

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

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2010

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

TABLE OF CONTENTS

	<u>Pages</u>
ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2-3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Revenue and Expenses for Programs and Events	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15
SUPPLEMENTARY INFORMATION:	
Schedule of Management and General Expenses	16

EMERITUS

Alexander W. Berger (1916-2005)
Griffith R. Lewis

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
San Jose Downtown Association
(A California Nonprofit Mutual Benefit Corporation)
San Jose, California

We have reviewed the accompanying statement of financial position of San Jose Downtown Association (a California Nonprofit Mutual Benefit Corporation) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of San Jose Downtown Association.

A review consists principally of inquiries of association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedule of management and general expenses on page is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
September 22, 2010

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

STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS

CURRENT ASSETS:

Cash	\$ 82,646
Contracts Receivable:	
BID	134,746
RDA	71,300
City	41,000
PSP	2,768
PBID	97,639
Accounts Receivable	81,242
Prepaid Expenses	<u>69,877</u>
Total Current Assets	<u>581,218</u>

PROPERTY AND EQUIPMENT, At Cost:

Ice Rink Equipment	764,991
Office Condo	370,612
Office Equipment	147,478
Transportation Equipment	<u>24,650</u>
	1,307,731
Accumulated Depreciation	<u>(702,955)</u>
Total Property and Equipment, Net	<u>604,776</u>
TOTAL ASSETS	<u>\$ 1,185,994</u>

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

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

STATEMENT OF FINANCIAL POSITION
(Continued)

June 30, 2010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Note Payable, Current Portion	\$ 19,095
Mortgage Payable, Current Portion	7,627
Accounts Payable	79,819
Sales Tax Payable	9,450
Accrued Expenses	79,451
Deferred Income	<u>127,364</u>

Total Current Liabilities 322,806

LONG-TERM LIABILITIES, NET OF CURRENT PORTION:

Mortgage Payable, Net of Current Portion 235,225

Total Long-Term Liabilities, Net of Current Portion 235,225

Total Liabilities 558,031

NET ASSETS:

Unrestricted Net Assets 627,963

TOTAL LIABILITIES AND NET ASSETS \$ 1,185,994

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

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2010

	Total All Funds	Unrestricted		
		San Jose Downtown Association	Business Improvement District	Redevelopment Agency Fund
REVENUE:				
Contract Reimbursement - BID	\$ 600,000	\$ -	\$ 600,000	\$ -
Contract Reimbursement - RDA	532,141	-	-	532,140
Other Contracts	709,304	709,304	-	-
Sponsorships and Sales	338,539	338,539	-	-
Concessions and Admissions	833,092	833,092	-	-
Participant Fees	59,122	59,122	-	-
Grants	51,200	51,200	-	-
Administration Income	14,000	14,000	-	-
Property Business Improvement District	197,071	197,071	-	-
Miscellaneous Income	63,262	63,263	-	-
Total Revenue	3,397,731	2,265,591	600,000	532,140
EXPENSES:				
Program and Events:				
Music in the Park 2009	400,497	310,497	45,000	45,000
Ice Rink	949,210	744,210	100,000	105,000
Farmers' Market	55,498	13,998	31,500	10,000
Music in the Park 2010	190,522	125,022	30,500	35,000
Communications/PR	104,357	38,157	30,000	36,200
Research and Planning	80,350	55,350	25,000	-
District Promotions	61,856	12,056	10,000	39,800
Public Space Programming	181,593	166,593	15,000	-
Holiday	25,125	5,125	20,000	-
Marketing	185,409	11,409	45,000	129,000
Parking Promotions	92,313	82,313	10,000	-
Beautification/Clean & Safe	34,099	34,099	-	-
Membership	12,386	386	12,000	-
Property Business Improvement District	459,529	459,529	-	-
Other Program	5,157	5,157	-	-
Total Program and Events Expenses	2,837,901	2,063,901	374,000	400,000
Management and General	589,591	231,451	226,000	132,140
Total Expenses	3,427,492	2,295,352	600,000	532,140
CHANGE IN NET ASSETS	(29,761)	(29,761)	-	-
NET ASSETS, Beginning of Year	657,724	-	-	-
NET ASSETS, End of Year	\$ 627,963	\$ (29,761)	\$ -	\$ -

