Audit Committee Meeting
Thursday, October 17, 2013
2:00 p.m.
401 B Street, Suite 100
San Diego, CA 92101

DOWNTOWN
SAN DIEGO
PARTNERSHIP

AGENDA

2:00 p.m.	**Call Meeting to Order**	
	Non-Agenda Public Comment	
2:05 p.m.	**1) Introduction of CohnReznick Staff and Audit Committee**	Info
2:10 p.m.	**2) Discuss FY13 Audit**	
	• CohnReznick Staff to discuss required communications	Info
	• CohnReznick Staff to review draft audit results	Info
	• Audit Committee Approve Audit	Action
3:30 p.m.	**Adjourn**	

THIS INFORMATION IS AVAILABLE IN ALTERNATIVE FORMATS UPON REQUEST.
To request an alternative format or to request a sign language or oral interpreter for the meeting, please contact the Clean & Safe Program office at least five (5) working days before the meeting at (619) 234-8900 to ensure availability. Assistive Listening Devices (ALDs) are available for the meeting upon advanced request.

Downtown San Diego Partnership

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2013 and 2012

Downtown San Diego Partnership

Index

Independent Auditor's Report

To the Board of Directors of
Downtown San Diego Partnership

We have audited the accompanying financial statements of Downtown San Diego Partnership (the "Partnership"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

Auditor's 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 auditor's 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 Downtown San Diego Partnership as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

San Diego, California
October __, 2013

Downtown San Diego Partnership

Statements of Financial Position
June 30, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	$ 748,907	$ 786,048
Accounts receivable, net	1,058,043	960,670
Prepaid expenses and other assets	112,989	86,045
Equipment and leasehold improvements, net	162,586	123,545
Total assets	$ 2,082,525	$ 1,956,308

Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 314,853	$ 267,984
Accrued expenses	149,377	116,138
PBID advance from the City of San Diego	817,000	817,000
Deferred rent	19,844	11,310
Deferred revenue	310,627	246,001
Total liabilities	1,611,701	1,458,433
Commitments and contingencies		
Unrestricted net assets	470,824	497,875
Total liabilities and net assets	$ 2,082,525	$ 1,956,308

See Notes to Financial Statements.

Downtown San Diego Partnership

Statements of Activities
Years Ended June 30, 2013 and 2012

	2013	2012
Revenue and other income:		
PBID assessments and parks reimbursements	$ 5,130,258	$ 5,089,699
Membership dues and renewals	498,375	425,363
Special events	510,773	479,470
Transit pass program	449,609	452,072
BID income	71,042	69,683
Banner	35,650	35,700
Other income	9,400	5,000
Interest income	1,096	1,360
Total revenue and other income	6,706,203	6,558,347
Expenses:		
Programs:		
PBID	5,016,265	4,922,709
Downtown San Diego Partnership	1,029,240	994,807
BID	56,490	45,029
Management and general	371,548	268,911
Special events - costs of direct benefits to donors	138,952	136,337
Special events - other expenses	120,759	114,551
Other expense	-	1,311
Total expenses	6,733,254	6,483,655
Change in net assets	(27,051)	74,692
Unrestricted net assets:		
Beginning of year	497,875	423,183
End of year	$ 470,824	$ 497,875

See Notes to Financial Statements.

Downtown San Diego Partnership

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating activities:		
Change in net assets	$ (27,051)	$ 74,692
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	-	5,038
Depreciation and amortization	47,677	28,713
Deferred rent	8,534	3,603
Changes in operating assets and liabilities:		
Accounts receivable	(97,373)	(125,540)
Prepaid expenses and other assets	(26,944)	17,832
Accounts payable	46,869	75,229
Accrued expenses	33,239	(28,559)
Deferred revenue	64,626	50,393
Net cash provided by operating activities	49,577	101,401
Investing activities:		
Purchases of equipment	(86,718)	(73,674)
Net cash used in investing activities	(86,718)	(73,674)
(Decrease) increase in cash and cash equivalents	(37,141)	27,727
Cash and cash equivalents:		
Beginning of year	786,048	758,321
End of year	$ 748,907	$ 786,048

See Notes to Financial Statements.

