

# **San Francisco Tourism Improvement District Management Corporation**

Financial Statements

June 30, 2023

# San Francisco Tourism Improvement District Management Corporation

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## Independent Auditors' Report

To the Board of Directors of  
San Francisco Tourism Improvement District Management Corporation

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses 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 SFTIDMC as of June 30, 2023, and the changes in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### **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 SFTIDMC 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.

#### **Substantial Doubt About SFTIDMC's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that SFTIDMC will continue as a going concern. As discussed in Note 2 to the financial statements, SFTIDMC has a negative working capital and net deficit as of June 30, 2023, and has stated that substantial doubt exists about SFTIDMC's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 SFTIDMC's ability to continue as a going concern within 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 audit 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 SFTIDMC'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 SFTIDMC'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 the Summarized Comparative Information**

We have previously audited San Francisco Tourism Improvement District Management Corporation's financial statements as of and for the year ended June 30, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Baker Tilly US, LLP*

San Francisco, California  
October 25, 2023

# San Francisco Tourism Improvement District Management Corporation

## Statement of Financial Position

June 30, 2023 (with Summarized Financial Information as of June 30, 2022)

	TID Fund	MED Fund	AMB	Totals	
				2023	2022
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 859,872	\$ 2,347,693	\$ 1,159,173	\$ 4,366,738	\$ 4,866,031
Grants receivable	-	-	1,800,000	1,800,000	1,320,000
Security deposit	-	-	6,188	6,188	6,188
Total assets	<u>\$ 859,872</u>	<u>\$ 2,347,693</u>	<u>\$ 2,965,361</u>	<u>\$ 6,172,926</u>	<u>\$ 6,192,219</u>
<b>Liabilities and Net Assets (Deficit)</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 897	\$ 1,305,749	\$ 443,325	\$ 1,749,971	\$ 3,039,190
Notes payable	-	2,500,000	-	2,500,000	3,500,000
Deferred revenue	-	-	2,514,756	2,514,756	1,905,054
Accrued liabilities	-	21,771	7,280	29,051	11,914
Total current liabilities	897	3,827,520	2,965,361	6,793,778	8,456,158
<b>Long-Term Debt</b>	-	500,000	-	500,000	500,000
Total liabilities	897	4,327,520	2,965,361	7,293,778	8,956,158
<b>Net Assets (Deficit)</b>					
Without donor restrictions					
Designated	858,975	2,334,132	-	3,193,107	3,090,676
Undesignated	-	(4,313,959)	-	(4,313,959)	(5,854,615)
Total net assets (deficit)	858,975	(1,979,827)	-	(1,120,852)	(2,763,939)
Total liabilities and net assets (deficit)	<u>\$ 859,872</u>	<u>\$ 2,347,693</u>	<u>\$ 2,965,361</u>	<u>\$ 6,172,926</u>	<u>\$ 6,192,219</u>

See notes to financial statements

## San Francisco Tourism Improvement District Management Corporation

### Statement of Activities

Year Ended June 30, 2023 (with Summarized Financial Information for the Year Ended June 30, 2022)

	Without Donor Restriction			Totals	
	TID Fund	MED Fund	AMB	2023	2022
<b>Support and Revenues</b>					
Assessment (Note 5)	\$ 18,371,469	\$ 21,826,271	\$ -	\$ 40,197,740	\$ 16,863,724
Government grants	-	-	6,310,299	6,310,299	4,401,946
Interest and dividends	22,206	1,440	-	23,646	15,736
<b>Total support and revenues</b>	<b>18,393,675</b>	<b>21,827,711</b>	<b>6,310,299</b>	<b>46,531,685</b>	<b>21,281,406</b>
<b>Expenses</b>					
Program services:					
Moscone Center	-	19,033,427	-	19,033,427	8,689,829
Marketing and promotion	18,319,000	211,000	-	18,530,000	7,238,605
Downtown ambassador services	-	-	6,032,089	6,032,089	3,979,730
<b>Total program services</b>	<b>18,319,000</b>	<b>19,244,427</b>	<b>6,032,089</b>	<b>43,595,516</b>	<b>19,908,164</b>
Management and general	343,958	670,914	278,210	1,293,082	1,349,147
<b>Total expenses</b>	<b>18,662,958</b>	<b>19,915,341</b>	<b>6,310,299</b>	<b>44,888,598</b>	<b>21,257,311</b>
Change in net assets (deficit)	(269,283)	1,912,370	-	1,643,087	24,095
<b>Net Assets (Deficit), Beginning</b>	<b>1,128,258</b>	<b>(3,892,197)</b>	<b>-</b>	<b>(2,763,939)</b>	<b>(2,788,034)</b>
<b>Net Assets (Deficit), Ending</b>	<b>\$ 858,975</b>	<b>\$ (1,979,827)</b>	<b>\$ -</b>	<b>\$ (1,120,852)</b>	<b>\$ (2,763,939)</b>