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

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

STATEMENT OF FUNCTIONAL REVENUE AND EXPENSES FOR PROGRAMS AND EVENTS

Year Ended June 30, 2010

	Music in the Park 2009	Ice Rink	Farmers' Market	Music in the Park 2010	Communi- cations/ PR	Research and Planning	Public Space Programming	Holiday and District Promotions	Property Business Improvement District	Marketing, Parking, & Transportation Promotions	Foundation, Beautification and Membership	Miscellaneous	Management and General	Total
PROGRAM REVENUE:														
BID Contract	\$ 45,000	\$ 100,000	\$ 31,500	\$ 30,500	\$ 30,000	\$ 25,000	\$ 15,000	\$ 30,000	\$ -	\$ 55,000	\$ 12,000	\$ -	\$ 226,000	\$ 600,000
RDA Contract	45,000	105,000	10,000	35,000	36,200	-	-	39,800	-	129,000	-	-	132,141	532,141
Other Contracts	-	155,000	-	-	-	-	125,000	-	546,600	79,775	-	-	-	906,375
Sponsorships/Sales	124,900	73,016	-	48,750	-	-	2,400	2,250	-	31,000	25,000	-	-	307,316
Group Sales	-	-	-	-	-	-	31,223	-	-	-	-	-	-	31,223
Concessions/Admissions	220,018	497,244	-	111,613	-	-	39	548	-	-	-	3,630	-	833,092
Participant Fees	11,650	-	18,869	5,300	-	-	-	14,553	-	8,500	-	-	-	58,872
Grants	15,000	28,200	-	8,000	-	-	-	-	-	-	-	-	-	51,200
Miscellaneous Income	4,050	1,550	4,500	1,587	-	-	26,547	100	-	2,675	5,000	7,864	9,639	63,512
Administration Income	-	-	-	-	-	-	-	-	-	-	-	-	14,000	14,000
Total Revenue	465,618	960,010	64,869	240,750	66,200	25,000	200,209	87,251	546,600	305,950	42,000	11,494	381,780	3,397,731
PROGRAM EXPENSES:														
Personnel	50,000	80,000	18,000	35,000	75,000	70,000	34,000	41,000	110,000	128,000	9,000	-	400,000	1,050,000
Insurance	15,084	28,841	9,400	6,709	-	-	9,830	-	-	-	-	1,200	4,303	75,367
City Services	50,947	12,172	1,206	24,887	-	-	12,061	831	-	-	-	50	-	102,154
Marketing	18,956	52,803	15,268	3,383	29,281	-	4,292	5,639	-	149,642	1,728	-	-	280,992
Event Production	100,565	292,287	140	47,530	-	-	67,919	15,130	-	-	-	-	-	523,571
Technical Support	42,170	299,536	1,025	19,695	-	-	26,524	16,017	-	-	-	-	-	404,967
Supplies and Materials	42,119	50,115	1,162	25,751	76	-	14,048	6,632	-	-	658	-	10,075	150,636
Cost of Concessions	74,232	5,406	-	24,467	-	-	19	27	-	-	-	3,307	-	107,458
Subcontractors	5,275	500	9,240	3,100	-	10,000	12,900	1,705	349,529	-	35,099	600	-	427,948
Depreciation and Amortization	-	121,309	-	-	-	-	-	-	-	-	-	-	36,522	157,831
Other Expenses	1,149	6,241	57	-	-	350	-	-	-	80	-	-	138,691	146,568
Total Expenses	400,497	949,210	55,498	190,522	104,357	80,350	181,593	86,981	459,529	277,722	46,485	5,157	589,591	3,427,492
Excess of Revenue (Expense)	\$ 65,121	\$ 10,800	\$ 9,371	\$ 50,228	\$ (38,157)	\$ (55,350)	\$ 18,616	\$ 270	\$ 87,071	\$ 28,228	\$ (4,485)	\$ 6,337	\$ (207,811)	\$ (29,761)

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

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ (29,761)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	157,831
(Increase) Decrease in Assets:	
Contracts Receivable	(107,860)
Accounts Receivable	4,208
Prepaid Expenses	16,519
(Decrease) in Liabilities:	
Accounts Payable	(37,043)
Sales Tax Payable	(3,462)
Deferred Revenue	(54,692)
Accrued Expenses	<u>(17,488)</u>
Cash Used by Operating Activities	<u>(71,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Office Equipment	(6,834)
Purchase of Ice Rink Equipment	<u>(5,198)</u>
Cash Used by Investing Activities	<u>(12,032)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on Mortgage Payable	(5,283)
Payments on Note Payable	<u>(96,721)</u>
Cash Used by Financing Activities	<u>(102,004)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(185,784)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>268,430</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 82,646</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:	
Cash Paid for Interest	<u>\$ 19,267</u>