Downtown San Diego Partnership

Notes to Financial Statements

Note 1 - Organization and summary of significant accounting policies:

Nature of organization:

Downtown San Diego Partnership (the "Partnership"), a not-for-profit California corporation, was formed in 1993 with the merger of two prominent business associations: San Diegans, Inc. and the Central City Association. Today, the Partnership has approximately 250 members and has emerged as the leading advocate for economic growth and revitalization of downtown San Diego.

The Partnership works closely with regional business organizations and the City of San Diego (the "City") to improve the business climate for downtown San Diego and to help shape policies on issues affecting downtown. Its mission is the advancement of downtown as the economic, cultural and governmental center of the San Diego region through leadership, advocacy and education.

The Partnership is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and Section 23701(e) of the California Code.

Financial statement presentation:

The Partnership reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period. Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event, or a specific passage of time before the Partnership may spend the funds. Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for generating investment income to fund current operations. At June 30, 2013 and 2012, the Partnership did not have any temporarily restricted or permanently restricted net assets.

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.

Concentrations of credit risk:

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Partnership maintains its cash accounts in several high-quality financial institutions. At June 30, 2013, the Partnership had no cash and cash equivalents which exceeded Federally insured limits.

The Partnership received approximately 76% and 78% of its total revenue from the City for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, 98% and 97%, respectively, of the accounts receivable balance is due from the City.

Cash and cash equivalents:

The Partnership considers all highly-liquid investments with an original maturity date of three months or less when acquired to be cash equivalents.

Accounts receivable and allowance for doubtful accounts:

Accounts receivable consist of amounts billed and unbilled for services provided through the end of the fiscal year. An allowance for estimated uncollectible accounts is based on past experience and on an analysis of current accounts receivable balances. Accounts deemed uncollectible are written off in the year deemed uncollectible.

Equipment and leasehold improvements:

Equipment and leasehold improvements are stated at cost, if purchased, or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the remaining life of the lease or useful life of the asset, whichever is shorter. The Partnership capitalizes assets which cost or have a donated value of $1,000 or more.

Estimated useful lives, by major classification, are as follows:

Vehicles	4-5 years
Furniture and equipment	5-7 years
Computer equipment	5 years
Leasehold improvements	Shorter of useful life or term of lease

Impairment of long-lived assets:

The Partnership evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Revenue recognition:

The City (Property and Business Improvement District ("PBID") Assessments) and other sources of revenue:

Revenue from City reimbursements is recognized monthly in the period in which contracted and operating expenses are recognized, including the maintenance and repair of two City parks.

Membership dues and renewals:

Revenue from memberships is recognized using the straight-line method over the term of the membership. The unearned portion of membership revenue is reported as deferred revenue.

Transit pass program:

Revenue from transit pass sales is recognized when the passes are picked up or shipped to the customer. Revenue is recorded net of any discounts or returns.

Contributed services and materials:

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the required recognition criteria were not met. Contributed materials and other assets are recorded as contributions at their estimated fair values at the date of receipt. No such contributions were received for the years ended June 30, 2013 and 2012.

Functional allocation of expense:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events:

Subsequent events have been evaluated through October __, 2013, which is the date the financial statements were available to be issued.

Note 2 - Accounts receivable:

At June 30, 2013 and 2012, accounts receivable consists of:

	2013	2012
City	$ 1,029,735	$ 936,985
Other	29,431	25,445
	1,059,166	962,430
Less allowance for doubtful accounts	1,123	1,760
	$ 1,058,043	$ 960,670

Note 3 - Equipment and leasehold improvements:

At June 30, 2013 and 2012, equipment and leasehold improvements consists of:

	2013	2012
Vehicles	$ 315,866	$ 289,635
Furniture and equipment	374,546	318,792
Computer equipment	40,155	35,422
Leasehold improvements	21,050	21,050
	751,617	664,899
Less accumulated depreciation and amortization	589,031	541,354
	$ 162,586	$ 123,545

Depreciation and amortization expense was $47,677 and $28,713 for the years ended June 30, 2013 and 2012, respectively.

Note 4 - PBID contract:

The Partnership has a ten-year agreement with the City to run the PBID program through June 30, 2015. In connection therewith, the Partnership received an $817,000 non-interest bearing advance from the City. This advance must be repaid by June 30, 2015, the end of the current contractual period.