See notes to financial statements

## San Francisco Tourism Improvement District Management Corporation

### Statement of Functional Expenses

Year Ended June 30, 2023 (with Summarized Financial Information for the Year Ended June 30, 2022)

	TID FUND		MED Fund		AMB		Totals	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General	2023	2022
Moscone Center:								
Debt services and stabilization fund	\$ -	\$ -	\$ 18,028,940	\$ -	\$ -	\$ -	\$ 18,028,940	\$ 7,754,502
Sales incentive	-	-	1,004,487	-	-	-	1,004,487	892,692
Capital projects	-	-	-	-	-	-	-	42,635
Marketing and promotion	18,319,000	-	211,000	-	-	-	18,530,000	7,238,605
Contractual services:								
Professional fees	-	29,386	-	23,676	5,833,933	97,697	5,984,692	4,125,234
San Francisco Travel Association fees	-	147,143	-	147,143	-	153,925	448,211	517,637
Treasurer fees	-	141,745	-	147,329	-	-	289,074	252,217
Interest expense	-	-	-	327,559	-	-	327,559	231,670
Salaries and wages	-	-	-	-	198,156	-	198,156	138,310
Insurance and taxes	-	20,223	-	19,712	-	19,367	59,302	58,295
Office expenses	-	5,461	-	5,495	-	7,221	18,177	5,514
<b>Total</b>	<b>\$ 18,319,000</b>	<b>\$ 343,958</b>	<b>\$ 19,244,427</b>	<b>\$ 670,914</b>	<b>\$ 6,032,089</b>	<b>\$ 278,210</b>	<b>\$ 44,888,598</b>	<b>\$ 21,257,311</b>

See notes to financial statements

## San Francisco Tourism Improvement District Management Corporation

### Statement of Cash Flows

Year Ended June 30, 2023 (with Summarized Financial Information for the Year Ended June 30, 2022)

				<b>Totals</b>	
	<b>TID Fund</b>	<b>MED Fund</b>	<b>AMB</b>	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>					
Change in net assets (deficit)	\$ (269,283)	\$ 1,912,370	\$ -	\$ 1,643,087	\$ 24,095
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:					
Grants receivable	-	-	(480,000)	(480,000)	(1,320,000)
Security deposit	-	-	-	-	(6,188)
Accounts payable	(18,184)	(560,280)	(710,755)	(1,289,219)	1,831,958
Accrued liabilities	-	13,750	3,387	17,137	(22,357)
Deferred revenue	-	-	609,702	609,702	1,905,054
	<u>(18,184)</u>	<u>(546,530)</u>	<u>(577,666)</u>	<u>(1,142,380)</u>	<u>2,388,467</u>
Total adjustments					
Net cash provided by (used in) operating activities	<u>(287,467)</u>	<u>1,365,840</u>	<u>(577,666)</u>	<u>500,707</u>	<u>2,412,562</u>
<b>Cash Flows From Financing Activities</b>					
Proceeds from long-term debt	-	-	-	-	500,000
Payment of notes payable	-	(1,000,000)	-	(1,000,000)	(1,500,000)
	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net cash used in financing activities					
Net increase (decrease) in cash and cash equivalents	<u>(287,467)</u>	<u>365,840</u>	<u>(577,666)</u>	<u>(499,293)</u>	<u>1,412,562</u>
<b>Cash and Cash Equivalents, Beginning</b>	<u>1,147,339</u>	<u>1,981,853</u>	<u>1,736,839</u>	<u>4,866,031</u>	<u>3,453,469</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 859,872</u>	<u>\$ 2,347,693</u>	<u>\$ 1,159,173</u>	<u>\$ 4,366,738</u>	<u>\$ 4,866,031</u>
<b>Supplemental Disclosure of Cash Flow Information</b>					
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 327,559</u>	<u>\$ -</u>	<u>\$ 327,559</u>	<u>\$ 231,670</u>

