1,032,589
Pension Changes and Net Periodic Pension Benefit Cost	1,157,565	-	**1,157,565**	(1,117,823)
Change in Net Assets	2,895,325	-	**2,895,325**	(85,234)
Net Deficit Without Donor Restrictions at Beginning of Year	(447,631)	-	**(447,631)**	(362,397)
Net Asset (Deficit) Without Donor Restrictions at End of Year	$ 2,447,694	$ -	**$ 2,447,694**	$ (447,631)

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,

		2021		2020
Cash Flows from Operating Activities				
Change in Net Assets	**$**	**2,895,325**	$	(85,234)
Adjustments to reconcile change in net assets				
to net cash from operating activities:				
Depreciation & amortization		**127,549**		113,918
Bad debt expense		**20,000**		31,000
(Increase) / decrease in operating assets:				
Accounts receivable, net		**(382,941)**		6,283,133
Deposits and prepaid expenses		**(50,969)**		272,130
Increase / (decrease) in operating liabilities:				
Accounts payable		**1,953,314**		(5,943,231)
Accrued expenses		**(32,203)**		(795,869)
Accrued pension costs		**(1,220,440)**		907,323
Advances payable		**(1,000,000)**		-
Deferred rent		**19,549**		426,174
Deferred revenue - Paycheck Protection Program loan		**1,258,362**		-
Deferred income		**(290,069)**		69,610
Net cash from operating activities		**3,297,477**		1,278,954
Cash Flows from Investing Activities				
Purchases of property and equipment		**-**		(465,886)
Net cash from investing activities		**-**		(465,886)
Cash Flows from Financing Activities				
Principal payments on capitalized lease obligations		**(49,036)**		(57,989)
Net cash from financing activities		**(49,036)**		(57,989)
Net Increase in Cash		**3,248,441**		755,079
Cash at Beginning of Year		**2,383,795**		1,628,716
Cash at End of Year	**$**	**5,632,236**	$	2,383,795
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the year for:				
Interest	**$**	**2,209**	$	1,013
Noncash Investing Activities:				
Property and equipment acquired under capital leases	**$**	**-**	$	83,641

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

1. Nature of Organization and Significant Accounting Policies

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.

Summary of Significant Accounting Policies

A summary of the SDTA's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

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 $2.0 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 $350,000 from the available revolving line of credit as described in Note 4.

The following represents the financial assets for the year ended:

	June 30, 2021
Financial assets	
Cash	$ 5,632,236
Accounts receivable, net within one year	3,976,167
Total financial assets	9,608,403
Less amounts available to be used within one year subject to:	
Contractual or donor restrictions	(200,000)
Financial assets available for general expenditures within one year	$ 9,408,403

Basis of accounting

The financial statements of SDTA have been prepared on the accrual basis of accounting.

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.

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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include the functional allocation of expenses, allowance for doubtful accounts for uncollectible amounts and accrued pension costs.

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 doubtful accounts was $8,836 and $40,322 at June 30, 2021 and 2020, respectively. It is the policy of management to review the outstanding accounts receivable at year end, as well as bad debt write-off experienced in the past, to establish an allowance for doubtful accounts for uncollectible amounts.

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.

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.

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.

Advertising expenses

SDTA expenses advertising costs ratably over the advertising contract period. Advertising expenses were $14,324,404 and $22,239,656 for the years ended June 30, 2021 and 2020, 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.

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 6 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, 2021 and 2020, management believes SDTA did not have any uncertain tax positions.

At June 30, 2021, the federal statute of limitation remains open for the fiscal years 2018 through 2020. The statute of limitation for the state income tax returns remains open for the fiscal years 2017 through 2020. As of the date of this report, the fiscal year 2021 return has not been filed.

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, 2021 (with comparative summarized financial information for the year ended June 30, 2020):

	June 30, 2021			June 30, 2020
	Program Services	Management and General	Total Expenses	Total Expenses
Salaries and benefits	$ 5,156,501	$ 1,510,678	**$ 6,667,179**	$ 9,949,836
Program expenses				
Advertising	14,324,404	-	**14,324,404**	22,239,656
Outside professional services	1,971,419	145,779	**2,117,198**	3,872,647
Tourism research	357,999	-	**357,999**	474,420
Dues & subscriptions	98,947	115,956	**214,903**	196,560
Promotions & events	63,590	5,438	**69,028**	1,016,974
Other expenses	98,597	8,162	**106,759**	639,890
Total	16,914,956	275,335	**17,190,291**	28,440,147
General and administrative				
Office and equipment rent	535,652	157,545	**693,197**	894,191
Software and equipment maintenance	236,516	69,572	**306,088**	294,415
Depreciation & amortization	98,561	28,988	**127,549**	113,918
Telecommunications	85,785	25,232	**111,017**	116,936
Other expenses	212,961	62,628	**275,589**	360,813
Total	1,169,475	343,965	**1,513,440**	1,780,273
Pension related benefit cost	(899,084)	(258,481)	**(1,157,565)**	1,117,823
Total Expenses	**$ 22,341,848**	**$ 1,871,497**	**$ 24,213,345**	$ 41,288,079