Note 5 - Commitments and contingencies:

Operating leases:

The Partnership leases its office facilities under non-cancelable operating leases. These leases expire in fiscal year 2015. The minimum annual rentals under these leases are being charged to expense on a straight-line basis over the lease terms. Deferred rent as of June 30, 2013 and 2012 was $19,844 and $11,310, respectively. The Partnership entered into a new lease on July 1, 2010 which includes $15,160 of tenant incentives, which are being amortized over the life of the lease.

Future minimum lease commitments under these agreements in each of the years subsequent to June 30, 2013 are as follows:

Year Ending June 30,	Amount
2014	$ 162,605
2015	167,685
Total	$ 330,290

Total rent expense for the years ended June 30, 2013 and 2012 was $190,017 and $177,404, respectively.

Grants and contracts:

The Partnership has $9,000 of grants and $5,216,143 of contracts with government agencies which are subject to audit for the year ended June 30, 2013. As of June 30, 2013, no such audits have been performed. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. The Partnership believes that any liability which may result from these audits would not be material.

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Downtown San Diego Partnership

Our report on our audits of the basic financial statements of Downtown San Diego Partnership appears on page 2. Those audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 12 through 16 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 audits 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 the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information on page 17, which is the responsibility of management, is of a nonaccounting nature and the supplementary information on page 18 which is marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the 2013 financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

San Diego, California
October __, 2013

Downtown San Diego Partnership

Supplementary Information
Statements of Financial Position - Downtown Partnership
June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 415,255	$ 391,966
Accounts receivable, net	27,371	23,685
Prepaid expenses and other assets	26,709	16,923
Equipment and leasehold improvements, net	6,461	7,975
Total assets	$ 475,796	$ 440,549
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 46,570	$ 34,363
Accrued expenses	54,152	40,517
Deferred rent	12,772	1,616
Deferred revenue	310,627	246,001
Total liabilities	424,121	322,497
Unrestricted net assets	51,675	118,052
Total liabilities and net assets	$ 475,796	$ 440,549

See Independent Auditor's Report on Supplementary Information.

Downtown San Diego Partnership

Supplementary Information
Statements of Activities - Downtown Partnership
Years Ended June 30, 2013 and 2012

	2013	2012
Revenue and other income:		
Membership dues and renewals	$ 498,375	$ 425,363
Special events	510,773	479,470
Transit pass program	465,449	467,624
BID income	71,042	69,683
PBID income	72,000	72,000
Banner	35,650	35,700
Other income	9,400	5,000
Interest income	714	579
Total revenue and other income	1,663,403	1,555,419
Expenses:		
Salaries, wages and payroll taxes	516,870	494,351
Special events	259,712	250,888
Transit pass program	425,262	426,546
Rent	102,661	84,500
Bad debt expense	-	5,038
Miscellaneous	79,977	52,617
Employee benefits	36,441	27,762
Contract renewal - PBID	91,092	-
Marketing	57,139	93,035
BID expenses	56,490	45,029
Downtown business attraction	9,963	8,647
Membership and corporate events	14,096	14,177
Insurance	17,748	15,359
Automobile	8,477	7,077
Utilities	11,351	10,477
Office supplies	7,642	8,563
Legal and accounting	18,214	11,500
Depreciation	2,024	1,169
Postage	453	246
Public policy	-	3,292
Dues and subscriptions	627	543
Banner	750	130
Total expenses	1,716,989	1,560,946
Deficiency of revenue and other income over expenses	$ (53,586)	$ (5,527)

See Independent Auditor's Report on Supplementary Information.

Downtown San Diego Partnership

Supplementary Information
Statements of Financial Position - PBID
June 30, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	$ 333,652	$ 394,082
Accounts receivable, net	1,030,672	936,985
Prepaid expenses and other assets	86,280	69,122
Equipment and leasehold improvements, net	156,125	115,570
Total assets	$ 1,606,729	$ 1,515,759

Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 268,283	$ 233,621
Accrued expenses	95,225	75,621
PBID advance from the City of San Diego	817,000	817,000
Deferred rent	7,072	9,694
Total liabilities	1,187,580	1,135,936
Unrestricted net assets	419,149	379,823
Total liabilities and net assets	$ 1,606,729	$ 1,515,759

See Independent Auditor's Report on Supplementary Information.