See notes to financial statements



# San Francisco Tourism Improvement District Management Corporation

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Notes to Financial Statements

June 30, 2023

## 1. Nature of Organization

San Francisco Tourism Improvement District Management Corporation (SFTIDMC) is a not-for-profit organization formed for the purpose of managing and administering the Tourism Improvement District (TID) and Moscone Expansion District (MED) pursuant to a management contract with the City and County of San Francisco (the City). Refer to Note 5.

## 2. Going Concern

The outbreak of COVID-19 pandemic in March 2020 has continued impact on the City's hotel industry and resulting assessments revenue of SFTIDMC. The City's hospitality industry has shown recovery although not at the same capacity before the COVID-19 pandemic. As of June 30, 2023, SFTIDMC has a net deficit of \$1,120,852. As of June 30, 2023, SFTIDMC has a note payable of \$2,500,000 due on December 31, 2023, which resulted in negative working capital of \$620,852. Although the maturity of the note payable was extended to December 31, 2024 in August 2023 (Note 11), uncertainty remains as to the timing of the payment and when the hotels within the Business Improvement District will open at full capacity. These factors raise substantial doubt about SFTIDMC's ability to continue as a going concern. Management plans to seek board approval to use the Capital Reserve Fund to paydown the note payable in the coming fiscal year.

Under the terms of the agreement with the City dated August 17, 2017, the City will finance the stabilization fund and debt service payments from the MED assessments in accordance with the MED Management District Plan effective April 15, 2019. SFTIDMC will collect the surplus allocated to the development activities (surplus) that will not be needed to fund the MED contributions toward debt service. Funds from the surplus will be used to pay for the note payable of \$2,500,000 as of June 30, 2023. As of June 30, 2023, there was no surplus.

Management acknowledges that uncertainty remains over the ability of SFTIDMC to meet its funding requirements and to refinance or repay its banking facilities as they are due. The ability of SFTIDMC to continue as a going concern is dependent upon the continued success of management's plans. There can be no assurance that SFTIDMC will be successful in accomplishing its objectives. If for any reason SFTIDMC is unable to continue as a going concern, it could have an impact on SFTIDMC's ability to extinguish liabilities in the normal course of operations at the amounts stated in the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## 3. Summary of Significant Accounting Policies

### Basis of Presentation

SFTIDMC prepares the financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-For-Profit Organizations (U.S. GAAP). The significant accounting and reporting policies used by SFTIDMC are described subsequently to enhance the usefulness and understandability of the financial statements.

The accompanying financial statements present the accounts of Tourism Improvement District Fund (TID Fund), Moscone Expansion District Fund (MED Fund) and Ambassador Program (AMB).

SFTIDMC reports information regarding its financial position and activities according to two classes of net assets:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The net assets are designated in accordance with the Management District Plan. Refer to Note 5.

# San Francisco Tourism Improvement District Management Corporation

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Notes to Financial Statements

June 30, 2023

**Net Assets With Donor Restrictions** - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All net assets of SFTIDMC were without donor restrictions at June 30, 2023.

## **Cash and Cash Equivalents**

Cash consists of funds in checking and savings accounts. Cash equivalents consist of short-term and highly liquid investments with original maturities of three months or less from the dates of acquisition.

## **Grants Receivable and Allowance for Doubtful Accounts**

Grants receivable are recognized when unconditional promise to give is made by a donor. It also includes amounts due from the government on cost reimbursement or performance grants. Accordingly, an unconditional promise to give that extends beyond one year is discounted to reflect its net present value using risk-free interest rates applicable to the years in which the promises are received. The allowance for doubtful accounts reflects management's best estimate of the accounts that will not be collected based on historical experience and an evaluation of the outstanding receivable at the end of the year. At June 30, 2023, SFTIDMC determined that the accounts were fully collectible.