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND STATEMENT OF PURPOSES:

The San Jose Downtown Association (the "Association") is a nonprofit mutual benefit corporation organized under the California Nonprofit Mutual Benefit Corporation Law. The Association is exempt from Federal Income Tax under Section 501(c)(6) of the Internal Revenue Code. The primary purposes of the Association are to:

- (a) Encourage, stimulate and improve the business conditions in downtown San Jose for retailers, restaurants, entertainment establishments, service businesses and professionals, and to promote retail and other commercial activities in that area.
- (b) Establish new and improve existing parking facilities in downtown San Jose for the benefit of the area and to encourage the formation of local parking districts.
- (c) Seek out public and private revenues to support its objectives.
- (d) Beautify downtown San Jose.
- (e) Promote public events and to obtain funding and programs for seasonal decorations of public spaces in the area.
- (f) Promote a positive identity for the area through advertising and public relations program and the sponsorship of public events, promotions and festivals.
- (g) Promote the preservation and renovation of historical structures in downtown San Jose and to preserve the architectural heritage and historical character of the downtown San Jose area.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basic of Accounting - The financial statements of the Association is an accrual basis not-for-profit corporation with a fiscal year end of June 30.

Basis of Presentation - The Association follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*), the Association reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Notes 3 to 6 for descriptions of the funds, including restrictions, if any.

The revenues recorded in the statement of activities regarding the Business Improvement District and Redevelopment Agency Fund are restricted as to their use per the respective contracts. Since the restrictions were met in the same period as the revenues were recorded, SFAS No. 117 permits the classification of these revenues as unrestricted.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Association maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Association has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Receivables - No allowance for uncollectible receivables has been presented since all amounts are deemed to be collectible.

Deferred Income - Deferred income results from grants, contract or sponsorship revenue received for a specific event scheduled in the following year. Revenue is recognized in the period that the related expenses are incurred.

Prepaid Expenses - Prepaid expenses result from advances or deposits on goods or services that will be received in the following year. Direct event expenses are recorded in the year the event takes place.

Donated Materials and Services - Donated materials and services, which Management estimates at approximately \$2,312,416 have not been recognized in the accompanying financial statements since the recognition requirements of ASC 958 (formerly SFAS No. 116) were not met. A number of volunteers have donated significant amounts of their time in the Association program services and administrative support. Also, media and service donations were received as part of event sponsorships.

Capitalization Policy - The Association's policy is to capitalize fixed asset purchases in excess of \$500. Any furniture, equipment or other assets purchased under a grant or a service contract are considered the property of the granting agency and will not be capitalized. Depreciation is computed using straight-line depreciation methods. Depreciation expense for the year ended June 30, 2010 is \$157,831.

Personal Time Off - Personal time off ("PTO") represents vacation and sick days earned, but not taken as of June 30, 2010, and is included in "accrued expenses" in the statement of financial position. The PTO balance as of June 30, 2010 totaled \$39,494.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Income Taxes - San Jose Downtown Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

ASC 740-10 (formerly FIN 48) - In June 2006, the Financial Accounting Standards Boards (FASB) issued ASC 740-10 (formerly Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48)). ASC 740-10 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more-likely-than-not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return.

Effective July 1, 2009 the Association implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740-10. Accordingly, an entity shall initially recognize the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2010, the Association believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

ASC 825-10 (formerly SFAS No. 159) - In February 2007, FASB issued ASC 825-10 (formerly SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of ASC 825-10 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. ASC 825-10 is effective for an entity's first fiscal year that begins after November 15, 2007. The Association has adopted ASC 825-10 but did not elect to measure any eligible financial instruments at fair value under this guidance.

Subsequent Events - Management of the Association has evaluated events and transactions subsequent to June 30, 2010 for potential recognition or disclosure in the financial statements. The Association did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2010. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 22, 2010.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Recent Accounting Pronouncements -

FASB Accounting Standards Codification - On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles* (GAAP) (Codification). ASC 105-10 establishes the exclusive authoritative reference for U.S. GAAP for us in financial statements, except for SEC rules and interpretive releases, which are also authoritative for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. The Association has included the references to the Codification, as appropriate, in these financial statements.

NOTE 3 - BID FUND - DOWNTOWN SAN JOSE BUSINESS IMPROVEMENT DISTRICT:

In October 1988, San Jose City Ordinance #22960 established and defined the Downtown San Jose Business Improvement District (BID). The "District" is funded by an assessment levied on the businesses located within the District and approved annually by the San Jose City Council through a public hearing process.