Downtown San Diego Partnership

Supplementary Information
Statements of Activities - PBID
Years Ended June 30, 2013 and 2012

	2013	2012
Revenue and other income:		
PBID assessments and parks reimbursement	$ 5,130,258	$ 5,089,699
Interest income	382	781
Total revenue and other income	5,130,640	5,090,480
Expenses:		
Contractual services	2,012,290	2,185,005
Salaries, wages and payroll taxes	1,780,700	1,741,828
Employee benefits	397,186	396,554
Utilities	158,548	164,082
Repairs and maintenance	110,560	140,493
Rent	87,356	92,904
Insurance	107,919	95,711
Cleaning and janitorial supplies	106,872	75,202
Miscellaneous	43,327	54,779
Depreciation	45,653	27,544
Legal and accounting	19,081	19,572
Uniforms	6,361	4,295
Office supplies	8,711	7,269
Equipment outlay	217,648	2,813
Travel and training	1,244	1,706
Postage	649	504
Total expenses	5,104,105	5,010,261
Excess of revenue and other income over expenses	$ 26,535	$ 80,219

See Independent Auditor's Report on Supplementary Information.

Downtown San Diego Partnership

Supplementary Information
Financial Statement Reconciliation to Final City Invoice
Year Ended June 30, 2013

Total expenses per statement of activities - PBID	$ 5,104,105
Equipment purchases	86,204
Unallowed depreciation expense	(45,653)
Adjustment to record accrued salaries and related payroll taxes at June 30, 2013	(17,020)
Deferred rent	2,622
Total expenses per final invoice to the City	$ 5,130,258

See Independent Auditor's Report on Supplementary Information.

Downtown San Diego Partnership

DOWNTOWN
SAN DIEGO
PARTNERSHIP

Statement of Compliance

October 1, 2013

To Whom It May Concern:

The Downtown San Diego Partnership Clean and Safe Program is in compliance with all the City of San Diego requirements, such as general requirements, compensation, and reimbursement, record keeping and insurance as set forth in the agreements between the City of San Diego and Downtown San Diego Partnership Clean and Safe Program.

All required reports and disclosures have been submitted.

Respectfully,

Ryan Loofbourrow
Executive Director

Clean & Safe Program | 1111 Sixth Avenue, Suite 101 | San Diego, CA 92101 | P: (619) 234-8900 | F: (619) 234-2303
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See Independent Auditor's Report on Supplementary Information.

Downtown San Diego Partnership

Supplementary Information
Budget Versus Actual - PBID
Year Ended June 30, 2013
(unaudited)

	Budget Billed	Actual Billed	Invoiced Difference
Assessments	$ 5,602,761	$ 5,559,762	$ (42,999)
Parks	26,700	30,496	3,796
Interest Income	1,000	382	(618)
Total Revenue and Other Income	5,630,461	5,590,640	(39,821)
Office Supplies	8,000	8,711	711
Postage / Mailing	1,000	649	(351)
District Mailings / Web Services	15,000	17,321	2,321
Cleaning / Janitorial Supplies	90,000	102,384	12,384
Cement and Aggregates	5,000	4,488	(512)
Dry Goods / Uniforms	8,000	6,361	(1,639)
Other Repairs / Maintenance	85,000	51,758	(33,242)
Vehicle Fuel	66,000	58,802	(7,198)
Audit Services	20,000	19,081	(919)
Vehicle Insurance	20,000	22,111	2,111
Misc. Services / Supplies	127,500	270,977	143,477
Leasing / Purchasing (Equipment)	40,000	32,880	(7,120)
Payroll Services/Parking/Misc	30,000	21,749	(8,251)
Rents / Leases	92,000	89,977	(2,023)
Training	5,000	1,100	(3,900)
Travel	2,000	144	(1,856)
Photocopy	3,800	4,257	457
Fidelity and General Liability Insurance	81,000	85,808	4,808
Workers Comp / EE Benefits	622,232	582,530	(39,702)
Insurance Other / Benefits	19,300	18,558	(742)
Salary and Wages	1,612,000	1,508,379	(103,621)
Salaries and Wages Medians	50,000	51,395	1,395
Misc. Contract Services	1,913,129	1,940,290	27,161
Program Oversight	72,000	72,000	-
Waste Removal	55,000	56,147	1,147
Telephones	2,500	1,824	(676)
Cell Phones	34,000	24,733	(9,267)
Electric Services	40,000	34,064	(5,936)
Water Servinces	45,000	41,780	(3,220)
Legal Expenses	5,000	-	(5,000)
Total Reimbursable Expenses	5,169,461	5,130,258	(39,203)
Interest / City Admin Charges	130,000	130,000	-
Lighting Expense	330,000	330,000	-
Total Other Expenses	460,000	460,000	-
Net Income	$ 1,000	$ 382	$ (618)

See Independent Auditor's Report on Supplementary Information.