## **Revenue Recognition**

### **Assessments**

SFTIDMC receives assessments from gross hotel room revenues which are collected by the City under the terms of the agreement between SFTIDMC and the City (refer to Note 5). Revenues from assessments, which include fines and penalties, are accounted for as support and recognized when notification of the assessments is received from the City in accordance with Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

### **Government Grants**

SFTIDMC receives grants from the local government. Government grants are recognized when the qualifying costs are incurred or when a unit of service is provided. The arrangements are non-reciprocal, meaning the granting agency has not received a direct benefit in exchange for the resources provided. Government grants are subject to review by grantor agencies. The review could result in disallowance of expenditures under the terms of the grant or reductions of future grant funds. SFTIDMC's management believes that costs ultimately disallowed, if any, would not materially affect its financial position.

At June 30, 2023, SFTIDMC received conditional grants which amounted to \$2,514,756. Funds received from conditional contributions are recognized as deferred revenue until the condition is substantially met (that is, when the services are provided).

### **Other**

Revenues from interest and dividends are recognized when earned.

# San Francisco Tourism Improvement District Management Corporation

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Notes to Financial Statements

June 30, 2023

## Professional and Contractual Expenses

Professional and contractual services are expensed as incurred.

## Allocation of Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are identified with a specific program or support service and are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the staff time utilized and the ultimate purpose of the expenditure.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of SFTIDMC.

## Tax Status

SFTIDMC is exempt from federal and state income taxation under Section 501(c)(6) of the Internal Revenue Code (IRC) and under Section 23701(e) of the California Revenue and Taxation Code, respectively. Accordingly, no provision for income tax has been made in the accompanying financial statements.

U.S. GAAP provides disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and does not believe that SFTIDMC has any uncertain tax positions that require adjustment or disclosure in the financial statements. SFTIDMC's returns are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

## Estimates Included in the Financial Statements

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

## Comparative Financial Information

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with SFTIDMC's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

## 4. Liquidity and Availability of Financial Assets

SFTIDMC's goal is to maintain financial assets per the Management District Plans of TID and MED (the Management District Plans). Annually, the SFTIDMC Board of Directors approves the annual budget based on the terms of the agreements with the City.

# San Francisco Tourism Improvement District Management Corporation

## Notes to Financial Statements

June 30, 2023

The following represents SFTIDMC's financial assets at June 30, 2023 available for general expenditures within the following 12 months:

	<u>TID Fund</u>	<u>Med Fund</u>	<u>AMB</u>	<u>Totals</u>
Financial assets at year-end:				
Cash and cash equivalents	\$ 859,872	\$ 2,347,693	\$ 1,159,173	\$ 4,366,738
Grants receivable	-	-	1,800,000	1,800,000
<b>Total financial assets</b>	<b>859,872</b>	<b>2,347,693</b>	<b>2,959,173</b>	<b>6,166,738</b>
Less amounts designated for the following purpose in accordance with the Management Plans:				
Moscone Center Incentive Fund	15,438	1,319,663	-	1,335,101
Contingency/reserve	493,595	541,819	-	1,035,414
Moscone Center Capital Fund	190,887	472,650	-	663,537
SF Travel Association Marketing and Operations	159,055	-	-	159,055
	<b>858,975</b>	<b>2,334,132</b>	<b>-</b>	<b>3,193,107</b>
<b>Financial assets available for general expenditures as of June 30, 2023</b>	<b>\$ 897</b>	<b>\$ 13,561</b>	<b>\$ 2,959,173</b>	<b>\$ 2,973,631</b>

SFTIDMC considers ongoing program, management and general expenses as general expenditures.

## 5. Business Improvement District Assessments

The following describes the assessments related to the agreements entered into by SFTIDMC with the City and County of San Francisco.

### Tourism Improvement District Assessments

On December 16, 2008, the San Francisco Board of Supervisors approved the establishment of a business-based business improvement district, known as the Tourism Improvement District, and assessments on gross room revenues (TID assessments) on hotels within the TID, which are categorized as Zone 1 or Zone 2 depending on their location. The TID assessments were designed to generate funds dedicated to promoting and marketing the City as a leisure and convention destination, and to fund repairs and improvements to the Moscone Center.