COVID-19

The World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The operations of SDTA have been significantly impacted with reductions in revenue from SDTMD. While the reductions in revenue is currently expected to be temporary, there is uncertainty around the duration and extent of the impact on SDTMD and its financial condition. SDTA and SDTMD have agreed to approximately $26.7 million for sales and marketing activities for the 2022 fiscal year.

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.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported statements of financial position, activities or cash flows.

2. Concentrations

SDTA maintains its cash in bank deposit accounts, which at times exceed federally insured deposit limits. SDTA has not experienced any losses in these deposit accounts. Management believes that SDTA is not exposed to any significant credit risk with respect to its cash.

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

See Note 7 for discussion of revenue concentrations.

3. Property and Equipment

Property and equipment was comprised of the following at June 30:

	2021	2020
Leasehold improvements	**$ 414,126**	$ 414,126
Computer equipment	**168,914**	303,704
Software	**-**	201,500
Furniture and fixtures	**181,990**	186,780
	765,030	1,106,110
Accumulated depreciation and amortization	**(376,056)**	(589,587)
	$ 388,974	$ 516,523

Depreciation and amortization expense was $127,549 and $113,918 for the years ended June 30, 2021 and 2020, respectively.

4. 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 expires on April 30, 2022.

There were no drawdowns on the line of credit during the year ended June 30, 2021.

Paycheck Protection Program loan

SDTA received a Paycheck Protection Program (PPP) loan of $3,191,080 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses, such as mortgage interest, rent and utilities incurred following receipt of the funds.

SDTA recognized $1,932,718 from the amount received as grant revenue as qualified expenses occurred / barriers to entitlement were met as of June 30, 2021. However, if a portion of the loan must be repaid, the terms of 1% per annum, repayable over a maximum of five years with a six-month deferral period, are such that the institution has sufficient liquidity to repay the unforgiven portion.

Application for forgiveness of the loan will be made, with inclusion of compliance substantiation and certification therein during the year ended June 30, 2022.

5. Capital Leases

SDTA periodically enters into capital leases, which are reported as assets and lease obligations in the accompanying financial statements. Property and equipment under capital leases include computer and telecommunication equipment, which totaled $138,437 and $223,386 at June 30, 2021 and 2020, respectively.

Depreciation expense related to these capitalized leases was $48,028 and $50,090 for the years ended June 30, 2021 and 2020, respectively.

5. Capital Leases, Cont'd

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

Year Ending June 30,		
2022	$	31,107
2023		20,000
2024		7,871
Total minimum lease payments		58,978
Amount representing interest		(2,640)
Present value of minimum lease payments		56,338
Less current portion		(29,539)
Long-term portion	$	26,799

6. 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:

Change in benefit obligation:	**2021**	2020
Projected benefit obligation at beginning of year	**$ 6,592,231**	$ 6,365,880
Interest cost	**178,347**	234,477
Disbursements	**(203,864)**	(921,744)
Actuarial loss (gain)	**(265,393)**	913,618
Projected benefit obligation at end of year	**$ 6,301,321**	$ 6,592,231

Change in plan assets:	**2021**	2020
Fair value of plan assets at beginning of year	**$ 4,961,236**	$ 5,642,208
Employer contributions	**62,875**	210,500
Benefits paid	**(203,864)**	(921,744)
Actual return on plan assets	**1,070,519**	30,272
Fair value of plan assets at year end	**$ 5,890,766**	$ 4,961,236

Amounts recognized in the statement of financial position consist of:		
Current portion	**$ (72,000)**	$ (86,340)
Noncurrent portion	**(338,555)**	(1,544,655)
Funded Status	**$ (410,555)**	$ (1,630,995)

Defined benefit plan, cont'd

The accumulated benefit obligation for the plan was $6,301,321 and $6,592,231 at June 30, 2021 and 2020, respectively.

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

	2021	2020
Interest cost	**$ 178,347**	$ 234,477
Amortization of loss (recognition of gain)	**(1,049,951)**	1,211,453
Expected return on plan assets	**(285,961)**	(328,107)
Net periodic benefit cost	**$ (1,157,565)**	$ 1,117,823

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

	2021	2020
Discount rate for net periodic pension cost	**2.75%**	3.75%
Expected long term return on plan assets	**7.00%**	7.00%
Discount rate for benefit obligation	**2.75%**	2.75%

The Plan's expected future benefit payments at June 30, 2021, were as follows:

Years Ending June 30,	
2022	$ 969,099
2023	285,376
2024	199,493
2025	245,618
2026	669,197
2027-2031	$ 2,184,749

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.