Downtown San Diego Partnership

Report to the Audit Committee

For the Year Ended June 30, 2013

October 17, 2013

COHN REZNICK

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ACCOUNTING • TAX • ADVISORY

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October 17, 2013

Audit Committee of the Board of Directors
Downtown San Diego Partnership

Dear Members of the Audit Committee:

We are pleased to present the results of our audit of the financial statements of Downtown San Diego Partnership (the "Partnership") for the year ended June 30, 2013.

This report to the Audit Committee summarizes the results of our audit and the communications required by professional standards.

The completion of our audit of the Partnership was accomplished through the effective support and the assistance of the Partnership's accounting, operational and administrative personnel. As always, we strive to continually improve the quality of our audit services. This meeting is a forum for you to provide feedback on ways we can continue to meet and exceed your expectations.

This report is intended solely for the use of the Audit Committee, Board of Directors and management, and should not be used for any other purpose.

We appreciate this opportunity to meet with you. If you have any questions or additional comments, call me at (858) 300-3434.

Sincerely,

Craig A. Golding, CPA
Partner

Contents

2013 Audit Results

Report on 2013 Audit

- We have substantially completed our audit of the Partnership's financial statements as of and for the year ended June 30, 2013. The audit has been conducted in accordance with auditing standards generally accepted in the United States. The objective of our audit was to obtain reasonable assurance about whether the financial statements are free from material misstatement.

- We plan to issue an unqualified report on the Partnership's financial statements for the year ended June 30, 2013.

- Open items at the time of this meeting:
  - Finalize quality control review
  - Subsequent event procedures
  - Obtain signed letter of representation from management

Required Communications

Professional standards require communications of various matters to the Audit Committee and management in connection with our audits. These required communications are as follows:

- **Our responsibility under auditing standards generally accepted in the United States of America**

  - As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

    In planning and performing our audit, we considered the Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

- **Significant accounting policies and unusual transactions**

  - Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Partnership are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Required Communications

- **Management judgments and accounting estimates**

  - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

    We have evaluated key factors and assumptions used to develop the accounting estimates, including the allowance for doubtful accounts and depreciation method and useful lives used for fixed assets and have determined that they are reasonable in relation to the financial statements taken as a whole.

- **Audit adjustments**

  - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Partnership's financial reporting process (that is, cause future financial statements to be materially misstated).

    Attached is a summary of adjustments that have been recorded. There were no unrecorded proposed audit adjustments.

- **Disagreements with management**

  - For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Required Communications

- **Management consultations with other independent accountants**
  - In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

- **Issues discussed prior to the retention of independent auditors**
  - We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- **Difficulties encountered in performing the audit**
  - We encountered no significant difficulties in dealing with management in performing and completing our audit.

- **Independence**
  - We are independent of the Partnership, in accordance with professional standards.

Downtown San Diego Partnership
Adjusting Journal Entries from Auditors
Year ended June 30, 2013

Number	Journal Entry	Account No	Debit	Credit
1	Deferred Rent	2321	9,693	
	Rents / Leases	512067		(9,693)
	CR - To adjust deferred rent.			
2	Deferred Expense Special Events	1309	8,150	
	Deferred Expense Special Events	1309	450	
	Office Expense	6056	150	
	Special Events Expense Installation Dinner	6218	8,150	
	Deferred Membership Inc	2020		8,150
	Deferred Membership Inc	2020		500
	Renewed Members	4001		8,150
	New Members	4002		100
	CR - To recognize value of barter revenue and expense and to defer portion of revenue associated with future periods.			
3	Accounts Receivable	1200	4,766	
	Other Expenses	6054		4,766
	CR - To adjust net negative amounts aged beyond one year per the A/R detail.			
4	Other Expenses	6054	12,788	
	Accounts Payable	2000		12,788
	CR - To reverse A/P entry made during PY.			