The annual TID assessments commenced on January 1, 2009, and will continue until December 31, 2023. The schedule of TID assessments is as follows:

	<u>Zone 1</u>	<u>Zone 2</u>
Periods:		
January 1, 2009 - December 31, 2013	1.50 %	1.00 %
January 1, 2014 - December 31, 2023	1.00 %	0.75 %

# San Francisco Tourism Improvement District Management Corporation

Notes to Financial Statements

June 30, 2023

The TID assessments are collected by the City and remitted to SFTIDMC. The SFTIDMC will ensure that the TID assessments collected are used to benefit the assessed businesses by (1) allocating them to the San Francisco Travel Association (the Association) to fund its marketing and promotional programs; and (2) keeping the Moscone Center competitive with those of other major cities.

The Association's marketing and promotional programs have been funded by SFTIDMC since July 1, 2009.

On September 13, 2022, the City's Board of Supervisors approved the renewal and expansion of TID for a period of 15 years, commencing January 1, 2024. TID includes all tourist hotels and short-term residential rentals generating revenue from tourist rooms that operate in the City during the term of TID. The assessment rate will be 1.25% of gross revenue in Zone 1 and 1% in Zone 2.

## Moscone Expansion District Assessments

On June 21, 2012, the City announced the development of a 25-year master plan for the expansion of the Moscone Center. The expansion was funded by a public-private partnership with the SFTIDMC and the City. On February 5, 2013, the San Francisco Board of Supervisors approved the creation of the Moscone Expansion District which will provide the majority of funding for the expansion of the Moscone Center.

The City began imposing assessment of fees on gross hotel room revenue on July 1, 2013 (MED assessments). The term of the MED is 32 years. The schedule of MED assessments is as follows:

	<u>Zone 1</u>	<u>Zone 2</u>
Periods:		
July 1, 2013 - December 31, 2013	0.50 %	0.3125 %
January 1, 2014 - December 31, 2045	1.25 %	0.3125 %

The City will commit the following towards the repayment of bonds issued in connection with the expansion:

- Contribution of \$8,200,000 in fiscal year 2019 with an increase of 3% per year through fiscal year 2028 up to cap of \$10,700,000, with a continuing contribution of no less than \$10,700,000 per year for the remainder of the term of the MED.
- The City will fund shortfalls in any given year for purposes of debt service, which will be repaid from surpluses in MED assessments, as detailed in the Management District Plan.

The amount of debt service to retire the MED portion of the indebtedness shall not exceed the amount of revenue estimate to be raised from the assessment. No more than a total maximum of \$5,766,814,000 in assessment funds will be collected during the 32-year term of the MED.

The MED assessments will be used for the following improvements and activities, including the categories of expenses:

- Planning, design, engineering, entitlement, construction, project management and related services for expansion of the Moscone Center, including related payments for any bond, financing lease (including certificates of participation) or similar obligations of the City.
- Funding of a Moscone Center Incentive Fund which will be used to attract significant meetings, tradeshows and conventions to San Francisco via offset of rental costs.

# San Francisco Tourism Improvement District Management Corporation

Notes to Financial Statements

June 30, 2023

- Funding of a Moscone Center Sales & Marketing Fund to provide increased funding for sales and marketing of convention business, with a focus on generating increased revenues for hotels that pay the assessment.
- Funding of capital improvements and renovations, including a capital reserve fund to cover future upgrades and improvements to the Moscone Center.
- Allocation of funds to pay for District formation, operation and administration, and to establish and maintain a contingency reserve.
- In consultation with the City, funding of expenses for development and implementation of future phases of expansion, renovations or capital improvements if there are funds available in excess of those needed for the expansion.

In June 2017, the City issued Certificates of Participation (Moscone Convention Center Expansion Project) Series 2017B amounting to \$412,355,000. For the year ended June 30, 2023, the City Treasurer and Tax Collector's Office (TTX) withheld 83.16% of MED assessments amounting to \$18,028,940 from the TTX's cash collections from July 2022 through June 2023.

The funds apportioned by the City for the above purpose are included in the MED assessments in the statement of activities and program services in the statement of functional expenses for the year ended June 30, 2023.