In 1989, the San Jose City Council appointed the San Jose Downtown Association as the Advisory Board for the BID, to advise the Council on the levy of assessments of the BID and the expenditure of revenues derived from the assessments.

In March 1989, the San Jose Downtown Association entered into an agreement with the City of San Jose to operate and administer the activities within the District. This agreement was amended and restated June 24, 1997.

For the year ended June 30, 2010, a budget of \$620,000 was approved by the City of San Jose. During the year ended June 30, 2010, the City collected \$610,998 of BID assessments. During the year, \$600,000 was expended by the Association of which \$134,746 had not been reimbursed by the City as of June 30, 2010.

There is a balance of BID funds remaining in the separate City of San Jose BID account as of June 30, 2010 in the amount of \$10,998. The Association is reporting this amount as a Current Asset with a corresponding offset to Deferred Income as of June 30, 2010 and will be utilized in the year ending June 30, 2011.

A budget of \$625,000 has been approved by the City for the fiscal year ending June 30, 2011.

NOTE 4 - RDA FUND - SAN JOSE REDEVELOPMENT AGENCY:

The Association received revenues under a service contract with the San Jose Redevelopment Agency, an Agency of the City of San Jose. The scope of services include promotional activities and management and coordination of activities.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - RDA FUND - SAN JOSE REDEVELOPMENT AGENCY (Continued):

The agreement with the San Jose Redevelopment Agency provided for up to \$532,140 of reimbursements for the year ended June 30, 2010, which included funding of \$32,140 towards an executive director of the Association for the year ended June 30, 2010. The Association's Executive Director funding arrangement with the Redevelopment Agency ended on September 18, 2009. Unanimously approved by the Board of Directors, the Executive Director position since Sept. 19, 2009 is now fully funded by the Downtown Association.

During the year ended June 30, 2010, \$532,140 was expended by the Association against this budget of which \$71,300 has not been reimbursed as of June 30, 2010.

Currently, the current agreement is that RDA is to provide \$155,000 for each winter season, for a total of \$465,000, for the ice rink event through 2010/11 winter season. The agreement is set to expire on June 30, 2011

Future RDA payments under the proposed agreement are as follows:

2010/11 Winter Season	\$	155,000
-----------------------	----	---------

NOTE 5 - SJDA FUND:

This fund accounts for resources under the discretionary control of the Association's Board of Directors, for use in carrying on the general operations of the Association. The balance in this fund as of June 30, 2010 was \$627,963.

NOTE 6 - PBID FUND - SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION:

As of January 28, 2008 the Association entered into an agreement with San Jose Downtown Property Owners' Association ("PBID") to provide management services. The agreement shall run from January 28, 2008 to January 31, 2013. The entities have separate boards of directors and operate as separate entities. As compensation for the management services, the Association will receive 9.1% of the total revenue received by PBID. The fee is payable semi-annually. As of June 30, 2010, the Association earned revenue from this agreement totaling \$546,600.

As of January 14, 2008 the Association entered into an agreement on behalf of San Jose Downtown Property Owners' Association ("PBID") with Service Group Incorporated ("SGI"). SGI provides services to allow PBID to carry out its nature of activities of maintenance of Downtown San Jose, including cleaning, safety and information, and enhancing the image of Downtown San Jose. The agreement shall terminate on January 13, 2011, unless renewed for 3 additional one year terms. Either party has the right to terminate this agreement at any time, by giving written notice at least 120 days prior to termination date.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 7 - DEFERRED INCOME:

Deferred income consists of the following as of June 30, 2010:

Music in the Park	\$ 95,125
Other	<u>32,239</u>
	<u>\$ 127,364</u>

NOTE 8 - CONCENTRATION OF ACTIVITIES:

Approximately \$1,892,645 was earned through contracts with and grants from the City of San Jose, including its agencies and the BID. Activities of the Association take place in and for the benefit of the downtown San Jose, California geographic area.

NOTE 9 - MORTGAGE PAYABLE:

On April 28, 2009, the Association entered into a loan agreement with Wells Fargo Bank for \$250,000. The interest rate is a fixed rate loan at 5.50% per annum for the term of the loan, 35 monthly payments are made for \$1,731 and a final payment of \$230,506 is due on May 20, 2012, plus any unpaid principal and interest. The note is secured by Deed of Trust on 28 North First Street, Suite 1000.