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

Investment Class – Percentage of Assets	**2021**	2020
Equity	**52%**	50%
Debt	**43%**	48%
Other	**5%**	2%
	100%	100%

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

Defined benefit plan, cont'd

Following is a description of the valuation methodologies used for the plan's investments measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

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.

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

June 30, 2021	Level 2	Level 3	Total
Closed end funds and exchange traded products	$ 1,565,602	$ -	$ 1,565,602
Mutual funds	4,325,164	-	4,325,164
Total investments	$ 5,890,766	$ -	$ 5,890,766

June 30, 2020	Level 2	Level 3	Total
Closed end funds and exchange traded products	$ 1,596,530	$ -	$ 1,596,530
Mutual funds	3,364,706	-	3,364,706
Total investments	$ 4,961,236	$ -	$ 4,961,236

SDTA expects to contribute $72,000 to the plan for the year ending June 30, 2022.

Due to the recent decline in general economic and capital market conditions, SDTA expects that pension plan funding contributions will increase over the medium and long term. 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, 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 $155,751 and $297,884 into the plan for the years ended June 30, 2021 and 2020, 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.

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

The table below sets forth by level, within the fair value hierarchy, the 457 Plan's investments at fair value, in addition to money market funds of $3,189, as of:

	June 30, 2021		
	Level 2	Level 3	Total
Mutual funds	$ 185,202	$ -	$ 185,202

7. 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 $20,955,905 and $35,614,335 in total SDTMD funding for the years ended June 30, 2021 and 2020, respectively. SDTMD funding constituted approximately 77% and 86% of total revenues in 2021 and 2020, respectively.

SDTA received cash advances from SDTMD totaling $2.0 and $3.0 million, for the years ended June 30, 2021 and 2020, respectively, for on-going programs. Repayments occur in subsequent year.

8. Insurance

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 for which the SDTA carries commercial insurance. SDTA purchases commercial insurance to cover the risk of loss for property, business liabilities, and medical payments.

9. Commitments

Operating leases

SDTA leases certain office facilities and equipment under operating leases. Future minimum lease payments, for which SDTA is obligated under the agreements, excluding the San Diego office lease, are as follows:

Year Ending June 30,	
2022	$ 68,029
2023	50,738
2024	50,368
2025	6,724
Total	$ 175,859

SDTA has an office lease in Chicago, IL. In March 2019, SDTA entered into a third amendment to the lease agreement and extended the lease for an additional five years through July 2024. SDTA had an office lease in Alexandria, VA that expired in May 2020.

SDTA entered into an office lease in San Diego, CA in May 2011 with payments commencing September 1, 2011 with initial term expiring August 31, 2019 and an extension option. In May 2018, the lease was amended to extend the expiration date to August 31, 2026. Under the lease, SDTA is responsible for its share of operating expenses.

Future minimum San Diego office lease payments for which SDTA is obligated under the agreement are as follows:

Year Ending June 30,	
2022	$ 650,024
2023	679,342
2024	710,708
2025	742,474
2026	776,278
Thereafter	130,330
Total	$ 3,689,156

Operating leases, cont'd

Total office lease expense for the offices in San Diego, Alexandria and Chicago, including certain maintenance and ancillary charges, was $641,318 and $852,014 for the years ended June 30, 2021 and 2020, respectively.

10. Subsequent Events

SDTA has evaluated subsequent events through October 5, 2021, which is the date the financial statements were available to be issued.

Supplemental Schedule

Schedule of Budget and Actual Expenditures of SDTMD Funds
For the Year Ended June 30, 2021

SAN DIEGO TOURISM MARKETING DISTRICT (SDTMD) FUNDING

Program Funding	**Original Funding Allocation Budget**	**Revised Funding Allocation Budget**	**Actual Funding Received**	**Variance to Revised Allocation Budget**
Expense Classification				
Advertising and promotion	$ 15,730,933	$ 13,368,712	$ 13,408,932	$ (40,220)
Salaries and benefits	4,181,524	2,808,572	2,767,202	41,370
Support services	2,638,107	2,490,019	2,497,268	(7,249)
General and administrative	2,130,899	1,934,948	1,932,479	2,469
Research	419,251	354,784	349,049	5,735
Event registration	21,590	15,437	975	14,462
Total Expenses	$ 25,122,304	$ 20,972,472	$ 20,955,905	$ 16,567

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. Significant decrease in SDTMD assessment collections during the fiscal year necessitated a revision from the original allocation.