## 6. Notes Payable

The notes payable consists of the following as of June 30, 2023:

Original line of credit of \$5,000,000 with a bank, due April 15, 2020, bears interest at prime rate less 0.25%, but not less than 5.25% per annum. On May 26, 2020, the loan was converted into a term loan with maturity date of May 15, 2021, which was extended to December 31, 2022, on October 29, 2021. On August 3, 2023, the maturity of the loan was extended to December 31, 2024.	\$ 2,500,000
Term loan of \$500,000 with the U.S. Small Business Administration (SBA), bears interest of 2.75% per annum, payable 30 years from the date of the promissory note which is December 3, 2021, with monthly installment payments, including principal and interest, of \$2,189 beginning July 2024, 30 months from the date of promissory note.	<u>500,000</u>
Total	<u>\$ 3,000,000</u>

The annual maturities of notes payable were as follows:

Years ending June 30:	
2024	\$ 2,500,000
2025	11,713
2026	12,840
2027	13,193
2028	13,556
Thereafter	<u>448,698</u>
Total	<u>\$ 3,000,000</u>

# San Francisco Tourism Improvement District Management Corporation

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Notes to Financial Statements

June 30, 2023

## 7. Related-Party Transactions

SFTIDMC entered into agreements for professional and administrative services with the San Francisco Travel Association (the Association), a related-party. The agreements were effective for the period June 4, 2009 to June 30, 2010, and are automatically renewed annually thereafter.

Under the Professional Services Agreement, the Association will provide marketing and promotional services consistent with the requirements of the Management District Plan. The Association will be compensated based on its budget, as approved by SFTIDMC's Board of Directors, and consistent with the management plan.

Under the Administrative Services Agreement, the Association will provide the following services: (1) staff support for the operation of SFTIDMC, (2) the Chief Financial Officer (CFO) of the Association will serve as CFO of SFTIDMC and the Association's staff will perform finance and accounting related functions, (3) the Association will be responsible for the tax related issues of SFTIDMC, (4) the Association will be responsible for all compliance issues of SFTIDMC, including compliance with the management plan approved by the San Francisco Board of Supervisors, and (5) the Association will be responsible for developing an appropriate investment policy and program for SFTIDMC funds. On July 1, 2013, the Administrative Services Agreement was revised primarily to include MED. Based on the agreement, the Association will be compensated a fee of \$190,000 per annum, subject to an annual increase of 5%, for the performance of the above services on behalf of both TID and MED.

The expenditures related to the marketing and promotional services (professional services) and administrative services amounted to \$18,530,000 and \$448,211, respectively, during the year ended June 30, 2023. There is no payable to the Association for these services as of June 30, 2023.

From time to time, the Association also advances or pays other professional fees (e.g., legal and consulting fees) on behalf of SFTIDMC. SFTIDMC has \$1,812 payable to the Association for these advances as of June 30, 2023.

## 8. Commitments

Pursuant to the establishment of the TID as approved by the Board of Supervisors in December 2008, the Office of the Treasurer and Tax Collector for the City and County of San Francisco (the Treasurer) was mandated to collect the TID Assessments on behalf of the SFTIDMC. In August 2009, an administration agreement was entered into between the Treasurer and SFTIDMC wherein the Treasurer agreed to provide the following services: (a) collect assessments in accordance with the management plan, (b) provide quarterly reports indicating the amount of penalties, fees, assessment and interest collected, and (c) provide a list of delinquent accounts on a quarterly basis. SFTIDMC shall pay the Treasurer a monthly collection fee plus commission on collection of delinquent accounts and fees for other services that the Treasurer may provide in connection of its services on behalf of TID and MED.

The amount of fees charged by the Treasurer for both TID and MED was \$289,074 during the year ended June 30, 2023. These fees are recorded under Contractual Services-Treasurer fees in the statement of functional expenses.

# San Francisco Tourism Improvement District Management Corporation

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Notes to Financial Statements

June 30, 2023

## 9. Risks and Uncertainties

### Credit Risk

Financial instruments that potentially subject SFTIDMC to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor).

Certain cash equivalents are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). Such balances with any one institution may, at times, be in excess of the insured amounts. SFTIDMC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

### Concentrations

During the year ended June 30, 2023, all of SFTIDMC's government grants came from one grantor. The grant receivable as of June 30, 2023 amounted to \$1,800,000.

## 10. Contingencies

Pursuant to the MED Management District Plan, the City will fund shortfall in any given year for purposes of debt service due from MED, which will be repaid from surpluses in MED assessments, as detailed in the Management District Plan.

## 11. Subsequent Events

SFTIDMC has evaluated subsequent events through October 25, 2023, the date which the financial statements were available to be issued.

As discussed in Note 6, the maturity date of the loan was extended to December 31, 2024.