Total principal outstanding is \$242,852 at June 30, 2010.

Schedule maturities for the above mortgage payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 7,627
2012	<u>235,225</u>
	<u>\$ 242,852</u>

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 10 - NOTE PAYABLE:

On November 20, 2006, the Association entered into a loan agreement with Siemens Financial Services, Inc. for \$413,473. The note was revised on or about October 22, 2007 to account for approximately \$95,885 that was never drawn or used on the note. The term of the note is 7.5% per annum and was originally payable in 60 monthly installments (the first 12 payments of \$7,533 and 48 payments of \$8,510). The note, as revised is payable in 12 monthly payments of \$7,533, followed by 33 monthly payments of \$8,510, and a final payment of \$2,274 due in September 2010.

Total principal outstanding is \$19,095 at June 30, 2010.

Scheduled maturities for the above note payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 19,095

NOTE 11 - LINE OF CREDIT ("LOC"):

	<u>Amount Available</u>
Wells Fargo Bank, revolving line of credit for a maximum amount of \$150,000. Interest is computed at the Bank's prime rate plus 1.750% with a floor rate of 5%, secured by certain assets of the Association. Maturity date of April 18, 2011.	\$ 150,000

The LOC was not accessed during fiscal year 2010.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 12 - EMPLOYEE BENEFIT PLAN:

The Association has a SIMPLE IRA plan that covers any employees who received at least \$5,000 in compensation during the previous calendar year, and is reasonably expected to receive at least \$5,000 in compensation during the current year. The Association makes a contribution on a dollar for dollar basis up to 3% of employee's gross salary. All contributions (employee and employer) are fully vested. The SIMPLE IRA Plan was terminated on December 31, 2009.

The Association's matching contribution for the year ended June 30, 2010 was \$11,196.

The Association established a defined contribution 401(k) pension plan effective January 1, 2010. All employees who are at least twenty-one years old and have completed one year of service and at least one thousand hours of service are eligible to participate in the plan. Employees participating in the plan may elect to defer a percentage of their annual compensation to the plan subject to applicable limits. The Association's safe harbor matches employee contributions at the rate of 100% not to exceed 3% of your compensation plus 50% of your salary deferrals between 3% and 5% of employee compensation. The safe harbor match is 100% vested upon contribution. In addition, the Association may make discretionary matching contributions and contributions based on profit sharing. Expense to maintain the plan are paid by plan's assets and allocated to participants based on participants' assets. Association's management has the right to terminate the plan at anytime.

The Association's safe harbor contribution for the year ended June 30, 2010 was \$14,319.

NOTE 13 - OFFICE CONDOMINIUM:

The Association, through its ownership of its office condominium and Suite 200, is a member of the Commercial Building Owners' Association (CBOA). Members pay monthly dues to CBOA to cover the property management and common area expenses (such as utilities and janitorial expenses). CBOA, on an as needed basis, can request special assessments from members for major improvements or renovations to common areas of the property. There were no special assessments during the year ended June 30, 2010.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 14 - OPERATING LEASE COMMITMENTS:

The Association lease a copier under a noncancelable operating lease which expire in February 2014. Total lease payments related to the operating leases for the years ending June 30, 2010 is \$3,055.

Future minimum lease payments as of June 30, 2010 under these noncancelable operating leases is:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 2,796
2012	2,796
2013	2,796
2014	<u>1,864</u>
Total Future Minimum Lease Payments	<u>\$ 10,252</u>

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

SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES

Year Ended June 30, 2010

	Total All Funds	SJDA Fund	BID Fund	RDA Fund
Salaries and Payroll Taxes	\$ 305,428	\$ 22,240	\$ 151,048	\$ 132,140
Employee Benefits	96,543	21,591	74,952	-
Building Expenses	91,613	91,613	-	-
Office Equipment	11,946	11,946	-	-
Utilities	6,638	6,638	-	-
Office Supplies	10,075	10,075	-	-
Insurance	2,331	2,331	-	-
Professional Services	15,327	15,327	-	-
Dues and Conferences	15,091	15,091	-	-
Meetings and Hospitality	7,856	7,856	-	-
Postage/Mailing Services	2,996	2,996	-	-
Miscellaneous Expenses	<u>23,747</u>	<u>23,747</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 589,591</u>	<u>\$ 231,451</u>	<u>\$ 226,000</u>	<u>\$ 132,140</u>

SUPPLEMENTARY INFORMATION